

# Threat to Denmark's Ground Duty

THE Danish Government is preparing a frontal attack on its Ground Duty, reports *Ole Lefmann*, Deputy President of the International Union for Land Value Taxation and Free Trade.

Since 1922 the Danish Taxation on Real Property has been based on the principle that the community has a superior right to levy a tax on, plan for, and regulate land. That principle has been promoted by Danmarks Retsforbund (Danish Justice Party), Det Radikale Venstre (Left Wing Radicals) and Socialdemokratiet (Social Democrats).

Ground Duty raises approximately 2% of all taxes in Denmark (down from 5% in 1960).

The base of real estate taxation is a periodic public assessment of almost all real estate properties. Each property is separately assessed for its land value and the value of the building(s). The value of the entire property has until recently been the base of the so-called Income Tax on Imputed Rentals of the estate, on which the taxpayer resides. That tax will disappear next year and be replaced by a 1% tax on the total value of the properties. The separately assessed value of land is the base for the Ground Duty.

But the government is now preparing to abolish the distinction between land and buildings, following a report from the committee set up by the Minister of Taxation. The proposed changes would enable owners to hamper effective reassessments. The assessment authorities would have to document the correctness of their assessment versus the owner's more or less fictitious estimate.

The change, if implemented, would further influence the distribution of wealth. The proposal would favour owners of comparatively high-value land, and disadvantage the owners of comparatively high-value buildings.

This fiscal "reform" would deprive government of an important instrument for stabilising the economy. Recent policy shifts in property taxation have favoured passive investment in land, to the detriment of productive enterprises. That has damaged employment and the economy in general. The existing system, with the separate assessment of land values, makes it relatively easy for the political majority to aim for a tax policy that favoured increases in Ground Duty and decreases in taxes on income. This policy may be the only one left to defend a small, open economy like Denmark.

The ministerial committee supports the abolition of the separate assessment and taxation of land by claiming that people find it difficult to understand Ground Duty. But sim-

plification is not prescribed in the report, and taxes are never abolished only because they are unpopular or difficult to understand.

The report mentions, however, some remarks about certain technical problems with assessment of the value of the sites in areas where just a few vacant sites have been sold.

The report was published last August but it went largely unnoticed by the media in spite of its far reaching character.

☐ This report is based on a longer analysis of the proposed changes which appeared in the Copenhagen-based GRUNDSKYLD, the Danish Magazine for Politics and Economics, written by Ib Christensen (a former chairman of the Danish Justice Party, Member of the Danish Parliament from 1973-75 and 1977-81, and Member of the European Parliament from 1978-79 and 1984-94), and Karsten Larsen (editor of GRUNDSKYLD).