

How Thatcher boosted price of houses

BRITAIN'S Premier Margaret Thatcher has slashed millions of pounds off the value of people's homes by abolishing the property tax known as the rating system in Scotland.

The Bill was rushed through Parliament hours before it was prorogued for the General Election. So when the Queen gave the Royal assent, at a stroke of the pen millions of pounds were added to the value of upmarket homes owned by the rich.

The abolition of the property tax amounts to the greatest redistribution of wealth unmatched since the great enclosure of common lands in the 18th century.

Ten million households will be better off by more than £1 billion each year when the Conservatives introduce legislation for the rest of the nation. That translates into an increase in property values of over £12 billion. But this will be matched by a transfer of value away from the group of people who will pay more under the new poll tax which the government calls a community charge.

Former council tenants, for example, will find that the value of their nest-eggs will not rise as fast as they expected when they first took Mrs Thatcher's advice to buy their homes.

The Labour Party played up the fact that rich people will pay LESS under the poll tax. The loss of revenue will be made up by making the poor pay MORE.

The Queen's rates bill on Balmoral Castle, for example, is £3,485. She will now be liable for the same poll tax - £173 a head - as the local gamekeeper who lives in a cottage! Because the castle is a holiday home, the Queen's tax will total £346 - double the standard rate of poll tax. It won't matter how many people actually occupy the castle.



● Professor Tom Hoyes, above, of the Department of Land Management and Development at Reading University, agrees that the abolition of the rating system will result in a massive redistribution of wealth from poor people to the rich.

The results of his research were published by the Land Institute in *Paying For Local Government*, an alarming report which failed to sway the government from its determination to push the abolition through Parliament before the General Election.

The report was compiled by Mr Hector Wilks, one of London's leading valuers who conducted the two Whitstable, Kent, pilot surveys into the impact of site value rating.

Professor Hoyes is worried because builders will be forced to neglect the construction of small, cheap homes. We already have starter homes and studio houses - how much smaller can they

get? asks a perplexed Professor Hoyes.

Because down-market houses and apartment blocks will suffer a loss in asset value, these properties will not be built. The profit margins on small houses are always finer, explains 51-year-old Professor Hoyes.

Builders will concentrate on constructing the high-value houses on which they can expect a safe profit margin.

And the economy will be damaged because the mobility of labour will be hindered. With even fewer low-priced houses and flats available where there is work, unemployed people will be stuck where they are. In Professor Hoyes' phrase, people will be locked into their existing homes.

He is particularly worried about the consequences for Britain's inner cities, where the stock of small housing is already critical in number and quality. This disincentive to develop may add to the problem.

Low income families, on the other hand, will suffer hardship. Their poll taxes will be higher than the rates bill. **FOR TENS OF THOUSANDS OF THESE FAMILIES A SLICE OF THE VALUES OF THEIR HOMES WILL BE WIPED OUT.**

The Tories, as Mrs Thatcher emphasised when she announced the election, advocate a property-owning democracy. And the value of a house is the greatest asset that anyone can expect to

enjoy after a lifetime of paying off a mortgage. And the government plans will certainly benefit some lucky folk.

Rich people who own expensive homes in highly desirable locations like the stockbroker belt in the South-East will receive a huge unearned boost to the capital value of their properties.

The Queen, for example, will now save £3,139, which will increase the value of Balmoral

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Castle by more than £39,000.

The value of upmarket homes increases because they will not be subject to high rates bills based on current market values. The cash saving is capitalised into an even higher value for the property.

Dr Roger Sandilands, a senior lecturer in economics at Strathclyde University, has studied the impact of the government's abolition of the rating system. He explained what would happen to the value of his home in West End, a middle-class area of Glasgow.

The four-bedroomed terraced house in Banavie Road is worth £80,000, and the rates bill is £1,350. He and his wife will now pay a poll tax of under £500, giving the 42-year-old economist a saving of nearly £900 a year.

"Bearing in mind the rate of interest on mortgages, at a stroke

my house has risen in value by about £11,000," says Dr Sandilands.

For properties owned by people on low incomes, however, values will be slashed. This is because the increased payments under the poll tax will leave them even poorer. Even pensioners on the breadline will have to pay 20 per cent of the poll tax no matter how hard-up they may be.

So they will be less able to pay existing levels of rents or house prices, which will drive down the value of the properties they occupy.

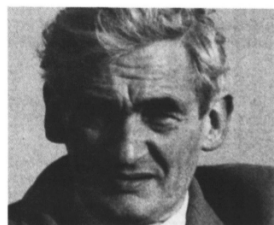
Mrs Thatcher did not fear the electoral impact of her abolition of the rating system. Dr Sandilands, speaking before the votes were cast, commented: "The opinion up here is that Mrs Thatcher has written off Scotland. It's predominantly Labour. She might win some middle-class



● Thatcher: No fear

votes in some marginal constituencies, but the working-class council estates are safe Labour seats, and it doesn't make any difference if she penalises the poor and loses their sympathy even more than she has already. She's just trying to bribe the middle class to persuade them away from the Liberal-SDP Alliance."

CROTTY COMES A CROPPER!



● Crotty: Disappointed

RAYMOND CROTTY'S celebrated legal bid to prevent the Irish government from adopting the Single European Act has ended in defeat. The Dublin Government held a referendum, after losing the court battle (see *Land & Liberty* May-June, page 35). But on May 27, in a low turnout, 70.2% of the voters favoured the constitutional amendment which would allow Ireland to ratify the Act, which extends the original Common Market treaties.

Mr Crotty said after the votes were counted that he was disappointed. But he pointed out that the political establishment had failed to persuade some 70% of the total electorate of the benefits of the measure.

In BRUSSELS, the result was welcomed with relief because a No! vote would have plunged the EEC into political crisis.

Meanwhile in LONDON, the *Financial Times* has advocated the virtues of basing the property tax on the value of land.

In an editorial on May 29, the newspaper examined the Conservative plan to abolish the rating system — the local property tax — in England and Wales. It then asked:

"A property tax is not a cut-and-dried proposal, but a principle. There is a strong case for basing it on land values rather than property values; this has proved a highly effective stimulus to redevelopment in some American cities (and such a tax was a long-standing Liberal proposal)."

Afghans reject reforms

KABUL: The Afghanistan government has abandoned its plans for land reform. The Communist Party has just published new proposals which go back on the policies that were the first main cause of the lead to the Russian invasion.

The original Communist proposals led to civil war, and from then on the government proceeded carefully on its plan to limit maximum holdings to about 15 acres. That minimum has now been lifted to 50 acres.

Certain kinds of holdings will be of

unlimited size — orchards and vineyards, land held by mixed companies and larger mechanized farms and collectives.

And legislation will be brought in to reintroduce inheritance according to Islamic law.