

THE TAXATION OF LAND VALUES AND THE PRESENT EMERGENCY

Statement Presented to the Prime Minister and the Chancellor of
the Exchequer by the Land Values Group in Parliament

The Finance Act which became law in December, 1915, and the prospect of another War Budget gives rise to the following considerations.

Notwithstanding the "truce," under which it was said matters of party controversy were to be neither advanced nor set back, protective taxes have been imposed in violation of the convictions of the party which won the last General Election. The breakfast-table duties, which it had been the policy of the same party to abolish or reduce, have been enormously increased. Income tax has been extended to weekly wages and further taxation of wages has been advocated.

The taxation of land values, however, has received very different treatment. An attempt was made by certain Members of Parliament to scrap the Valuation Department and answers to questions in the House gave no assurance that the machinery necessary for effective land value taxation would not be thrown out of gear.

The question ought not to be put aside because of the "truce." It has never been a strictly party question. For the purpose of local revenue, the taxation of land values has been supported by an influential body of conservative and non-party opinion. It has been successfully established in our self-governing Dominions. Moreover, in view of the protective taxes and taxes on wages, it cannot be ruled out on the grounds of the party "truce." But quite apart from those considerations, it cannot be ruled out now. Expenditure is mounting up and up, and permanent taxation will certainly have to be more than double what it was before the war. It is self-evident to every patriotic person that all sources of wealth must be tapped which can be drawn on without unfairness and without injuring the economic condition of the country. If there is such a source in land value, the Government should not disregard it.

What are called the Land Value Duties of the Finance Act, 1909-10, have failed to bring in as much revenue as their authors hoped, owing to the fact that they apply only to certain limited categories of land, and that they were whittled away by abatements and exemptions.* The advocates of the taxation of land

values have never accepted these Duties as a substitute for a simple annual tax on land values properly defined, or expected them to be equivalent to such a tax as a revenue-producing instrument. That this should now be admitted is no reason why the machinery of valuation, and the materials which have been collected at great expense and in compliance with an overwhelming demand by the constituencies, should be thrown on the scrap-heap instead of being put to the fruitful use for which they were designed and which they are now able to fulfil.

Land Valuation was the essence of the great Budget of 1909, as Mr. Lloyd George has often declared. When in 1909 he took a full review of the situation in his search for the sources of a great and growing revenue for purposes of social reform, land value was the chief spring which he decided to tap. Now that the need for fresh revenue is greater than ever, and the preliminary work of valuing has been done, it is inconceivable that the Government should abandon that source and allow it still to run to waste.

That there is an untapped source of revenue in land values is clear. It is sometimes said that land values already pay Property Tax (Income Tax, Schedule A). It is true that in the case of small occupied properties let by the week, month or year, the rent is the basis of assessment, and the rent includes the full land value. But in the case of large properties not usually let on short terms, there is no standard such as rent to go by and, as the present assessors are not skilled in valuation, such properties are under-valued for assessment; and some portion of the land value escapes. Again, valuable sites are often occupied by old and unsuitable buildings, and the greater portion of the land value escapes. It is common for land which is ripening for building to be used for agricultural purposes or for sport, and in that case it is assessed according to the value of such use. Here, also, the greater portion of the land value escapes. Lastly, very valuable land often lies unused for years, because the owner stands out for too high a price. In such case the whole of the land value escapes except in so far as it may come within the scope of the Undeveloped Land Duty which is quite inadequate. In the aggregate land values which thus escape, there is a large new source of revenue.

Some indication of the extent of the land and amount of the value which escapes assessment is to be found in the figures relating to local rates, the assessment for which, as for Income Tax, is determined by the actual use or non-use of the land.

* "Increment Value Duty is only charged upon sites which have increased in value at the time when they change hands. Even then no duty is chargeable if the increase is less than 10 per cent.; and in any case the charge is not measured by the site value as a whole, but by the increment value, less 10 per cent. of the original site value. It is thus very far from being a general duty on site value. . . . Undeveloped Land Duty is limited to one particular class of land, i.e., land which is ripening for building, and this class has been largely cut down by the provisions contained in the Act for exemptions and abatements. For instance, if within 20 years the owner has spent a sum equal to £100 per acre on the provision of roads and sewers, the whole of his land included in a scheme of development is exempt from duty, and in this way the greater part of the most valuable undeveloped land has become exempt. Moreover, if undeveloped land is used *bona fide* for any

business, trade, or industry other than agriculture, it is also exempt, however inadequate such use may be compared with the value of the land." (Separate Report, Departmental Committee on Local Taxation, Blue Book, Cd. 7315, 1914, p. 115.) And in the case of agricultural land of which the site value exceeds £50 per acre, undeveloped land duty is chargeable only on the amount by which the site value exceeds the value of the land for agricultural purposes. No duty is chargeable in any case where the site value of the land does not exceed £50 per acre.

About two-thirds (65 per cent.) of the land in urban districts is rated as "agricultural land," though very valuable and urgently wanted for housing and industrial purposes. Being put to this inferior use, it is assessed at an insignificant amount, and contributes only 2½d. out of every £ collected in rates.

These figures are not guess work. They are based on an official document—White Paper 119 of 1913—which gives particulars of how the burden of rates falls in 1,076 Urban Districts in England and Wales, having a population, in 1911, of 21,206,450. The totals for all these Urban Districts are as follows:—

Total area	3,884,139 acres
Area rated as "agricultural land"	2,533,035 acres
Rates paid on all land	£35,429,301
Rates paid on land rated as "agricultural land"	£400,689

This new source of revenue can be tapped now, (a) without much delay or expense, (b) with perfect fairness, and (c) with most beneficial economic results.

(a) The material necessary for the completion of the Survey and valuation of all the land in Great Britain is now at the command of the Valuation Department, and there is nothing to hinder the immediate preparation of a new and simple Valuation Roll of Land Values. Financial urgency has already been held to justify new and drastic steps for assessing war taxes. Landowners have, since the Act of 1909-10 was passed, had ample notice and opportunity to collect all the information necessary for valuing their interests, and they might be called on by the Act which imposes the tax to make a prompt return of the value of such interests. The Valuation Department is in a position to check such valuation and to make any valuations in default of returns. In the present emergency landowners might be expected not to fall behind other persons in patriotically co-operating with the Government, especially if it were provided that the initial valuation should be revised after the war and that any necessary allowances and adjustments should then be made.

(b) The levy should be on all land values, but the tax paid could be taken into account in connection with the levy of Income Tax, Schedule A. In this way, the land which now escapes assessment would be brought under contribution only as to the extent to which it now escapes. It could be provided that the amount of Property Tax in respect of the annual land value in the Schedule A assessment could be remitted so far as it did not exceed the amount of the Land Values Tax. In this way the land value which is now charged either nothing, or less than its fair share, would be brought under contribution without inflicting a double burden on the owners of land value.

Any one looking at this proposal impartially can hardly fail to recognise its fairness and its urgency in these days of financial strain when all sources of wealth are called on to contribute their fair share. If there is one class that cannot make good any claim to escape fair contribution, it is that of the landowners who hold land which they are neither using nor allowing anyone else to use.

(c) The man who holds land out of use or only puts it to partial use, is vetoing all the production which would be possible if labour and capital had access to that land on fair terms, and, by helping to maintain an artificial scarcity of land, he is increasing the price of it, and so

worsening the condition upon which labour and capital may obtain access to any land. In these days it is not only fair, but urgent, for economic reasons, that all landowners should be taxed alike on the true value of the land they hold. The great need now is, and will be in the years to come, to open up every source of wealth and to increase production in all possible ways, in order to maintain our economic position during the war, and to repair the waste afterwards. The taxation of land values is the surest means to this end, as it would tend to bring into full use land, which, in the absence of such taxation, landowners are encouraged to under-use or keep out of use altogether.

For the above reasons it is urgent at once to take the necessary administrative and legislative steps to secure the Taxation of Land Values.

CONSCRIPTION OF LIFE AND CONSCRIPTION OF WEALTH

[The following passage, so appropriate to the present time, was written in 1901 by the late Max Hirsch (Melbourne). It is from his famous work *DEMOCRACY VERSUS SOCIALISM*, Part III., Chapter VII.]

The object of the State, the fuller assurance of the equal rights of all its members, is defeated by its habitual curtailment of any of these rights. Nevertheless, occasions may arise when some or all rights must be temporarily curtailed, in order to ensure their permanent recognition. Such necessity may arise from external aggression. When the existence of the State itself is threatened, the State may, in so far as appears necessary, call upon all its members to risk their lives in defence of the common rights. Property being less important than life itself, the right to property is of inferior importance to the right to life—the State has still less cause to abstain from infringing the right to property. For purposes of defensive war, therefore, when the common property is insufficient to meet the necessary expenditure individual property may be appropriated by the State, provided that the sacrifice of time, health, life, and property which the members of the State are called upon to make is in some manner equalised. Taxation of individual wealth, unjustifiable as a habitual measure in time of peace, may therefore become justifiable as a temporary measure for purposes of defensive war.

The false notions of proprietary rights engendered by the existing systems of monopoly have obscured even this truth. While some States rely upon voluntary enlistment even in time of war, others habitually practise compulsion, and in none is the right of the State to compel its members to sacrifice their lives in the common defence questioned. While thus claiming the right to infringe, or actually infringing, the equal right to life of some of its members, the State does not generally expect, or compel, a similar sacrifice of property. Instead of calling upon the owners of accumulated property to furnish the funds necessary for defence, the State generally borrows such funds from them, repaying them with interest out of the proceeds of taxation, which mainly falls, not on accumulated property, but on the labour of those classes which have borne the major part of the sacrifice of time, health, and life. The masses of the people, from whom the bulk of the active defenders are drawn, are thus compelled to sacrifice the produce of their labour as well; while the owners of accumulated property who generally take no part in the actual defence, sacrifice little or no property, and frequently receive back, apart from interest, a greater amount of wealth than they have lent to the State.