

## SHALL JAMAICA ADOPT LAND-VALUE TAXATION ?

In Jamaica no less than 68 per cent of the total tax revenue for central government purposes is derived from customs and excise; income tax produces 25 per cent, and other taxes including the "land tax" produce the remaining 7 per cent. For local government purposes, however, the Land Tax is the main source of revenue and is supplemented by the produce of licences and by subventions from the central government. The Land Tax is assessed upon the capital value of land and buildings and improvements as a composite subject, the latest valuation having been made in 1937.

These are the present circumstances, but for years there has been a strong agitation to reform the Land Tax so as to base it wholly upon the value of land apart from buildings and improvements; that is, on the "unimproved value" as it is described in Jamaica; and on that basis to bring the valuations up to date. This is the policy of the People's National Party, led by Mr. N. W. Manley, who is now the Prime Minister, his government having displaced that of Mr. Bustamante as the result of the general election held last January. During the years since 1944, when Jamaica was given its new constitution and elections were then held, the country had been governed by Bustamante administration and during these years nothing was done to reform the Land Tax despite the very important and influential recommendations previously made in regard thereto.

### *The Bloomberg Commission*

In 1943, prompted not only by the popular sentiment that had been created, but also by the resolution adopted by the Legislative Council on April 7, 1943, calling for reform, the then Governor, Sir John Huggins, appointed the Bloomberg Commission\* to enquire into the matter and make recommendations.

Their report was of historic significance (for reference see LAND & LIBERTY for February, October and December, 1944), the Commission recommending unanimously that "the present system of land valuation be changed and that the unimproved value be taken as the basis for land taxation, for urban, suburban and rural lands." One defective proposal, however, was allowed to creep in, and about it the Commission as a whole was not quite happy, a concession whereby the first £10 of unimproved value would be exempted so that the considerable body of small proprietors would be excused from charge of the land value tax. This gave occasion to a minority report by Mr. L. C. Hill, a masterly statement in which he exposed the folly as well as the inequity of any such departure from the principles at stake.

As indicated, the Bustamante administration took no positive steps to implement the recommendations of the Bloomberg Commission. One learned only of the successive engagement of two trained valuers with a view to their building up the necessary valuation department, but neither was sufficiently supported and both after a comparatively short stay gave up the job.

### *The New Enquiry*

There was a standstill until, early last year, the government decided to promote a new enquiry. This was entrusted to Professor J. R. Hicks and Mrs. Ursula K. Hicks from England. Of them, with all deference, we can say that, while they have gained some repute as authorities in the matter of local taxation, in their writings and representations they have failed to respect the rating of land values as even a

reasonable alternative to the present system. Rather they have proved to be partisans against the idea. Mrs. Hicks herself was a member of the majority of the British inter-departmental "Simes" Committee (for its reports see LAND & LIBERTY, May, 1952) which pronounced the verdict that having regard to the Town and Country Planning Act and other relevant factors the rating of site values was neither practicable nor desirable, Mrs. Hicks later declaring publicly that this rejection held good whether or not the obstructive development charge in that Act was abolished. In our opinion the appointment of these consultants could not have other result than recommendations hostile to Jamaica's adoption of land value taxation—and so it was.

### *Ethical and Practical Consideration*

Prof. and Mrs. Hicks, on invitation, visited the island during March and April, 1954, and their "Report on Finance and Taxation in Jamaica,"\* dated November, 1954, was issued a couple of months ago. The Report, which runs to 170 pages, is in three parts—The Problem and its Setting—The Finance of the Island Government—Local Finance; and it is the second chapter of the last named "The Question of Unimproved Value Rating" which immediately concerns us. What lacks in this argumentation is the perception that it is an ethical question. Fundamentally the reason why land values should be appropriated for the public benefit is that the value of land rightfully belongs to the community, and the reason why the work of man's hands should be exempted from taxation is that it belongs rightfully to the individual. But sticking to the purely practical aspect of the question, Prof. and Mrs. Hicks maintain that after all it is not practicable. There is the forbidding difficulty, so they allege, of assessing the value of land apart from the buildings and improvements thereon; in this, foolishly suggesting that a valuation of buildings as such apart from the land is necessarily involved; and in this also, glossing over the land-value valuations made regularly and with periodic revisions, not only in New Zealand (to which they refer), but also in Australia, South Africa, the Western Provinces of Canada and elsewhere, most notably in Denmark.

### *The Shifting of Taxation*

Leaving it in doubt or in dispute whether valuers could competently assess the value of land apart from the buildings and improvements thereon, our authors assert that in any event the result of placing the rates on land values and taking them off buildings, etc., "could hardly fail to be, on the whole, in the direction of laying less taxation on the rich and more on the poor." By this misuse of terms we should not be led astray. It is wrongly suggested that where land is of high value, the buildings thereon make up a greater proportion of total value than is the case with land of low value, so that when the buildings are derated a bulk of taxation is shifted from the lands of high value to fall on the lands of low value. This is quite contrary to the facts; the argument is as fallacious as the assumptions on which it is based. To illustrate the point: we will consider well-improved properties and the relationship of their land value to their building value. In the main shopping centres of towns (where land values are at their peak) that relationship is high, the building, however good, being frequently of less value than the ground on which it stands. In the suburbs (where land values are lower) the relationship between the land value and the building value is low, the building being 10 or 20 times and often more than 50 times more valuable than the ground on which it stands. That is a

\* The Crown Agents, 4 Millbank, S.W.1. Price 3s.

\* Personnel of the Commission: Chairman, Mr. Simon Bloomberg, the Collector General; Mr. F. Burnett, the Commissioner for Lands; four members of the Legislative Council, Messrs. O. K. Henriques, R. D. Lindo (who had moved the resolution), J. W. Maxwell and E. V. V. Allen; and the Jamaica residents, Messrs. L. C. Hill, C.B.E., and C. D. Newbold.

matter of common observance and is abundantly proved by the facts of valuation—witness Wellington, Sydney, Johannesburg, Copenhagen and wherever else the separate valuation is made. Obviously the “shift” of taxation that takes place when the bulk of taxation that falls on buildings is transferred on to land is in precisely the obverse direction to that imagined by our authors. Obviously so, also, in the rural districts, because the extensively cultivated large farm has proportionately less improvement value and proportionately more land value than the intensively cultivated small farm—convincingly attested by the Danish valuation statistics.

#### *New and Old Buildings*

Concluding their examination and coming to their own proposals, Professor and Mrs. Hicks say that while they have been piling up objections to the plan for unimproved value rating they have not been aiming to show that it should be wholly discarded. Making a small concession (yet noteworthy as coming from them) they credit it with one good feature, the stimulus it would give to new buildings and improvements by derating them. And, seeming to imagine there is no other objective, they avoid all reference to the justification of obtaining public revenues by levying the rates on the value of land alone. “Why derate old buildings?” they ask. It would be purposeless because “you cannot get more old buildings by derating them.” Why then, it is suggested, go to the trouble of making or trying to make a valuation separating the value of land? And worse, if derating were applied to old buildings, it would be “of very dubious equity in its financial consequences.” By this remarkable process of reasoning, equity resides in continuing to tax buildings and the principles of unimproved value rating are repudiated *in toto*.

#### *Mistaken Selective Treatment*

The proposals made for amending the real estate taxation system in Jamaica would result in leaving things just as they are, save for a temporary relaxation of the charge on new buildings and improvements. The “workable scheme” of these advisers is to maintain the assessment of the composite value of all properties; but, where new buildings arise or improvements are made (after an appointed day), to allow a deduction from the full value, thus assessed, equal to the amount by which the full valuation had been put up as a result of the improvement. It is emphasised that the allowance should apply for only a limited number of years (not more than six), the objections to extending the tax-exemption over a longer period being recognised. Yet who will be encouraged to build substantially and well, knowing that the penalty for his enterprise is to be exacted some years hence, rather than to-day? Under the proposed scheme all buildings and improvements (excepting trees, fruit trees and plantations) would ultimately be roped in for taxation. The temporary allowance for new improvements would be selective. It would be made a matter of policy, depending on the sorts of buildings it was “particularly desired to encourage” in the interests of the island’s economy, patronisingly conceived. There would be discrimination as to the amount and period of the allowance, classifying, for example, industrial buildings, commercial buildings, hotels, small private dwellings; and large private dwellings and structures or expenditure “containing elements of a luxury character” would be denied the concession. Kept in view for most favoured treatment would be the industries engaged in exports and those whose products displaced imports—the planned economy rigidly in the saddle; but that by the way.

The further prescription that Prof. and Mrs. Hicks offer for tidying up the local taxation system (with its present scaled rates of tax on different properties) is to adjust the

new valuations, of the composite value, after they have been made so that over a transition period the first £300 of any property would be reduced to one-third of full value; the next £600 to two-thirds; any excess over £900 having no reduction. Like the objections that were piled up against unimproved value rating, here complications are piled on complications. The final picture is presented: for each property there would require to be stated (i) its *gross value* as assessed by the valuers; (ii) if there have been recent improvements, their value and the date when made (iii) the *net value*, the same as gross value where there are no new improvements, but otherwise the *gross value* less the temporary deduction allowed for the new improvements; and (iv) the *reduced value*, derived from the *net value* by subtracting the general reductions in the valuation as aforesaid.

#### *The Present Government Must Choose*

We can leave without comment the assertions by these consulted authorities that their proposals “would provide most of the stimulus which would be provided—less equitably and at far greater expense—by a complete system of unimproved value rating.” In their report they “welcome the decision which has been taken to make the valuation on the old basis.” The report was written while the Bustamente government was still in power. We have not been able after intimate enquiry to confirm that any such decision is officially recorded, but it is in our knowledge that the air to-day is clear of commitment. The government has been taken over by Mr. N. W. Manley and the People’s National Party, and in the light of his and their pledges to put land-value taxation on the statute book, we can hope that the Bloomberg Commission’s report will now be taken out of the pigeon holes and be duly acted upon. A. W. M.

#### SCOTTISH LOCAL TAXATION

On October 31, the Government introduced the Valuation and Rating (Scotland) Bill by which it is proposed to take the whole rating system in Scotland to pieces and rebuild it in conformity with the system prevailing in England and Wales. The Government has thus decided to implement the recommendations of the Committee lately presided over by Lord Sorn. The liability for payment of the rates will cease to be shared between owners and occupiers, the whole burden to rest on occupiers. Whereas in Scotland, agricultural land is entered in the valuation rolls, in future it will no longer appear; only farm dwellings being rateable. Every one of the evil features of the English system will be fastened upon the Scottish people making things worse for them than they were before. It will take some six years or more to complete this reactionary revolution. The Bill, in debate, will certainly evoke acute controversy. We hope to discuss its details in our next issue.

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