

LAND-VALUE TAXATION IN NEW ZEALAND

*From the Report submitted to the International Conference by
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National Land Tax

This tax has been levied for the past sixty years, during which period it has undergone minor modifications. It is of the greatest significance that although there have been long periods of Conservative administration during that time, the tax has never been repealed. Extraordinarily difficult though it may be to get land-value taxation legislation on to the Statute Book, once it has been obtained and its benefits have been experienced, it is not easily repealed. Such repeal would be so obvious a gratuity to selected land owners that even the strongest opponents of this form of taxation realise that repeal is politically impossible.

Land values were artificially pegged during and after the war at the levels of valuation obtaining in 1942. Repeal of this "pegging" legislation, plus the effects of inflation of the currency and general boom conditions caused land values to soar. After a certain time lag this was reflected in the valuations made by the Valuation Department. Increases of two-, three-, and four-hundred per cent were not uncommon. The Land Tax increased correspondingly, and thousands of properties became subject to the Land Tax for the first time. As a result there arose considerable agitation for repeal of the Land Tax, organised mainly by the Associated Chambers of Commerce and the Federated Farmers.

The Land Tax was not abolished, but it was considerably modified by the Budget passed in August, 1954. That year revenue from this source was £1,600,000. As a result of these modifications it is estimated that the yield for 1955 will be £1,200,000.

The principal changes made were that whereas previously properties whose unimproved value (*i.e.*, the value of land apart from buildings and improvements) was £1,000 were exempt from Land Tax, this figure was increased to £3,000. The maximal tax rate was reduced from 6d. in the £ to 4d. in the £ on taxable unimproved value, and the method of graduation was changed.

The tax is now levied at the rate of 1d. in the £ on the taxable unimproved value up to £10,000; at 2d. in the £ on the next £5,000; at 3d. in the £ on the next £5,000; and at 4d. in the £ on any balance in excess of £20,000 of taxable unimproved value. The other exemptions which to a large degree vitiate the effectiveness of the tax remain unchanged.

Valuation

The basis of valuation in this country is market value. The great increase in land valuations has called forth widespread criticism of the Valuation Department and numerous suggestions have been made that other bases of valuation should be used. These criticisms, I believe, will probably come to nothing. The efficiency of the Valuation Department has been greatly increased in recent years by mechanical methods in dealing with valuation records.

Land-Value Rating

Ratepayers in New Zealand have a local option as to what shall be the basis of local taxation. They can therefore decide to place local rates on land values alone with consequent remission of local rates on buildings and other improvements.

The biggest single gain made in recent years is the adoption of rating on the unimproved value in the city of

Dunedin. This city formerly rated on the annual rental value (of land and buildings and other improvements) and it raises something over half a million pounds annually in rate revenue. The influence of this gain is bound to be very considerable especially in the other two principal areas which rate on the annual rental value system, namely Hutt City and Auckland City. These two local bodies between them raise 80 per cent of all the revenue raised in the country under this system. Since 1944 thirty-nine polls to adopt the rating of land values have been successful.

The present position is set out in the following table:—

	U.V.	C.V.	A.V.	Total
Counties	65	60	—	125
Boroughs	115	14	17	146
Towns	9	6	4	19
Totals	189	80	21	290

U.V.—the Land-Value Rating system: rates are imposed on the "unimproved (capital) value" of the land apart from buildings and improvements. C.V. and A.V.—rates are imposed on the composite "capital value" or "annual value" of land and improvements.

Rate revenue raised under the three systems of rating operating in New Zealand are as follows:—

	U.V.	C.V.	A.V.	Total
	£	£	£	£
Counties... ..	2,832,957	2,576,298	—	5,409,255
Boroughs	5,376,567	778,055	3,152,234	9,306,856
Town Districts...	35,909	42,407	11,799	90,115
Totals	8,245,433	3,396,760	3,164,033	14,806,226

In addition, fees mainly from the sale of water and refuse disposal in quantities not covered by ordinary rate charge yield, for Counties: £40,780; for Boroughs, £853,211; and for Town Districts: £15,739.

List of the 39 Local Authorities which have adopted the Rating of Land Values since 1944

- 1944: Hutt County; Makara County; Levin Borough; Matamata Borough; Opunake Borough.
- 1945: Rotorua Borough; Manurewa Borough.
- 1946: Alexandra Borough; Patea Borough; Cromwell Borough; Howick Town (now Borough).
- 1947: Leamington Town; Oamaru; Nelson City.
- 1948: Greytown Borough.
- 1949: Papakura Borough.
- 1950: Temuka Borough; Akaroa Borough; Rangitikei County.
- 1951: Tuakau Town; Eltham Borough; Te Aroha Borough.
- 1952: Shannon Borough; Clutha County.
- 1953: Waikanae County Town; Dunedin City; Kaiapoi Borough; Waihi Borough; Taieri County; Coromandel County; Otautau Town; Tirau County Town.
- 1954: Nightcaps Town; Ashburton Borough; East Coast Bays Borough; Bucklands & Eastern Beaches County Township; Mangere Bridge County Town; Orapui Road Board.