

A RECENT HISTORY OF LAND TAX IN VICTORIA

By Roland Staub

(Talk given at the Land Tax Forum, November 17, 1990.)

It has been the practice of the Government of Victoria to make annual increases in the level of exemption from land tax on all lands, or property holdings, below a certain value.

The number of landowners called upon to make a contribution, as landowners, for the benefits they receive from the Government and society, has remained small in proportion to the number of persons and corporations owning land in Victoria. The debt to society was eased on those who had to pay as site values of land increased.

A change occurred last year. The Government had introduced three Budget Revenue Bills, including one for the usual changes to the Land Tax Act. The other two Bills dealt with Payroll Tax and a Goodwill Tax applicable on the transfer of business. The combined effect of the three Bills was to be approximately revenue-neutral, and the Government insisted that the three must be passed as a package. This the Opposition in Parliament, which has the numbers in the Upper House, refused to allow. It was happy to pass the Land Tax Amendment Bill, which would have cost the Government money the State could ill afford to lose, but the Opposition would not agree to the compensating tax increases in the other two Bills.

Land Tax is seen as a class-based tax on the wealthy, without the slightest understanding of its foundation in equity, if correctly applied.

With increasing population and increasing needs of society, the Government has at hand a natural growth tax in land tax, yet here we had politicians on all sides ready to reduce it.

With unemployment a significant social problem, politicians were ready to increase it by making it harder for employers to keep men and women on the payroll.

COMPLAINTS ABOUT LAND TAXES

When State Parliament had stymied the Government's package of three Bills, the 1989 exemption level and Table of Rates, in conjunction with the higher revised 1988 site values adopted by the metropolitan and many non-metropolitan municipalities, where site values are used for Land Tax purposes, resulted in

steep increases in Land Tax Assessments. These began to bite in May 1990 and soon there were complaints about tax increases of 100 to 400 per cent.

The curious thing that emerged was that the squealing did not come from the landowners themselves, but mainly from small shopkeepers and traders.

In Georgist circles there has existed a fixed idea that land tax cannot be passed on, but must be paid by the owner. Upon looking into this claim in the market place, you will find that 99% of commercial leases and tenancy agreements stipulate that the lessee or tenant must pay all rates and taxes in addition to the monies payable to the landlord. Indeed, the Land Tax Act itself provides a clear mechanism, in Section 42, whereby a lessee shall be assessed and liable for Land Tax.

In terms of political economy this means that any increase in Land Tax equates with an increase of rent, and is payable by the hapless tenant or lessee who gets nothing for it.

By this legal stratagem, by the operation of Section 42, the landlord can and does convert at his pleasure a tax that is meant to fall on the unearned increment of land values, into a tax on production and enterprise. In theoretical terms, the tax on land becomes a tax on wages at the landlord's behest.

This affects not only shopkeepers and the like, but ultimately their employees as well. The welfare of the latter is bound by their employers' ability to pay them wages and salaries. If employees in commerce and industry were given a share of the profits they help produce, there would soon be an end to anti-economic work practices and the conflict between employers and workers would be replaced by partnership to the benefit of everyone.

I must return to Section 42 of the Act, which is an abuse of landlord power and should be abolished.

MELBOURNE MEETING

It is this power that the Act gives to the landlords that enabled them to bring shopkeepers to the Melbourne Town Hall meeting on July 4, 1990 and let them bay like hounds at the quarry of the landlords, namely the State Government.

A leading protester against the land tax rises was Mr. Mark Hunter, a hairdresser renting a shop at Tooronga Village. His own tax increased from \$1303 to \$3830 (or 194%), and he saw reason to fear that, being hit with this type of bill he would lose his business and home. Many small businesses have been forced to close, indeed, shop and office vacancies have increased all over Melbourne.

In June, Mr. Hunter was among a Chamber of Commerce delegation which met the Treasurer, Mr. Tom Roper, to discuss the concerns of traders. Afterwards he complained that Mr. Roper appeared to have no answer for traders struggling to stay on their feet following the release of the first round of Land Tax Assessments in early May.

Unfortunately I must record that Tax Reform Australia as a whole appeared to be equally unconcerned at that time. I felt, then, that if we did not rise to this occasion, and provide some assistance or direction in this disastrous situation for which land tax was blamed, we would become irrelevant as an organization.

I contacted Mark Hunter and a few other traders to investigate the facts of the situation and brought them to the attention of some fellow Georgists. Further, I drew attention to the rent connection, or factor, of these tax increases. I also contacted the Chamber of Commerce and was told that it would not pass any resolution which affected the interests of landlords who are represented in the Chamber of Commerce along with the Small Business Association of Victoria.

PROPOSED RESOLUTIONS

I drew up a set of proposed resolutions, and with the blessing of Mark Hunter and the assistance of some colleagues at T.R.A., about 280 copies were distributed at the Town Hall together with a background briefing which emphasized the linkage of land tax with rentals and the need to secure a moratorium on both. It pointed out that, if Land Tax were abolished, lessees and tenants could expect rentals to rise.

My proposed resolutions read as follows:

1. a MORATORIUM on automatic rent

increases specified in commercial leases and tenancy agreements.

2. a MORATORIUM on the operation of all such leases and tenancy agreements where these provide for the lessee and/or tenant to pay land tax and/or rates, to the extent that such land taxes and rates exceed the levels operating before the 1st January 1990, and
3. that FUTURE leases and/or tenancy agreements of a commercial nature must provide for all taxes and rates which are a charge against property to be paid by the owners thereof.

At the Town Hall meeting, not all speakers followed the landlord line of thinking. One speaker was heard to say: "If you don't own land, you should not have to pay land tax!" I heartily agree with him.

A letter was written to David White, the Minister for Industry and Economic Planning, enclosing a copy of the resolution proposals and seeking a meeting with him, but the latter did not eventuate.

In early October, the response of the Government to the outcries over Land Tax was to commission a comprehensive review of the operation of Land Tax, and it appointed the Hon. Robert Fordham, M.P., to conduct it. Submissions may be made by any interested organizations and members of the community. The Land Values Research Group will certainly make one.

We are encouraged by the fact that the South Australian Government is leading the way with an announcement, reported in "The Australian" of 5th September 1990, that it will outlaw retail lease provisions that require shopping centre tenants to pay the cost of Land Tax in that State.

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