

Taxes and 'Capital Gains'

"Land taxes are extremely low — less than a shilling an acre. Profits tax operates when you sell the land — approximately 10 per cent. of the profits (*sic*) after you have deducted all your costs. In addition, an escalator clause reduces your tax according to how long you hold the land — up to 30 per cent. reduction after ten years." Even re-selling your land after two years ownership "you would make a substantial profit." And, to show how earnestly they believe this, the Company "asks for first refusal when you wish to re-sell." "We cannot guarantee that later purchases of land will be at the same low price. The cost will gradually, and in some cases abruptly, increase as the day of development comes nearer."

Well, what are you waiting for? Could it be that you, too, read this recent news report:

"BRAZIL RIOT DEATHS — FOOD STORES SACKED. Rioting in which a number of people were killed and wounded occurred today in Caxias, Sao Joao de Meriti and Nilopolis, three towns in Rio de Janeiro State. People angered by lack of transport and the scarcity of food smashed into stores and carried off stocks. Troops were called in to restore order." Perhaps you fear that, if this is the way things can go in Rio de Janeiro State, the most "developed" area of Brazil, there is nothing to say it couldn't happen in the Mato Grosso as "the day of development comes nearer."



A WINNING POLICY

Below is the text of a leaflet used by local government candidates Denis Pedder and Donald Best in the municipal elections last May. Both stood as Liberal candidates and strongly emphasised that site-value rating is Liberal policy. Other Liberal candidates for local government would do well to give prominence and priority to this important and fundamental rating reform. Mr. Donald Best won a place on his local council for his efforts.

IF a man improves his house by adding a bathroom or a garage he is penalised for his efforts. Along comes a valuation officer — and up goes his assessment. Improvements to factories and shops also attract additional rates.

If on the other hand a property is allowed to fall into disrepair the assessment is reduced! A property allowed by its owner to stand empty attracts no rates at all, and yet quickly becomes an eyesore and spoils the amenities.

A more striking case of potential injustice arises where a man owns a vacant site. He may deliberately keep it

empty and undeveloped until the efforts of *others* have made it more valuable, by reason of nearby housing and shop development. Having made no contribution whatever, he then sells his land at a large profit — tax-free.

The "rates" as we know them, involving extra burdens being placed on those who by thrift and enterprise "improve" their property, *would go*.

They would be replaced by a local tax assessed solely on the value of the site, whether developed or not.

The landowner has then three possible courses of action.

1. He can develop his site and get the maximum value out of it. He is encouraged to do this by the absence of any tax on "improvements."
2. He may do nothing for the time being, deciding the time not yet ripe for development. He is entitled to do this — but must pay the site value tax whether he uses his land or not.
3. He can sell the land to a purchaser who is prepared to make better use of it than he is himself.

Whichever course is adopted—

- (a) Effort, enterprise and thrift will be encouraged.
- (b) The brake would be taken off new development, land speculation would gradually die out and *homes would become cheaper to buy*.
- (c) Pockets of land now lying idle would spring into use, and old-fashioned obsolete property would be improved.
- (d) Better use would be made of derelict sites in town centres, and thus our green countryside would stand a better chance of preservation.

This system is now used in parts of Canada, Australia and New Zealand and works well.

How much revenue could we reasonably expect to raise, and what sort of re-distribution of the rate burden would be involved?

It is not possible, of course, to give any exact estimate of yield without a valuation. But in cases where this method has been substituted for rating on buildings, no difficulty has been found in raising sufficient revenue for local purposes.

The ordinary householder would pay lower rates if the system were adopted, whilst the owners of commercial and business sites in the *centre* of town would pay more.

Where is the snag? At this stage the ordinary rate-payer will smell a rat. He is quite used to optimistic politicians who cheerfully promise the earth and slide over the difficulties of procuring it! After all, he will say, the shops will pass on the increased rates to the customer — and up goes his cost of living. This argument overlooks one vital aspect of the scheme. Only central shops occupying valuable sites will pay appreciably more. They are in competition with the little corner shops in the suburbs with no such extra rating burdens to pass on. If, therefore, the central stores pass on their rating burden to the customer they will price themselves out of the race with their suburban competitor.