

## LAND & LIBERTY

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### LOCAL TAXATION IN BRITISH GUIANA

A COMMISSION GIVES MISTAKEN ADVICE

The United Democratic Party in British Guiana which stands for Taxation of Land Values used the opportunity to state its case when Mr. A. H. Marshall, the City Treasurer of Coventry, was conducting his enquiry into all aspects of local government in that Colony, he having been appointed thereto by the Colonial Secretary in London.

On behalf of the United Democratic Party representation was made by Mr. E. B. Hazlewood and Mr. W. S. Edwards that in Georgetown, the capital city, the present rating system of levying rates on land and buildings taken together should be abolished and in place of it the rates should be levied on the value of land alone exempting buildings and other improvements.

In his Report,\* which was submitted in May last to the then Governor of the Colony, Sir Alfred Savage, Mr. Marshall rejected that proposal and recommended that no change be made in the urban local taxation system. It is of interest to observe by what process of argument he reached his decision, for admission and counter-contentions were curiously intermixed. Saying that he had "every sympathy with the aims of those who advocate the taxation of unimproved site values," he summarised fairly enough the claims that the advocates advance in its favour. This he did without disputing either its beneficial effect in promoting development or "the fact that land derives its value partly from public expenditure, especially that on roads, services and public improvements."

But despite his declared sympathies and his tacit recognition of what is claimed for land-value rating as being both just and wise, Mr. Marshall imagines it has "many" disadvantages of which (all the others unstated) he lists these three:—

- (a) the limited number of persons who directly feel the weight of local taxes;
- (b) the introduction of this tax would shift some of the burden from the wealthier persons who have usually valuable buildings and would, under the existing system of rating, pay higher local taxes than those with mediocre buildings;
- (c) the technical difficulties of valuation are considerable and professional valuers would be needed to make the valuations; to arrive at the potential value of every site is no easy matter.

\* Report on Local Government in British Guiana, by A. H. Marshall, May, 1955. Crown Agents for Overseas Governments and Administrations, 4 Millbank, S.W.1. Price, 2s. 6d.

These objections are in no way substantiated; they are merely asserted. But they are invalid, being contrary to principle, to fact and to experience. Mr. Marshall makes the most of objection (b) declaring that "the tax is unsuitable for Georgetown if only because of the considerable shift in the burden of rates to the poorer people." (Note how the "some" has suddenly grown to "the considerable.") If that were so, it could only be because the "poorer people" owned the most valuable land in the town; it could only be because the value of the sites on which their humble dwellings stand is much higher (in relation to the building value) than is the case where the wealthy live or make their living. The exact contrary is the case wherever the rating of land values has been adopted by rates being taken off buildings and placed on land values instead. The shift is from the properties with their low land values to the properties with their high land values—low or high in relation to the building value. Such transfer of the burden as takes place, considering properties in the mass, is from the outskirts to the centres—obviously, because the relationship, land to buildings, is lower at the outskirts than it is in the centres. It is proved by the statistics from every place where the rating of land values, in any measure, is in operation—statistics with which an authority like Mr. Marshall must surely be familiar. Nor need he go farther than his own City of Coventry to exercise his imagination there, with the Coventry rates levied on those who hold the interests in land values, the existing rating system being abolished. The "poor" would bear the burden and the "wealthy" would be relieved?

We should invite Mr. Marshall to consult, say, the Association of the Land and Property Owners (see L. & L., Nov.—Dec., 1955) to be sure on the point, or he should have conversation with an equal authority, Mr. J. D. Trustram Eve, who is thoroughly well advised as to what will happen, with respect to different kinds of properties, when these are assessed on their land value instead of upon their composite value as now. Furthermore we invite Mr. Marshall's attention to his own article in the August, 1949 (not 1950), issue of *Local Government Finance*, the journal of the Institute of Municipal Treasurers and Accountants. He himself commends it to the readers of this Report. It is the result of a six months' study of local government in South and East Africa. Many places were visited where land-value rating is in operation. Did he find, anywhere, that the effect had been to relieve the "wealthy" at the expense of the "poor"? In that article he offered nine "disadvantages" of unimproved site-value rating and with what competence they were discussed we do not stop here to consider. The point is that the objection (b) to which so much importance is attached so far as British Guiana is concerned has no discoverable precedent. Georgetown people can safely rest assured that it is particularly absurd.

Who originated the idea? Hostile critics have over the years played fast and loose with lots of ridiculous objections, but this particular one was not heard of until lately when Professor J. R. and Mrs. Ursula Hicks produced it in their "Report on Finance and Taxation in Jamaica" which was reviewed in LAND & LIBERTY, Nov.—Dec., 1955. It is highly significant that Mr. Marshall commends the Hicks report, accepting its authority and making himself the second person to outshine all the hostile critics that have gone before.

As for the other "disadvantages" (a) and (c) as stated there is but little to add.

(a) The objection that the number of persons who "feel the weight" of local taxes would be limited, makes further argument impossible. It simply begs the whole question. It alleges that the best system is that which mulcts the largest

number of citizens irrespective of what or who is taxed, discarding any canons of taxation whatever. It casts aside the principles that are in discussion, namely that buildings, improvements and any "work of man's hands" be freed from taxation and that public revenues be obtained by requiring each holder of land to contribute in proportion to the value of the land he holds, whether he uses it or not. The justification is that the value of land is in a very distinct sense publicly created and therefore of right belongs to the community.

(c) As for the separate valuation, that is, for laying the basis for the taxation of land values, the technical difficulties are no greater, but on the contrary, are considerably less than those attaching to the assessments required for purposes of taxation to-day. If not an "easy" matter, what should be done must be done, and the proof of satisfactory accomplish-

ment is outstanding in the periodic valuations, showing separately the value of land apart from buildings, carried out in very many countries including Denmark, New Zealand, Australia, South Africa, Kenya, Tanganyika, many U.S.A. States and the Western Provinces of Canada.

Careful should be the choice of such Commissions, for it is noticeable how they can take the cue from one another. It is like a relay race, and it is well, provided only that the torch of truth is the baton.

A. W. M.

JAMAICA. The *Daily Gleaner* of Kingston, the chief newspaper in the Island, reprinted verbatim in its issue of January 21 the article in our November—December number, "Shall Jamaica Adopt Land-Value Taxation?" It was given banner head-lines on the leading article page.

## Proof Positive—A Practical Demonstration

We give in full the following statement published in the February 21 issue of the Melbourne "Building & Construction," Journal of the Building Industry Congress.

### BUILDING CONSTRUCTION STIMULATED BY SITE-VALUE RATING

*Building construction figures released by the Victorian Government Statist for the municipal year ended September 30, 1955, for cities of Warrnambool and Sale show how building construction has been stimulated by the exemption of buildings and other improvements from local rates with the recent change to site-value rating.*

Site-value rating advocates have pointed out that metropolitan surveys have shown that the level of building construction activity in site-value rating districts is about double that of their counterparts which still rate upon improvements. Those changing from Nett Annual Value (of land and buildings taken together—ED.,L&L) to Site-Value rating have been found to double the value of

their previous building activity within the first two years of the change.

The experience of Warrnambool and Sale (which have both recently completed their first year under site-value rating) shows that the stimulus to building applies equally to provincial as to metropolitan areas. Here are the figures covering the last year of N.A.V. Rating and the first year of site-value rating:—

#### VALUE OF BUILDING CONSTRUCTION PERMITS

WARRNAMBOOL CITY			SALE CITY		
	(Buildings Rated) Year to 30 Sept., 1954 £	(Buildings Exempt) Year to 30 Sept., 1955 £		(Buildings Rated) Year to 30 Sept., 1954 £	(Buildings Exempt) Year to 30 Sept., 1955 £
Dwellings ... ..	224,760	232,905	Dwellings ... ..	99,670	108,351
Other New Buildings ...	53,600	113,073	Other New Buildings ...	20,839	131,896
Alterations and Additions ...	52,754	102,225	Alterations and Additions ...	15,442	18,029
Total Building Permits ...	331,114	448,203	Total Building Permits ...	135,951	258,276

*In both places the step-up in buildings other than dwellings following exemption of improvements is more than a doubling of previous levels.*

The beneficial effects of stimulation to local building construction cannot be too greatly stressed. Permanent step-up in this activity means more opportunities for local labour as well as attraction of labour from elsewhere which may settle locally. It brings extra demands for carpenters, bricklayers, painters, electricians, plumbers and builders' labourers.

*For the local business community nearly all the extra outlay in building construction finds its way back to local shops either in purchases of materials or spending of wages distributed through the industry.*

In both cases the soundness of vision of the local business community in supporting the change to site-value rating has

been fully demonstrated within a year. Under the change the business sites as a whole carried rate increases totalling approximately £2,000. But the stimulation to the building industry to an extra £120,000 approximately in each case has recouped this many times over in added business volume.

**How Site-Value Rating Would Affect Warrnambool.** A study made at the request of the Warrnambool City Council in 1953 by the Land Values Research Group, Melbourne. Reviewed in *LAND & LIBERTY*, June, 1955. Twelve-page printed pamphlet containing detailed statistical information and map. 9d.

**Municipal Justice: The Case for Land (Site) Value Rating.** By E. J. Craigie, ex-M.P. The principles explained and common objections answered. Appendices giving comprehensive facts and figures concerning the operation of land-value rating in five Australian States. 36-page pamphlet. Second edition. 6d.