

JO'BURG: Shameless votes bid attack on site value rating

ONE FACTOR dramatically distinguishes Johannesburg's buildings from those of most other cities outside of Australia and New Zealand: they are untaxed. Since 1919, not a penny in taxation has been raised on buildings. The whole of the city's rates are levied on site values alone.

Many attempts have been made by vested interests to change the system, but all have failed. In 1944 an independent committee of enquiry appointed by the City Council reported that there were no grounds for change. In 1948, and again in 1953, the city's Chamber of Commerce came out strongly in favour of site-value rating.¹

To-day the rating system is once more under attack. This time it is not so much the land value principle that is being challenged as the practice of levying rates on residential property. The objectors are not asking for the basis of the rating system to be changed completely: they just want residential property exempted. The lost revenue, they say, should be made up by an increase in the central government's General Sales Tax.

Leading the new campaign is Councillor Francois Oberholzer, chairman of the City Council's management committee. According to press reports² he and his supporters are demanding the change because of the rising level of the rates and because of the additional burdens which a recent government committee report has recommended should be placed on local authorities. They are also critical of the fact that the present system takes no account of the financial circumstances of individual ratepayers, especially pensioners on fixed incomes.

Through a firm of public relations consultants, Oberholzer has approached leading citizens to form a Board of Trustees to back the campaign. According to the text of the consultants' letter³ the tactics will be to persuade the public that the proposed switch to sales tax would be "in the interests of the citizens of Johannesburg as a whole."

The Johannesburg *Star* reported on 5 June that the campaign is getting a mixed reception. Many residents, it seems, far from accepting the proposal as in their interests "as a whole," see it as an election gimmick calculated to win the votes of householders but blatantly unfair to the rest of the community who would have to pay the higher sales

tax while continuing to pay the present rates on their properties.

Others fear that the abolition of rates on housing land would push up the price of houses, making it decisively against the interests of young couples wishing to buy their own homes. Yet others see the danger that financing local authorities from the national sales tax would increase the government's influence in local affairs, a development that could well be contrary to the interests of Johannesburg residents.

The measure proposed is one of shameless discrimination in favour of one particular group with flagrant disregard for the wider consequences. It may well be that removing the rates burden from the householders, even with an increase in sales tax, would benefit them in the short term. But in the longer term the fears of some Johannesburg citizens about dearer housing would become cold reality.

Tax-free housing land would be more attractive to own than other land and would command a higher price than before. All who wanted land for housing would be forced to pay the extra, and first-time buyers, especially, would find themselves having to face higher prices and bigger mortgages.

Similarly, tenants would face increased demands from their landlords. They would lose, on the swings of higher rents, anything they might gain on the roundabout of lower rates.

Nor would existing owner-occupiers be likely to gain in the long run. If exceptions to the just and equal application of a tax can be made for one group, the door is open to others. Once the principle is breached the way is clear for the whole system to be jettisoned.

And let there be no doubt: the abandonment of the site value system, while being bad for all citizens, would be a calamity for the house-owner. Site values are, in effect, heaped up in the commercial centres of towns and cities. They thin out on the residential outskirts. So under site-value rating the major contribution to the city's revenue is made by the owners of the valuable central sites. But since those high values are created by the community as a whole in providing the environmental services and amenities (either collectively through the council or individually by private developments) there can be no argument that the system is ethically sound.

No other rating system can offer the house-owner the built-in safeguards of site value rating. Under it he knows that his assessments – and those of everyone else – reflect just one thing: the benefits conferred on them by community activity, benefits which increase the value of the land they own.

Oberholzer's proposal may have its roots in genuine concern for some householders in a period of sharply rising rates, in which event it is misguided. Nothing can be more just than the community taking back, in rates, some part of the values it has created. Or the campaign may be the beginning of a cynical attempt to overthrow a most equitable system of local taxation.

REFERENCES

1. H. Bronson Cowan, *Municipal Improvement and Finance*, Harper Brothers, New York, 1958.
2. Johannesburg *Star* and *Rand Daily Mail*, 6 June, 1980.
3. D. Hilton-Barber & Harris (Pty) Ltd., letter to Dr. Peter Penny, 6 March, 1980.

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intellectuals and semi-literate subalterns of the underdeveloped nations who see it as the wave of the future, and who fancy themselves the destined elite of a coming proletarian dictatorship.

Against it, the mélange of civil liberties and monopoly privileges miscalled capitalism can make no political headway in an increasingly populist age. Only capitalism can provide the incentives imperative to keep production capable of satisfying needs. But only a *purified* capitalism in which the distribution of the product reflects unmonopolized natural opportunity can commend itself to the disaffected millions upon whose allegiance the course of history could very well depend. Perhaps, as the lessons of experience become too painful to ignore, these disaffected ones will apprehend that indiscriminate expropriation is no real solution to social problems. Then the long-neglected doctrine of Henry George, pruned of questionable but inessential details and supplemented by fresh understandings and techniques, may come at last into its own.