

taxes, with an average 27% going to income tax. It's not difficult to see whom the big winners and losers will be from a reduction in income tax and increased indirect taxes.

Thanks Mr Pitt. You've left us all up the proverbial creek with an empty bankbook for a paddle. We're all waiting dumbly for salvation, not realising that it arrived over 100 years ago and is still waiting in the lobby for an official invitation. I refer to Henry George's "sovereign remedy". Simply abolish all taxes on production and exchange in favour of a levy on all titleholders equal to the annual unimproved value of their land and resources.

In Australia, such an annual levy or "site rent" – which would be equivalent to around 7% of current capitalised unimproved site values – on all land and resources, would yield around A\$150 billion. This falls short by about A\$30 billion on current tax revenue, but reductions in both administrative requirements and in demand for many government services would see this gap disappear very rapidly. This annual site rent would be a site occupier's total

and only contribution to Government revenue. So what we already pay as site rent into private pockets would now go to the taxman. What we now pay in taxation – a minimum 44% of current incomes! – would go into our pockets, rich and poor alike, thus greatly increasing disposable incomes.

How does it stack up against the GST then? Well try this. It would:

- ✓ be impossible to avoid or minimise.
- ✓ be virtually free of compliance costs.
- ✓ be transparent to all citizens.
- ✓ be totally equitable in that it would draw a larger proportion of revenue from valuable land, and a smaller proportion from the average occupier.
- ✓ be immune to cyberspace manipulation.
- ✓ make the under-the-table cash economy redundant.
- ✓ rapidly pave the way to full employment
- ✓ expand the economy without depleting resources.
- ✓ lessen the pressure on and allow environmental recovery.

- ✓ reduce crime and eliminate deprivation.
  - ✓ put an end to land and resource speculation.
- Out with Pitt, poverty and taxation by stealth.

*In with Site Rent, prosperity and justice for all.*

\* *Australian Financial Review*, April 25, 2000.

NOTE: Estimates of land values are derived from The Australian System of National Accounts 30th June 1998, Australian Bureau of Statistics Catalogue 5204.0. Unimproved site value are estimated as being 65% of Capital Improved Values (which, based on 1998 values are currently estimated to be A\$1.26 trillion.) Resource values are estimates only, based on a wide range of official sources. Investigations by the Land Values Research Group have put estimated resource values at around two-thirds of unimproved land values.

## BID TO RESHAPE THE 'HOWLING' TAX

CANADA'S largest provinces, Quebec and Ontario, are going through an agonizing debate about the structure of local government. Municipalities in Canada are corporations created by provincial legislation. They have no inherent powers or constitutional status. On the other hand, most people view local government as something more than a business or a service delivery system. It is often the primary forum for passionate participatory democracy. It is not surprising that the property tax is called the "howling" tax.

Local government in Canada, as elsewhere, is complex and multi-layered. A recent work, *Local Government in Canada* by Richard and Susan Tindal, identifies thousands of local governing bodies with a long and rich history. The property tax in Ontario is the second largest source of revenue after personal income taxes. Over 50% of property tax revenues fund the public school system. In recent years Ontario has created megacities or amalgamated various lower tier municipalities, such as Toronto and Ottawa, and greatly centralized provincial control over the property tax system. From the standpoint of sound property tax reform the changes in Ontario have been nothing short of disastrous.

Quebec is moving much more slowly and cautiously with respect to municipal restructuring. In 1998 the Canadian Research Committee on Taxation (CRCT) conducted a comprehensive analysis of property assessment data in the City of Montréal. Various scenarios were developed for shifting the property tax off buildings and on to land. In October, 1998, the findings of the CRCT were presented to the Bédard Commission with the following recommendations:

1. That the City of Montréal seek provincial authority to adopt a two rate

property tax on all taxable land and building values.

2. That the Montréal Urban Community be requested to valuate Montréal for property tax purposes on an annual basis and to continue the separate valuation and disclosure of the land and building values in the property assessment database.
3. That the Montréal Urban Community, along with municipal and provincial authorities conduct extensive digitized

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spatial modelling of the tax impacts on land utilization and resource allocation using Geographical Information Systems (G.I.S.) software in order to gain greater insights into the correlations between property taxation, land utilization and economic activity.

4. The surtax on vacant land remain in place.
5. That the valuation of exempt properties by the M.U.C. be continued and further analyzed for accuracy.
6. That the business tax on an annual rental basis be gradually rolled into the general tax rates once a two rate property option has been adopted by the City of Montréal.
7. That the business tax be phased out over a six year period with a 2% reduction in the rate per annum.

In April, 1999, the Bédard Commission gave perhaps one of the most enthusiastic endorsements of Henry George's philosophy in the history of public commissions in Canada. In particular, it recommended:

- That the government grant municipali-

ties the power to impose different tax rates on land and on buildings.

- That the government authorize gradual increase in the ratio between the land tax rate and the building tax rate to ensure that the implementation of this differential taxation takes place progressively.
- That an in-depth updating of the assessment of lands precede this implementation of different rates, and the meticulous and distinct assessment of lands and buildings be at all times maintained thereafter.

The Bédard Commission proposed that local government revenue be based solely on land values within five years of its initial implementation. Although it suggested that property be classified along residential and non-residential lines, it avoided the extreme fragmentation and tax rate complexity created by Ontario's property classification reforms.

The CRCT has recently produced a bilingual booklet entitled *The Missing Link in Municipal Restructuring/Le Maillon Manquant dans la Restructuration Municipale* which shows that no matter what the structure of municipal government, only a property tax system based on land values can achieve the diverse goals now thought to be only attainable through governmental reform. The booklet grapples with the progressive elimination of tax inequities, removing the obstacles to local economic prosperity, AND the benefits of Georgist reform for homeowners and businesses.

CRCT is distributing the booklet widely throughout Canada.

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