

METHOD OF COLLECTING LAND-VALUE TAXATION

By JAMES DUNDAS WHITE, M.A., LL.D.

1. The Land-value Tax as a National Land-rent

In the case of each property the land-value tax should be treated as a national land-rent, and if it is not paid within a certain time the national authority should credit itself with making payment and should have the rights of the payer.

2. Application for Payment

The application for payment in respect of each property should (like the applications for the ordinary rates and taxes) be made to the occupier, or, in certain cases, to his immediate landlord; provided that where the parties interested make a joint request that it should be made to some other designated person, whether one of themselves or not, it should be made accordingly. In the case of leases granted after the commencement of the tax it would become usual for the lessor to undertake the payment of the tax, for the reasons stated in paragraph 19.

3. Property without known Occupier

In the case of an unoccupied property, if the national authority has no information as to who is the occupier or the person entitled to the occupation thereof, it should be deemed sufficient application to post up thereon an appropriate notice. Any person who can prove a title to the property dating from before the commencement of the tax should be entitled to make payment of the tax thereon, and on making such payment should have the right of the payer.

4. Proportional Contribution

The person to whom the application is made, on making full payment, should be entitled to recover from his lessor, if any, the amount so paid less a proportion corresponding to the proportion, if any, of the annual land-value which exceeds the annual rent that he pays: this lessor, in turn, should similarly be entitled to recover from his lessor, if any, this amount less a proportion corresponding to the proportion, if any, of the annual land-value which exceeds the annual rent that he pays; and so on. At any stage in this process, the person with the highest title who has made full payment of all the tax that is recoverable from him should have the rights of the payer.

5. Rights of the Payer

The rights of the payer should be these: he should be entitled to recover the amount due to him from his lessor either by action or by deduction from rent; and in respect of any unpaid arrears he should be entitled to possession of the land as against his lessor and against any person having a higher or an adverse title, and neither his lessor nor any such person should be permitted to assert any claim against him in respect of the property, except upon full payment of all arrears, with compound interest at 5 per cent per annum, apportionable for shorter periods. If full payment is not made within, say, ten years from the date when the first tax payment which any of the arrears represent became due, the payer should be entitled to the land absolutely as against his lessor and also as against the holder of any higher or adverse title who is in default, and the title of his lessor and also any such higher or adverse title should be extinguished. In like manner, if that payer becomes a defaulter in respect of the tax for more than ten years, the title of the person who has then become payer should mature against him in a similar way, and so on. These provisions would, of course, be in addition to, and not in substitution for, the provisions of any existing Prescription Act or Statute of Limitations.

6. Provision for certain Short Leases

In the case of any lease under which, at the commencement of the Land-value Tax, the annual rent is less than the annual land-value and the unexpired term does not exceed, say, five years, either the lessor or the lessee should be entitled to apply to the Commissioners of Inland Revenue for a special apportionment between them of the land-value for the purposes of apportioning their contributions to the land-value tax; and the Commissioners, after giving both parties an opportunity of being heard, should make such apportionment as, in view of all the circumstances of the case, seems to them just.

7. Payer Holding after Expiration of Lease

If, under the provisions in paragraph 4, the payer holds the land after the expiration of his lease, such holding after such expiration should be deemed to be an exercise of a statutory right and not a holding-over under the lease, and neither the lease nor any of its covenants as to payment of rent or otherwise should apply thereto.

8. Necessary Expenditure by Payer

If the payer makes any expenditure which he is not under legal obligation to make on the property, and obtains a certificate from the Commissioners of Inland Revenue that such expenditure or any part of it was reasonably necessary in the interest of the owner of the property, he should have the rights of the payer in respect of such certificated expenditure as it were a payment of the tax.

9. Provision for Protection of Lessor

Where a lessee from whom the land-value tax is recoverable and to whom application for the payment of it has been made (whether on payment he would be entitled to recover the whole or any part of it from his lessor or not) fails to make payment of it, such failure should be deemed to be a failure to pay the rates and taxes within the meaning of any covenant in the lease whereby he undertakes to pay the rates and taxes (unless the contrary is expressed) and the lessor should be entitled to act as if there had been a failure to pay the rates and taxes within the meaning of that covenant.

10. Provision for Protection of Various Interests

Where any person fails to pay the amount recoverable from him and that failure prejudices the interests of any other person in the property (whether in the land-value or not), such other person should have the right of applying to the Commissioners of Inland Revenue for authority to make payment in place of the defaulter, and if he receives that authority and makes the payment he should have the rights of the payer as against that defaulter, as well as against the holder of any higher or adverse title.

11. Apportionment of Rent between Land and Improvements

Where the lessor and the lessee have agreed to an apportionment of the annual rent as between the land and the improvements, the part of it apportioned to the land should be taken as the annual rent for purposes of comparison with the annual land-value, in order to ascertain the proportion of the land-value recoverable by the lessee from the lessor.

12. "Annual Land-value"

"Annual Land-value," "Capital Land-value," and some other expressions are defined in my pamphlet, PRACTICAL SUGGESTIONS FOR LAND-VALUE TAXATION, No. 17 of the LAND & LIBERTY SERIES. If the land were valued on a capital basis, 5 per cent of the capital land-value should be taken as the annual land-value. As the land-value valuation would be based on the amount that the land would fetch in the open market under the conditions existing at the time, it would make allowance automatically for the existing rates and taxes.

13. "Rent," "Lessor" and "Lessee"

For the purposes of the Land-value Tax the expression "rent" should include:—

- (a) Any yearly or other rent, toll, duty, royalty, or other reservation, by the acre, the ton, or otherwise; and
 - (b) Any tithe or tithe-rentcharge, or other periodical payment or rendering in lieu of or in the nature of tithe, or any fee farm rent, rent seck, quit rent, chief rent, rent of assize, or any other perpetual rent or annuity granted out of the land; and
 - (c) Any feu duty, ground-annual, or teinds;
- and the expressions "lessee" and "lessor" should be deemed to include respectively the payer and the receiver of any such rent.

(NOTE.—This definition of "rent" is based on the definitions of "rent" and "rentcharge" in the Conveyancing Act, 1881, s. 2, and the Finance (1909-10) Act, 1910, ss. 41, 42, except that (c) includes teinds, which are the Scottish equivalents of tithe and tithe-rentcharge.)

14. Tenement Buildings

Where different tenements in a building are let separately and the land-value has to be apportioned between them, each tenement should be deemed to participate in the land-value according to the proportion which the rateable value of that tenement bears to the aggregate of the rateable values of all the tenements. This rule is applied in England and Wales to the apportionment of the tithe-rentcharge on a property as between the portions into which the property may be partitioned by the Tithe Act, 1891, s. 1 (2). It is also applied to the apportionment of land-value rating in relation to tenement buildings by the Queensland Local Authorities Act, 1902, No. 19, s. 195 (5); the New Zealand Rating Act, 1908, No. 163, s. 66; the Western Australia Roads Act, 1911, No. 29, ss. 196 (c) and 197 (b); and the Victoria Rating on Unimproved Values Act, 1920, No. 3060, s. 4 (2) (e). The problem would not arise where the tenements in the building are let at an inclusive rent, the landlord paying the rates and taxes; and, in practice, it would not arise under leases made after the commencement of the new system, for the reasons stated in paragraph 19. Most of the tenements in respect of which the problem would arise are let on comparatively short leases; but the exceptional case of feued tenements in some parts of Scotland must not be overlooked. A more detailed examination of these and other cases may be found in my papers on "Tenement Buildings and Land-value Taxation," in LAND VALUES of August and October, 1917.

15. Commencement and Extension of the Land-value Tax

The Land-value Tax should be commenced at a moderate percentage, and when it is working smoothly the percentage of it should be increased so that it may take the place of Income Tax under Schedule A (landlord's property tax), which operates as a continuous penalty on the building of houses and the making of other improvements.

16. Collection and Apportionment of Land-value Rating

Any local land-value rate should be treated as a local land-rent, and should be collected in the same way and under the same conditions as the land-value tax, except that:—

- (a) The local authority would be substituted for the national authority;
- (b) In the case of non-payment by any of the private interests, the local authority should apply for payment to the national authority which, on making payment, should have the rights of the payer; and
- (c) In the case of any lease made before the commencement of land-value rating on the basis of the lessee paying the rates, the amount of the rates so paid that the lessee should be entitled to recover from the lessor (instead

of being the amount of the land-value rate that he has paid, less a proportion, etc., as by analogy from paragraph 4) should be

"the amount, if any, by which the ordinary rates, plus the land-value rate for the particular year, exceeds the amount of the ordinary rates for that particular year or the amount of them for the year before the commencement of land-value rating, whichever of the two last-mentioned amounts is the greater, less a proportion"

and so on, as in paragraph 4.

17. Application of Suggested Formula

In this formula (c) the expression "ordinary rates" means the rates on the rateable value of the premises as defined by the present law. According to this formula:—

(i.) If the ordinary rates plus the land-value rate for the particular year are not greater than the ordinary rates for the year last before land-value rating, the lessee would not be entitled to recover any part of them;

(ii.) If the ordinary rates alone for the particular year are less, but the ordinary rates plus the land-value rate for the particular year are greater, than the ordinary rates for the year last before land-value rating, the lessee would be entitled to recover the amount by which the ordinary rates plus the land-value rate for the particular year exceed the land-value rate for the year last before land-value rating (which amount in every such case would be less than the amount of the land-value rate);

(iii.) If the ordinary rates for the particular year, apart from the land-value rate for it, are equal to or greater than the ordinary rates for the year last before land-value rating, the amount which the lessee would be entitled to recover would be the amount of the land-value rate.

In each of these cases, if the annual rent that the lessee pays for the property is less than its annual land-value, he would only be entitled to recover the amount stated less a proportional reduction, as in paragraph 4. Thus, for instance, if the amount ascertained under the formula was £50, but the annual rent was only four-fifths of the annual land-value, he would be entitled to recover only £40.

18. Commencement and Extension of Land-value Rating

Land-value Rating, like Land-value Taxation, should be commenced at a moderate percentage, and when it is working smoothly the percentage of it should be increased and it should be substituted as far as possible for the present rates on landed property, which operate as a continuous penalty on the building of houses and the making of other improvements.

19. Land-value Taxation and Subsequent Leases

The Taxation on Rating of Land-value along the lines here suggested would have two important effects on subsequent leases. The fact that in the event of non-payment the national authority could resume the land as against all the parties would in most cases make the landlord prefer to have the applications for payment addressed to him and to let the premises at an inclusive rent. The fact that the liability would be continuous even though the land were unlet and unused would promote the development of what may be called continuous tenancies, a matter more fully considered in my ECONOMIC JUSTICE, pp. 39-46.

20. General Observations on the Method as a Whole

The method of collection here proposed is based on treating the land-value tax as a land-rent payable to the community, the community being entitled to resume possession of the land if the rent is not paid. In practical working it would be simple, certain and inexpensive, besides securing prompt payment and avoiding bad debts. It would also apportion the annual land-value tax or rate

between the persons interested in it in proportion as they participate in the land-value for the year. Nor would these be its only advantages. From the outset it would operate to simplify title to land, and after ten years from its commencement there would be an indefeasible title to every property. The method here described is substantially the same as that proposed in my PRACTICAL SUGGESTIONS pamphlet already mentioned, except that in the case of each property the application for the whole payment would be made (unless otherwise directed) to the person to whom application is made for the payment of the present rates and taxes, with proportional contribution recoverable by him from his lessor, and so on, in the ascending order of titles, and that there are also some other simplifications.

"HENRY GEORGE FUNERAL RECALLED"

The NEW YORK SUN (31st December) devotes a column to the "Last Rites for Friend of Man," from which we quote:—

A veteran New Yorker, who had attended the stately burial rite for Bishop Burch on Thursday, looked out eastward from the grounds of the slowly growing Cathedral—across the treetops of Morningside Park and mile after mile of city roofs—and remarked:—

"New York has had some impressive funerals in the twentieth century, but it had one in the closing years of the nineteenth which excelled all its successors and stands out in my recollection as the most emotional and dramatic public event that has ever come within the range of my observation. And that was the funeral of Henry George.

"No, it was not the pageantry of the thing that counted: it was the outpouring of unrestrained human feeling in recognition of a noble life and a noble death, at a time of intense political excitement.

"It would be difficult for a first-class professional dramatist to concoct a cumulation of events leading up to a man's sudden death in a way better calculated than those actual events of New York history to throw an aura of glory about the dead man and move the hearts of a great city to a passionate demonstration of homage equalling that which Paris had poured out some years earlier at the bier of Victor Hugo."

TWO EXAMPLES OF COALITION HOUSING POLICY.—The London County Council on 14th December adopted the report of its Housing Committee, which made recommendations on the rents to be charged for the houses in course of erection at Roehampton and at Tabard Green, Southwark. At Roehampton, the first batch of houses, 582 in number, are being built, and in addition a number of two- and three-roomed flats. The average cost of a house with living-room, parlour, three bedrooms, scullery and bathroom, including land and proportionate cost of road-making, etc., will be £1,702. That corresponds to an economic rent of £143 10s., exclusive of rates; but it is proposed to charge the tenant £45 10s. in rent and throw the loss, £98, on the public in increased rates and taxes. The average annual loss on the 582 houses will be £89 3s. 2d. per house, or an aggregate sum of £51,880. At Tabard Green, 90 self-contained flats of various sizes will cost £78,680, including land. It is proposed to charge an average rent of £31 12s. 3d. to the tenant, but on each flat there will be a loss of £49 4s. 7d.; so that the 90 flats will be subsidized out of rates and taxes to the amount of £4,431.

The recently formed Welsh Liberal Federation, in a manifesto published in the Press on 10th January, declares its opinion that local authorities should have power to rate land values for local revenues.

HOME NEWS

HENRY GEORGE CLUB (LONDON): C. W. J. Morley, Hon. Secretary, 11, Tothill Street, London, S.W.1.

A meeting of the Club took place at the Offices of LAND & LIBERTY on Wednesday, 12th January. There was a good attendance, with Mr. Louis P. Jacobs in the chair.

The Rev. Wm. Drury opened the discussion on the subject of "What is Land?" He stressed the point of transport and thought the rent of land could best be devoted to the means of communication. Mr. Drury explained his views at length and succeeded in provoking an animated discussion.

Mr. Drury's views will be explained at length in a pamphlet which he is preparing for publication (Francis Hodgson, 89, Farringdon Street, London, E.C.4. Price 1s.) entitled: "The Significance of Transport in the Production of Wealth." The pamphlet will be on hand during the month.

The next meeting of the Club will take place in the Drawing Room, Y.M.C.A. Building, Tottenham Court Road, W.1 (entrance by Caroline Street), on Wednesday, 9th February, at 7.30 p.m. Mr. Wm. C. Owen will speak on "Bolshevism, Anarchism and the Land Question." Members and friends are cordially invited.

Membership Cards are now ready, and the fee (5s.) may be handed to the Hon. Secretary at any meeting or sent to him at 11, Tothill Street, S.W.1, at any time.

ENGLISH LEAGUE: Fredk. Verinder, Gen. Secretary, 376 and 377, Strand, London, W.C.2.

The Executive have sent a very hearty message of congratulation and good wishes to the Hon. Treasurer of the League, Mr. H. A. Berens, B.A., F.C.S., on the announcement of his engagement to Miss Elsie Krauss, daughter of the late Edward Krauss and Mrs. Krauss, of 12, Marlborough Place, N.W.8. Mr. Berens' services to the League, since he succeeded his lamented father as Hon. Treasurer, are well known to all its members. He now writes: "You can assure the Executive that the great happiness which has come to me will only make me the more eager to do what in me lies to help forward the great cause which we all have at heart." Miss Krauss is in entire sympathy with his work. All those who have been associated with him in this work will wish him and his future wife a long and happy life in the service of the cause which his father did so much to advance.

Mr. Munn, who, on 17th January, completed 31 years of service in the League's office, has happily recovered from the illness, following on an attack of influenza, which confined him to the house for some weeks before Christmas.

Captain Mervyn Stewart, T.C. (a Vice-President of the League), addressed the Falmouth Trades and Labour Council on 4th January. The Council decided to support the Corporation in their demand for the publication of the Land Valuation, and are asking all the Trades and Labour Councils in Cornwall and Devon to write in support to the Premier, to the local Members, and to the Labour Party. The Falmouth Trades and Labour Council is affiliated to the English League.

Following on the local ratepayers' meeting addressed by Mr. Verinder on 30th November, Councillor Gillings moved on 22nd December at the Lewisham Borough Council:—

That this Council requests the Finance Committee to consider the proposal of the Manchester Corporation to seek Parliamentary powers to bring into municipal rating the capital value of land on five per cent. of that value, with a view to finding (A) The effect of such proposal on the finances of the borough, and (B) the steps which should be taken to support this proposal, and to report to the Council the results of their consideration.