

LAND VALUE RATING IN JOHANNESBURG — A Favourable Report

THROUGHOUT THE Transvaal, the valuation of all properties subject to local taxation shows in two columns (1) the capital value of the land exclusive of buildings and improvements and (2) the capital value of the land including any buildings or improvements thereon. The valuation is periodically revised every third year. By the Transvaal Rating Ordinance of 1916 the local authorities were required to levy a land-value rate of 1d. in the £ (of capital value) and no rate could be levied on buildings unless it was accompanied by an equal additional rate on land values. Further, they were given the power to exempt buildings entirely and to levy all rates on the land value, up to a maximum of 7d. in the £, saving, however, that in the towns on the Gold Reef buildings on ground held on a mining lease and not incidental to mining have to be assessed for taxation along with the site value of such land. Another provision, and it is a serious defect, requires that areas of land exceeding two acres which are used for "bona fide" agricultural purposes are to be assessed only at "agricultural value," whatever the true value for other purposes may be. The speculative element thus escapes the obligation and the inducement to make way, which would otherwise and rightly be brought to bear on it. Apart from these defects, and the fact that more exact and more frequent valuations are needed in quickly growing communities to ensure the assessment of all land at its true market value, the Ordinance was a significant step in the right direction.

The City of Johannesburg took the lead in abandoning the taxation of buildings and other improvements and for the past twenty-five years the City rates have been levied annually on the value of the land alone. Ten other towns in the Transvaal do likewise. In Pretoria, the capital, and the remaining 14 towns, the main source of taxation is land value taxation, buildings not yet being altogether exempted. In the 31 village councils or rural districts and the 20 areas governed by health committees, the rates are levied either wholly or for the most part on land values.

Enquiry Committee Appointed

In June last year, the Johannesburg City Council appointed an Independent Rating Committee to enquire into the incidence of municipal taxation, examining the land value rating system, recommending whether or not buildings should be taxed and whether the Ordinance should be amended to provide for other methods of local taxation. The Committee considered much evidence, both written and oral, an open invitation having been given to all citizens to come forward and express their views. Its members, who all served in an

honorary capacity, were Mr. Leslie Hurd (chairman), Mr. G. B. Gordon, Mr. W. A. Martin, and Mr. E. S. Sachs.

The findings of the Committee are reported extensively in the *Johannesburg Star* of July 19, 1945. Earlier newspaper cuttings, sent by correspondents, have enabled us to follow much of the evidence that was submitted.

The majority report signed by Messrs. Hurd and Martin, after dealing with the comparative merits of the present system of rating on site values and alternative methods proposed by various witnesses, recommends that there should be no change. "The system of rating on site values is the fairest."

In a minority report, Mr. E. S. Sachs, who represented the Trades and Labour Council, recommended that the levy of rates should be based on "ability to pay," that properties valued at less than £1,000 should be exempt, that above £1,000 the rates should be considerably increased by a graduated rate increasing for every extra £1,000 of value; or, alternatively, that rating should be based on the income of every citizen, whether a property owner or not, on the basis of the Government income taxation. The fourth member of the Committee (Mr. G. B. Gordon) resigned on becoming a Town Councillor and took no further part.

From the Evidence

Among the witnesses who upheld the land value rating system of *all* rates on land values and opposed any change were: The Johannesburg Chamber of Commerce, Senator G. Hartog, Mr. F. A. W. Lucas, K.C., Mr. R. L. McKibbin, Mr. Mather Smith, and Mr. F. Vandrau. The newspaper publicity given to the evidence was extraordinarily instructive and valuable. It was interesting to see the emphasis laid on the need for perfecting the valuation, so that, also by improved technique of assessment, it truly represented the market value. That point was made by a number of witnesses, including those who hankered after a moderate re-imposition of taxes on buildings while leaving land value as the main source of revenue, but the assessment they said must in all cases be correct. On the other hand, there were several witnesses who favoured a system of rating based on the rent of land and buildings, although they would still impose full rates on the value of unimproved land; and some had schemes of their own for lightening the burden on both land and buildings where the land was improved by charging higher rates on unimproved land. The special case of residential and industrial premises on land held under a mining lease (where buildings are taxed) was discussed in evidence by the Gold Producers' Committee of the

Transvaal Chamber of Commerce and the Witwatersrand Chamber of Reef Traders, the latter protesting that they were paying about double that they would pay if their rates were based on the value of their sites. Councillor Kotze urged that the Government should de-proclaim land that was not required by the gold mines in their normal life and declare it freehold and subject to expropriation by the municipalities; local authorities could then develop the land for residential and industrial purposes and derive much larger revenues from it than what the mines paid to-day.

The spokesmen of the Institute of Real Estate Agents, which made various proposals, agreed that site value rating tended to reduce slums; as site value rates went up the owners were tending to rebuild or sell; where there were more amenities the valuation of the property rose; assessment rates should not be based on income, the result would be to drive people out of the towns.

In its evidence, written and oral, fully supporting the established system, the Johannesburg Chamber of Commerce stated that land value rating had achieved, and was achieving, its objects of beneficial land utilisation; if improvements were taxed, building would be penalised and progressive members of the community who wanted to put up good buildings would be discouraged; basing rates on general income of property owners would be most undesirable and would be impossible to achieve; specific services for which separate charges were made to consumers should not be financed or subsidised, except in special cases from the rate fund, and services should not be used to subsidise the rate fund.

When the report of the Committee is published we hope it will contain the minutes of evidence, particularly on account of the submissions of Messrs. F. A. W. Lucas, Mather Smith, and R. L. McKibbin, those advocates of the land values movement in the Transvaal who have now rendered it another signal service. It will be useful also to see if there is any evidence, for it is nowhere in the newspaper reports, expressing any section of public opinion in favour of the recommendations which Mr. Sachs has made. The result of the Committee's investigation is on all counts a triumphant vindication of the soundness, the beneficence and the justice of the land values principle and policy. It should have a material influence in the advancement of the movement throughout South Africa and beyond.

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