

Land Value Rating in New Zealand

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Extract from a paper presented at the International Conference in Hanover last July

AT one time there were two rating systems in New Zealand. Rating on the Capital Value was general in rural areas and rating on the Annual Value in urban areas. Since 1896 we have had local option in rating methods. This means that since that date there has been the legal machinery to abandon these two systems and to adopt rating on the Unimproved Value. Since that time there has been a steady drift from the taxing of improvements to the taxing of land values alone. This trend still continues and on average four local bodies a year adopt rating on the Unimproved Value. Since the 1952 international conference in Odense, thirty-seven successful rating polls have been held in New Zealand. These polls were in thirteen countries, eleven boroughs and twelve towns. Among the boroughs is included the city of Dunedin which is the fourth city in point of size in New Zealand and has a population of about 80,000 and annual rate revenue of approximately £800,000. The last of these polls was in March 1959 and several others are pending at the time of writing.

Ignoring amalgamations of local body areas which have taken place in the past four years the present position is:

	U.V.	C.V.	A.V.	Total
Counties	75	50	—	125
Boroughs	119	11	16*	146
Towns	11	5	4	20

*Included in this number are two important cities Auckland and Hutt City.

Rating on the Unimproved Value spreads steadily year by year. It is repeatedly endorsed by popular vote and is practically never rescinded (twice only since 1945). Slowly the other two systems are being destroyed.

In view of these facts it might well be asked why should rating on the Unimproved Value not now be made the sole rating system as it was in Queensland in 1896. This method of rating is now past the experimental stage and has been proved to be popular. It brings many advantages to the area which adopts it. All this is true but it still excites considerable opposition which never wears and this opposition is still strong.

Since March 31, 1957, rating on the Unimproved Value has been introduced in sixteen localities. It is probable that two-thirds of all revenue is now raised on Unimproved Value.

There is in New Zealand a permanent Local Government Commission whose primary function is concerned with the boundaries, functions and amalgamations of local bodies and such related matters. In 1955 this Commission of three members was appointed by the Government to enquire into rating in general. The spectacular increase in land values resulting from the resumption of a free market

Rate Revenue for year ending March 31st, 1957

	£ million	per cent
Rates on Unimproved Value	11.79	63.12
Rates on Capital Value (a)	3.57	19.11
Rates on Annual Value (b)	3.32	17.77
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	£18.68	100.00

(a) This is nearly all raised in counties. (b) Almost all of this is revenue of Auckland and Hutt City.

in land, post-war inflation and an upsurge in economic activity emphasised in a dramatic fashion a number of anomalies in existing rating practice. There were complaints and pressures from many local authorities and producer organisations. The Commission was appointed as a result of this agitation. It recommended:-

1. One single rating system for all local bodies in New Zealand, based on land values only;
2. Biennial valuations of land and the valuation of land and improvements together every six years.
3. Under certain circumstances some improvement values to be merged in the Unimproved Value, e.g. value added to a property by clearing, levelling, drainage etc.

Before this Commission the New Zealand League for the Taxation of Land Values gave evidence on three occasions and there is little doubt that the submissions of the League profoundly influenced the nature of the report. These realistic and wise recommendations were not generally acceptable and in response to further agitation the Government in 1958 appointed a Royal Commission to enquire into all aspects of local authority finance.

The Commission produced a report which, from our point of view, was very bad indeed. This stated that a considerable advantage would accrue to local government generally in New Zealand from the adoption of one single system of rating. The Commission further agreed that it would have to be rating on the Unimproved Value and they recommended certain changes in the law to facilitate the more general adoption of the system. Further, they refused to tamper with the Unimproved Value system as it at present operates. A number of modifications were recommended by the Municipal Association which would have tended to vitiate the Unimproved Value system, but these were not acceptable to the Commission. They did not, however, recommend one system of rating based on land values as did their predecessors but in general recommended that the present situation should continue. Most important of all they advocated that the revenues derived

LAND & LIBERTY

by local bodies from rates should be reduced by one-third and that the loss of revenue, estimated at between £6-7 million should be made up by a tax on wages and salaries. They estimated that this tax would need to be at the rate of 2d in the £. They further recommended that additional revenue (£3,000,000) should be made available to local authorities by a tax on petrol of 3d. per gallon.

The New Zealand League for the Taxation of Land Values has attacked these reactionary proposals vigorously. The report has been in the hands of the Government now for eight months but there has been no comment thereon from any government source to date. Parliament is about to meet and this silence must soon be broken. Although in my view it is unlikely that these recommendations will be adopted by the government the fact that they have been made at all will do great harm. The hands of reaction and opposition to social progress will have been strengthened. Meanwhile fresh polls are in the course of preparation and the logic of events may yet force the triumph of common-sense in this field.

Just how much Economic Rent is collected by the income tax it is not possible to know, neither can an estimate be made of Economic Rent enjoyed through the ownership and use of land by the Crown or the municipalities. The following table, however, is informative.

**Direct charges on Economic Rent in New Zealand
in year ending March 31st, 1957**

	£
Rates on the Unimproved Value	11,793,728
Rates on Land and Improvements *(proportion on land values)	2,461,450
National Land Tax	1,399,837
Rent of Crown Lands	1,036,189
	£16,691,204

*This is an approximation. The overall ratio of value of improvements to Land Value in New Zealand is 180:100. Total rates on the capital and annual value have been divided in this ratio.

Capitalised at 5 per cent interest rate this represents a capital sum of £333,824,080.

After paying these charges the gross Unimproved Value of land in New Zealand in 1957 is estimated by the Valuer General at £697,540,234. This figure includes all properties both publicly and privately owned. Allowing for the conservative nature of the Government valuations it would appear that about one-third of the economic rent is directly collected in New Zealand.

tunity occurred he would consider favourably amendments of the law which would make possible the exemption of small moveable plant and machinery. He knew that industrialists attached importance to this but under existing statutory provisions such a limitation would not be lawful.

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Local Income Tax

To the Editor of *Land & Liberty*

Sir,—In his article "Rates—Or Taxes", an extract from which was published in your January issue, Mr. Michael H. Whincup appears to imply that the revenue requirements of our local authorities could be met by "local income tax" of 3d in the £. I do not know on what basis this figure is calculated but it is not supported by statistics available to me.

According to the latest Inland Revenue Report the net produce of each penny of standard rate of income tax is £21.6m. To provide the present rate revenue of about £548m. from this, a local income tax would need to be at an average level of 2s 1d. With the present standard rate of 7s 9d in the £ the effective total income tax, therefore, would amount to no less than 9s 10d.

Inevitably this figure brings to mind the famous memorandum sent by Winston Churchill to Sir Kingsley Wood in 1940 when the latter proposed to raise income tax to 10s 0d in the £. "I cannot believe," wrote Churchill, "that an income tax of that rate would be compatible with national thrift or enterprise. If you suppose you can collect at these high rates without waste or great diminution of effort, without striking a deadly blow at good housekeeping and good management in every form, you are greatly mistaken."

If these words were true at a time when this country was engaged in a life or death struggle with Hitler they are even more appropriate today. I am sure that Mr. Whincup, who is obviously no novice in these matters would agree that, if a local income tax is undesirable at 3d in the £, it would be completely unacceptable at a figure eight times as high.

Yours faithfully,

Beckenham, Kent

B. W. BROOKES

RATEABILITY OF PLANT, ETC.

THE if-it-moves-exempt-it recommendations of the Ritson Committee on the Rating of Plant and Machinery were reviewed in *Land & Liberty* last March. The rough and ready rule of thumb was that plant should be rated and machinery exempted. Classification of gantries proved a teaser—"expert opinion is divided on what constitutes the gantry and what the crane." The Committee solemnly recommended that only the fixed part should be assessed.

In a written Parliamentary reply (December 18), Mr. Henry Brooke, Minister of Housing and Local Government, stated that he had considered "the difficult issues which arise" and was thinking of bringing into force a new Order operative from April 1, 1960. Generally this would be in line with the Ritson Committee's recommendations, except for "main pipe lines". When an oppor-

Concluded at foot of previous column