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P. R. STUBBINGS

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Rating Rearranged

"There are those who believe that we should scrap the whole rating system and replace it with something better, though no one has yet managed to suggest what."—Mr. Henry Brooke Minister of Housing and Local Government.

Conservative M.P.: "If a man puts parquet flooring in his house, up go his rates. I hope that one day we shall get rid of this absurd system."—Mr. Ronald Bell.

Labour M.P.: "The present system is archaic, complicated, uncertain and full of anomalies.—Mr. Arthur Skeffington.

Liberal M.P.: "The system which the Bill attempts to amend is, in my view, out of date, illogical and deserving of condemnation."—Mr. Donald Wade.

CLAIMS that the Government is reforming the British local taxation system by its Rating and Valuation Bill are the grossest exaggeration. Some anomalies and anachronisms are to be removed, and the incidence of the burden will be changed, but the overall position is that the demonstrably absurd, harmful and unfair system is to be maintained substantially in its present form.

As the Bill is described in detail on another page, and the Second Reading debate is fully reported, it is sufficient here to say that it provides for the bulk of developed, non-agricultural property to be assessed on current rental value. When revaluation takes effect (1st April, 1963), all non-residential property thus assessed will be rated on full value and so will most houses. But in areas where rates on full assessment would greatly increase householders' actual rate payments, the Ministry may make statutory orders to "derate" houses partially for a five year transitional period. The effect of this will be to increase the burden borne by industrial and commercial enterprises in the areas concerned.

One may accept the Government's argument that, but for the Bill, householders would have to bear an ex-

tremely heavy and unfair burden which they could ill afford. But even if the chill wind of revaluation is tempered in the way proposed, they will still be unfairly and savagely mulcted. Already, as a class, they are paying far too much, and they are to pay more. It is slight consolation that they would have paid still more if Mr. Brooke had not brought in the present Bill.

It may be true, as the Minister and some Conservatives argued on Second Reading, that at this late date the effective choice confronting the Government was between doing nothing and bringing in a Bill on the present lines. At least the temptation to delay revaluation — already postponed from 1961 to 1963 — until after the General Election due in 1964 has been resisted. (Incidentally, if the Opposition Amendment had been carried, the Conservatives would have been able to look forward to that contest more happily.)

What equally is true, and more to the point, is that the Government alone is responsible for waiting until the eleventh hour. It is all very fine for Mr. Brooke to speak of the need for an equitable rating valuation, but the fact is that the Conservatives have held office for more than nine years and have done nothing to secure one. Nor do they show any sign of doing anything in that direction.

The Minister's passing remark that no one has suggested what should replace the present rating system simply is not true. And the Parliamentary Secretary's cheap jibe that advocates of an alternative rating system "have not taken the trouble to work it out in detail" boomerangs against him and his colleagues. Why has no impartial official enquiry been made into the operation of land value rating overseas? Why has no trial valuation been made to show just what would happen if rates were

taken off buildings and levied on land values only? Ratepayers are entitled to know. The cost would be relatively trifling. In this matter the Government may be held guilty of dereliction of duty. Sir Keith Joseph's reference to the four Committees and Commissions which have rejected land value rating in this century was pure sophistry. The two latest—Simes (1952) and Sorn (1954)—are utterly irrelevant, the former being trammelled by legislation since swept away and the second, relating to Scotland, merely echoing the Sorn Committee's objections. The earlier hostile reports reek of mildew.

For the Bill the Government argues—and who could disagree?—that “there is no logic or guiding principle” in the way charities are rated, that the present provisions relating to water undertakings are complicated and should be abandoned, that small moveable plant and plant used for draining the premises on which it is installed should be rate exempt, and that the rating system is littered with “curious anomalies and out of date features.”

The most curious are to remain. Improvement of every kind will continue to be penalised, while neglect will be encouraged and rewarded. The land speculator will continue to be treated as the honoured guest, exempt from contributing a penny towards the cost of local government so long as he holds land idle. This is conscious, deliberate Government policy.

The continued total exemption of farm land, on the other hand, was justified by Mr. Brooke on “practical grounds”. He would have us believe that the Government is the helpless victim of circumstances, and that it would take eight years before agriculture could contribute a negligible sum to the rate fund. This estimate, of course, rests on the assumption that valuers would have to traipse round every farm yard, assessing every barn, every silo and every other improvement for that is what “rerating agriculture” means. It would be a foolish exercise.

Nothing of that sort should be done. Instead, the valuers who are already poking around in the villages seeking improvements which may be taxed should be given new instructions. They should be told to ignore buildings, etc., and to ascertain merely what each parcel of land would let for if offered in its natural state on a perpetually renewable lease. This would leave them with time on their hands to assess the value of the surrounding fields. That would not take long. The whole job could be completed in good time for 1963 as could a valuation on similar lines made in the towns and cities. But because the Government refuses to value farm land, rural rating authorities are deprived of at least £150 million of rateable value and occupiers of houses, garages, shops and other enterprises in rural districts will have to continue to shoulder an unjustly heavy burden. The better improved is their property the more they will have to pay to maintain the roads leading to the farms. If that is not “a curious anomaly” what is?

The rerating of industry, whereby factory buildings, and the plant and machinery within them are to be taxed for local purposes on their full annual value is almost as great a wrong in the opposite direction. It was scathingly condemned by a Conservative, Sir Samuel Storey, M.P. Unfortunately his suggested alternative was no better. Other Conservatives were anxious to register their protests against this economic folly. For more than 30 years we have criticised industrial derating as inequitable and have pointed out that the solution lay not in “re-rating” factories, as the Labour and Liberal parties have long demanded, and as the Government now proposes, but in derating all buildings and other improvements. Perhaps now the more progressive manufacturers will begin to take a more intelligent interest in our policy. Surely they will not be content to allow the rural landowners and the land speculators to continue in clover?

The destructive nature of the present rating system receives official recognition in the section of the Bill dealing with charities. These are to be “derated” by a mandatory 50 per cent. with local option to grant further or complete relief. Such dispensation may be desirable in present circumstances but it raises an interesting question: why is it undesirable to tax the premises occupied by charities yet desirable to tax the homes and working places of those who support such worthy institutions?

To sum up. On two grounds the Bill may be given cautious, qualified approval: it is a step towards a uniform source of locally raised revenue. It will be a great gain if those who have been chasing the will-o'-the-wisps of local income tax, local sales tax, assigned revenues, municipal lotteries and poll taxes will accept their defeat. They should join forces with those who would reform the rating system by amending the definition of rateable property so that the unimproved value of land alone is assessed to local taxation. The Bill confounds confusion and, taking the country as a whole, increases the householders' already large share of the constantly rising cost of local government. In areas where industry is concentrated, the increase in factory rates is likely to be heavy. Elsewhere manufacturers may pay no more than at present, and some may pay less.

Three predictions may be hazarded. The repairs allowances in respect of most non-industrial properties will be greatly increased, thus favouring householders at the expenses of manufacturers; the Schedule A income tax paid by owner occupiers of houses will be either repealed or greatly reduced in 1963; and the chorus of demands, already considerable, for land value rating will swell as 1963 approaches, and thereafter. We shall eat our editorial hat if the land values question is not a major issue in the 1964 General Election. Meanwhile a primary task will be to get at least a trial land valuation made, either privately or by the Government, though the one need not preclude the other.