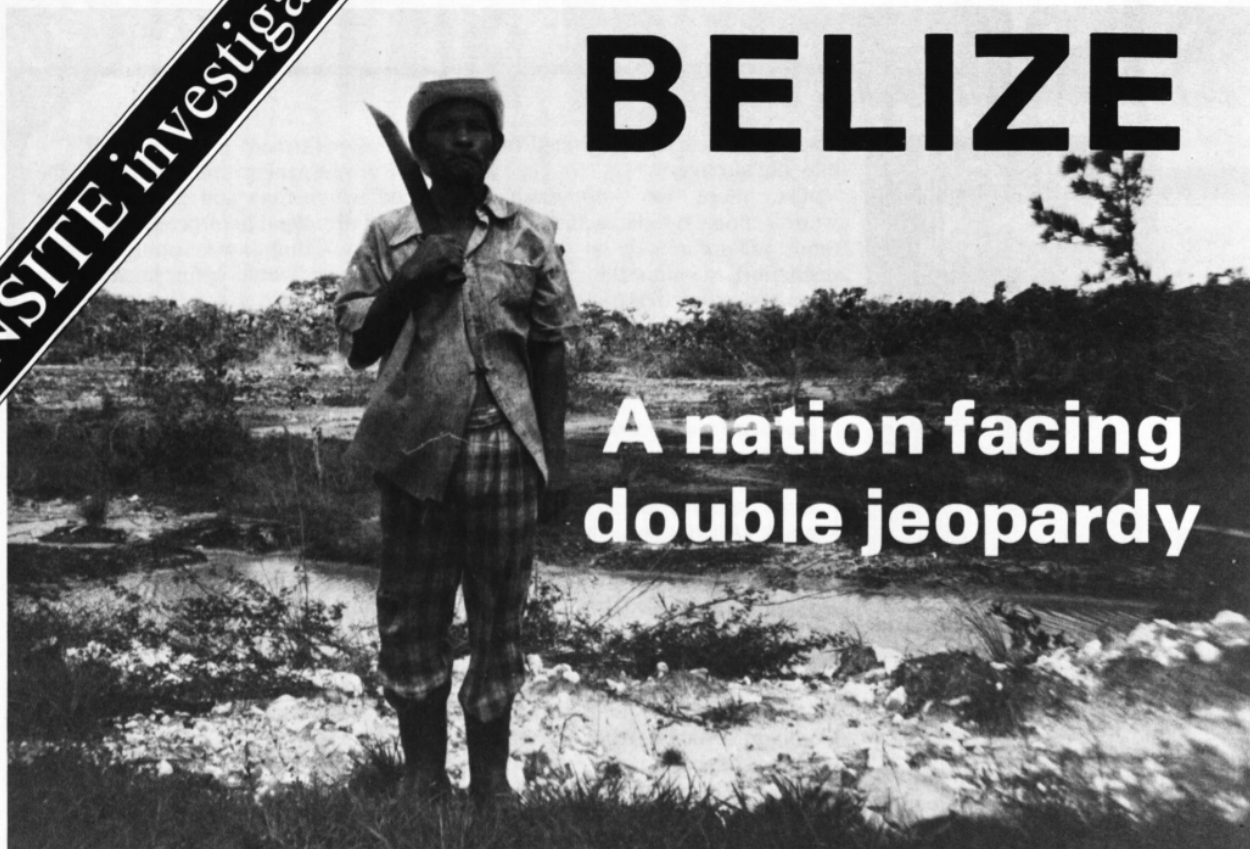


BELIZE

A nation facing double jeopardy



● Belize peasant – bewildered, poverty-stricken and threatened from across the border

BELIZE, once British Honduras until independence from Britain nearly two years ago, faces a double threat today – from neighbouring Guatemala, led by the territorially-ambitious Gen. Ríos Montt, and from an enemy within her own frontiers.

International attention has focused on Guatemala's claim over Belize.

● One the one hand, the British continue to offer military support to Prime Minister George Price, to guarantee the territorial integrity of her ex-colony.

● On the other hand, the Reagan administration has resumed shipments of arms to Guatemala – a decision which has provoked an outcry from Washington legislators.

For Belize – a sliver of a country hemmed in on Central America's east coast by Mexico to the north, Guatemala to the west and south and the Caribbean sea to the east – remains an oasis of democratic government in an otherwise turbulent part of the world.

But what of the enemy within? Why should Belize (pop. 150,000) be faced with a struggling economy, with up to 20 per cent unemployment and per capita income of only U.S. \$1,000?

The answer lies in the land tenure system shaped by the acquisitive greed of early European settlers.

BELIZE is as rich in natural resources as it is in cultural diversity, but from Table 1, we can see that a lamentably small proportion of the land is used productively.

This under-use of land is due to the concentration of ownership. The Belize Estate and Produce Co., the largest owner, accounts for a full 17.5 per cent of the *whole country* – or 41 per cent of all freehold land.

The Price government recognises this as the root of the problem and his Cabinet has considered tackling it by land tax reforms. Certainly, the figures present a glaring case for reform. In Belize:

● Half the estimated revenue for 1981-82 of \$86.7m was raised from consumers – that is, \$42.2m through customs and excise.

● About one-third of revenue, \$18m, falls on wages and salaries in the form of income tax.

● But the property owner is well-protected. The land tax raised just

\$0.5m from rural landowners, for central Government, and just over \$1m for local authorities. This is below two per cent of total current revenue.

The government has considered changing the tax to one that falls on the market value of land, which would certainly boost revenue. The capital value of all land, in parcels of 100 acres and more, is \$90.1m. A two percent tax on the capital value of land – the figure proposed by the United Nations – would yield \$1.8m a year, which is nearly four times the current revenue from rural land.

This extra revenue could then be used to finance economic development and improve the living standards of working people and their families.

LANDOWNERS, of course, would be quick to resist radical change since such a tax would mean the breakdown of land monopolies.

History shows how powerful this resistance has been in Belize.

The first Land Tax Act of 1867 – designed to increase revenue – amounted to a \$40 levy on each mahogany works which, at the time, produced a major export to Britain. The absentee landowners were willing to pay, since the revenue was needed

TABLE 1

LAND IN BELIZE (%)	
Suitable for cultivation	40
Cultivated	11
Government Forest	32
Other national lands	17
Private Forest	11
Freehold land held in parcels of over 500 acres	34

TABLE 2

BELIZE RURAL LAND TAX RATES	
Classification	Cents per acres
High Forest	30
Medium and High Forest	25
Low Forest	18
Pine Ridge - 1st class	20
2nd class	16
3rd class	16
Savannah (good pasture land subject to inundation)	14
Savannah (wet, dry and scrub and swamp)	12
Served by a road: 0-1 mile	30
1-2 miles	15

to subdue hostile Mayan Indians.

In 1871, British Honduras was converted into a Crown colony - thus the landowners succeeded in shifting the burden of defence costs on to the Imperial government.

A new Legislative Council was created. Three out of the four members represented landed interests and the land tax was immediately reduced from \$40 to \$24. In the following year, the Council made good the lost revenue by increasing import duties from four to ten per cent.

When, in the 1930s, the land tax was increased from 1½ cents to 2½ cents per acre, the Belize Estate and Produce Co. (BPC) and other landowners refused to pay. The increase was annulled in 1937.

But one consolation for the people of Belize was the growing awareness of the nature of the problem. Significantly, demands for land tax reforms grew with the Belize independence movement.

In the mid-Sixties, the Land Tax (Rural Land Utilization) Ordinance was introduced, imposing a maximum \$1 tax on each acre of unused rural land.

The effect? In 1959, about 5 per cent of cultivable land was being used to produce food; twenty years later, the figure had more than doubled to 11 per cent.

In 1975, the maximum was raised to \$3 per acre for undeveloped land within two miles of a public road and

50 cents for land beyond two miles from a road.

Land use could have been even more significant but in 1967/68, the BPC simply refused to pay the tax. It lobbied the Belize government and the colonial powers in London and finally won exemption for a full 95 per cent of its rural land.

In other words, 1.23m acres were not subjected to the law of the land. As Bolland and Shoman¹ pointed out, this was the BPC's way of "subverting the only major attempt to redistribute land and promote agriculture in the country's history".

Exemption is not the only defect; another is that the tax is calculated on a very rough-and-ready basis.

Land classification (see Table 2) is based on aerial photographs dating back to the 1930s. Since then, land use has altered drastically, with obvious implications for land values. There is now a need for review.

Defects in the rural land tax have been recognised and in the last few years, the government has been considering a change to a tax based on the market value of land in its unimproved state. Government officials seem to prefer the capital value rather than the annual rental value as the basis for the tax. But the rate would not be higher than two per cent - hardly a deterrent to the owners of vacant urban land.

Nevertheless, the Price government recognises that land monopoly has

undermined the economic development of Belize for two centuries and in the past year civil servants have been examining land value taxation as the possible solution.

IN THE urban sector, Belize imposes a property tax on the current (rental) value of land and improvements, taken together. This raises a revenue of \$1m, with an additional sum levied separately as a fire rate.

This tax nurtures discontent among homeowners. Most people live in poor-quality timber houses and huts. If they improve their homes, they are penalised when the value of their property is reassessed.

There is, then, a strong case for switching the urban property tax to one that falls exclusively on land values - a change in principle administratively feasible in countries like Jamaica and Montserrat.

What would be the effect of this change?

Table 3 shows the annual value of property in seven urban districts of Belize. Total rental value is \$14.4m. This is the rental value of both land and buildings.

The annual rental value of land alone has been calculated at \$2.8m, which is nearly three times the amount raised on the present basis, although the Belize government's value reckons the figure could be as high as \$5.7m, or nearly six times the current revenue.

So fiscal reform would not only be socially just - for those wishing to improve their homes - but it would also increase revenue by over \$4m, and thus enable the Government to reduce income tax from \$18m to \$14m.

An added effect: it would also reduce the number of sites left vacant. Table 4 shows that there are about 3,114 vacant urban sites in the seven districts. Their capital value is over \$3.9m and the tax amounts to just

TABLE 3

URBAN PROPERTY TAX IN BELIZE, 1981-1982							
	(1) Property tax	(2) Tax rates: %		(3) Last Revaluation	(4) Property ¹ Value: p.a.	(5) Site ² Value: p.a.	(6) Site ² Value: p.a.
		Property	Fire				
BELIZE	874,404	8	4	1981	10,930,100	2,186,020	4,372,040
DANGRIGA	45,527	6	2	1981	758,800	151,760	303,520
ST. IGNACIO	22,400	5	2	1978	448,000	89,600	179,200
PUNTA GORDA	12,375	8	2	1979	154,700	30,940	61,880
ORANGE WALK	59,921	6	2	1979	998,700	199,740	399,480
COROZAL	71,564	7	2	1979	1,022,300	204,460	408,920
BENQUEVIEJO	6,967	5	2	1978	139,300	27,860	55,720
	\$1,093,158				\$14,451,900	\$2,890,380	\$5,780,760

NOTES:

- Col. 4 is computed from Cols 1 and 2, to yield the assessed annual value of land and buildings.
- Col. 5 is derived from Col. 4, assuming that land, on average, is 20% of total assessed value. Col. 6 is derived on the assumption that land is worth 40%, on average, of total assessed value.

over \$90,000 – or a fraction over two per cent of the capital value.

This shows that Belize owners are happy to pay two per cent for the benefit of retaining land in an idle condition, because the appreciation in value more than covers the tax liability.

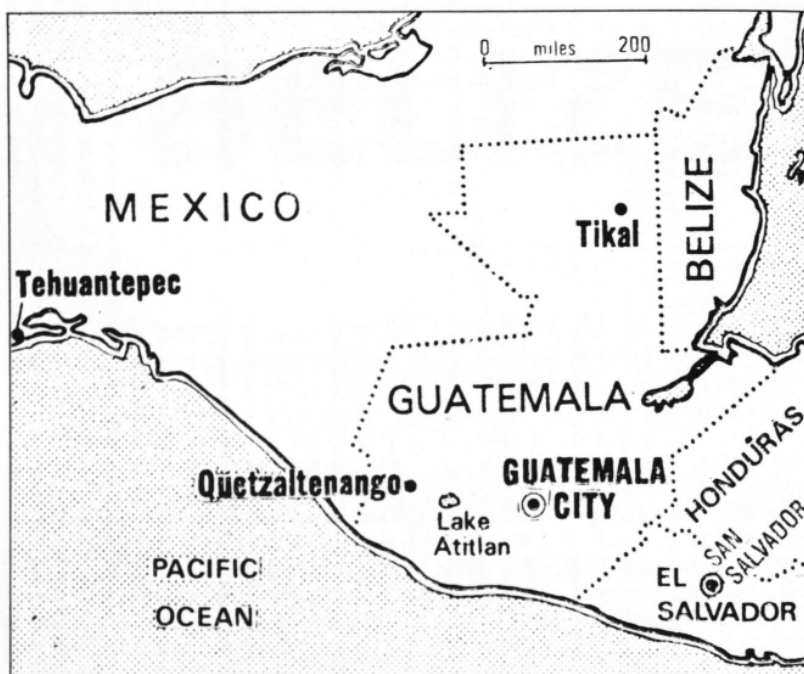
This irrational situation is made possible by the fact that, unlike the ownership of capital, there is no over-riding cost of holding land vacant. A penal tax on land values would become such a cost, and thus compel the rational use of land.

THE URGENCY with which the Price government should review land taxes can be seen in the light of the need to attract foreign resources.

Left unchecked, of course, much of the inflow of money would not be sunk into job-creating investments or services; it would be diverted into land speculation.

The only efficient mechanism for both creating a free market in land, and preventing speculation, would be to impose a near-100 per cent tax on the annual rental value of all land.

Some might argue that foreign ownership *per se* is the fundamental problem but this is a myopic view. Foreigners who wish to sink resources into capital improvements



on the land, while paying the full rental of that land to the community through the national exchequer, should be encouraged to do so.

Belize can only benefit from the inflow of capital from rich people who wish to transfer their resources and entrepreneurial know-how to capital-

poor countries.

Better such wealth-creating foreign intervention than the kind Guatemala might be contemplating!

REFERENCE

1. Nigel Bolland and Assad Shoman, *Land in Belize 1765-1871*, Jamaica: University of West Indies, 1977.

TABLE 4

	(1) Total Number	(2) No. worth \$300+ each	(3) Capital value of (2) B\$	(4) Property Tax: B\$	(5) Fire Tax
BELIZE	783	734	1,690,025	33,800	6,760
DANGRIGA	272	262	180,981	3,619	723
ST. IGNACIO	309	288	254,750	5,095	101
PUNTA GORDA	291	122	81,115	1,622	324
ORANGE WALK	556	556	837,665	16,753	335
COROZAL	737	668	884,038	17,680	2,536
BENQUEVIEJO	166	116	36,820	736	14
	3,114	2,746	3,965,394	79,305	10,793

NOTES:

- (1) Vacant sites are derived from revaluation surveys carried out between 1978 and (in cases of Belize and Dangriga) 1981.
- (2) The property tax data are for 1981 (Belize and Dangriga) and 1980 (the remainder).

GREECE

FOREIGNERS hoping to buy a summer retreat in Greece can forget it.

The Supreme Court in Athens has ruled that foreigners cannot acquire real estate in 'frontier areas' – which just happens to include most of the Greek islands.

As a result of the ruling, Greeks who originally sold plots of land can buy them back for the amount they received in the first place – even if incoming 'settlers' have since developed the land, complete with villa and swimming pool. Now, 1,000 British property owners are taking legal action to defend their claim to land and villas worth £50m.

U.S.A.

NEW YORK City housing officials have reported that the high cost of land is encouraging builders to break zoning laws.

Because the costs have pushed the price of new houses above what many potential buyers can afford, the builders are turning two-family houses into three-family apartments.

Explained one property owner, Michael Dorazio, in the *New York Times* (Feb. 27): "Today the buyer needs that extra apartment to afford the house."

One result: landlords of the illegal multiple dwellings are not paying their full share of real estate taxes.

GHANA

GHANA is afflicted with land disputes, even though 80 per cent of arable land is uncultivated.

Up till last year, the traditional rights of chiefs meant that anyone who cultivated the land could lose his crop to the chief.

According to Victoria Britain (*The Guardian*, Feb. 10): "Armies of lawyers have grown rich on land disputes between chiefs."

Shortage of jobs forced 1m Ghanaians to seek work in Nigeria. Their recent expulsion from Nigeria is now creating social tensions which threaten the future of Jerry Rawlings' "revolutionary" government.

ZIMBABWE

THE Matabeleland disturbances in Zimbabwe have been caused by conflicts over land, reports Nick Davies in *The Guardian* (March 24).

Robert Mugabe's Government has sent in the dreaded 5th Brigade to clean up the discontent – a move that forced Joshua Nkomo to flee to London.

"The militants see 700,000 African families still cramped into the old Tribal Trust lands, scraping a meagre living from the poorest soil in the country," writes Mr. Davies. "They compare that with the wealth of the 4,600 commercial white farmers, who own 38 per cent of the country."