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## LAND & LIBERTY

Published by the Land & Liberty Press, Ltd., for the Proprietors, the United Committee for the Taxation of Land Values, Ltd.

Sixtieth Year.

Established June, 1894.

By Post 10s. per annum.

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JUNE, 1953.

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## PARLIAMENT AND THE RATEPAYERS

The Valuation for Rating Bill, of which we gave an outline in our previous issue, had its Second Reading Debate in the House of Commons on May 20. Its objects are confined purely to the matter of assessing dwelling houses for local taxation. The provisions in the Local Government Act of 1948 had broken down; they were being repealed and something else was being substituted. The debate roamed widely over other aspects of the question, introducing discussion of land value rating, the subventions from the Treasury to local authorities and the equalisation grants distributed to so-called "poor" boroughs and counties; but *how to tax houses* was the central theme of the debate.

Most relevant was the contribution by Mr. C. N. THORNTON-KEMSLEY, the Liberal National and Unionist Member for Angus North and Mearns, who himself is a valuer by profession. His criticism was deadly. He pointed out that until the passing of the 1948 Act, the basis of assessment of dwelling houses in England and Wales was laid down in Section 68 of the Rating and Valuation Act, 1925. That assessment was "... the rent at which a hereditament might reasonably be expected to let from year to year if the tenant undertook to pay all usual tenant's rates and taxes . . . and if the landlord undertook to bear the cost of the repairs and insurance and other expenses, if any, necessary to maintain the hereditaments in a state to command that rent." After the war it was thought that because of the incidence of rent control and the scarcity value which all houses with vacant possession attracted to themselves, there was no proper basis for assessing on the rental value, and unfairness would result from trying to apply it. For that reason, the Local Government Act, 1948, had altered the basis of assessment in respect of dwelling houses and certain flats and maisonettes, but had left unchanged the basis of assessment for all other types of property: offices, shops and commercial premises. The latter were to be assessed on the basis laid down in the 1925 Act; that is to say, on the basis of the rental value current at the date of assessment.

Under the 1948 Act, some dwelling houses were to be assessed on the basis of the 1939 rental value and others on the basis of the hypothetical 1938 cost of construction. The present amending Bill proposed

to assess all dwelling houses on the basis of the 1939 rental. But as a valuer he deplored valuations by reference back to a period which was already 14 years in the past and which would be 15, 16 or 17 years in the past by the time the assessment lists would be deposited, if they ever would be. They were creating the most frightful difficulties for new entrants to the profession who had very little experience of assessing properties in 1938 or 1939. Any valuer would find it most difficult to value a house on the basis of 1939 rents, taking account of such conditions as the state of repair, the character of the neighbourhood, the availability of transport, shops and schools and all the amenities of the district, not as they were in 1939 but as they existed to-day; and he could not see how the young valuer could cope with those problems.

Again, what about all the properties other than dwelling houses? For the past 18 months the Inland Revenue valuers had been concentrating almost exclusively on the re-assessment of shops, and shop rents had risen to three or four times what they were in 1939. The same thing applied to offices. They were being assessed on current rents, whereas dwelling houses were to be assessed on the basis of 1939 rents; and under the Bill that anomaly was to be perpetuated in future re-assessments. As for the "derating" (of agricultural and industrial hereditaments) he was not convinced of the wisdom of its continuance\*. Apart from that, they would be faced with a loud outcry whatever government was in office. The rating of houses on the 1939 basis and of shops on the basis of 1955-56-57 inflated rents was not equality and it was not uniformity. He did not envy any government that had to solve the problem and certainly no departmental committee could do it. He urged that the whole question of payment for local services be submitted to a Royal Commission.

Two members took occasion to advocate the rating of land values—Mr. C. W. GIBSON, the Labour Member for Clapham, and Mr. DONALD WADE, the Liberal Member for Huddersfield. But Mr. Gibson started off decidedly on the wrong foot. One of his reasons for opposing the present Bill was that it had dropped "the beginning of the assessment of site values" which as he alleged or implied had been embodied in the Labour Government's Act of 1948. He was referring to those houses whose annual rateable value was to be derived from two figures added together: namely, the 1938 hypothetical cost of construction

\*When the Acts of 1929 completely relieved agricultural land from local taxation and compelled local authorities to give industrial concerns a three-quarters relief from rates, the revenue which the local authorities thereby missed was in part made good by subsidy from the national exchequer; that is, from the general taxation levied by Parliament. This so-called "block grant" continued till 1948, when the Local Government Act of that year abolished the "block grant" in place of which a so-called "equalisation grant" was created, distributing subsidies only to those local authorities deemed "poor" because their aggregate rateable value per head of population was below the average of that relationship over the whole country. In the result, the local authorities that have a relatively high rateable value per head of population ceased to get this subsidy and they therefore have to make up their losses from the derating reliefs by throwing the burden of them, in higher local taxation, upon the unprivileged ratepayers in their areas.

and a figure representing the cost or the value of the ground. In the case of municipal houses this was to be the hypothetical 1938 cost of the ground, a ministerial paper-made apportionment to each house of what the land for a whole housing scheme had cost *supposing it had been bought in 1938 and ignoring any price exceeding £1,500 per acre*. In the case of privately-built houses the "site" figure was to be an estimate of the value of the land supposing that no other building was permitted to be placed on it than the type of the house that was in fact standing there. These preposterous notions were introduced in the 1948 Act and it goes ill with a knowledgeable man like Mr. Gibson to maintain that they had the slightest connection with the rating or taxation of land values. He was trying to make political capital at the expense of the Conservatives. There is of course plenty of ground for denouncing the Conservatives for their actions all along, but in this case we can hand them a bouquet. They have got rid of something which was foolish and mischievous and in that they have rendered a clear service to the land values movement, just as they did when they repealed the baneful development charge of the Town and Country Planning Act. Unintentionally, perhaps, they have been most accommodating.

Mr. Gibson went on to say that the present system of raising local revenue hit the poorest hardest of all. It punished the man who made some attempt to make his house a little better to live in, by increasing his rateable value and consequently the amount he contributed to the local rate fund. Industrialists who at present escaped paying 75 per cent of their rates still got the value of the services the local authorities provided and they enjoyed the increased land values the local authorities created around them. The derating Act should be abolished; the local authorities should have more freedom and be less under the control of Whitehall; they should have more income by getting rid of the derating of industrial premises and by putting a stiff tax on site values. He remarked that he would not say anything about agricultural land because he did not represent an agricultural constituency but in principle the situation seemed to him to be equally bad. Yet surely this is a point for the townsmen of all people to put if the strangle-hold of privileged land-holding in the country is ever to be released.

Concluding, Mr. Gibson made good use of the following from the *Municipal Journal* of Nov. 21, last: "In discussing the case for site value rating—which we again urge the Government to consider—the following arguments are relevant: by levying a rate related to the value of a site, the owner of valuable land would be given a strong incentive to develop it to get a higher return from it, or to sell it to someone else able to do so. The incentive to sell in such a case would be strong, because the owner would be faced with a high site value rate while he continued to hold the land. The purchaser would know this and would himself take into account the rate in estimating the price he could afford. The scales would be tipped more in the purchaser's favour with beneficial effect on prices. The increase in value of sites due to the activities of neighbouring developers—often the local authority—would accrue to the community instead of to landlords who had

done nothing to earn it. Local authorities would be provided with the additional source of revenue they so urgently need. And, most important, the machinery of planning would be put on a logical and sound financial basis."

Mr. DONALD WADE cited Huddersfield (where his constituency is) to show the loss of municipal revenue as the result of rate-relief to manufacturers; it meant an increased rate of 3s. in the £ upon other rate-payers and he called for the abolition or at any rate the radical amendment of those derating provisions. The basis for assessing the rates should be site value. As for what the Bill proposed in the way of assessing houses he could see the difficulties that would arise by having to consider "the circumstances of the locality" quite apart from the fact that one had to go back to the year 1939—difficulties for the valuer who made the assessment and for the ratepayer to bring proof if he thought it unfair, the more so as the latter had no power to quote other figures in the valuation list in support of his claim for amendment. Furthermore, however the assessment was calculated, it put a premium on improvement; sooner or later there was a tendency for rates on a property to go up if it had been improved. He was interested to hear Mr. Gibson approving both the rating of site values and the abolition of derating but he had to observe that during the year 1945 to 1950 the Labour Government had not attempted either to alter the derating provisions or to introduce land value rating. Returning to the Bill and looking at its new provisions, together with the unamended provisions of the 1948 Act, Mr. Wade said there would now be four categories of rateable subjects all treated differently, namely, dwelling houses with assessment based on rental value as at June, 1939; secondly, agricultural land which would continue not to be rated at all; thirdly, industrial premises rated at one-quarter of their rateable value; and lastly, everything else, chiefly offices and shops which would be rated on their full, up-to-date value. To state the facts is comment enough on the execrable laws that have evolved in the name of a "system" of local taxation.

The question of land value rating was mentioned also by Mr. HUGH DALTON, Labour Member for Bishop Auckland, and (from 1945 to 1947) Chancellor of the Exchequer in the Labour Administration. But it was the kind of gesture he has made from time to time, his statements on the subject as a rule carefully guarded against too rash interpretation. In this case, he was a supporter "of the taxation and rating of site values" like his co-member Mr. Gibson, but "subject to the important condition" that there must be planning legislation to decide the use to which particular areas of land are to be put "in the light of the national and also of the local interest"—as if, in his estimation, the colossal Town and Country Planning Act, 1948, had not finally settled all that; and as if present or future statutory restrictions on the use of any land interpose any difficulty in the ascertainment of its taxable value. What further planning regulations would be needed before land value taxation could be applied nationally or locally Mr. Dalton did not indicate, but he left it on record that he was "inclined to think" that "there is a great deal to be said for increasing the available taxable resources of the local authorities by letting them

place part of the rates upon the ground landlord and the owner of the site"; and "it was true to say that the ground landlord is the person who gains most from the activities of his fellows and who contributes least" so that "he ought therefore to make a larger contribution to the needs of others." Thus incidentally he gave an extremely crude if not altogether false idea of what land value rating and taxation involves. It is decidedly *not* a case of coming down on "landlords" for "more money" as of a vindictive tax in addition to existing taxation; it is the levy of rates and taxes on the value of land apart from buildings, with corresponding exemption of the latter, and corresponding relief also of taxation now falling upon production and exchange; whereby not only tenant-occupiers but also the great majority of owner-occupiers (landlords who are land users) would be benefited. Only those persons would be called upon to make the said "larger contribution" who to-day have a greater interest in appropriating the publicly-created rent of land than they have in living on the results of their own brains and hands.

The larger part of Mr. Dalton's time was taken up with pouring cold water on proposals for repealing the derating Acts. He had not a closed mind on the subject. He would not commit himself in any way. It was something to examine with great caution. He proceeded to state the objections and fallacious arguments that come familiarly from the upholders of privilege; that if agricultural land was assessed for local taxation, the prices of produce and the cost of living would rise, and, if industrialists lost the relief they now enjoy, that might result in serious unemployment. The universally acknowledged effect of this derating, in that it encourages or stimulates nothing so much as a rise in the rent or price of land—the greatest disorganising element to agriculture and industry—was wholly ignored; and equally ignored was the effect of throwing the burden of the rates on all who are engaged in other pursuits and on all householders as well, an effect that reacts to the hurt and the ill of all production and all trade. Mr. Dalton's attitude to the subject, and he is not alone in this, was shown in the debatable point he tried to make that if the rateable value that was taken from the local authorities by derating was restored to them, then they would not require the same subventions from the Exchequer; and that would be an undesirable outcome, especially as it applied to the equalisation grants. Therefore, he said, let those who advocate the abolition of "derating" make very sure that they are not at the same time causing those grants (out of general taxation) to be reduced. Otherwise "we may be caught in a trap like the rabbit" of certain renown. How glib is this talk, and how amazing that it can pass muster in a parliamentary assembly. For who are the mysterious "we" that are alleged to benefit by the grants from the Exchequer? Are they not the same "we" who through customs duties, purchase tax, entertainment duty and a multitude of repressive taxes, are compelled to provide the grants while those who ought to contribute to the revenue—we say frankly those who now appropriate the publicly created rent of land—not only escape but are endowed and protected in the process? The idea that the State provides anything, grants anything, bestows

anything is the humbug that has poisoned all political thought and action and has landed us in our present lamentable situation. A crazy criterion is adopted whereby great wealthy cities like Birmingham and the majority of English counties are dubbed "poor" communities, so that they are made to stand, for ridicule and scorn, on the doorsteps of the Treasury seeking assistance, which when given surrenders to Whitehall officials the destinies of local self-government.

The disease afflicting communal life is mental and the politicians are not its only victims. It is the popular notion that public money to aid this or that and money for social reforms should be forthcoming, and it matters not how that money is procured or by what forms of taxation and with what repercussions.

To return to the subject of the debate from which we have strayed, there is to be recalled the view of Mr. ANEURIN BEVAN when he introduced the Local Government Act of 1948. What the Tories had done in 1929 in the derating of three-quarters of the industrial hereditaments and the complete abolition of the rating of agricultural land and buildings was one of the reforms and was the most important of all the changes affecting local government finance. Mr. Bevan hailed it, and in the course of the debate he lashed out against one of his fellow members (Mrs. Middleton) who ventured to propose the abolition at any rate of the rate-reliefs to industrial concerns. The "block grant" that had been tied up with those derating reliefs was turned into the "equalisation grant" and thus Mr. Bevan got the nest egg that made him hero to his self-invented "poor" towns and counties. If Toryism and Socialism ever came into conjunction, it was then. And in the present debate Mr. Dalton celebrated the occasion, claiming for Mr. Bevan and himself the parenthood of that equalisation grant which, as he said, "we distribute" to local authorities according to their need.

The debate lasted six hours and altogether seventeen Members took part, most of their remarks relevant enough to the broad question, confined though the Bill was to one simple issue—how to tax houses! The Minister of Housing and Local Government, Mr. HAROLD MACMILLAN, wound up. He replied without answering. He did not want to have this Bill. It was a great bore; it would be a long time in Committee and it would upset his normal administration. To the repeated complaint that it was unfair to assess shops and offices on current rents and houses on 1939 rents he had to admit it was wrong, but the inequity would not operate till the whole of the re-assessments were completed. "We must watch and pray." He defended the local taxation exemptions and reliefs to agriculture and industrial concerns, maintaining that to withdraw those privileges would "put new strains on our economic life which might be very dangerous." He welcomed the red light that Mr. Dalton had shown to his friends. He mentioned various topics that had been discussed, but preserved strict silence on the matter of land value rating. The House was fobbed off with a performance of singular ineptitude. But Mr. Macmillan got his Bill. It passed the Second Reading by 181 votes to 159.