



# Progress

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H. B. Every, Dip. E.E.; E. M. BestPOSTED WITHIN AUSTRALIA  
(For overseas rates see last page)**OUR  
PHILOSOPHY***We believe* that the Earth is the birthright of ALL MANKIND.*We recognise* that for many purposes it is essential for individuals to have exclusive possession and security of tenure of land AS GIVEN BY THE EXISTING FREEHOLD SYSTEM OF LAND TENURE.*We believe* that those who have exclusive possession of land should COMPENSATE SOCIETY for being excluded therefrom.*We believe* that such compensation paid annually would meet the costs of Government and permit Society to abolish all taxes on LABOUR and on goods produced by labour.**LAND TAX SUBMISSION**Presented by R. S. Brownlee, FCPA, ACIS, CIA,  
to the Victorian Government Inquiry

1. As a retired accountant who sees land tax as a preferred source of government revenue, I wish to comment on features of the Victorian Land Tax Act which stifle its revenue potential and to present my views on how land tax could be applied to raise more revenue from this source and less from other taxes.

**The Desirability of Land Tax**

2. Because land values arise from the existence of communities and grow as populations and community facilities increase, it is logical for such values to be taxed to raise government revenues for community needs. As just one example of this principle, attention is drawn to a report submitted to the Victorian Public Accounts Committee of Inquiry on Railways in 1972 by the Land Values Research Group of The Henry George League; Appendix A hereto contains the Summary and Conclusions of that report.
3. Land Tax has other virtues than its revenue potential for governments. It reduces inflation, by discouraging speculation in land, and it enables property buyers to acquire land more cheaply and thus with lower mortgages; moreover the lowered demand for mortgage finance reduces interest rates. It can thus be a boon to home buyers and small businesses, and it can reduce unemployment because of the enhanced business opportunities. A book published last year by Dr.

Les Hemingway spells out these and other benefits of what he terms "Rent as Revenue". Attached is a review of that book by The Hon. Clyde Cameron (Appendix B) and a reproduction of the book's graphic cover (Appendix C).

**The Rate Scale and the Aggregation Principle**

4. The present multi-graded scale of land tax rates, whereby most landowners pay nothing whilst others pay at rates that vary according to the total value of all their holdings, leaves the Victorian Land Tax open to being thought of as a wealth tax. If the tax is to gain community-wide acceptance it should be at a flat rate as with site value rating by municipalities. Wealthy people generally own the more valuable sites which attract more tax anyway, so there is no cause for penalty rates. Abandonment of the tax threshold can to a large extent be replaced by a more equitable Home Owners' Concession as proposed later herein.
5. The aggregation principle, which is complex, would disappear with adoption of a flat rate of tax. The same tax should be paid on all blocks that are adjudged to be equivalent in value. The number of blocks owned should not affect the tax on each one.

**The Range of Exemptions**

6. Land tax encourages the most economical use of land. When

owners are exempt from land tax they are not constrained to achieve this; on the contrary, as land tax rates rise and cause land to be cheaper, clubs and other exempt organisations will tend all the more to buy prime sites that are above their needs. Many of these bodies could manage quite well with rented premises instead of using their funds for the purchase of property.

7. In the case of land used for primary production, exemption of farms from land tax causes them to be overpriced. Farmers can end up paying more by way of higher repayments on their bigger mortgages than if they had bought at lower prices and paid land tax. Exemptions from land tax can also entice farmers into holding for capital gain spare land thus kept from others.
8. The wide range of unjustified exemptions in the Victorian Land Tax Act detracts from its effectiveness and public image. All these exemptions should be eliminated; instead, there should be a Home Owners' Concession as proposed later.
11. To the extent that some landowners do not pay enough income tax to claim the proposed rebate of land tax, there will be a gain to the Victorian revenue which can be used for the easing or elimination of other taxes. Because land tax acts as a brake against inflation it would be wise to apply these gains towards the removal of the inflationary Payroll Tax.

(The proposed Home Owners' Concession has been omitted for reasons of space.)

#### **Landlord Arrangements with Tenants**

9. Land tax cannot be passed on to tenants in any long-standing sense; to do so would result in an uncompetitive rental. However it is not uncommon for a lease to require the tenant to absorb land tax increases that might arise during currency of the lease. This is wrong; the rise in tax should be borne by the owner who, but for the tax, would have an unearned benefit from the increase in the community-created value of his site. In order to protect tenants and to avoid their misdirected wrath at the Government's land tax increases, the Act should prohibit owners from passing on to tenants any land tax imposed during currency of the lease.

#### **Proposal for Income Tax Rebate and Commonwealth Grant Offset**

10. Increased land tax should at least be offset by reductions in other taxes. Eventually the other reductions could heavily outweigh the increases in land tax because of its benefits to the economy including reduced government expenditure. In order to provide a sound offset structure it is proposed that Victoria should establish with the Commonwealth an arrangement whereby:
  - (a) Victorian Land Tax would be allowed as a rebate in Federal income tax returns, to the extent that it exceeds land tax paid in the year prior to introduction of the allowance;
  - (b) The Federal Government would recoup the sum total involved by deducting it from the Commonwealth Grant to Victoria.