

Land Valuation and Land-Value Taxation in Denmark

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I.

THE LAND VALUATION

Periodic valuations over the whole country are made showing in respect of each lot or holding of real estate (a) its total value, and (b) the value of the land alone as distinct from any other improvements (buildings, etc.) thereon. The difference between the total value and the land value is the value attributable to the improvements. Thus the bases are established for the taxation on land values and on improvement values which will be described in the second section of this paper.

The provisions governing the valuation of land were embodied in the Land-Value Tax Act of 1922. The procedure is founded on the experience gained by the earlier trial valuations, at first in 1911 and 1912 in a few local areas selected as typical, and then in 1916 of every piece of land over the whole country. In 1920 a new valuation of the whole country was made preparatory to the introduction of land-value taxation.

The Land-Value Tax Act of 1922 made periodical land valuation necessary and firmly established that institution in Danish law and practice; and the procedure with regard to it has not since been altered to any considerable extent.

Periodic valuations following that in 1920 have taken place in 1924, 1927, 1932, 1936, 1945 and 1950. The succeeding valuation which was due in 1955 has been postponed till 1956.

Administration

The country is divided into a large number of local valuation districts, each respectively comprising either the whole or a part of a town or parish. In each of those districts two citizens are elected by the town or parish council to act as valuers. Holding office for a term of four years, these valuers, guided by a chairman nominated by the Government and who has under his control a number (generally 10 to 15) of local valuation districts, form a committee which, within its district, has to make the valuations and prepare the valuation maps. The chairmen themselves are constituted as the County Valuation Board of the county—Copenhagen with Frederiksberg being treated for this purpose as a county. Supervising all this work is the Central Board of Assessments (whose membership is partly nominated by the Government and partly elected by Parliament) and the administrative Directorate of Assessments, which has its two departments, one concerned with the assessments for personal taxation (*e.g.*, income tax) and the other with the valuation of real estate.

This democratic organisation with its great number of local valuation committees, each with a thorough knowledge of its small district ensures the closest possible contact between the citizens and the valuation authorities. This is a matter of extraordinary importance and makes it possible to finish a valuation of the whole country in the course of one year. About 4,000 valuers are engaged, the work being done by men who all have their private businesses and who undertake it virtually in an honorary capacity, the local valuers receiving a small fee for valuation and the chairman of the committee receiving about £200 yearly. The 1950 valuation comprised 842,000 properties and the total cost of the valuation was equivalent approximately to £300,000 this not including the administrative expenses of the Directorate of Assessments, amounting to about £70,000 yearly for the Department of Valuation.

Taxable Value—Definition

The basis of assessment is the capital value defined as the selling or the market value* of the land. It is to be observed that, since selling value is affected by the existing conditions of taxation, assessments made on that basis do not represent a capitalisation of the full economic rent of land; they represent only that part of the land value which is not taken in taxation for public purposes. While account is taken of all public burdens and covenants (with one exception to be mentioned) no account is taken of private burdens or covenants which affect a property unless these obligations arise in connection with an adjoining property where the corresponding benefit is taken into consideration in fixing the assessment. The one exception as to the public burdens relates to land that has attracted the special tax on *increases* in land value which is described later. Such land is valued as if this increment tax did not exist and thus disparity in valuations—as between land subject to and land free from the increment tax—is avoided.

Allowance for Certain Improvements

Assessments include, with the land value, improvements that merge in the land, such as draining, levelling, irrigation work, etc. (in the case of agricultural land) and expenditure for streets, sewers, etc. (in the case of urban land); but the owner in every case has a right to claim a tax-free deduction of a sum representing the cost of the improvements provided that the improvements have been made within 30 years preceding the date of the valuation and provided that the cost has not been defrayed through the increased return due to the improvements. This allowance of the tax-free deduction may never, of course, exceed the added value given to the

* In Denmark land is generally owned by the occupiers. Less than 10 per cent of the agricultural land is tenanted, the owners being either the Church or private landowners. Since tenancy is exceptional, it was not thought advisable to assess the annual value. Annual value will, perhaps, be found the better basis in countries where the landlord and tenant system is prevalent and possibly also when we approach the point at which the greater part of economic rent is taken in taxation for public purposes.

land by the improvements at the time of valuation. If the owner does not claim the allowance at the first valuation after the improvement is made, he has no legal right to claim the allowance at a later valuation. The valuation authorities, however, have the right to grant him allowance in any case if they find that the owner could have claimed this allowance and they are instructed to grant it, if they themselves have the necessary information.

Preliminary Information

As a preliminary to the making of the valuation, valuers are supplied with particulars of all the transactions in land within their districts during the past year. At the same time, every owner has to complete a return giving all necessary information with regard to his property, such as area, description and area of buildings, the amount of annual rent, purchase money paid for the property or for part of it within the last 20 years, the mortgages on it and the like. An opportunity is also given to the owner to state what in his opinion is the selling value of his property and of his land apart from improvements, and he is also reminded of his right to claim allowance for permanent improvements. If the information given by the owner is not sufficient, the valuers have an unlimited right to require information from official authorities and from banks, loan societies, insurance companies and the like.

The Land Registry

By law, every sub-division* and every aggregation of land has to be officially approved and registered, and every transfer of property, mortgage right, or other private claim that is secured upon fixed property must, in order to enjoy the full protection of the law, be entered in the property

* In the interval between the general valuations, special valuation is made when land is sub-divided, or when buildings are erected or when there are structural alterations of more than 2,000 crowns value, or in any case if the owner wishes. And a revaluation of the land alone is made of such lands the value of which may be considered to have increased by the laying out of railways, streets, roads, open spaces, etc., or by other special circumstances.

register, which is accessible to the public; and the creation of this right or claim is published in the *Government Gazette*. Uncertainty with regard to the boundaries of a property, the conditions attaching to it, or the private rights or claims upon it, is very rare; and such information in regard to any property can easily be obtained.

Every valuation committee is supplied with a record of all the properties on the cadastre in the district with particulars of the area of each, and a map of the district, which shows the position of each cadastral number and, in the case of agricultural land, the classification of its natural quality according to the old estimation (the "Bonitering" or assessment for the "Hartkorn" tax of 1844) which continues to be of service to the valuers in many parts of the country.

Consistency in the Valuations

Before the assessment of each individual property is undertaken the general level of the values in the district is ascertained. In the rural districts, this is usually done by the County Valuation Board after having carefully valued a few properties in each parish whereby to ensure a consistent valuation throughout the country. The Central Board of Assessments sees to it that these valuation covering the different counties and towns are in such harmony as to lead to a consistent valuation over the whole country. The local valuation committee, guided by its chairman, who is himself a member of the County Valuation Board, then has to assess every single property by the standard of the values that have been established.

Urban Assessments

In the towns, before the assessment of each individual property is undertaken, "street values" are established, *i.e.*, the value per square metre of a lot of a normal depth in each street or part of a street. The standard of measurement is a lot 30 metres deep (but in the central part of Copenhagen 20 metres) and values are expressed at so

much per square metre for such a unit. In this work the valuers refer for guidance to sales of vacant land (if any) and sales of land with buildings, having due regard to existing building values, and especially to normal rents in different streets. When building values are equal, then the difference in selling value of properties or difference in normal rent received will give a more or less accurate expression to a difference in land value. When these "street values" have been established the value of every single parcel of land is assessed, giving attention to the special conditions attaching to any individual property. Where the depths of lots vary from the standard depth, use is made of a depth table, showing the relative value per square metre for different depths. In the case of lots at the intersection of streets and having an extra value on that account, the added value is computed in accordance with valuation rules based on experience.

Land-Value Maps

The valuation rolls are accompanied by large-scale maps on which are shown for the towns the assessed "street values" and for the country districts the land value per hectare of each separately assessed piece of land. Inspection of these land-value maps enables the valuation authorities to assure themselves that, over the whole area of their operations, the land-value assessments are in harmony. By entering also the particulars of any sale of vacant land, especially of building ground, it is possible to see how the valuations stand in comparison with those selling prices. By these uses, the land-value maps are therefore of considerable assistance in the valuation work in addition to the help that they afford for recognising the position of each individual property. It is not too much to say that a good land-value map is an essential instrument in valuation practice.

A copy of the land-value maps is deposited for public inspection, together with the valuation roll, so that the owners have the same facility of seeing whether the assessment of their land is in keeping with the assessment of other proper-

ties. These maps, for the metropolis, the provincial towns and districts with urban development, are published in volume form and are on sale to the public.

To illustrate the maps, sections are reproduced in these pages—one from the map of Copenhagen and the other from the map of a rural district, that of Finderup parish.

Various Provisions

The law provides special rules with regard to agricultural land; woods and forests; and other lands and tenements. But it is to be observed that agricultural land includes only land the best use of which is for agricultural purposes. Where land has a higher value than an agricultural value, it is not to be valued as agricultural land even though for the time being it is used for agriculture. There is a corresponding provision with regard to woodland, except where a legal covenant obtains that the woods must be preserved.

Standards Adopted for Agricultural Properties

Agricultural land is assessed per hectare on its selling value on the assumptions (1) that it belongs to a medium-sized farm, and (2) that it is in a normal state of cultivation.

The first of those assumptions is introduced in order to avoid assessing the land of smallholdings at the enhanced price which generally has to be paid when land is bought for the purpose of a smallholding. The price of such land in the case of smallholdings established with the support of the State has at times been higher per acre for land without any buildings than the market price of land with buildings upon it, when ordinary farms are sold in the open market. The assessment of the value per unit of area is not to be affected by the size of the farm nor by the shape of its various lots of fields and their situation with respect to one another (their distance apart, whether close or far), nor by the position of the buildings on the land.

The second of those assumptions—that respecting the normal state of cultivation—implies that the actual state of

cultivation does not influence the assessment. The valuer is required to concern himself only with the natural qualities of the land and its situation. Under this rule also, the question of giving tax-free abatement for improvements in cultivation does not arise, since such improvement does not increase the assessment. But such allowance is valid where land has been reclaimed or where the character of the lands for agricultural use has been altered, *e.g.*, where meadow or bog (by draining) has been converted into arable land, or where developments at the owner's cost have taken place outside the property which increases its value. In all cases where the assessment is increased, because of undertakings at the owner's cost, a claim can be made in respect of the value of cultivation improvements made on the property so affected.

Nor does the rule as to normal state of cultivation mean that the annual work and outlay incurred on the land in ordinary farming is admitted as a part of the land value. For purposes of valuation the land is assessed in the condition it would be immediately after the year's crop has been removed and before the preparations for the next crop have begun. Even so, a part of the value may be due to cultivation which could be removed or exhausted by bad farming or be otherwise impaired; but this part of the value is generally the work of generations, a by-product in ordinary farming which has not been taken into consideration by the farmer himself and it cannot and ought not to be separated from the value of the bare land.*

* Possibly some people would prefer to treat such values in the same way as improvements that merge in the land. In a country where a great part of the land is not under proper cultivation something might be said for this point of view; but in an old country like Denmark with its land well cultivated such a method of dealing with the matter would in special cases bring about results that could not be defended. It would mean that a man who neglected his land would have his taxation reduced; and it would also happen, although not so often, that a man who cultivated his land better than most other farmers would have to bear the heaviest taxation. Clearly that would be unjust in both cases. It is better for taxation purposes and more convenient from the taxation point of view, to assess all agricultural land as if it were in a normal state of cultivation.

A further provision is that where the land belonging to the property shows material differences, part by part, in respect of quality or advantage of situation, the land value of each part must be specified; it is not sufficient to give the land value of the property as a whole.

Woods and Forests

Woodland which is dedicated by law to be used as woodland or which can be most profitably used for timber-growing is assessed at the value it has for woodland in good condition of forestry. Theoretically, in the case of forests cultivated for timber, the growing timber necessary to keep up the profit-earning capacity of the forest should be considered land value, but a deduction for improvements should be allowed covering the expenditure (including interest) which has been necessary to bring the forest to its profit-earning capacity. This would mean that in the case of natural forests the selling value of the forest with growing timber would be taxed as land value; but in the case of new forest plantations the greater part of the value of the growing timber would be exempt from taxation. The Act gives no distinct answer to the question whether or to what extent growing timber should be considered as part of the land value, a question that has raised much discussion. It has been decided that, for ancient or long-established forests, the value of land is taken to be 60 per cent of the total value of a forest in a normal state of forest-cultivation, i.e., a forest in such a state that normal growth balances normal felling. This general rule may be considered as a concession to the practical difficulties of ascertaining, after intensive forestry, what part of the value is due to owners' investment. A special Act provides that for new plantations formed on land of poor quality, the added value due to the trees is exempted from State tax for a period of 60 years.

Other Land, Urban, etc.

As for property other than agricultural and forestal, the land value is to be appraised at the amount at which the site may be estimated to sell according to the current prices

ruling, if sold for the purpose for which it is best adapted, all conditions being taken into consideration, in respect of which regard must be had to the shape and size of the site as well as to the possibility of its being sub-divided or being aggregated with adjoining properties. Here we have a contrast with the assessment of the land value of agricultural land where the shape or size of the property in question has no influence upon the assessment, that being based on the land value per unit of area. This difference is the result of the experiences gained from the first trial valuations where it was noticed that the assessments, especially of building land (which should determine the value on the assumption of rational plotting for sub-division, although with the same street plan), might result in the fixing of values corresponding neither to the possibilities of the use of the site nor to the sum that might be obtained, in view of the actual conditions of building development in the neighbourhood.

Mining land and water power, which in Denmark is of very slight importance, is valued at its selling-value whether it is worked or not.

Objections and Appeals

When the valuation is completed, the district valuation rolls, together with the land-value maps are deposited for public inspection. Owners as well as the town or parish council have the right of objection and appeal, the owners being able to object not only to their own assessments but also to those of others. Appeals come before the County Valuation Board for decision, which can be appealed against before the Taxation Court.

Within a certain time after the valuation is completed, the County Valuation Board will survey the valuations and make such corrections as they find necessary for the uniformity of valuations within the county, and the Directorate of Assessments may at any time allow a County Valuation Board to make such corrections as are found necessary after inspection of the valuations and in agreement with the County Valuation Board.

The Directorate of Assessments has no power to make or to alter any assessments; but on the recommendation of the Directorate of Assessments, the Board of Assessments can alter such assessments or require the County Valuation Boards to make the alterations deemed necessary. Decisions of the County Valuation Board or of the Board of Assessments can be appealed against by owners and taxpayers (but not by the local council as such) before the Taxation Court, which is the final arbiter in the matter of valuation, while questions of law may be decided by the ordinary courts.

If the valuation gives occasion for many complaints on the part of the owners this shows that there has been something wrong with the work. On the other hand one cannot conclude that the valuation is satisfactory if only few bring forward complaints against the assessment, because a reason for this might quite well be that the valuation as a whole is too low.

The number of contested assessments, of which however the greater part had reference to the valuation of the improvements, was by the latest valuations less than three per cent of all the assessments, and only about one-tenth of appeals that came before the County Valuation Boards had to be carried through to the Taxation Court.

Valuation Results

The official returns of the latest general valuation (made as on date October 1, 1950) show the following totals for the whole country, respectively, of the *Composite Value* of land together with buildings and improvements; the *Land Value*, i.e., the value of land apart from buildings and improvements on land; and the *Improvement Value*, i.e., the value attributable to buildings and improvements. Thus:

<i>Millions of Crowns</i>			
	<i>Composite Value</i>	<i>Land Value</i>	<i>Improvement Value</i>
Total	29,477	9,268	20,209

On the average, the land value makes 31.2 per cent of the composite value.

The following summary shows the distribution of the values over the Metropolis, including Copenhagen, Frederiksberg and Gentofte; the Provincial Towns as a group; and the Country Districts. Also shown are the figures for the following groups in the country districts: agricultural holdings; woods and forests; and other properties. It is interesting to observe how the average relationship of the land value to the composite value varies.

	<i>Millions of Crowns</i>		
	<i>Composite Value</i>	<i>Land Value</i>	<i>L.V. as per cent of C.V.</i>
The Metropolis	8,094	2,373	29.3
Provincial Towns	7,128	1,591	22.3
Country Districts	14,255	5,304	37.3
Total	29,477	9,268	31.2
<i>Country Districts</i>			
Agricultural holdings	7,103	3,693	51.9
Woods and forests	170	96	50.6
Other properties ...	6,983	1,515	21.7
Total	14,256	5,304	37.3

Distribution of Agricultural Land

One other summary is here given. It relates to the distribution of agricultural land showing the area, the average land value per hectare and the average relationship of land value to composite value for several groups of holdings as they are classified in the returns. Farms are classified according to the old hartkorn measurement; that is, by the number of units of potential fertility. Smallholdings below one unit are classified according to their size in hectares. (One hectare equals 2.47 acres and crowns can be converted approximately at the equivalent 20 crowns equal £1 sterling.)

<i>Agricultural Holdings</i>	<i>Area hectares</i>	<i>Land Value 1,000 crowns</i>	<i>Land Value Crowns per hectare</i>	<i>Value as per cent of composite value</i>
<i>Farms</i>				
1,881 Large ...	285,575	405,030	1,418	63.1
23,357 Medium ...	877,603	1,240,919	1,414	59.1
29,433 Medium to Small ...	703,994	775,884	1,102	53.1
41,315 Smaller ...	604,075	583,238	965	48.1
<i>Smallholdings</i>				
32,252 of 10 hectares or more ...	620,253	317,458	512	46.0
50,286 of 3 to 10 hectares ...	299,744	311,894	1,065	39.2
19,233 of 1 to 3 hectares ...	39,014	57,981	1,486	36.2

The official report on the valuation gives statistics in respect of every town, county and parish in the country. It is published by the Statistical Department, Christiansborg, Copenhagen, price 6 crowns.

The volumes of the Land Value Maps are published by the Directorate of Assessments (Statens Ligningsdirektorat) also at Christiansborg, Copenhagen. The prices vary from 3 to 10 crowns according to the sizes of those volumes.

II

THE TAXATION AND RATING OF LAND VALUES

Historical Note

Like most other countries, Denmark in ancient times derived a very large part of its public revenue from taxation levied on landholders. These land taxes seemed to have originated from the obligation of landholders to maintain the King and his men; to provision and convey them when they travelled holding Court in the different regions of the country; and especially to render military service whenever the King called for defence or war. These obligations were—as it seems by free consent—converted at some stage into regular annual monetary payments, based on the yielding capacity of the land and stated in so and so many units of potential crop productivity—in other words the historic “hartkorn” tax. A general assessment (of agricultural land) on those lines, was made as early as in the twelfth century and this may have been the successor to an even earlier similar assessment. The assessments were revised only at very long intervals; for example, in 1688 and then again at the beginning of the 19th century, the assessment that was maintained as basis of taxation until it was replaced by a modern land valuation in the 1920's.

Thus land taxation continued up till modern times as an important source of income both for the state and local governments, occasionally absorbing more than half of the net rent of agricultural land. Until 1903 the only direct taxation for State purposes was that on real estate, mainly on land. As for the local authorities: In the rural districts two-thirds of the revenues were so derived; in Copenhagen about one-half and in the provincial towns about one-sixth; the rest of local authority revenues coming mainly from income tax.

In 1903, the State taxation of landed property was replaced by taxation on incomes and on the capital value of individual possessions—the *formueafgift*, the “fortune” or wealth tax; and a small part only of the old land taxes was changed into a tax levied on the selling value of real estate; that is, of the land including the buildings and improvements thereon.

At the same time the old land taxes levied by the local authorities were destined by this act to be progressively abandoned and also converted into taxes upon the selling value of land inclusive of buildings and improvements. This change caused improvements to be taxed as they had not been up till then. It at once evoked widespread protests, the new burden being particularly felt in the case of those properties where improvements made up the greater part of the composite value. The federated smallholders (peasant proprietors) had already in 1902 warned against what would happen and had recommended that the way to modernise the old land taxes was to base them on the value of the land alone. By various tax-free abatements, attempts were made to lighten the taxation on smaller holdings, but satisfactory results were not attained. The unhappy experiences gave support to the opinion that the property tax should be replaced wholly or partly by taxation on the value of land; and it is due mainly to the sustained efforts of the associated small peasant proprietors that Parliament was led to legislate on those lines. The first steps taken were the trial valuations in selected areas in 1911 and 1912 which were followed by the valuation of the whole country in 1916, and again in 1920, showing separately the land value of every property.

Land-Value Taxation Introduced

By the Law of August 7, 1922, the State property tax, which had been levied on the composite value of land and improvements* taken together was split into two, making (a) a tax on land value at the rate of 1.5 per mille, and (b) a tax on the value of improvements at three-fourths of that rate, namely, 1.1 per mille, and with a considerable part of improvement value exempted from taxation.

* Here the word "improvements" is used to embrace "buildings and other improvements" on land. Two valuations are made of each property, one showing its total value and the other its land value. The value of improvements is derived by subtracting the land value from the total value. Land value includes the value of improvements that merge in the land, but for such improvements made at owner's cost within 30 years there is allowed a tax-free deduction.

Local Rating of Land Values

There followed the land valuation in 1924, and the experience of the reform effected in the State taxation of property led to a similar change being made in the field of local taxation.

By the Law of March 31, 1926, the local taxation on real estate (in the towns the antiquated house and ground burdens) gave place to the rating of land values combined with a separate rate on the value of improvements levied at three-fourths of the rate on land values, and allowing from the improvement value considerable tax-free abatements. Thus, under the provisions of those Acts of 1922 and 1926 a bulk of taxation was lifted off improvements and placed on land values instead.

Special Tax on Increases in Land Values

The Law of March, 1926, also made provision empowering the local councils to impose a special levy on increases in land value. This locally adoptive and optional "increment tax" was replaced in 1933 by a State tax on increases in land values wherever arising, the yield being shared equally by the Treasury and the local authorities; and in 1950 the scope of this tax was extended. (How the increment is assessed and collected is described later.)

There followed the periodic land valuations in 1927 and 1932.

Increased Land-Value Rates in Counties

By Law No. 188 of May 20, 1933, county taxation was amended, thereby reducing the tax rate on improvements and their taxable assessment, and causing the greater part of the county council revenue to be derived by the rating of land values. At the same time the power of the county councils to obtain a part of their revenues by requisition on the parishes was abolished. A State grant was to be given when the net returns of agriculture in the preceding year had been lower than 4.3 per cent of capital value. This (contingent) subvention is used to reduce the land-value rate, not the rate on the value of improvements.

There followed the periodic valuation in 1936.

National Land-Value Tax Raised

By the Law of April 14, 1937, a central equalisation fund was established to provide grants-in-aid of local expenditures. Contributing to that fund (along with revenues produced by income tax and the wealth tax) the State tax on land values was raised from 1.5 to 6 per mille and the tax on improvement values from 1.1 to 4.5 per mille.

Exemptions of New Dwelling Houses

Dwelling houses built since 1940 are exempted from taxation other than county taxation. The exemption applies to the building value but not to the site value and continues for a period of 22 years from date of erection. The exemption has been extended to buildings for offices and shops.

Because of the war, the land valuation succeeding that of 1936 was postponed till 1945, to be followed by the valuation in 1950.

Latest Advances in the City and Provincial Towns

This chronology of events brings us to the latest developments in the field of local taxation. Copenhagen had been restricted to a maximum land-value rate of 7.5 per mille and Frederiksberg to a rate of 9.02 per mille. By the Law passed on December 22, 1954, this restriction was abolished. The Councils of both cities took immediate advantage of their new freedom and raised their land-value rate to 12 per mille. By the Law passed on May 17, 1955, and taking effect in 1956, the provincial towns shall raise their land-value rates by 6 per mille provided that this increase plus the existing rate does not bring the final rate above 12 per mille. Revenue from this new rate is reserved for special purposes.

Tax-Relief for Improvements

As has been made apparent the property tax system in Denmark embodies two taxes, which are interlinked—one on land values and the other on improvement values. A lower rate of tax is imposed on improvements than on land values, and improvements are further relieved by the amount of

building value that is deducted from their assessment, as described below. For all real estate taxation, excepting that for county purposes, the rate of tax on improvements is three-fourths of that on land values; for county taxation, it is three-fifths of the rate of tax levied on land values. Thus, in the case of national taxation, the land-value rate is 6 per mille and the rate of tax on improvement values is $4\frac{1}{2}$ per mille; and if, for example, in some town or parish the land-value rate is 12 per mille, then the rate on improvement values would be 9 per mille; if, for county taxation, the land-value rate is 10 per mille, the rate on improvement values would be 6 per mille.

The further relief to improvements by exempting a given amount of their value from assessment is as follows:—

In the case of the national taxation, building value up to 21,000 crowns is exempted.

In the case of the local taxation, the exemptions are:—

	<i>Building values exempted from local taxation</i>	
	<i>Minimum</i>	<i>Maximum</i>
	<i>Crowns</i>	<i>Crowns</i>
In the towns and in parishes, with considerable urban development	12,000	21,000
In the rural parishes	9,000	11,000
In the counties (after deducting from the composite value a sum equal to twice the land value)	9,000	12,000

In addition, and this is for both national and local taxation, wherever a building contains more than one dwelling there is deducted from the assessed value of the building 2,000 crowns for every dwelling it contains in excess of one. (Dwelling meaning dwelling with own kitchen.)

Observe that, in the case of county taxation assessable improvement value is what remains after deducting from the composite value a sum equal to *twice* the land value of the property; and so, with these allowances and exemptions county taxation rests for the most part on the value of land alone. An important effect is that farms generally are exempted from the rate on improvements.

Powers of the Local Authorities

As for the local authorities, other than counties, a material part of their revenues is obtained from local income tax. The proportions in which their total revenue may come from the alternative sources (a) real estate taxation and (b) personal taxation depends upon the powers they are able to exercise; in the case of Copenhagen and Frederiksberg these powers are now extended by the ability of the councils to strike such land-value rate as they may choose.

In the urban districts, including these cities, the town councils have by resolution every fourth year to fix the rate on land values for the period of the ensuing four years, and to decide what the building-value exemptions, within the legal limits, are to be. But as to the proportions in which the total revenue shall be derived respectively from real estate and from personal taxation, the provincial towns are narrowly restricted; their rates on real estate may not be raised beyond the point at which the yield therefrom exceeds one-sixth of the revenue from all sources, as averaged over the preceding ten years. The additional rate taking effect from 1956 is not affected by this limit.

In the rural districts, the parish councils, subject to the approval of the county council, also resolve every fourth year, fixing the part of total revenue that shall come from real estate for the ensuing four years, and deciding what shall be the tax-free deductions in respect of building values. But there is no legal restriction as to the proportion of total revenue derived from real estate taxation, save that changes to a higher proportion on real estate than in the year 1904 must have the consent of three-fourths of the members of the county council and of a majority of the members of the parish council.

Land-Value Rating Greatest in Country Districts

Accordingly, we find very wide variations in the proportion of total local taxation which is taken by rates on real estate and of course there is a corresponding variation in the rate that is levied on land values. This is revealed in the following table relating to the year 1954/55.

<i>Year 1954/55</i>	<i>Revenue as per cent of total local tax revenue</i>		<i>Average land-value rate per mille on assessed land-value</i>
	<i>From rates on improve- ment value</i>	<i>From rates on land value</i>	
Copenhagen ...	5	4	7.5
Provincial towns ...	4	2	6.1
Rural parishes ...	12	22	24.4
Counties ...	18	82	18.4
Rural districts, taking parish and county together ...	15	32	42.8

It will be seen from this that over the countryside of Denmark (all agricultural land of course included) the land-value rate averages 4.28 per cent on the assessed capital land value. This is equivalent to 10½d. per £. Adding to that the national land-value tax (6 per mille) the total land-value taxation over the countryside averages 4.88 per cent, the range of this taxation being from 1.8 per cent up to 10 per cent (equivalent to 2s. per £) on capital value.

Taxation on Increases in Land Values

Additional to the taxation of land values, national and local, already described, an annual tax is levied on the amount by which the assessed land value of any property has increased between one date and another. This was originally introduced by the Law of March 31, 1926, as a tax to be levied at the option of the local authorities in their own districts. But by the Law of May 20, 1933, this local levy was replaced by a national tax at the rate of 4 per cent applying to all increases in land values, taking the 1932 periodic valuation as the datum line, but with very considerable tax-free deductions. By the Law of May 27, 1950, this legislation was revised. The periodic valuation of 1950 was made the datum line against which future increments were to be calculated, and the annual tax attaching to any land as the result of the 1933 Law was made a fixed charge. Moreover, the 1950 Law altered the bases for arriving at the net assessment, with the result that the tax

will, after the 1950 periodic valuation, take a greater proportion of increments than was obtained under the 1933 Law.

The taxable increase is measured by every new assessment of a property as follows:—From the assessed value is deducted (a) the land value in 1950; (b) an amount corresponding to the percentual increase since 1950 in total land values (apart from land values in the City and County of Copenhagen) as revealed by every subsequent general valuation; (c) 5 per cent of the assessed land value within 320 crowns per square metre plus 5 per cent of land value within 40 crowns per square metre. Of the remaining part of the increase, three-fourths is liable to the tax. Increases due to tax-free improvements that merge in the land will not be liable to the tax.

The revenue from the increment tax is shared equally between the Treasury and the local authority. In 1954/55 this revenue was 16½ million crowns and the total land value subject to it was 412 million crowns which also has to bear the ordinary rates and taxes on land values.

Summary of Revenues Obtained

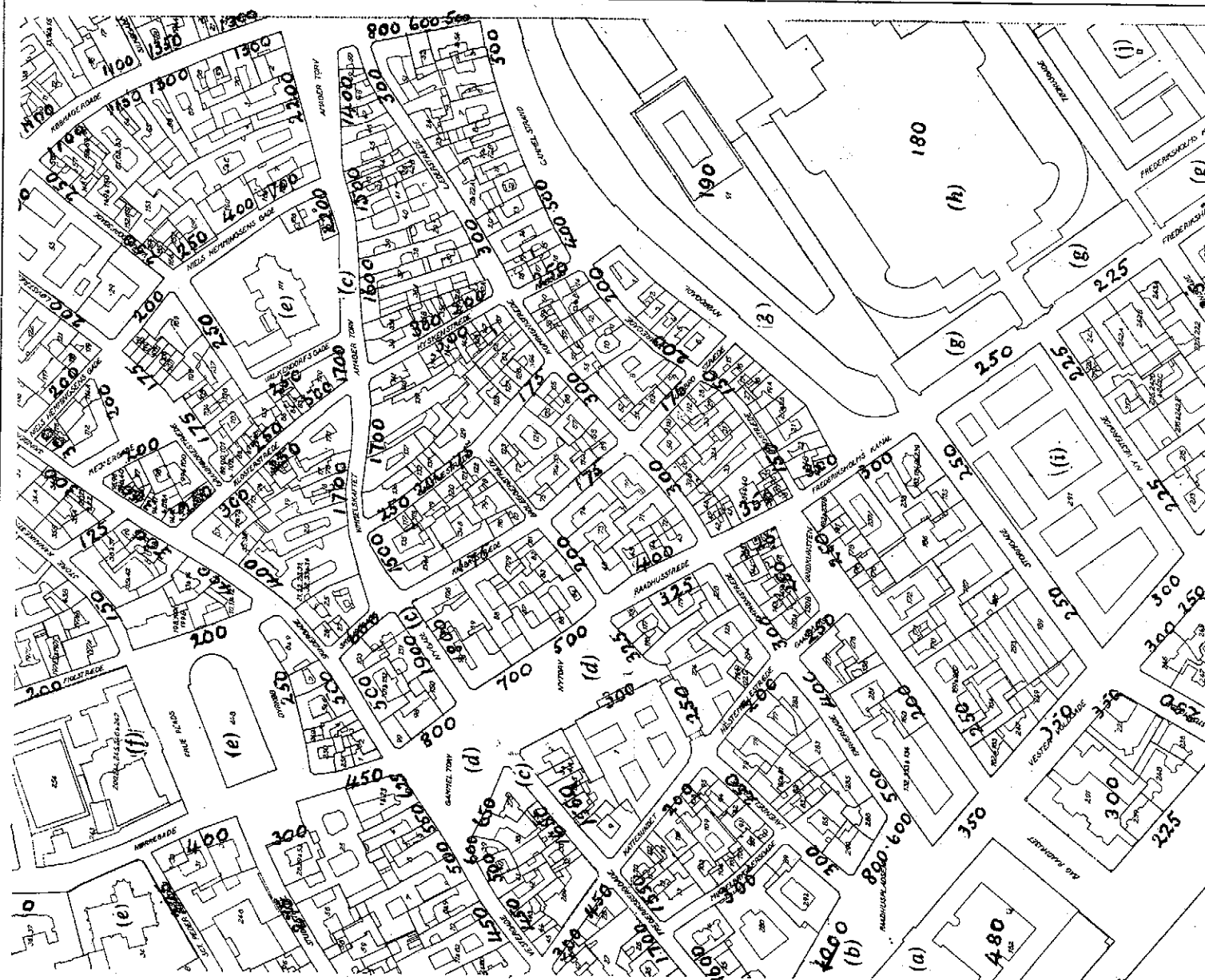
The following figures show the revenue from the real estate taxation comparing the fiscal years 1953/54 and 1954/55 and stated in millions of crowns.

	Taxation on land values		Taxation on improvement values	
	1953/54 Mill. Crowns	1954/55 Mill. Crowns	1953/54 Mill. Crowns	1954/55 Mill. Crowns
State taxation ...	50	50	38	31
Local taxation ...	242	248	115	107
Totals ...	292	298	153	138
Add the yield of the tax on in- creased land values ...	16	16	—	—
Totals ...	308	314	153	138

The total of the revenue from land-value taxation was 314 million crowns in 1954/55. Since the total of the direct taxation (on real estate, incomes and wealth) amounted in the same year to 3,700 million crowns, it is only a small part that comes from land-value taxation. But compared with the aggregate taxable land value, which is about 8,300 million crowns, the rate of taxation is rather considerable being more than 3.7 per cent on the average—this average embracing a very wide range because of the greatly varying proportion of the local revenue that is obtained or is by law obtainable from land-value rating within the various local governing areas. The aggregate value attributable to buildings and other improvements, property belonging to the State and the local authorities excluded, was in 1954/55 about 18,600 million crowns, and in relation to that value the taxation levied (138 million crowns) averaged not more than three-quarters per cent.

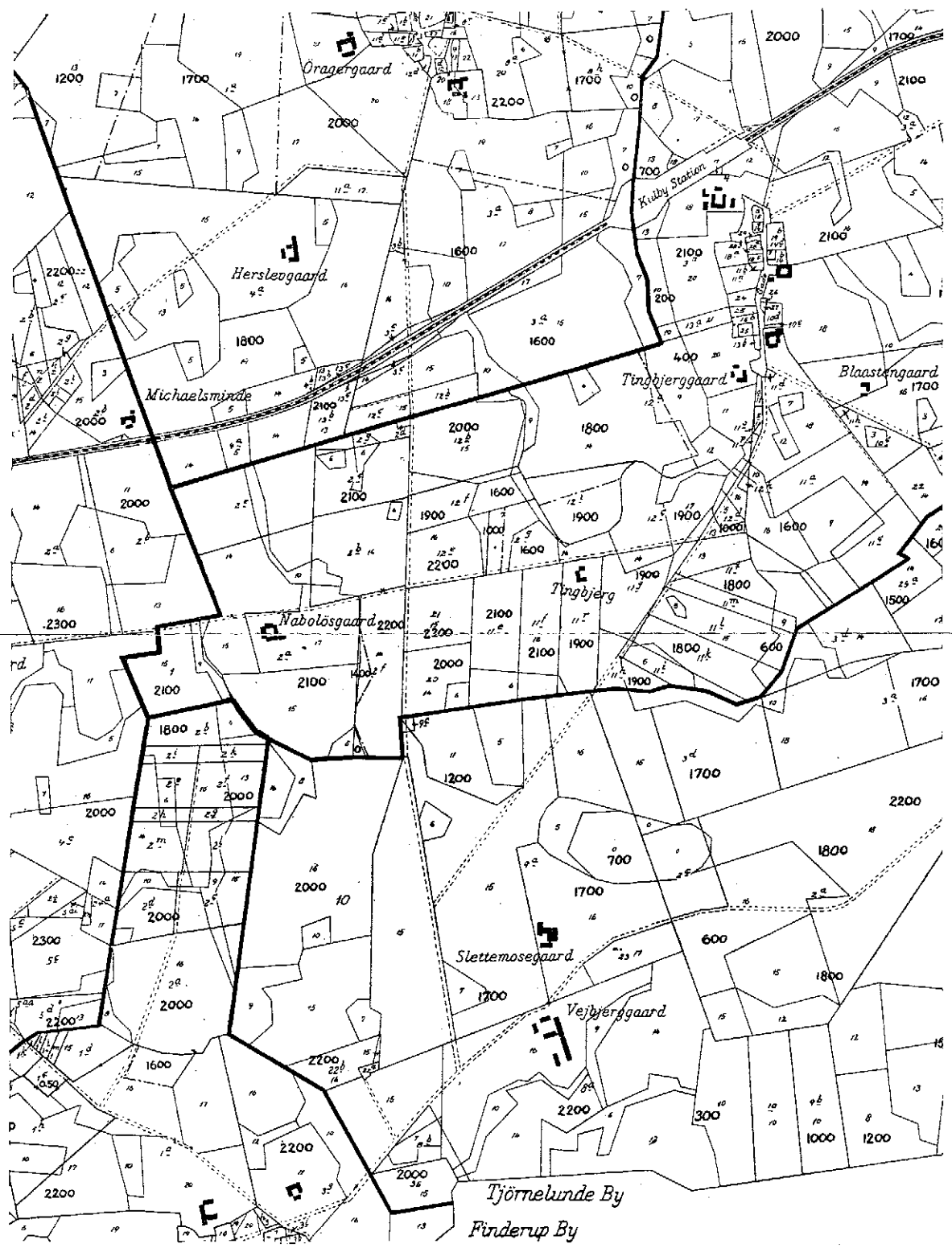
With regard to the rating and taxation of buildings and other improvements, it is of interest that an inter-departmental commission to consider the general scope of rating and taxation reported in 1950, the majority recommending that the rating and taxation of existing buildings should be limited to the amount now leviable and be gradually abolished over a period of years; and that increases in the value of buildings and improvements should be exempted from taxation, the result being that property taxation should in future be on land values alone.

The annual publication *Ejendoms—og Personalbeskatningen* (Property and Personal Taxation) gives for every town, parish and county, the taxable land values, the taxable improvement values, the revenues from the property taxes, the percentage rate of land-value taxation, the tax-free deductions in the case of improvements and (with other particulars) the proportion of total revenue that is derived from real estate taxation. The second section is as replete with statistics concerning the personal taxation. Obtainable from the Government Statistical Department, price 3 crowns.



Section of the 1950 Land-Value Map of Copenhagen, showing in red the "street values" per square metre for a normal depth of 20 metres. Smaller figures relating to entries in the land register. Some landmarks: (a) City Hall, (b) leading to City Hall Square, (c) main shopping thoroughfare, (d) market place, (e) church, (f) University, (g) canal, (h) forecourt of Parliament Buildings, (i) National Museum, (j) Thorvaldsen Museum.

Section of 1950 Land-Value Map of Finderup Parish (County District), the bold figures showing the land value per hectare, the other figures relating to entries in the land register and to the old "hartkorn" assessment of natural fertility.



ADDENDUM

Assessments Compared with Market Value

If it is asked how the valuations agree with the market price, which should be the standard, there is some difficulty in making the comparison so far as the land-value assessment is concerned, because most properties and certainly the most valuable sites in the towns are built upon and as a rule are only sold together with the buildings.

It is easier to give an answer so far as the valuation of land including improvements is concerned.

The following particulars are given to show how the selling price of properties in 1937 and in 1950 compared with the assessments.

*Selling prices higher than
the valuation, per cent.*

	1937	1950
I. Town Properties		
Metropolis	4.2	12.1
Provincial boroughs	1.5	21.2
Townships	2.3	30.6
Other country districts	7.0	40.0
II. Agricultural Properties		
Larger properties	1.9	37.4
Medium-sized properties	6.4	38.4
Smaller properties	12.6	41.3
III. Building Sites		
Metropolis	14.8	26.2
Suburb of metropolis	37.5	39.1
Provincial boroughs	16.4	41.5
Townships	9.7	34.0
Other (country districts)	32.0	64.0

In the case of the sites the selling price and the valuation can be directly compared where the sites, before being sold, have been valued independently; such building lands are generally situated on the outskirts of any building developments.

The assessment of the land value of built-upon properties cannot, in the nature of the case, be directly tested by sales.

The 1950 valuations showed greater difference between valuation and selling prices, partly due to a general rise in prices during that year, especially for properties not influenced by rent restrictions, including agricultural properties and vacant building sites. For rent-restricted town properties the difference was from 5 to 20 per cent.