

# The Work for Land Value Taxation and Free Trade in Denmark, 1926 to 1929

By F. Folke and K. J. Kristensen

## I.—ACT OF PARLIAMENT, 1926

### (a) *The Provisions of the Law*

When the International Conference for Land Value Taxation and Free Trade assembled in Copenhagen in July 1926, the Act for local land value taxation had just been passed. This legislation provided a basis on which, in the succeeding years, it would be possible to apply the taxation of land values on sound lines. The law was passed by the Social Democratic Government supported not only by the Radicals, but also by the Moderate Liberals. This support was needed in order to get the measure passed by the "Landsting" (the Upper House). The law as finally adopted was the result of a compromise. Although certainly a step in the right direction, it was a step of such little scope that even the most moderate were able to approve of it, more especially as it gave the local authorities only a very restricted opportunity to extend the principle of land value taxation in their own areas.

The Act begins by stating in Section I that the assessment of the local taxation on real property in all the local rating areas *must be* on land values *and also* on the value of buildings and improvements; and that the rate of local taxation levied on buildings and improvements must be three-quarters of the rate levied on land values. In Section 4 it is provided that in the Capital, Copenhagen, the rate of local taxation on land values must not be more than  $7\frac{1}{2}$  per 1000 (equivalent to 1.7d. in the £ capital value) and since that produced only the same revenue as the previous local taxes on land and buildings, it did not make possible any reduction of the local income tax, which in all Danish Towns is still the main source of municipal revenues, and in the rural parishes produces a *certain* part of the rate revenue, only County rates being levied on real estate alone.

In regard to the provincial Towns the option they had (but hardly ever exercised) to increase taxation on real property, and correspondingly reduce the local income tax, was considerably restricted under the new law, so that now they cannot derive more than one-sixth of their total revenue from the new local taxes\* on real estate that have taken the place of the old; and the

\* These new local taxes on real estate as explained above are (1) the rate on land values and (2) the rate on buildings and improvements levied at three-quarters of the rate on land values. A certain amount of the value of buildings and improvements is free from local taxation, namely, at least 3,000 crowns for every property, with the option to local authorities to increase that exemption to 5,000 crowns (in Parishes and Counties); to 8,000 crowns (in provincial Towns); and to 10,000 crowns (in the Capital). Moreover, local authorities may exempt 1,000 crowns of the value of every dwelling a tenement may contain in excess of one dwelling.

4th Intl Conf Edinburgh 29 July - 4 Aug  
1929

*The Work for the Land Value Policy in Denmark*

transfer of taxation from incomes to real estate, to the point of deriving one-sixth of the revenue from the latter can only take place in stages, which in some Towns will extend over 20 to 25 years.

For the Counties it is provided in Section 6 that they cannot levy a rate of more than  $7\frac{1}{2}$  per 1,000 on land value unless a higher rate is necessary to yield a revenue equal to what the previous local taxes on real estate produced.

In the Parishes, the Act only renders possible a shifting of the existing property taxes which, however, play a much greater part as revenue producers than in the Towns.

The main and radical feature of the 1926 Act, that existing local taxes upon real property should be converted for the chief part into rates on land value, was considerably limited and placed in jeopardy by the exertions of the Moderates, which resulted not only in hindering a further development of land value taxation, but also in giving local authorities the power to reduce their real property taxes, and in this way completely eliminate land value taxation if they so wished. It soon proved that this was the very object of considerable forces within the circle of the Moderate Liberals, among whom narrow-minded interests in land ownership prevail and whose influence is strong in the towns as well as in the country. On the other hand, the Radicals reckoned that by placing the real property taxes on a sound and just foundation they would establish them, it was hoped for good and all, in a strong position to resist the assaults of the capitalistic land owners.

During the three years that have elapsed since the passing of the Act, a struggle between these two points of view and lines of action has taken place.

The financial result of the Act adopted is to be seen from the following summary of local taxation for the fiscal year 1928-29. The figures state millions of Danish crowns.

LOCAL TAXATION IN DENMARK: SOURCES OF REVENUE

Year 1928-29.	Local Income Tax.	Rates on Buildings and Im- provements.	Rates on Land Values.	Total.	Revenue from Land Value Rates as per cent of Total Revenue.
	Million Crowns.	Million Crowns.	Million Crowns.	Million Crowns.	
The Capital ... ..	56.9	8.3	8.0	73.2	10.9%
The Provincial Towns	52.1	4.1	3.4	59.6	5.7%
The Counties ... ..	—	8.4	15.6	24.0	65.0%
The Parishes ... ..	54.4	14.9	29.2	98.5	29.7%
Total for the whole Country ... ..	163.4	35.7	56.2	255.3	22.5%
Total for the Country Districts, Counties and Parishes ... ..	54.4	23.3	44.8	122.5	36.6%