

## "LANDOWNERS' VALUATION"

By A. W. Madsen

Speaking at the meeting of the Henry George Club (London), on 14th March, 1924, Mr. A. W. Madsen said that for the purposes of the Taxation and Rating of Land Values the whole work of the Valuation Department should be concentrated upon valuing the land apart from improvements. No attempt should be made to value the improvements themselves, first, because that was a very troublesome task likely to cause serious delay in making the Valuation; and secondly, because there was no need to do so, since the tax or rate on land value was to be levied on land value only, improvements being exempt. It was essential that the Valuation Department should be properly equipped and adequately staffed at each of its District Offices, that it should be able to get particulars of all transactions in land and that it should make use of all the detailed information and the experience already acquired in connection with the Valuation of 1909. The Department should not only be equipped and staffed as explained. It should be established as a separate department of State, whereas at present it was only a subordinate Office of the Board of Inland Revenue. It was most important that valuation should be conducted in public—that is to say, the Valuation Rolls, accompanied by land-value maps, should be open to inspection at convenient places in each district and any appeals against the valuation should be heard in a public court. The valuation would thereafter come into operation without any further communication with the parties interested in the land.

Mr. Madsen went on to criticise the contention that the "owner" of each piece of land should be required to declare the value of the land (apart from improvements) and to contest the view that such a plan would secure a rapid if not immediate levy and collection of the tax on land values. There were many valid objections to a "landowners' valuation." The estimated figures would in the nature of the case be quite arbitrary and very great divergence would be discovered between the values placed on adjoining sites by different "owners" although in reality the values might be identical; in many cases subsequent examination would prove that the opinion of the "owner" as to the value of land, *apart from improvements*, could not be relied upon. If the "owners'" declaration was adopted as the taxable value, much irritation would arise even although the Act explained that there would be a surcharge or refund of the tax when later adjustments discovered that the "owners'" estimate was "too low" or "too high." The very suggestion of surcharges or refunds of a tax was enough to make confusion worse confounded, and in practice such a complicated system of administration would break down hopelessly. In the meantime also, where several persons were interested in one piece of land, each and all would have to accept, and be taxed according to, the declaration that one of them had made. The promise of subsequent adjustments would hardly serve to allay a universal misunderstanding of the whole principle at stake.

The other idea underlying the "landowners' valuation" was that the "owners'" declaration should not be accepted as the taxable value until it had been checked. Its purpose should be merely to provide evidence upon which the valuers should proceed to make their valuation. What was the proposed plan of action? They had to bear in mind that there were 11,000,000 separate pieces of land or "hereditaments" in this country and each had to be valued. Separate forms would have to be issued in respect of each piece of land. They would have to be posted to someone defined as the "owner" (although there might be other persons interested in the land who were far better able to guess the land value). The "owner" of every piece of land would have to be discovered and where one man was the "owner" of many sites he would require

to receive and return an equivalent number of forms. All the documents would have to be posted back either to the central office or to the office of the district concerned. Then, presumably, the examination and checking of the forms would begin. Apart from the correctness or incorrectness of the "estimates" of land value, arrived at from individual attempts to interpret the definitions given in the Act, there would often be errors in regard to the description or position of the land, and they would have to be rectified after further correspondence. The chief task would be to assemble the forms so that the different pieces of land could be arranged in geographical order and the estimates of "owners" compared on a map, one with the other. Only after all that work had been accomplished would it be possible for the valuers to check the "owners'" declarations and undertake the real business of valuation. That stage having been reached at last, it would be discovered that the *real* criterion for judging whether the values were "too high" or "too low" was certain expert knowledge already in possession of the Department which might have been used in the first instance without the delay and the annoyance of political agitation certain to be provoked by millions of returns compulsorily demanded under threat of penalties more or less severe.

Much more expeditious, satisfactory, reliable and simple was the making of the valuation by competent men, aided by their experience and by known facts, able by just comparisons to arrive at harmonious and systematic results; the publication of the results ascertained; an interval allowed for the hearing of appeals, which would be the proper time for any aggrieved landholders to express their opinion; and the adoption of the roll after appeals were decided. The expense and trouble, not to speak of the delay involved, of issuing forms in respect of eleven million hereditaments could be entirely avoided both before and after the valuation. The only form required was that stating the tax actually levied and requesting payment in due course.

The assumptions, analogies and precedents on which the "landowners' valuation" was based were reviewed. It was a mistaken idea that "owners" of land were better able than anyone else to say what was the value of land either with or without the improvements upon it. It was begging the question to assert that 1909 valuation was protracted because the Government of the day abandoned the original scheme of obliging "owners" to declare the value of land; the real reasons for delay were abundantly proved in public documents that had revealed the difficulties with which the Valuation Department had to contend. It was a false analogy to quote what is done to-day in respect of Income Tax forms and local assessments. These declarations were concerned with *matters of fact*, not with opinions or estimates such as would be required concerning the value of land *apart from improvements*. A statement on a matter of fact was a very different thing from offering an estimate of land value which was a matter of opinion.

The only precedent for a landowners' valuation that was worth considering was what happened in connection with the Australian Federal Land Tax. But there it must be remembered that returns were required only from those owning land with an unimproved value of £3,000 or more, and the total number of such owners was 32,000. Only those who held land of unimproved value of £5,000 or over (excepting absentee landowners) were subject to the tax and they were 13,387 in number. Only one valuation form was returned in each case with all particulars of all land entered upon it. The tax was levied on the aggregate land value and at a rate graded according to the total land value in each case. That was anything but a valuation of each separate piece of land. It was purely an alphabetical register of landowners, and of a small minority of landowners, from which no one could possibly ascertain how adjoining sites were valued and was

of no use whatever for purposes of local taxation. It was true that "owners" sent in returns quickly enough. The reason was that land value taxation, either for State or local purposes, was already in operation in all the States; and in very many cases the "owners" simply entered on the Federal Land Tax form the value at which the land had already been assessed for other purposes. Previous to the Federal Land Tax, the Australian States had undoubtedly adopted a "landowners' valuation" when the State land taxes were first initiated; but, although they had a mere handful of landowners to deal with, there was no such "expedition" as in the case of the Federal Land Tax. It was a slow and difficult process and on that subject the following extracts from the first report (1885) of the Land Tax Commissioner of South Australia were most illuminating:—

"Hurried assessments should be avoided as they must necessarily have less care bestowed upon them and are more likely to cause irritation. . . . The returns received were 36,921. . . . Remembering the trouble of working out the particulars contained in these returns, I cannot say much in praise of their quality. . . . The taxpayers generally made them out themselves and if they had but appreciated the numberless predicaments into which they were getting us, they would certainly have taken more pains to be correct. . . . The mistakes . . . have happened by thousands. They have for a time baffled all in the office to unravel them, they have kept a large staff employed in clearing them up by search and have required repeated applications to the taxpayers themselves before they could be disposed of. . . . Some values as returned were very high . . . whilst many were absurdly low. The differences were very great, some lands being returned at ten times as much as others which were of equal value. Certainly no assessment, formed by accepting the returns, could have been maintained.

It was necessary to get away from this false Australian precedent with its absurd and unworkable "penalties" against fraudulent returns. If they wanted precedents showing how valuation should be accomplished, they could find ample and adequate guidance from New Zealand and New South Wales (under the new Valuation Acts) from New York and Cleveland, from Cape Province and the Transvaal, from the Western Provinces of Canada, from Hungary and from Denmark. In all these countries Valuation was made by an accredited and skilled board or department which arrived at speedy results and agreed assessments without resorting to any such plan as that "owners" should be compelled to estimate the value of land, either to provide a basis for taxation or to help the valuers in their work. Practical valuation required no such estimates. It required only, where necessary, the facts in respect of the price paid, the rents received, the mortgages and charges on the land, and other relevant information in possession of the "owner" or any person interested in the land.

What they were out for was not the taxation of landowners' opinions, but the Taxation of Land Values.

Plato, for instance, had at one time thought of a political career, but relinquished it on the death of Socrates. He hated the Athenian democracy, its imperialism, its overseas trade, its system of paying for national service, its exploitation of the poor by the rich in the economic sphere, in the political the exploitation of the rich by the poor. Discussing the Republic of Plato, the lecturer pointed out that Kautsky and others were wrong in supposing it to be an essay in Socialism. Its Socialism was a co-partnership in poverty, and it was confined to the ruling classes, intellectual aristocrats living on meagre ground rents.—*Mr. Wm. Rennie, lecturer in Greek in the Glasgow University, delivered to the Workers' Educational Association, 8th March.*

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