THE SEARCH GOES ON

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THE INTRODUCTION of a payroll tax underlines the basic taxation problem of this country. So much has to be done, so many new demands are being made on our tax resources, and our existing sources of revenue are under great pressure. Income tax, rates, excise duties, purchase tax are all too easily assumed to be comfortably flexible: they are not. Increases always attract criticism and the risk of unpopularity, and they can have unfortunate economic effects. The cynics rightly argue that this latest tax is simply a means of raising a lot of new tax revenue—something like £250 million—without incurring the customary wrath of the taxed, who normally know damn well how and where a tax hurts. By the time the complicated repercussions of this tax have emerged, even the identity of the taxing authority will have been forgotten, for it will spread out thinly but widely in terms of increased prices for many things. The Chancellor of the Exchequer will act through so many agents diligently stamping cards, clearing debits through one ministry and claiming credits through another, that the only culprit will be that vague image, the "cost of living."

However, this short article is not aimed at criticising the payroll tax as such. It is mentioned only to emphasise just how desperate is the search for public funds, for without this mystery package we should have been treated to another juggling display, the art of balancing a little off this with rather more on that.

Those concerned with local rates are familiar with the call to transfer more of the cost of local government to the taxpayer. The assumption is, of course, that national revenue resources are limitless. No matter what our commitments are, there is inevitably in a reasonably prosperous society a call for new and expanded services—education, highways, health services and so on. Time will tell if the pattern of local government makes respectable and indispensible this new tax as a means of financing regional government, while the rating system sustains residual local government, but nobody can seriously argue that we can afford to jettison a local tax (rates) which this year will produce a total U.K. figure of approaching £1,500 million. The present Minister of Housing and Local Government knows perfectly well that for many years ahead his biggest anxiety will be to hold the growth rate of local rates at a reasonable level. More central money will be inevitable but not much can be spared.

The time is over ripe, therefore, for a reappraisal of the local occupation tax we now have and for thought to be given to supporting it by means of an additional *ownership* tax on land value. Through both ownership and occupation of land are enjoyed the benefits of community life. Land values appreciate through public and private investment, and occupiers of property obviously benefit directly from the development of public services. Another rating bill is expected in a few weeks, in which the Minister of Housing and Local Government will attempt to graft on to an occupation rate an owners' liability in the case of empty properties. Details are not known but one of the safest predictions is that it will be a dead duck in that particular form. Opportunities for avoidance, the certainty that short empty periods will have to be exempt, the justice of excusing payment unless properties are deliberately withheld for unconscionable periods and so on will probably leave the rating authorities with a lot of trouble and very little extra income. On the other hand, if the opportunity is taken to create a new ownership rate on sites, such properties would automatically continue to attract liability without interruption and in a straightforward, definitive way. Empty building would, of course, escape the occupation rate. The more important point, however, is that once a division is made and an ownership rate is introduced, the owners of virtually all undeveloped land would become liable for it: at present they pay nothing.

The Land Commission Bill levy will not absorb the full development value. The valuation provisions will still leave untapped the gradual accretion of value right up to the time the levy is attracted, at which moment the peak "before" development value deducted from the "after" value will probably produce some quite small levies; most of the value has been building up slowly for years, but it will not have been taxed. This modified site-value rate could be a most useful supplement to the present system. Taken together they will constitute a flexible local taxing instrument, each wing of which could be expanded or contracted to meet changing circumstances. Moreover, the gradual introduction of this supplementary ownership rate could reduce to a comparatively minor place the problems of land tenure and planning which would be far more substantial if an attempt were made to substitute completely site-value rating for the present system.

There is a vital year or two before the Royal Commission's report on local government and its functions and finance. A useful period in which full enquiry could be made into this dual system of local rates.

UNSOLICITED TESTIMONIAL

"IN GENERAL, the evidence regarding assessing practices in the countries using site-value taxes contradicts the argument regarding the impossibility of establishing site values. It is interesting to note that the standards of valuation are high in most countries using the site tax system."

—Staff study on land-value taxation submitted to the U.S. Conference of Mayors, 1964.