

## A CRITICISM OF LOCAL TAXATION IN ENGLAND

The Journal of the Royal Statistical Society, May, 1918, contains the text of a paper on "The Bases of Local Taxation in England," read before the Society on March 19, by Mr. Edgar J. Harper. It is a concise and lucid criticism of the present standard of rating, giving in its brief compass just that information which is most valuable to the student and reformer. Instructive in every paragraph, it lends itself with difficulty to a sketch of its contents which would do justice. Reprinted *in extenso*, as we hope it may be, and published in pamphlet form, it would earn and deserve a wide circulation. Scarcity of space obliges us to limit ourselves to some extracts, and to satisfy ourselves with this very inadequate treatment of its importance.

Mr. Harper deals with the subject under four heads: 1. Account of the main features presented by the bases of local taxation, and the methods by which they are applied; 2. The anomalies of existing taxation, and its effects upon town development, housing, manufactures, agriculture, and public services; 3. The incidence of rates; and 4. Attempts at reform. The matter is illustrated by numerous graphs, diagrams, and statistical tables showing the growth of taxation, and the relative burden borne by various classes of properties.

### *Sources of Revenue.*

Local revenues are obtained chiefly from taxation on "rateable value," supplemented by subventions from the Imperial exchequer, and from other sundry sources, viz., local taxation licences (collected by Councils of Counties and County Boroughs) in respect of dogs, guns, game, etc., bridge, ferry, and market tolls, and dock and harbour dues. "Bases invented to fit special circumstances are found in connection with embankments and sea-walls constructed to prevent the flooding of low-lying land. In the majority of instances the cost of maintaining these defences is met by a rate levied upon the owners of the protected lands at a flat rate per acre, which may vary according to the level of the land or its distance from the embankment or sea-wall, or both."

### *Imperial Subventions.*

"Until recently it might have been said that all the bases of local taxation in England came under the general head of rateable value; but owing to the changes made in 1907, 1908, and 1910, certain receipts which were originally grants from the State have become in effect subjects of local taxation. Under the Local Government Act, 1888,

'assigned revenues' were paid direct into the Local Taxation Account for distribution among local authorities: but the Finance Act, 1907, provided they should be paid into the Exchequer instead, the Consolidated Fund being thereupon charged with the payment of equivalent amounts to the Local Taxation Account."

### *The Chief Basis.*

"It is a common belief that all other local taxation is raised on the single basis of the net value of hereditaments: but this is a serious misapprehension. Some hereditaments are not liable to rating at all: none are liable when unoccupied. Some are liable according to their full value: others only according to varying proportions thereof."

The statutory definitions of rateable value are found in the Parochial Assessment Act, 1836; the Union Assessment Act, 1862; and the Valuation of Property (Metropolis) Act, 1869.

Mr. Harper explains that owing to these definitions and the deduction for repairs and insurance there is a dual valuation (which it should be noted does not obtain in Scotland, where properties are taxed on a valuation representing the gross value without deduction for repairs), the one gross and the other net, and in England and Wales properties are taxed on the latter basis. An anomaly at once arises. "The consequence of making the full deduction in every case is that, where site values are high, the deduction covers much more than the average annual cost of repairs and insurance, and property of high value escapes a certain amount of rating, to the detriment of property of low value." Cases are quoted (from London assessments) showing that "the reduction in the structural part of the rateable value has been so great as to leave it at a figure actually less than the amount deducted. There are thousands of such cases in which the net annual value of a building is in this way made to appear less than the annual cost of maintaining it."

### *Exemptions.*

"The principal cases of total exemption from rating are Crown property, churches, chapels, Sunday schools, ragged schools, non-provided schools, light-houses, land belonging to and occupied by literary and scientific societies supported wholly or in part by annual voluntary contributions and distributing no dividend. The Crown has since 1860 recognised the inequitable character of its exemption, and has made contributions in lieu of

rates (in respect of all Crown properties maintained out of Parliamentary votes) as the basis of net annual values fixed by the Treasury Valuer. Light-houses no one would wish to rate, any more than public streets, parks, and open spaces. But no adequate reason at present exists why religious communities of all denominations should continue to receive subventions in aid of their operations from their fellow ratepayers, particularly such as do not agree with their principles."

"Partial exemptions from liability to rates are for the most part statutory. A not uncommon provision in private Acts authorising the construction of canals is one fixing or limiting the rateable value of the canal to the same standard as the value of the lands lying near; and this precedent was followed in the Light Railways Act, 1896, Sec. 5 (1), which provides that, where the Treasury make a special advance as a free grant towards the making of the railway, the Order authorising the railway may provide that it 'shall not be assessed to any local rate at a higher value than that at which the land occupied by the railway would have been assessed if it had remained in the condition in which it was immediately before it was acquired for the purposes of the railway.'"

"The most important partial exemptions are those which limit the ratepayer's liability to a certain proportion of the rate in the £. The oldest of these is the provision in the Lighting and Watching Acts that buildings are to be charged at a rate three times as great as that levied upon land. General district rates (which are not leviable within the Administrative County of London) are only chargeable to the extent of one-fourth part in respect of tithes, arable, meadow, or pasture land, woodlands, market gardens, nursery grounds, land covered by water and railways; and a similar limitation affects that part of the poor rate required to meet the general expenses of rural authorities."

"The Agricultural Rates Act, 1896, left unaffected those provisions of the Lighting and Watching Acts and the Public Health Act, which gave agricultural land the benefit of a larger exemption than one-half from the particular rate affected; in respect of all other rates it reduced the occupier's liability to one-half. Deficiencies in local accounts were made good by a grant calculated on the basis of the deficiency at the time, and thus left the charge upon other properties unaffected. Subsequent changes have in some parishes thrown a greater proportion of the increased charge upon property other than agricultural land."

"The Tithe Rent Charge (Rates) Act, 1899, followed the precedent of the Agricultural Rates Act in regard to tithe rent charge attached to a benefice. It was met by a withdrawal from the Local Taxation Account of the sum required to

make it good, and the case furnishes another illustration of benefit to a particular class of ratepayer at the expense of all other classes. . . . But the case of tithe rent charge is peculiar because the rates are payable by the owner and not the occupier of the land out of which it issues."

"The exemption of unoccupied property is not directly prescribed by statute, but it has been uniformly recognised both in practice and by the Courts for very many years. Probably it originated from the wording of the Poor Relief Act, 1601, which directed the Overseers to raise money in connection with poor relief 'by taxation of every inhabitant, parson, vicar, and other and every occupier of lands, houses etc.'"

#### *Application of the Definitions.*

"However competent may be the officials who make the valuation lists, it will never be possible to secure equity or uniformity in valuation under the existing law, because the definition of annual value is framed only with regard to the conditions affecting properties usually let from year to year. A point is reached at which even the expert valuer finds himself in difficulties in attempting to apply the statutory definition to premises which were never intended to be, and never are, let to tenants from year to year. In premises of this class extraordinary divergences occur. On the one hand large and costly mansions are often valued at figures which appear little more than nominal, because no tenant from year to year could face the heavy expense of the mere maintenance of the property. On the other hand, still more costly works and public buildings are assessed at a percentage of cost or structural value on the hypothesis that the public authority is the best possible tenant for them. In the former case the assessment is usually far too low—in the latter, often too high."

#### *Machinery.*

"The Courts, as a result of considerable litigation, have held, in estimating the annual value of a building containing machinery, that such machinery, while not to be valued *per se*, must nevertheless be taken into account in so far as it enhances the value of the premises for the purpose for which they are used. The effect of this decision is serious upon all occupiers of premises including a large amount of machinery, and so greatly is the hardship appreciated in certain localities that the decision of the Courts remains almost a dead letter there, although in most places it is followed. Machinery users have for years been engaged in a political agitation to secure the exclusion of machinery from consideration in arriving at annual values."

*(To be concluded in our next issue.)*