

OPERATION OF LAND-VALUE RATING IN CERTAIN COUNTRIES

Digest relating to Denmark, New Zealand, Australia and South Africa taken from the Special Memorandum to the Departmental Committee on Site-Value Rating by the United Committee for the Taxation of Land Values, Ltd.

DENMARK

The national land-value tax levied annually at a uniform rate (now 6 mills or 1½d. in the £ on capital value), on all land, urban and rural alike, was instituted by the Act of 1922. General valuations of the whole country had already taken place in 1916 and 1920, which had assessed the composite value and the land-value of every landholding. The next general valuation took place in 1924. Succeeding that came the Act of 1926, which, with its other provisions, instituted the local rating of land values applicable to all area and to all land within them. Since then, general valuations of the whole country were made in 1927, 1932, 1936 and 1945. Revaluations are to follow every fifth year.

Previous to the 1926 Act there had been in the towns certain old forms of house and ground burdens; in the country districts, rates were being levied on the capital value of land and buildings lumped together. The Act repealed that taxation in town and country and replaced it by (a) a separate rate on the land value of every property, accompanied by (b) a rate levied on the improvement value but at a lower percentage. Improvements were further relieved by exempting a given amount of their value, that exemption per property now going up to 7,000 crowns in the parishes, 11,000 crowns in the provincial towns and 14,000 crowns in the metropolis. From these rates, so levied, the local authorities were required to obtain at least as much revenue as they had obtained from their former real estate taxation. They could obtain more by reducing the proportion of the revenues coming from local income tax, an option, however, which the Act gave only in limited degree to the towns. The result is that the land-value rate cannot meanwhile apply with the same effect to urban as to rural land.

In 1933 the greater part of county taxation, which is levied only on real estate (there being no local income tax for county purposes) was transferred to the value of land apart from the improvements.

The local taxation returns for year 1946-47 show that the average of the land-value rates levied over the whole country was 11.91 mills (2.86 pence in the £) and the average of the rate on improvements subject to local taxation was 7.09 mills (1.70 pence in the £).

In 1947-48 the revenue from the national tax and the local rates on land values was 168,700,000 crowns, corresponding to £8,768,000. The following table shows how it was made up, stating also the basis on which the taxation was levied and the rates of tax imposed:—

Million Crowns.			
	Metropolis.	Provincial Towns.	Counties and Parishes.
Taxable land-value ...	1,511	939	3,705
Revenue from			
National tax on land-value ...	9.1	5.6	22.0
Local rates on land-value ...	13.4	5.5	113.1

Percentage Rate of Taxation.			
National tax ...	0.60	0.60	0.60
Local rates (average)	0.88	0.58	3.05
Equivalent Poundage.			
Tax and rates on land values (pence) ...	3.6d.	3d.	8.8d.

The significance of the considerable application of the land-value taxation principle to the country districts (counties and parishes), and accordingly to the agricultural land, will not pass unobserved.

There is also a tax on "increments" which is based on the amount by which the assessed land-value on periodic valuation exceeds the land-value as it was assessed at the 1932 valuation taken as datum line. Various statutory deductions are made from that difference and what remains of it is subject to an annual tax of approximately 2 per cent., which is levied over and above the normal rate and tax which falls upon the whole land value. This "increment" tax has affected only large increases in land value. In 1947-48 it produced a revenue of 6,000,000 crowns, equivalent to £312,000.

The systematic methods for the land valuation in Denmark are described by Mr. K. J. Kristensen, chief of the Department, in the Paper [which accompanied this Memorandum]. The valuation determines the composite value and the land-value of every separate holding, urban and rural, throughout the country, and among its efficient instruments are the published Land-Value Maps of each town and district which help to secure the co-operation of the public and their confidence that the assessments are in just relationship with one another.

The latest general valuation was that made in October, 1945, preceded as already mentioned by the general valuations in 1936, 1932, 1927, 1924, 1920, and 1916. On each occasion the work is done within twelve months. The cost of the 1945 valuation was £300,000 and in intervening the years intervening between the general valuations the supplementary expenditure is about £75,000 a year.

The following figures summarise the 1945 valuation returns of the total composite value and the total land-value (including property owned by the State and the communities) in the Metropolis, the Provincial Towns and the Counties and Parishes.

Million Crowns.			
	Composite Value.	Land Value.	(Population) (Thousands).
Metropolis ...	6,468	1,868	927
Provincial Towns ...	4,788	1,104	1,021
Counties and Parishes	9,434	3,815	2,097
	20,708	6,787	4,045

The totals are equivalent to £1,078,540,000 composite value and £353,490,000 land-value. The land-value per head is equivalent to £105 in the metropolis; £56 in the provincial towns; £94 in the counties and parishes; and £87 for the whole country.

NEW ZEALAND

Local authorities in New Zealand may levy their rates upon (1) the annual rental value of the composite subject, land and buildings, or (2) the capital value of the composite subject, or (3) the capital value of the land alone, i.e., the "unimproved value," as it is named in New Zealand. The first two assessments are alike in incidence. They tax buildings and improvements and impose a heavier burden the better the land is used. They should be bracketed together for contrast with the alternative system, the "unimproved value," which taxes no improvements but obtains the revenues from land-values alone.

Where local authorities assess on the composite annual value they make the necessary valuations themselves. Otherwise the valuations are provided by the Department of the Valuer-General.

Local councils decide by resolution whether to levy the rates on the annual value or the capital value of the composite subject. Adoption of the rating of land-values, of the "unimproved value" system, requires the approval of ratepayers on special polls taken for the purpose and it remains in force until a similar referendum should reverse it. Between all polls there must be an interval of at least three years.

Powers to rate on unimproved values, subject to ratepayers' approval as stated, were first conferred by the Rating on Unimproved Values Act of 1896, applying the system to general rates excluding those for water, gas, electricity, sewage and hospital and charitable aid. The 1911 amending Act struck out that exception so that adoptive polls after that date result in the levy of the rates on land values for all purposes.

The position arrived at (April, 1948) by the exercise of those powers is tabulated as follows:—

	Boroughs.	Counties.	Independent Towns.	Total.
Rating Land-Values:				
For general rates ...	31	22	4	57
For all purposes ...	56	38	13	107
Total ...	87	60	17	104
Rating Composite Value:				
Capital value assessment ...	18	64	14	96
Annual value assessment ...	22	—	3	25
Total ...	40	64	17	121
Grand Total ...	127	124	34	285

Thus the land-value rating system is in operation in the great majority of the boroughs and in nearly half the counties. It applies also in a number of road, river, land drainage and electric power districts. The larger cities include Wellington, Christchurch, Invercargill, Wanganui, Hamilton and New Plymouth, but Auckland and Dunedin have not yet come into line. Only in eleven cases have reversion polls been successful and in five of these the ratepayers, after retrial of the system of taxing improvements, were not long in voting a return to the rating of land values.

The aggregate values of all rateable property as derived from the 1944-45 returns are as follows:—

	Composite Value Land and Improvements.	Unimproved Land Value	(Population).
	£	£	No.
Boroughs ...	315,610,000	101,904,300	942,840
Counties ...	312,772,100	154,778,200	645,180
Independent Towns...	7,093,400	1,773,100	28,050
	£635,476,000	£258,455,600	1,616,070

The land-value per head averages £108 in the boroughs, £240 in the counties, £63 in the independent town districts and £160 over the whole country.

Farm Lands in Boroughs

There are boroughs in New Zealand whose areas for various reasons far exceed any reasonable estimate of future borough development and the borough boundaries may extend into purely rural areas and so embrace numerous farms. The "Urban Farm Lands Rating Act, 1932" (amended in 1933 and 1935) was passed with the object of giving some rating relief to genuine farm lands subject to rates levied by borough (or city) councils, independent town boards and certain road boards.

NEW SOUTH WALES

The rating of land values is in universal operation throughout the State, deriving with negligible exceptions the whole rate-revenue of the Councils of the cities, municipalities and shires. The negligible exception is that in a few shires a special rate of small amount is levied on improvements, so small that it is not recorded in the returns of the Statistical Register. A larger exception to the rule that improvements are not rated affects the independent Boards, which administer the water and sewerage services in the Sydney metropolitan and Hunter River (Newcastle) areas and which levy their rates on the annual value of land and improvements taken together. As it happens, in the Sydney metropolitan area, for example, while the land-value rates imposed (1943-44) by the Councils produced £3,445,390, the water and sewerage rates amounted to £2,603,000.

The aggregate of the land-value rates collected (1943-44) and the averages of the rate in the £ were:—

	Revenue from Land Value Rates.	Average of Rate in the £.
	£	Pence.
Sydney and suburbs ...	3,445,390	5.24d.
Country Municipalities ...	1,442,770	9.13d.
Shires ...	1,602,700	2.60d.
	£6,470,860	

Summarised figures [of the valuation, 1943-44] show as follows:—

	Land Value "Unimproved Value."	(Population).
		No.
Sydney and Suburbs ...	157,822,140	1,377,810
Country Municipalities ...	37,388,370	628,070
Shires ...	148,114,200	808,480
	£343,324,710	2,814,360

The land-value corresponds to £105 per head of population in Sydney and suburbs; £59 in the country municipalities; £183 in the shires; and £134 over the whole State.

QUEENSLAND

The local authorities make the valuations which are revisable, at least once in every five years. The valuations ascertain the land-value only, it being unnecessary to assess improvements since no rates fall upon them. The instruction to the valuers is that "The value of any rateable land shall be estimated at the fair average value of unimproved land of the same quality held in fee simple in the same neighbourhood."

In Brisbane, unlike in Sydney and Melbourne, the water and sewerage rates are levied on land-values, the city by the 1924 Act having taken over the functions of the boards which had heretofore rated upon land-values. The particulars as to Brisbane (1942-43) show as follows:—

Land Value	Urban Land	...	...	£20,290,200
	Rural Land	...	...	799,000
				£21,089,200
Revenue from land-value rates	...	...	...	£1,869,110
Cleansing dues	...	...	...	£167,030

General rates on urban land are 1s. 4½d. in the £; on rural land, 6½d.; water and sewerage rates 8d. in the £ on occupied lands and 5d. on vacant lands.

The returns (1939-40) for the rest of the State are thus summarised:—

	Population.	Land Value.	Rates.
33 cities and towns...	236,420	£7,746,560	£451,020
121 shires	479,300	£43,961,480	£1,251,500

In these cities and towns, the land-value rate averaged 1s. 2d. in the £; in the shires it averaged 6½d. The assessed land-value per head of population works out at £63 in Brisbane; £33 in the other cities and towns, and £92 in the shires.

VICTORIA

Optional powers to levy rates upon land-values, instead of upon the annual value of land and improvements, became operative under the Act of 1920, the land-values system being applicable to all rates except for water and sewerage, which are administered by independent boards. The law, however, has laid down conditions which involve much time and trouble in the preparation and the holding of necessary polls for adoption. The same is the case in South Australia under the optional powers there given.

In Victoria, success has been attained in fourteen of the twenty-eight cities within the Melbourne metropolitan area; in three other municipalities, and in three shires.

The fourteen metropolitan cities (these not including the city of Melbourne itself) cover 54,890 acres of the total area of 71,187 acres, and they include more than half of the total population. Five of the fourteen adopted the land-values system in the last year or two. They are Box Hill, Moorabbin, Northcote and Preston. The nine others adopted the system between 1922 and 1926 and their experience of land-value rating is thus of more than twenty years' standing. They are Brunswick, Camberwell, Caulfield, Chelsea, Coburg, Essendon, Mordialloc, Oakleigh and Sandringham, with total population (1944-45) of 379,100, and aggregate land value of £28,472,800, the revenue from the land-value rates being £621,330, making an average rate of 5½d. in the £.

Polls for the rescission of land-value rating can also be taken. These have been held: Brunswick (twice), Sandringham, Oakleigh and Dandenong, and on each

occasion they were defeated with increasing majorities favouring the land-values system. In fact, nowhere in Australia has any local authority departed from land-value rating after its adoption.

The necessary valuations for the levy of rates on unimproved value are made by the local authorities themselves and they are revisable quinquennially. The definition of "unimproved value" follows closely the wording of the New Zealand statute.

SOUTH AUSTRALIA

Enabling powers are given by which local authorities can abandon the annual value assessment of land and improvements, substituting "unimproved value" and thus levy all their rates upon land-values alone. The local authorities adopting the change can either make the necessary valuations themselves or they can use the valuations for the State Land Tax, which are revisable quinquennially. These powers are derived from the Land Values Assessment Act, 1893, and subsequent amending Acts, all incorporated in the Local Government Act, 1934-36. They are not easily operated because of the conditions the law has seen fit to impose before adoption polls can be taken or majority votes declared valid. The situation, however, is that the land-values system is in operation in six corporations in the metropolitan area, nine other municipalities and seven district council rural areas.

The metropolitan corporations (giving the date of adoption) are: Thebarton (1907), Port Adelaide, Hindmarsh, St. Peters (all 1910), Glenelg (1911), Colonel Light Gardens, a model garden suburb (1919).

The other municipalities are Moonta (1908), Mount Gambier (1910), Port Pirie (1911), Peterborough and Quorn (1912), Port Lincoln (1922), Murray Bridge (1926), Wyalla (1944), and Renmark (1946).

The district councils rural areas are: Kimba, Murat Bay, Loxton, Barmera (all in 1927), Minnipa and Le Hunte (1928), since amalgamated, Karoonda (1928), and East Murray (1930).

From the particulars for year 1947 of population assessments and rates levied, the following summary is made:—

	Population.	Land Value Assessment.	Land Value Rates Levied.	Rates. Average Pence in £.
Metropolitan Corporations	83,670	4,325,100	130,100	7½d.
Other Municipalities	41,260	1,438,000	59,530	10d.
District Council Rural Areas	12,380	1,169,390	16,170	3½d.

The land value per head is £52 in the metropolitan corporations, £35 in the other municipalities and £93 in the district council rural areas.

Tried by long experience in so many places, the land-value rating system has found favour. The defeat of the three reversion polls—Thebarton (1913), Murray Bridge (1928), and Murat Bay (1945)—are testimony to that effect.

WESTERN AUSTRALIA

The local rating of land-values is universally applied in the country districts under control of the 127 Road Boards, which were first given that power in 1902. Rates levied on the "annual value" of land and buildings provide but a fraction of the revenue. It is only in the gold-fields divisions, comprising 15 road districts, that they are applied to any extent as a supplement to the land-value

shd be 71,187 acres rate S.V.

54,890 acres rate on A.V.

of the 14 places is now £1½ million

} Total Melbourne area since increased

rates. There remain the 23 districts which rate upon land-values only and the 89 districts which derive by far the larger part of their revenues from that source.

The Valuation Branch of the State Taxation Department controls the valuations of all land. The particulars as to the 127 road districts (1943-44) show a total land-value of £21,552,190, which, with a population of 257,840, gives a land-value of £83 per head.

THE TRANSVAAL

The law of rating and valuation was consolidated in Ordinance No. 20 of 1933. The rating of land-values was instituted in Ordinance No. 1 of 1916. It altered the system under which a flat rate was levied on the composite value of land and improvements. It provided, in effect, that there must be an "original" site-value rate of 1d. in the £ prior to the imposition of any rate on improvements, and it was permissible to levy the rates on site-value only up to a maximum of 7d. No rate could be levied on improvements unless it was accompanied by an equivalent rate (over and above the "original" rate) on site-values; nor could the rate on improvements be beyond the point at which its yield, together with the additional rate on site-values, would exceed the produce of a rate of 3d. in the £ on land and buildings taken together. The rates are payable by the owner. The stated maxima can be increased by the authority of the Administrator. These rates do not cover water, sewerage connections or cleansing services on private property for which separate charges are made.

Under the provisions of the 1916 Ordinance the bulk of the local rate-revenue is obtained by the site-value rate, the local authorities having so exercised their option. Rates on improvements where they are levied range from $\frac{1}{2}$ d. to 2d. in the £, whereas the site-value rate is four or five times as much. In Pretoria, for example, the rates (1946-47) are 7 $\frac{1}{2}$ d. on site values and 1 $\frac{1}{2}$ d. on improvements. Johannesburg took the lead among the municipalities to levy the rates on site-values only, and for thirty years the improvements in that city have been completely rate-free. Similarly, in the townships and villages, the system has been applied either full-out or with a modicum of taxation on improvements.

The latest particulars from Johannesburg, where the periodic valuation was lately completed, shows as follows: Aggregate site-value, £90,658,700; aggregate value of land and buildings, £202,792,900. Value of improvements, entirely rate-free, £112,134,200.

Comment is necessary that the enactment, with all that it provides, is not a perfect measure. The limit placed on the poundage of the site-value rate is a drawback. If revenue requirements rise above what may be allowably met by the site-value rate, there must be resort to the taxation of improvements; or what is equally undesirable, if not more so, the council finds a revenue by overcharging for gas, electricity, or water and by making a profit on its trading departments, thus imposing a concealed indirect tax on the citizens, notwithstanding the fact that the vast fund of land-values rightfully belonging to the community is still richly capable of meeting their needs. As it happens, Johannesburg itself, and without exhausting its site-value rating powers, obtains much revenue in that way—no less than £400,000 according to its latest budget. The graver flaw in the enactment is the privilege allowed to the owners of certain lands "bona-fide and exclusively"

used for agricultural purposes which are rated at one-eighth of the site-value.* The provision applies to land of not less than three morgan in extent and to other land of any size which is definitely restricted to an agricultural use. In either event, revenue is sacrificed to a privileged interest and the efficacy of the site-value rate as a preventive of the speculation in land values which can intrude in that field is undermined.

OTHER SOUTH AFRICAN PROVINCES

In the CAPE PROVINCE the two Ordinances of 1917 and 1918 gave municipalities the option of transferring rates from the assessment of the total value to the assessment of the site-value. East London and Cambridge, since amalgamated, exercised these powers at once and the rates in that municipality are now 2s. 0 $\frac{1}{2}$ d. on site values and 2 $\frac{1}{2}$ d. on improvements. In July, 1945, Kimberley Town Council, supported by a poll of rate-payers (1,055 votes to 100) decided to institute the rating of site-values, taking effect on January 1st, 1946, or as soon thereafter as the revaluation (last made in 1924) was completed.

In NATAL the City of Durban has, since 1923, levied its rates so that the rate on improvements is half that on site values and the rates are now 7d. in the £ on site-values and 3 $\frac{1}{2}$ d. on improvements. The Durban Report (1922), which examined the case for the rating of land-values, is one of the most illuminating documents in the official literature relating to the question. Seventeen other local authorities in Natal have followed Durban's example, levying the rates generally in the proportion of 2 to 1 on site-values and improvements respectively, although some go farther. These seventeen local authorities are: Amanzimtoti, Colenso, Empangeni, Eshowe, Glencoe, Harding, Howick, Ipisingo, Malvern, Margate, Mooi River, Paul Pietersburg, Pine Town, Port Shepstone, Richmond, Stanger and Westville.

In the ORANGE FREE STATE, Ordinance No. 11 of 1925 conferred optional powers with respect to the town rate (but not the sanitary rate) so as to increase the poundage upon site-values and lower it upon improvements, or relieve improvements entirely. Eleven municipalities have exercised these powers in more or less degree. They are: Bloemfontein, Bothaville, Clarens, Clocolan, Cornelia, Heilbron, Kroonstad, Odendaalsrust, Petrussteyn, Villers and Wesselsbron.

The latest to join was Bloemfontein, the Council having unanimously resolved in November, 1944, to adopt site-value rating in full by transferring the rates upon site values in stages spread over three years and beginning in April, 1945. At the same time the Council urged an amendment of the 1925 Ordinance enabling local authorities to base the sanitary rate also upon site-values. The debate in the Council, fully reported in the daily "Friend," November 27th, 1947, carried much instruction on the rating system in general, and the "Friend's" leading article welcoming the Council's decision found opinion in favour "strengthened by the fact that at the recent Conference of estate agents held in Durban—a Conference attended by men with an intimate knowledge of property values and the public needs both as regards sites and buildings—the principle of 'site rating' (all rates upon site values) was definitely endorsed as the most advantageous system from all points of view."

* Correction.—This was altered to one-quarter in the Ordinances 13 of 1939 and 15 of 1941.