IRELAND'S LAND TAX: A BRAVE POLITICAL STEP

DICK SPRING is a one-time waiter in a New York hamburger joint.

Today, he is the second most powerful man in Ireland.

An ex-international rugby player, and by training a barrister, Mr. Spring is now deputy leader of the government of Ireland.

As leader of the Labour Party, he put together a deal with Dr. Garrett FitzGerald which returned the Fine Gael leader to power in December 1982.

And the key plank of that deal was the introduction of a land tax – which finally surfaced in the three-year plan announced by the government on October 2nd.

POWERFUL opposition to a land tax from Ireland's farmers forced Mr. Spring to warn the Prime Minister that the coalition's future was at stake.

So the government was forced to incorporate some such proposal in *Building on Reality*.

The Labour Party was determined to raise more revenue from the heavily-subsidised agricultural sector.

For the tax burden on Ireland's wage workers is among the highest in Europe. This has led to large-scale street demonstrations in the past two years, culminating with the threat from some workers that they would withhold taxes.

The shift in the tax burden on to the landowner, under the new proposals, is minimal. It does, however, have symbolic importance. As Mr. Spring put it:

> **"No interest group – and I am not referring to any one sector – can be or will be, allowed to stand in the way of the achievement of the objectives of this plan."**

All special interest groups, he insisted, would now take second place to the general interest.

STRONG objections can be levelled at the Irish land tax. It is a flat rate charge of £10 per acre, which is expected to raise a paltry sum: the tax yield from farmers is forecast to rise from I£37m to I£64m.

A crude system has been devised to classify land according to its productivity. The basis of the tax will be "adjusted acreage", as determined by a formula developed by the now-defunct Land Commission.

● **Dick Spring**

● Holdings of more than 20 "adjusted acres" will be liable for the tax at £10 an "adjusted acre".

● Farmers with more than 80 "adjusted acres" – 33,000 of them – will continue to be liable for income tax, but will get a full credit for the land tax liability.

● Full-time farmers with under 80 "adjusted acres" will be exempt from income tax from 1986.

Donal O'Leary
reports from Dublin on a government's three-year plan for economic survival

Off-setting this new tax liability, however, will be an extra I£50m in government subsidies, including an increase in cattle headage payments from I£32 to I£70.

Farmers are angry at the new land tax. Joe Rea, President of the Irish Farmers Association, has now warned that the government had a "very, very dangerous implement" at its disposal: the £10 tax could be increased to meet national debt.

The government, however, has promised that the £10 rate would not be increased during the next three years.

And one of its arguments in favour of the tax is that farmers would not be worse off – because they would now save £40m that is spent on accountants. But according to one estimate, farmers will save just £8m on accountancy fees.

MOST of Ireland's farmers will face maximum direct tax bills of I£800 under the new plan.

This is hardly a horrendous prospect!

This revenue will have a pin-prick effect on the budget deficit, which is now running at 7.5% of GNP.

Nor will the other elements in the plan help to reduce the level of rents and land prices. In fact, families can now expect to pay more for homes. For the government has decided to introduce a grant of £5,000 for a council tenant who wants to buy a house.

This reinforces a fiscal-led trend in the land market, which began with the recent abolition of rates – the local property tax – which deprived local authorities of £350m in revenue.

> **Landowners have rubbed their hands with glee at these subsidies, and have capitalised the benefits into higher land prices.**

EXPERTS on the land tax will criticise the "adjusted acreage" formula which the Dublin government has chosen.

Over 250 former officials of the Land Commission, aided by government civil servants, will now begin the task of assessing the productive capacity of every farmer's holding.

So the tax can be seen to fall on the productivity of the current assets of individual farmers, rather than being assessed on the value of each acre in Ireland.

This provides considerable scope for tax evasion (through, for example, the division of holdings among members of a family), and for appeals against assessments.

These difficulties would not arise if the tax fell on the market value of each acre, irrespective of who happened to be the current owner.

Nonetheless, the FitzGerald government has taken a brave political step forward in its act of challenging the right of the owner to be free of a tax on his land.

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their city's sites; and Denmark provides the outstanding example of land-value maps, one of the main purposes of which is to satisfy the public about the fairness of their assessments for land-value taxation. The maps are produced in booklet form for each taxation area and are freely available to all who want them.

But apart from their obvious value in countries such as Denmark, how does Mr Howes envisage that value maps would justify the effort involved in producing them?

How would they enable his profession to make the enhanced contribution to the public's appreciation of property values that he is convinced it could make?

THE AUTHOR makes an impressive effort to demonstrate this in a comprehensive study of a British city – Norwich. He shows how the information available from the Norwich rating assessments, despite its shortcomings, can be used to produce several different types of property-value map, some designed as straightforward illustrations of the city-wide property values, others to show how values in the various areas of the city varied between 1965 and 1974.

Against this background, he sees the maps as a method of displaying the "dynamic of property values", making for easy interpretation by plan decision-makers and others. He concludes that they display value data in a manner that is more comprehensible than the conventional tabulated form.

He may be right but, despite the painstaking persuasion of this book, it is difficult to see local authorities in Britain finding the will – and the resources – to change their traditional practices.

Land-value maps, in their function of showing the tribute which the landowner is able to extract from the land-user will, of course, always have their appeal to the public, whether or not land-value taxation is in force. Indeed, I would hazard the guess that, despite the absence of land-value taxation in Britain, a book of land-value maps for every city in the United Kingdom would be the year's best seller – and not just among the planning profession.

Rating of Site Values.* **Report on a Pilot Survey at Whitstable. Rating and Valuation Association, 29 Belgrave Square, London SW1, February 1964.

NEWS IN BRIEF

Rent hikes in Enterprise Zones

RENTS have risen in Britain's enterprise zones where rates, the local property tax, have been eliminated.

This is the claim by Michael Ward, the chairman of the Greater London Council's industry and employment committee. He has argued that there is an inverse relationship between rents and rates: "the lower the rates, the higher the rents."

He says: "Land prices in the Isle of Dogs have been pushed up because of the rate exemption, to as much as £150,000 per acre for industrial land and £400,000 per acre for office development.

"Cuts in rates end up in primarily subsidising landlords with windfall gains, rather than the industries they are meant to encourage.

"It would be far better to raise the rates within the Enterprise Zones, forcing those landlords who have speculatively hoarded land to bring it on to the market at much lower land prices, and using the rate income to develop factories and industries directly on the lines being pursued by the Greater London Enterprise Board."

ROSE STEVENSON, a 69-year-old widow, had an easy remedy when she found that she could not afford to pay £1,200 ($1,560), the rates (property tax) on her three-storey London home. She moved the demolition men in, and within a week she had chopped off the top floor and left gaping holes in the side of the house. This devalued the building, and encouraged her council to send a tax demand that was revised down to £756!

REGISTERED SECRETS

BRITAIN'S Law Commission has launched a consultation exercised to find out if the public should be allowed direct access to the land ownership register for England and Wales.

The register is secret – in contrast to Scotland, where citizens have the right to inspect the files and discover who owns land.

The Commission has focused its enquiry around the question whether the identity of a home owner should be kept secret or not.

But 50,000 leaflets circulated by the Commission does point out that access to the register could speed up development of vacant sites, and make conveyancing cheaper for house buyers.

LETTER: Prof. Britton replies

SIR, I feel that David Richards has both misrepresented my arguments and failed to understand them.

If it were not so, he would not have described me as one of those who are "so convinced of the importance of government intervention for the farm workforce" ('The case for laissez-faire', July-Aug., p.69).

I have always been in favour of a greater liberalisation of international trade, but I always emphasise that such a move would be hurtful to the interests of many British farmers (as well as to many continental farmers) if they could not get their costs down to those of New Zealand dairy farmers and N. American grain growers.

Mr. Richard Body evidently believes that the British family farm can compete with freely-imported produce from wherever it comes. I think he tends to underestimate the diseconomies of small-scale production.

It is seriously straining the meaning of words to say that "most farmers are not the recipients of farm subsidies". People who put forward this proposition usually quite overlook that even if the government (or the European Community) paid out no **cash** subsidies at all, farmers would still be substantially subsidised by the tariff-protection (levies, etc) which keeps our prices above prices in world markets.

This large element of subsidy is, of course, paid by the consumers (often without their realising the situation), and does not appear in budgetary estimates at all.

Prof. D. I. Britton,
Ashford, Kent.

David Richards comments: The title of Prof. Britton's paper was *Is there a case for farm income support?*, and his conclusion was yes, perhaps for a whole generation, while farm prices are gradually and judiciously lowered to world levels. This puts him firmly in the opposite camp to Richard Body as regards "the importance of government intervention for the farm workforce."

When I used the words "farm subsidy", I had in mind the whole package of farm support, not just direct cash grants, as all the figures I quoted demonstrate. Does Prof. Britton deny that most farmers, as farmers, receive no net benefit from that package?

To quote Dr. D. W. Pickard of Leeds University, "since 50% of the output comes from 13% of the farms, it is not unreasonable to assume that 13% of the farmers receive 50% of the [price] subsidies. These large amounts of subsidy have a detrimental effect on the rest of the farmers because they result in higher land prices and rents [and interest rates and feed prices]."

Irish land tax

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Now that the principle has been established, independent experts should evaluate the "adjusted acreage" formula – and come up with proposals for a revised land tax which the FitzGerald government could consider adopting if it is re-elected in three years time.

**Read GARY NIXON'S comments on the Irish economy in the next issue of Land and Liberty.*