

## LAND RENT AS PUBLIC REVENUE IN AUSTRALIA

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Australia, with an area of approximately three million square miles is similar in size to the United States, but it is an arid country with inadequate rainfall except for the coastal belt, but it is rich in minerals. Yet Australia, with its relatively small population of fourteen million, has less extremes of wealth and poverty than are found in most countries.

The major factor which has made possible Australia's relatively high living standards is the extent to which the site rental value of land is now collected by government for public revenue in lieu of taxes on labour and industry. This maximises wealth production and aids its equitable distribution in two ways. First, by demanding a contribution based on the rent-potential of the sites, whether used or not, it introduces a "cost of holding land under-developed" which stimulates the holder to put the land to use to earn its taxes, or release it to someone else who will. Secondly, the lowering of taxes on enterprise encourages holders to make the best use of their land in the knowledge that they will not be penalized for doing so. Both work to maximise production.

Yet many people (some in important positions) are unaware of this cause of our relatively well-distributed living standards. This is because cause and effect are somewhat masked by the fact that site rental taxes are taken, not by one measure imposed by a single authority but by separate measures imposed by Federal, State and Local Government bodies, and in some cases, by semi-governmental bodies such as Water Commissions; and mineral and timber royalties.

The three main methods of collection of site rentals are as follows:

1. Land-value taxation by State Governments.
2. Land-value rating by Local Government and semi-governmental bodies.
3. Land rent paid directly to governments for land leased from them.

### State Land Taxes

All the six Australian States impose a Land Tax. As Georgists we object to certain exemptions from it below a fixed limit, but nevertheless it is still an important source of revenue from land.

### Land Value Rating

"Rating" is our name for local government taxes. This method is financially, by far the more important, yielding approximately four times as much revenue as the combined State land taxes. Being based on the value of each property ratepayers see equity between themselves and their neighbors. This is particularly so in municipalities which use Site Value rating which rates only on the land (site) in contrast to those districts which use Net Annual Value (tax on site plus improvements). All land must pay local rates whether used or not. This not only encourages owners to make use of their vacant block, but also means less burden on other ratepayers as the cost of financing local government is spread more evenly.

The principle of Site Value rating has been so generally accepted in Australia that 65 per cent of the municipal councils now use it as their general rate basis, although some of them supplement it with small rates on the improved value for special purposes. Councils controlling 93 per cent of the rateable area of the whole continent now use the Site Value basis for part or all of their rates and have un-taxed improvements either completely or in part.

Land Revenue Direct to Government

A very substantial contribution to public revenue comes direct to the government as land rent for natural resources of which the rights have been reserved to the Crown as trustees for the people. With the exception of cash sums received from sales of land, the payments under this heading accord with the principle that the rent of land apart from improvements should be absorbed as public revenue.

The reservation of these rights to the community was a relatively late development, after most of the land in the urban areas had been alienated. But outside urban areas, a high proportion of the total area of New South Wales, Queensland, South Australia, Western Australia, the Australian Capital Territory and the Northern Territory is either retained by the Crown as public reserves or let to individual holders under various forms of leasehold. Of the latter the most important are the perpetual leasehold tenures which provide the same security as freehold but with periodically revised rents payable annually to the government.

Approximately two-thirds of this direct rental payment to the Crown is from royalties on minerals. The recent discoveries of oil and iron ore has been a good source of such revenue.

An important point to note is that in Australia the rights to rivers, streams and water sources have been reserved to the Crown, except for some private land-holders for the water used for household supplies or irrigation, as must be done in some other countries. This is important since the aridity of most of the country makes water conservation essential and development could have been stifled if payments had been demanded by private interests. Incidentally Australian rivers and beaches are free to the public for their recreation also, never having been alienated to private owners.

The following table shows the progressive amount of land rental collected from 1954 to 1977. Mineral and timber royalties are excluded.

Local government rates shown are also restricted to those levied directly on unimproved (site) value. As there is a component of Site Value included where both land and buildings are taxed together (N.A.V.) this would be an additional amount of land rent not shown in the table.

<u>Whole of Australia</u> (six States plus Capital Territory and Northern Territory)	1954/55 \$Millions	1964/65 \$Millions	1976/77 \$Millions
Land Taxes	9.964	63.648	219.865
Local Government Rates	80.410	204.014	1,045.756
Land Rent Revenue	8.999	15.427	68.535
<b>TOTALS</b>	<b>99.373</b>	<b>283.089</b>	<b>1,334.156</b>

From this table the more than 13 fold increase in the land rental collections over the last 22 years is indicative of the remarkable degree to which practical application in Australia has extended in recent years. The main paper gives this break-up for the individual States, which vary greatly between them in their degree of application of the principle.

#### Endorsements by Public Inquiries

Over the last two decades there have been many public inquiries into local government rating. At these Australian Geogists in all States have made submissions both in writing and by personal appearance at the inquiries.

All the inquiries HAVE ENDORSED THE SITE VALUE RATING PRINCIPLE. One extract is given below:

New South Wales Inquiry under Sir Alan Bridge Q.C.

"In considering the competing claims for assessed annual (improved) value and Unimproved Capital Value rating, the fact must not be overlooked that the latter has been the basis of local government finance for the past fifty years, during which time remarkable progress has been made in the development of municipalities and shires and in the provision of essential services. It would require very good reasons to justify the abandonment of such system in favour of a system which in the past years was deliberately discarded by the legislature. In the Committee's opinion no such reasons have been established. There is a tendency, both in the States of the Commonwealth, and in certain countries overseas, to adopt Unimproved Capital Value rating."

The total land rent collected in Australia at 1977 was 34.81 per cent of the potential site rental value. The percentage is seen to vary widely between the States. We continue to press for increased collection of land rent in future, accompanied by removal of other forms of taxes.