

Time to kill off the red herrings

LAND and property prices in Barbados have been "sky-rocketing" and speculators have been doing good business, according to the Barbados *Sunday Advocate-News*.

The newspaper expresses concern, not so much with the direct effect of land-price rises on the Barbados economy as with their impact on the island's property tax assessments which have risen sharply, sometimes by 100 per cent.

"Punishing Taxation"... "Taxes - Source of Great Concern"... "Adjust the Rate of Land Tax" - these are some of the *Advocate-News* headlines in a recent issue.

Now, the Opposition spokesman on finance, Mr. Richie Haynes, has called on the government to undertake an immediate review of its policy on property taxes following complaints by property-owners about the increase in their site values.

The Barbados property tax is not a pure land-value tax, although it did start that way in the early 1970s.*

Since 1975, it has been levied on "improved values" - i.e. on land and buildings taken together. In contrast with the United Kingdom, however, vacant sites are taxed - indeed, at a higher rate than developed sites.

So, although, regrettably, the improvements made (and paid for) by owners themselves are subject to tax, the assessments in Barbados *do* react to changes in land value in much the same way as the pure land-value taxes of, say, New South Wales and Queensland.

To counter some of the complaints being made by property owners, the Prime Minister of Barbados, Mr. Tom Adams, pointed out recently that, high though some tax assessments might be, they still did not exceed the market value of the properties. "Would the owners sell their properties for the amounts they are being taxed?" asked Mr. Adams.

The *Advocate-News* acknowledges the force of this argument but insists that there is a catch.

Most people, it contends, were not planning to sell their properties, and it is a bad system that treats them as if they were. What Barbados needs, it suggests, is a capital gains tax from which the government can reap the

benefit when people sell their properties for the "fantastic sums" now changing hands.

The paper's columnist, Leonard St. Hill, argues: "Since the majority of property owners are not speculators but persons who intend quietly to enjoy a fundamental human right, the market value of such property, as the basis of annual taxation, is specious reasoning..."



● Prime Minister Tom Adams

MISGIVINGS over the impartial application of land-value taxes tend to be voiced, from time to time, wherever such taxes are levied. So used are we to thinking in terms of money incomes and "ability to pay" that other, more ethical, grounds for levying taxation in a particular way are easy targets for special pleading. And countries that might commence with a straight land-value property tax - such as Barbados - frequently find their governments yielding to the siren-song and adulterating the tax with dubious concoctions of reliefs, rebates and exemptions.

They usually end up with a hotch-potch of arbitrary expedients which no-one accepts as fair - and which everyone is trying to change to his own advantage.

Sometimes, the genuine sympathy for small property owners faced with higher tax charges is exploited by the more powerful interests who introduce red herrings, such as the plight

of the "poor widow" - she of small income who, through "no fault of her own", becomes faced, so it is said, with an enormous bill for land-value tax.

In 1909, at the height of the campaign in Britain over Lloyd George's new land taxes, Winston Churchill dealt summarily with this kind of argument in a speech in the House of Commons:

"We are not confronted with any great argument on behalf of the owner. Something else is put forward... to shield the actual land-owner or the actual capitalist from the logic of the argument or from the force of a Parliamentary movement.

"Sometimes it is the widow. But that personality has been used to exhaustion. It would be sweating in the cruellest sense of the word, overtime of the grossest description, to bring the widow out again so soon. She must have a rest for a bit; so instead of the widow we have the market-gardener - the market-gardener liable to be disturbed on the outskirts of great cities if the population of those cities expands, if the area which they require for their health and daily life should become larger than it is at present.

"On the one hand we have one hundred and twenty thousand persons in Glasgow occupying one-room tenements; on the other, the land of Scotland. Between the two stands the market-gardener, and we are solemnly invited, for the sake of the market-gardener, to keep that great population congested, within limits that are unnatural, and restricted to an annual supply of land which can bear no relation whatever to their physical, social and economic needs - and all for the sake of the market-gardener, who can perfectly well move farther out as the city spreads..."

CHURCHILL'S words, echoing across seven decades, still synthesize the basic dilemma. To emasculate a land-value tax out of sympathy for the poor widow, the market-gardener or, as in Barbados, those property owners who wish "quietly to enjoy a fundamental human right", is to place their individual interests before those of the vast majority of the population.

Spotlight on the Caribbean . . .

To allow individuals to occupy valuable land without paying the proper dues to the community is to betray those whose well-being depends, to a considerable degree, on the best use being made of land.

For a land-value tax is not just a revenue raiser.

One of its essential purposes – perhaps its primary purpose – is to promote the good and economic use of land, this being the key to high levels of employment and rising standards of living. In this process, it is vital that owners of land should not only be *allowed* to develop their land without penalty – there should be a *powerful incentive* for them to do so.



● Winston Churchill – Barbados should recall how he demolished an argument long used to protect land owners

Such an incentive can exist only if land of equal value bears an equal weight of tax – irrespective of the use being made of it. To reduce one owner's tax because he is getting less income from his land than another whose land is of equal value would be to discriminate against the latter for doing what is likely to be of benefit to the whole community.

The people of Barbados suffered a grievous blow in 1975 when the island's land-value tax was corrupted by the taxing of improvements. Those whose sympathy for some owners would induce them to sabotage the tax further should ask themselves where the wider interests of the people lie.

Changes in the property tax are overdue, but Barbados would do well to heed the voice of Churchill rather than that of the *Sunday Advocate-News*.

**Land & Liberty*, May/June 1981, p.56.

BARBUDA

Land tax to protect heritage

A TOTAL population of 75,000 hardly suggests a power-hungry super-state. A sub-tropical island with an area of just 108 square miles and an economy based on sugar, cotton and tourism hardly seems the sort of realm which other communities need fear.

Yet if the island you lived on is an even smaller speck in the ocean, separated from the larger one by a trifling 30 miles of Caribbean sea and inhabited by a mere 1500 people, all intent on retaining the advantages of social custom enjoyed for well over a century, you might feel a little apprehensive if you woke up one morning to find your puny homeland placed under the jurisdiction of your larger neighbour.

Such is the situation today on the tiny Caribbean island of Barbuda. After centuries of existence as a British colony – one of the Leeward Islands – the 62-square-mile piece of limestone and topsoil is now linked with neighbouring Antigua in independence from the British Crown.

Yet instead of exulting in their newly-acquired independence, many Barbudans, according to a *Financial Times* report,¹ look to the future in apprehension and anxiety. To them, joint independence with Antigua, with St. Johns, Antigua, becoming the capital of the new state, is as inviting as being shackled up with Big Brother himself.

Trusting the Antiguans rather less than they trusted the British, they see the change as merely swapping one colonial ruler for another. They fear, under Antiguan dominance, their traditional way of life will be changed beyond recognition.

THE ROOT of their anxiety lies in the land, in those 62 square miles of shrub-covered coral. Since the abolition of slavery in 1834 no land on Barbuda has been privately owned; it has been held by the island council "in trust" for all Barbudans.

On Barbuda, there are no land rents, no land for sale, no land to be purchased and no mortgages. If a person wishes to build a house, he has only to obtain the approval of the 11-man council before he is free to go ahead and build. The same applies if he wishes to take over an extra piece of land for growing crops for his family.

The Barbudan Council, instead of manning the barricades to preserve their benign but out-moded system of land tenure, would do well to consider whether the interests of their citizens would be better served by abandoning the physical division of the land, with its built-in rigidities and prejudice against the foreigner, and introducing, in its place, a system of land-value taxation.

But the signs are that the bed of clover may soon get rather rumply.

A piece of legislation passed by the central government in St. Johns has brought Barbudan fears to a head. Called the Barbuda Ordinance (Amendment) Act, it sets up a land tribunal whose ostensible purpose is to compensate Barbudans who have a claim on land sold or leased by the Crown. According to the authorities in St. Johns, the Act does nothing more than "give Barbudans title over their land". Barbudans, however, see the measure as the thin end of the wedge which could undermine the position of their island's council and pave the way for land to be privately owned.

To reinforce these fears has come a series of development proposals relating to Barbuda, including a multi-million dollar project called "The Sovereign Order of New Aragon". According to the *Financial Times*, this would involve completing a new hotel, building roads, a port and a new airport. As a pre-condition, however, it would involve the acquisition of "rights" over about half the island's land area.

These events appear to confirm all the Barbudans' worst fears. Their system of land tenure – probably unique in the developed world – appears to be under serious threat.

THAT the Barbudans should seek to preserve their 150-year-old land system is far from surprising. A system that involves no payment of land rent to private landlords is a treasure indeed. In effect, the benefit of land rent is being shared by the whole population, although whether it produces completely fair results is difficult to determine. No doubt there are the usual difficulties inherent in a physical share-out of land; one citizen may be allotted very valuable land, another might get a less valuable plot while a third gets something palpably sub-standard. And it must be difficult to ensure that new generations of Barbudans – especially if population is increasing – are as well served as those of the present.

Of course, with only 1500 people living on the island, the problem of allotting sufficient living space to all of them might not be too great. But are there never any immigrants requiring somewhere to live? Can it be that for a foreigner to set up domicile on Barbuda is as difficult as becoming a citizen of, say, Monaco or Liechtenstein? The concern of the island council that the "foreigner" should be kept out is not difficult to understand.

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... Reports by BERT BROOKES