



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's.

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).

Asia Crisis: Thai Land Values Cut

THE LAND boom pushed prices so high that they became unaffordable and led to Thailand's financial crisis.

Now the government's Land department has reduced the official appraisal values of land in Bangkok by up to 25%. The

hope is that this will encourage new deals in the lacklustre property market.

Developers pay tax based on the government's appraised value and not the actual selling price of a plot of land. The reduction, to about Bt. 150,000 (£2,500) per

square metre in the best locations, is still higher than market values, claimed officials.

The appraisals affect banks. They have to make extra provisions for bad debts when the value of collateral such as land falls.

Land Wars Threat to Cambodia

POL POT'S scorched earth war against the people of Cambodia has left a legacy of conflicts over the control of land.

A new law on land ownership before Parliament has failed to stem the corruption which is deterring people from occupying and using land.

Opposition leader Sam Rainsy now warns that gangsters with good political connections are riding roughshod over the needs of people who wish to possess land.

Following the collapse of the Khmer Rouge regime, land was released for the population that had been decimated by the murderous campaigns of Pol Pot.

But the end of warfare has not brought peace to the countryside. Recently, peasants complaining of land theft have held vigils outside the palace of King Norodom Sihanouk.

Mr. Rainsy warns: "Land grabs and land disputes have become a more and more acute problem". The land grabbers used intimidation and murder to secure control over land, undeterred by the law which failed to enforce a transparent system of rights.

Panama Property Bonanza

AS THE US government pulled out of Panama in December, politically connected operators moved in to make a killing out of what they have called "the real estate sale of the century".

The US military abandoned bases which the Inter-oceanic Region Authority began marketing as retirement homes, tourist villages and golf courses.

Large villas vacated by US officers fell into the hands of Panamanian politicians. An entrepreneur acquired a sprawling shopping centre on the edge of Panama city at \$40 million below its estimated value.

Slum dwellers complain that the US pull-out is leading to gentrification. A spokesman for a residents' committee reports: "The majority of the people didn't want the US to leave, because the canal will be left unprotected. The land and the bases will all be swindled away. The people will get nothing".

GM Crops may hit land value

THE BRITISH government has been told that growing genetically modified crops could potentially affect the value of farmland.

The warning comes from the Royal Institute of Chartered Surveyors, which represents the managers of most of the UK's agricultural land.

The RICS raises the possibility that tenant farmers who grow GM crops may have to compensate landowners for any shortfall in the price of the land.

Meanwhile, the Country Landowners Association is calling for a ten-fold increase in government spending on green farming practices. Its President, Ian MacNicol said that the cost of preserving the beauty of the land and its wildlife could be as much as £1 billion a year. Mr MacNicol said it was unreasonable to expect land managers to subsidise uneconomic activities out of their own resources.