

LIBERAL POLICY AND THE RATING QUESTION

Extract from the Statement by Mr A. S. Comyns Carr appearing as Appendix II to the document "Ownership for All" being the Report of the Liberal Enquiry into the Distribution of Property. The body of the Report, summarizing Mr Comyns Carr's statement, says "The Liberal Party has long advocated a substantial transference of rates from buildings and improvements to site values."

Local rating has from time immemorial been a tax upon the occupation of real property. The Rating of Site Values is merely the substitution in whole or in part, of one method of valuing real property in order to raise a given sum of money, for another.

Let us consider the precise changes which would actually occur in any given area (London or a county borough first of all) if we substituted for the present jumble of absurdities which go to make up a rating system a rate based solely upon the capital selling value of unimproved land.

The present basis starts from the annual letting value of each hereditament in its present condition, *i.e.*, of the site value so far as realized in its present use, and of the improvement, together in one sum.

The extent to which more or less will be payable in respect of any hereditament by reason of the change depends upon two things: (1) the ratio between the site value and the present rateable value in the whole rating area, and (2) the same ratio in the particular hereditament. If that ratio is higher for any hereditament than the average for the area that hereditament will pay more than it does now: if it is lower it will pay less.

The present system is complicated by the total exemption of unoccupied and agricultural properties, the partial exemption of industrial and freight-transport hereditaments, and the valuation of certain large undertakings on a profits basis, etc.

Moreover, in the absence of data as to the total site valuation of any area no precise figures can be given, but it is possible to state accurately the general effect on various classes of property.

The proportion of the total selling value of a hereditament which is represented by the site varies from 100 per cent in the case of a vacant site, 60 per cent to 90 per cent in the case of offices and shops in the centres and principal shopping streets of large cities, 40 per cent to 60 per cent in the case of shops in less important streets and residences in the best quarters of large cities, and shops in the best streets of smaller towns, 20 per cent to 40 per cent in the case of suburban villas and shops and houses in less important streets, 10 per cent to 20 per cent in the case of outlying housing estates in substantial towns, down to 5 per cent or even less in the case of houses in rural areas.

Slum areas are difficult to classify from this point of view; together with other dilapidated or inferior property scattered about, the question depends entirely on the locality. In certain areas the site would be more valuable without the buildings, and generally the proportion of site value will be higher than for better buildings in the same area.

Factories, especially modern ones in suburban areas, usually have a low proportion of site value, especially if fixed plant is included with the building, but as they are now rated at only a quarter of their true value, which in some trades and areas is already much reduced by trade depression, the site value represents a high proportion of the residue and in central areas exceeds it. Similar remarks apply to freight transport hereditaments, more strongly in the case of stations, docks, and portions of

railway or canal routes which lie in the central part of large cities.

One can only make a rough guess at the average proportion of site value to the present total rateable value of whole areas. In the County of London 40 per cent would not be far wrong (with considerable variations between the boroughs), 30 per cent for County Boroughs and 20 per cent for smaller towns. These figures probably are on the low side.

The results therefore of a complete change from the present system to the rating of sites at their full value, without exceptions and without the present exemptions and reliefs, in a County Borough (chosen for simplicity because it is the only completely self-contained area for rating purposes), are likely to be:—

(i) Properties which would pay more:—

1. Agricultural land (if any).
2. Vacant sites (and buildings).
3. Sites in central areas occupied by slums or other inferior buildings.
4. Shops in the principal streets (now mostly belonging to multiple firms).
5. Offices in central areas.
6. Factories, railway stations and docks, railway lines and canals, especially if they happen to be situated in valuable parts of the town.
7. Possibly, residences in important streets or with exceptionally large gardens.

(ii) Properties which would pay less:—

1. Small houses and villas on the outskirts (especially housing estates).
2. Flats except on very valuable sites.
3. All houses and shops in less important streets.

In most of the classes individual properties will be differently affected according to the proportion of site value due to special circumstances.

The effects of the change would be:—

1. A marked decline in the rates on working-class (in the widest sense of the term) houses, and especially flats: this would probably amount to as much as 1s. 6d. to 3s. a week on an outer suburban house now rented (with subsidy) at 8s. to 15s. a week inclusive; or to 5s. or 6s. a week on a flat now rented at 30s. a week inclusive without subsidy.
2. A diminishing decline in the rates on larger villas, houses and especially flats, and on shops in cheap streets.
3. The relief thus gained would have to be made good by the classes enumerated in (1) above, the severity of the burden varying more or less in the order named, except in so far as any of the existing exemptions and reliefs may be continued.
4. There would be a marked tendency for unoccupied houses, etc., to be let at reduced rentals, or if unsuitable to come into the market as building sites, together with slum property in central areas, vacant sites and agricultural land.
5. On the other hand, the exemption of improvements from rates would lead to better and more valuable buildings and flats and houses with more accommodation being erected on all types of site than is now the case, and would make it a paying proposition for slum owners to rebuild and for owners of vacant sites to build.
6. In future transactions the tendency would be for the additional burden to fall upon vendors or lessors, thus checking the monstrous figures now being obtained for shops and shop sites in the main streets of all kinds of towns.

In Counties (including that of London) where a part of the rate in each area consists of a county rate precept, there would be a further tendency for an increased part of that burden to fall upon the areas of high site value, such as the City, and a smaller part upon those of low site value.

It might be prudent policy (though bad economics) to continue the existing exemptions and reliefs. In that

case, however, the exemption of agricultural land would have to be confined to its value for agricultural purposes (or more simply perhaps to a fixed average agricultural value which might be deducted from *all* site values), the excess (except such as may be due to agricultural or other improvements) being rated in full and the rate paid by the owner in any event.

In other cases the rate should continue to be payable by the person (if any) now liable for it, except that where it exceeds the present amount and the excess represents a value realisable in whole or part by the owner and not by the occupier, the latter should be entitled to an adjustment.

This is a most important reform. From the point of view of an alteration of burdens it must be remembered that the present rates on a poor man's dwelling constitute an altogether disproportionate local income tax, as well as the greatest obstacle to new housing. The effects on industry and employment are more generally understood.

There is no difficulty whatever about the valuation. The complicated definitions employed in the Budget of 1909-10 are not required. It is very common practice to-day in my experience for valuers acting for and against rating authorities to make a site valuation as the first step in the intricate calculations or guesses which the present law requires them to undertake.

The valuation when made, and as regularly kept up to date, will not only form a valuable guide (which the present ones do not) for acquisition purposes, but will render quite simple the most important reform of collecting the Betterment on all public improvements, especially roads, railways and parks. It is constantly forgotten that many millions have passed into the pockets of way-side landowners in this way even since the War. Every road, railway and public park, paid for and subsidised by taxpayers and ratepayers at vast expense, has paid for itself, often from five to ten times over: but the adjoining landowners have collected the payment and the public has footed the bill. In the same way all similar improvements now required can be paid for out of the increased value of adjoining land, with all the employment they entail, *at no cost whatever* to the public, and, indeed, with a surplus over, the cost to be divided between the public and the landowners if need be. If, however, this Betterment is to be collected by special valuations in each case, a large part of the benefit will be frittered away in the cost of valuation.

[NOTE.—While we are glad to give publicity to the statement printed above, there are two points upon which we must record our emphatic disagreement. The one is that agricultural land should enjoy some exemption from a rate on site values. Mr Carr himself admits that this is bad economics. It is not only that: it is highly unjust to other ratepayers who do not hold agricultural land and who would by this exemption be compelled to pay more in rates. It is to be remembered that in Queensland, New South Wales, Denmark and elsewhere, the rating of land values is applied to agricultural land in exactly the same way as it is to other land. The de-rating of agricultural land is a device peculiar to this country. It was introduced by the Conservative Party in 1896, and it used, quite correctly, to be denounced by Liberals as doing nothing to aid agriculture but as merely putting so much more rent into the pockets of owners of agricultural land.

The other point, which calls for equally emphatic dissent, is that the rates should continue to be paid by the occupier of land without right of deduction from the rent he pays. This is equally bad economics and equally unjust. It means that the owner of land who

has let his land on perpetual or long lease will enjoy a complete exemption from payment of land value rate until the lease expires and that his lessee will pay the rate in respect of a value which he does not benefit by. There are no economic arguments in favour of such a plan. The only argument which has ever been advanced is that leases commonly contain clauses relieving lessors and obliging tenants to pay the rates. It is, however, a fundamental principle of constitutional law that private arrangements cannot be allowed to interfere with the law making power of the state. That principle has been constantly acted on in questions of taxation. If it were not, reform would be prevented and the gravest injustices perpetuated and in some cases increased.—
EDITOR, *Land & Liberty*.]

LIBERAL PARTY ANNUAL ASSEMBLY

THE LIBERAL PARTY ORGANIZATION holds its annual conference in Bath, 19th and 20th May. We give below the text of the resolution on "Ownership for All" which is based on Liberal Party Committee's Report on the Distribution of Property; also of some amendments which as we are informed are to be submitted:—

Resolution

- 1 "This Assembly of the Liberal Party views with indignation
- 2 the present condition of society, under which the control of
- 3 property is concentrated in the hands of a few, while the vast
- 4 majority possess little or nothing that they can call their own.
- 5 It regards such a system as morally indefensible, economically
- 6 objectionable and politically perilous. It holds the possession
- 7 of property to be a guarantee of security and independence,
- 8 and considers its widespread distribution essential to the
- 9 preservation of our civil and political liberties, now threatened
- 10 from both the Right and the Left. It declares war on monopoly,
- 11 privilege and Protection, and is as much opposed to the capital-
- 12 ist-collectivism that is being established under the present
- 13 Government as it is to the Socialist policy of vesting all owner-
- 14 ship in the State. It demands justice in taxation and rating,
- 15 fair play for the small man, and drastic reform of the laws of
- 16 inheritance.
- 17 It thanks the Committee of Enquiry for its Report and
- 18 generally approves its conclusions.
- 19 Finally, it proclaims 'Ownership for All' as the goal of
- 20 the Liberal Social Policy and, in its campaign to diffuse property
- 21 and opportunity, appeals confidently for the support of all
- 22 who care for human liberty and dignity."

Submitted Amendments

By the Scottish Liberal Federation and the Roxburgh and Selkirk Liberal Association:—

Lines 11-12: Delete "capitalist-collectivism that is being established under," and substitute "fostering of monopolies, rings and trusts by".

Line 14: Delete "justice in taxation and rating," and substitute "the abolition of unjust and obstructive taxation and declares that public revenue should be derived as far as possible from the publicly created value of land apart from buildings and improvements, and calls for".

Line 17: After "Report" add the words "and suggests that since the most oppressive, obstructive, lowest rated, taxed, and least controlled monopoly, and greatest cause of recurring depression, lies in the Ownership of Land, the most effective method of bringing about a more equitable distribution of property is to adopt the unimproved Capital Value of Land as the basis of Rating and Taxation."

By the Hendon Division Liberal Association:—

Line 14: Same as the foregoing, except that "insists" takes the place of "declares."

ERRATUM.—Glasgow Street Improvement, page 56 (April issue) for "in order to improve Simpson's Corner at Jamaica Street" read "as part of the improvement scheme which extends from St. Enoch Square to Jamaica Street."