

## DESIRABLE AND PRACTICABLE

(*Précis of Evidence submitted by the Edinburgh Taxation of Land Values League to the Inter-departmental Committee on Site Value Rating.*)

1. The remit to your Committee includes consideration of the Rating of Land Values for providing revenue towards meeting the expenditures of the local authorities, thus raising the principle without committal as to the quantum of revenue so to be derived or the proportion it would make of the total expenditure. For our part we hold that the whole revenue should be obtained by means of the rate on land-values with corresponding remission of the rates now levied upon buildings and improvements, and the same arguments apply to any step in that direction as to the full adoption of the principle.

2. In the rating of land-values it is implicit that no distinction be made between one class of land and another (by the test of the use to which it is actually put) such as obtains under the prevailing system of local taxation which, for example, gives privileged treatment to "agricultural" and to "industrial" lands and heritages, the occupiers and owners in those circumstances being excused payment of rates which would otherwise be demanded of them. The levy of the land-value rate would be upon the value of land exclusive of buildings and improvements and would be strictly in proportion to the land-value of every property, whether its actual or suitable use be for residential, commercial, industrial, agricultural, or any other purpose.

3. The rating of land-values for deriving at least some part of local authority revenue has been the subject of much consideration, the theme of representations made to Parliament by hundreds of local authorities throughout the country, the constituent of much projected and attempted legislation and a policy embodied in the repeated declarations of both Labour and Liberal Parties that the present rating system calls for reform and that the rating of land-values is the key to it. The reasons why the necessary legislation has not been established is a matter that need not be discussed here.

4. Nor need we enlarge upon the arguments with which your Committee must be fully acquainted, expounding the case for the rating of land-values, or examine the contentions that are advanced against it. We have seen the published statement submitted to your Committee by the United Committee for the Taxation of Land Values, Ltd., and we fully associate ourselves with that submission. We wish to deal with certain practical considerations, particularly as they affect the situation in Scotland, and to make other observations relevant to the terms of reference.

5. The latest available figures giving in detail the expenditures of Scottish local authorities are those for the year 1942-43. They show as follows and we compare with them the figures for the year 1938-39:—

Expenditures	1942-43	1938-39
From proceeds of local rates levied ... ..	£23,471,445	£22,401,730
From Government grants—proceeds of Parliamentary taxation ...	£29,026,570	£22,033,267

6. The rate-burden in 1942-43 was thus divided

between owners\* (as in Scots law defined) and occupiers:—

Rate-burden	Owners	Occupiers
In large burghs ... ..	£6,451,000	£8,987,589
Small burghs ... ..	£1,304,880	£1,650,692
County Council landward areas ... ..	£2,561,765	£2,495,338
Fishery Boards ... ..	£20,181	—

7. Since 1942-43 the rate-burden has materially increased. For the year 1947-48 the figure of £32,073,000 is given in the "Return of Rates in Scotland" (C.31447—1948) and in the Financial Statement (1948-49), 105, page 11, it is estimated at £30,397,000.

8. The passing of the new Local Government Act, which takes account of the transfer of the hospital services to the Treasury and provides a new formula for distribution of the grants, has altered the relationship between the revenues locally raised and the revenues obtained from Parliament. The net effect is, on the basis of 1946-47 calculations, to increase the Parliamentary aid to the Scottish local authorities by £6,440,000 a year.

9. Particulars of Gross Annual Values and of Rateable Values given in the already cited "Return of Rates in Scotland" show that over the whole of Scotland, as a consequence of the Derating Acts, the Gross Annual Value of £56,080,342 is reduced to a Rateable Value of £44,471,999, bringing rate-relief in respect of £11,608,343 of value which would otherwise be assessed. The major part of that relief is given in the County landward areas, amounting out of £16,660,543 to £6,851,858, the Rateable Value being thus reduced to £9,808,685. The average rate at 15s. 6d. in the £ on £9,808,685 yields £7,602,000, but if derating did not apply, the average rate on £16,660,543, producing the same revenue, would be 9s. 1d. in the £ and the £6,851,858 now exempt would be contributing £3,112,000 a year.

10. The relief not only crystallises in the sustained or enhanced rent of land, but it has its correspondence also in a mounting of the rates on houses, shops and other premises assessed at the full Gross Annual Value. It is little wonder that ratepayers express their grievances, especially in the landward areas and the small burghs where in many cases the rates reach and exceed 20s. in the £, and in Wigtown and Sutherland, for example, run up to 28s. and 29s. in the £.

11. The giving of Exchequer grants-in-aid or the taking over of the costs of services locally administered (all at the expense of the general taxpayer) may shift some part of the burden from one district to another, but that solution is illusory. Poorer ratepayers in the richer districts have their rates raised and are certainly not served thereby. Where rates are lowered, the gift goes in large degree to the wealthiest ratepayers and the ultimate economic effect, as lets

\* The "owner" in this connection, broadly speaking, means the person who is entitled to the rent from the immediate occupier and includes owner-occupiers. The "owner" in that sense more often than not is a leaseholder paying a perpetual rent (in feu duty or ground annual) to a superior landlord, and the latter, although in fact an owner, is exempt from any charge of rates.

and leases are renewed, is a rise in rents so that the condition of the payers of rent and rates remains materially as it was, if it is not worsened.

12. We are not of the opinion that a remedy lies in the bare repeal of the Derating Acts so as to return to the *status quo ante*, for that would be merely to patch the existing rating system and put buildings and improvements back on the valuation roll at full value. We would levy the rates on the value of the land alone apart from buildings and improvements thereby vesting the local authorities with their rightful revenue, taking a load of taxation off the shoulders of the general taxpayers who are forced so unnecessarily to provide largesse, and at the same time redressing the anomalies and injustices of the Derating Acts.

13. Linked with the terms of reference and giving the question of "practicability and desirability" special significance is the requirement that regard must be had to the provisions of the Town and Country Planning Act and other factors, the bearing of which may be to suggest that new conditions have arisen, or new policies have been brought into operation, which make the arguments for either the taxation or rating of land-values less cogent than they have been heretofore. We repudiate the suggestion if it is anywhere entertained. Nothing has happened in the recent legislation, and in that we include the new Local Government Act, which in any respect affects the need to reform the present rating system on the lines of land-value rating. In especial, we disclaim the development charges under the Town and Country Planning Act as having any similarity to the proposal that annual revenues to meet annual expenditures shall be obtained by rates levied upon the value of the land alone in lieu of rates now levied on the composite subject.

14. With regard to the practical operation of land-value rating, taking account of conditions in Scotland, we offer the following observations:—

- (1) The machinery already exists or could be easily adopted for establishing the basis on which land-value rating would operate. It consists in the local Assessor's departments and the procedure of the Valuation Appeal Committees and the Valuation Appeal Courts for hearing and meeting the representations of all interested parties.
- (2) The valuation would be made by the Local Assessor by his determination of the annual land-value of each separate land unit (*cf.*, definition in Section 2 of the London Rating (Site Values) Bill, 1939), the annual land-value being the annual rent which the land unit might be expected to realise if demised with vacant possession at the valuation date in the open market by a willing lessor upon a perpetually renewable tenure upon the assumptions that at that date all improvements on that land unit are non-existent or are exhausted and that the circumstances affecting all other land were the actual circumstances at the valuation date.
- (3) The land unit would be deemed to be free from any liability to pay development charge, the right of the Central Land Board to appropriate

development values, as conferred by the Town and Country Planning Act, being regarded as an integral part of the whole estate in land transferable as a whole for valuable consideration in the open market.

- (4) The burdens and servitudes and restrictions upon user to which the land unit would be deemed subject would correspond to those indicated in Section (2) (c) of the London Rating (Site Values) Bill, 1939, with the important proviso, however, that restrictions upon user, which have become operative, imposed by or in pursuance of any Act, shall not be construed as including liability for the payment of the development charge referred to above.
- (5) The practice in Scotland of revising valuations once a year would make it possible to revise as frequently the annual land-value of every land unit, which would thus be quickly adjusted to any new influence or changed circumstances that may arise.
- (6) Collection of the land-value rate would be from the owner under requisite provisions (as by recovery from any rent, ground annual or feu duty payable) securing that every interested party shall contribute to the land-value rate in proportion to his interest in the annual land-value.
- (7) For that part of the annual land-value which on valuation represents the difference, if any, between the value of the land unrestricted and restricted in its use (*cf.*, the Town and Country Planning Act) the obligation of contribution to the land-value rate would lie with the Central Land Board. The remainder of the annual land-value would constitute the sum of the conjoint interests of the landholders and would be that on which the land-value rate would be levied for contribution by the landholders in proportion to their several interests, following the procedure outlined in paragraph (6).
- (8) There should be an overall equalisation rate or national tax at a uniform poundage on the land-value of all land, the proceeds of which should go to a blocked account at the Treasury providing the funds for any grants-in-aid from Parliament to the local authorities.
15. It may be outwith our province on this occasion and outwith the scope of your Committee's enquiry to dwell upon the features of the Town and Country Planning Act as a measure intended to capture increases in the value of land. But it is difficult to have regard to the provisions of that Act without making relevant comment.
16. The allegation, heard in some quarters, that the Act, by its development charges, implements the taxation and rating of land-values needs refutation. Misconceptions have been responsible for confusing schemes of capturing occasional or fortuitous increments, as by the machinery of this Act, with the principle and policy of requiring year by year contribution from all landholders proportionate to the value of the land which they hold, franking at the same time the results of both owners' and occupiers' industry.
17. No one can be certain that the development



charge will isolate itself as a price payable purely for permission to develop and avoid being a tax and, therefore, a brake upon development as such. In so far as the charge does rest upon land-values it is essentially the purchase of a capitalised rent. It is paid once for all, and after it has been paid altered circumstances in the locality may well bring about a fall in the rent-producing capacity of the developed site. The developer will be damnified and he has no recourse but to suffer a continuous loss. The Central Land Board has taken from him an excessive rent. On the other hand, if the amenities or advantages of the locality improve whereby the rent-producing capacity of the developed site is increased, the developer enjoys a wholly unearned access of fortune; and so of all land restricted to its existing use which rises in value as the result of community influences. The Act leaves all such increases for private appropriation. It is an extremely tenuous argument which, in defence of that feature of the Act, falls back upon the contention that in any event revision of rateable assessments will come into play, and in their round-about fashion the rates as levied to-day, even where their incidence is upon the occupiers, will capture at least some part of the increased land-value. It is the curious argument of those who maintain that in so far as land-value is necessarily a part of the composite value, the rates imposed on the composite subject do all that is required of rates levied on the value of land alone. The implication is that with or without the Town and Country Planning Act the rating of land-values already obtains.

18. Far from cheapening land the Act is designed to uphold its monopoly price, made up by the imposition of the development charge and, to the developer, the barrier to his enterprise is no less formidable than heretofore. If the development charge must be paid as a capital levy it will only be the large concerns with ready cash who can meet it without resorting to mortgage, and the concentration of the building trade in fewer hands will go on. A wise provision would be, if the development charge is to remain, that it be converted into an annual rent-charge variable on periodic valuation as the value of land may rise or fall.

19. Reverting to the practical proposals we have made, we attach vital importance to a universal valuation of the full annual land-value of the land so as to comprise, as stated, the land-value which the land has by virtue of potential development. Having regard again, as apparently we must, to the provisions of the Town and Country Planning Act, this valuation would have the enormous advantage of predetermining the development value of any land, enabling every would-be developer to know where he stood and to make his calculations accordingly. From the point of view of the Central Land Board there would be an equal advantage, saving it from the trouble of having to make, or of causing to be made, *ad hoc* valuations on every occasion that permission to develop has been granted. And further, it is a matter of much consequence that the Central Land Board stands charged with its due share of the land-value rate, for reasons that are as sound economically as they are financially. It is eminently desirable in the interests of development that the Board shall be treated on an equal

footing with any land monopolist.\* The effect upon the Board will be to incline it to be as eager to find the developer as it is interested in levying its development charge upon him. This is said without ignoring the ultimate outcome that the taxation and rating of land-values when in full operation will itself take care of all land-values that arise, and the purpose or necessity of any such functions as the Board possesses may have been proved, long before then, to be superfluous.

20. As for the broad general principles on which the policy of Land Value Taxation and Rating is based we leave with your Committee some words of one of Scotland's sons and gifted public men, Lord Macdonell, who in his "Land Question" (1873) wrote:—

"Of the total proceeds of any acre of ordinary land, so much is the return on the permanent or durable capital—drains, fences, etc.—invested therein; so much is the return of the circulating capital renewed annually, or at short intervals; and the residue is ascribable to permanent and inherent attributes of soil, situation, proximity to markets, roads, railways, etc., and to what I may term the general state of society. That the first part should accrue to the landowner if, as not unfrequently happens, he furnishes the capital for permanent improvements, is right; that the second should go to the usufructuary or farmer is also clear; and what seems equally indisputable is that the last, consisting of economic rent, should go to the general body of society.

"It having been shown that 'economical rent' is paid for differences in quality and situation of land, created by no man, or that it originates in circumstances not to be credited to the landowner, it would naturally have been expected that from Ricardo's principles would have been unanimously and instantly deduced the conclusion that economical rent should not become the subject of private property, that no private individual should be permitted to monopolise 'the original and indestructible properties of the soil' and what no man had created or earned by labour of his no man should own.

"It would have been only natural for all who accepted the preceding account of rent to hold that rent which proceeded from the common labours of the community should belong to it, that wages were not more fitly the reward of the labourer, or profits the reward of the capitalist, than was rent, as Ricardo understood it, the appanage of the community or State, and that, to quote the popular phrase, 'the land was the property of the people' . . . .

"Since the State, ever needy, is compelled at present to draw its revenue from taxes which are a hardship to all, and a grievous burthen to the poor, it is no paradox to affirm that the maintenance of the State should be provided, as far as may be, out of those funds which Nature herself seems to have appropriated to public purposes, arising, as they do out of common or public exertions. . . .

"We vex the poor with indirect taxes, we squeeze the rich, we ransack heaven and earth to find some new impost palatable or tolerable, and all the time

\* For reference to the Central Land Board as monopolist, see Mr. Silkin's statements in Standing Committee D, March 20th, 1947, Cols. 706-7.

these hardships going on, neglected or misapplied, there have lain at our feet a multitude of resources ample enough for all just common wants, growing as they grow, and so marked out that one may say they form Nature's budget. Such seems the rationale of the subject of which the land question forms a part. And so we may say that, if property in land be ever placed on a theoretically perfect basis, no private individual will be the recipient of economical rent."

Those words are as true to-day as they were when written.

Edinburgh Taxation of Land Values League. Hon. President: A. W. Madsen, B.Sc. (EDIN.); Hon. Vice-Presidents: Andrew D. Haxton, F.R.I.B.A., F.R.I.A.S.; and John Peter, J.P., M.A., F.E.I.S.; Hon. Secretary: Walter N. Alexander, 63 Baronscourt Terrace, Edinburgh, 8.

## SOME QUESTIONS IN PARLIAMENT

**LOSS ON OPENCAST COAL.** Questioned by Mr. Robinson, the Parliamentary Secretary to the Ministry of Fuel and Power, Mr. Robens, said that the average cost, in year ended March 31st, 1948, of producing opencast coal was 43s. 2d. a ton, whereas the average price realised was 39s. 7d. a ton—loss per ton, 3s. 7d. In same year the tonnage sold was approximately 10,511,000, so that the total loss was £1,887,200. See *H. of C.*, July 8th. Mining coal in these circumstances is the destruction of wealth not its production; the impoverishment of society, not its enrichment.

**COST OF TEA—KEEP IT DARK.** Parliamentary Secretary to the Ministry of Food, Dr. Edith Summerskill, refused to say what the State traders are offering to Malayan growers for their tea. She said the prices were "fully comparable" with the prices payable to Ceylon and Indian producers for tea of similar quality. Pressed by Mr. Thornton-Kemsley and Mr. W. Fletcher to admit that Malayan growers were offered much less for tea of same quality, Dr. Summerskill replied that, as she has told the House on many occasions, it was impossible to give those prices, "because it would hamper our negotiations." *H. of C.*, July 12th.

**MEAT PURCHASES BY THE STATE TRADERS.** Our supply of dollars is not sufficient to enable us to buy all the meat and bacon that Canada would be prepared to sell to us.—Dr. Summerskill, in reply to Mr. H. Amory. *H. of C.*, July 12th.

**EXPENDITURE ON HILL FARMS.** Joint Under-Secretary for Scotland, Mr. T. Fraser, informed Mr. Snadden that the cost of 583 land improvement schemes for hill farming in Scotland was estimated at £1,785,000, these schemes covering an acreage of 1,685,000. *H. of C.*, June 29th. The expenditure will ultimately be scooped in higher land prices. The Hill Farming Act, 1946, is Labour Government legislation, and some Labour members boldly made protest against "this traditional Tory policy of subsidising landlords out of public funds." See the speeches of Messrs. J. H. Alpass, J. J. Robertson and S. Nye reported in *LAND & LIBERTY*, August, 1946.

**FARM SUBSIDIES.** Chancellor of the Exchequer, Sir Stafford Cripps, estimated that, excluding acreage payments, the subsidy to British agriculture in 1948-49 would be approximately £23.8 million; the acreage payments, estimated at £17.5 million, were the only payments to farmers (other than the direct payments to them for their produce) which were included in the food subsidies calculation. *H. of C.*, July 20th, in answer to Mr. Hurd. But this does not tell the whole story, by any means. To the £41.3 millions out of the public purse must be added the relief from local taxation through the Derating Acts, and that, we estimate, amounts to at least £20 millions a year. The general taxpayer must stand the racket, and in the end with what result? To aid agriculture? Not at all. To make land dear and do agriculture the gravest injury.

**SUBSIDIES TO STEEL INDUSTRY.** Ministry of Supply, Mr. G. R. Strauss informed Mr. Sharp that the subsidies to the steel industry were estimated for the current year to amount to approximately £22,000,000, viz., imported steel, £8,600,000; imported pig iron, £345,000; imported scrap, £4,800,000; Ministry of Supply steel works, £250,000; freight on imported iron ore, £7,300,000, and "uneconomical production of home ore," £700,000. Graciously it was added: "It will be appreciated that this financial assistance keeps down the price of steel to the user." *H. of C.*, July 20th. What applies to steel applies also to food and houses and all else that is subsidised; and to all State aids and grants, including the vaunted "ninepence for fourpence" social services. If there be virtue in thus producing cheapness why not go the whole hog and provide the lot at no cost to the people? Fatuous suggestions should not be the monopoly of Minister Strauss and his confreres.

**FOOD SUBSIDIES.** The Minister of Food, Mr. Strachey, answering Mr. Hurd: If the subsidies on animal feeding-stuffs are attributed to home production, 60.1 per cent. of the current subsidy in food, feeding-stuffs and fertilisers is payable on home produce, 28.7 per cent. on Empire production and 11.2 per cent. on purchases from foreign countries. *H. of C.*, July 20th. Useful if some members would ascertain what is the total of Customs duty on these subsidised imports, since they are, many of them, tariff-taxed. The humbug completes a full circle.

**STATE TRADING LOSSES—MEAT AND LIVESTOCK.** Following a question by Mr. P. Freeman, the Minister of Food gave particulars to show that the total cost of subsidies on meat and livestock (the "total trading losses") in the seven years ending March 31st, 1948, had been over £160,000,000. The loss in the year 1948-49 was estimated at £56,000,000 and its progression in the last three years is quite startling; nor does it include the bacon and ham subsidies.—*H. of C.*, July 27th.

**FOOD SUBSIDIES—THE COMPLETE PICTURE.** The total annual sum is now £495,460,000. The Economic Secretary to the Treasury, Mr. Douglas Jay, answering Lieut.-Col. Corbett in *H. of C.*, July 27th, gave details, and this is a summary:—

	Million Pounds
Current rate of subsidy on imported food ...	188.1
Current rate of subsidy on imported feedingstuffs ...	65.9
Current rate of subsidy on home grown food ...	191.6
Acreage Payments ... ..	17.5
Fertiliser subsidy ... ..	8.3

The above are the items which enter into the usual food subsidy calculations. In addition the following subsidies are paid to U.K. agriculture:—

	Thousand Pounds
Livestock improvement ... ..	490
Land and field drainage and water supply grants ...	1,950
Grants for ploughing up Grassland ... ..	3,950
Pests Control ... ..	306
Marginal Production ... ..	614
Hill Sheep and Cattle ... ..	5,060
Hill Farms ... ..	805
Lime ... ..	4,000
Calf Rearing ... ..	6,499
Other items ... ..	122

These last-named subsidies add up to £23,706,000, confirming approximately the figure given by Sir Stafford Cripps in the House, July 20th.

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