

which have been made in the Taxation of Land Values, and if anything can come out of these experiments of use to Palestine then you may rely upon my sympathetic desire to put them into practice." There spoke the best type of British colonial governor; but unfortunately nothing appears to have been heard of the inquiries.

One of the greatest friends of the Zionist movement has just died in the person of Lord Wedgwood. He was, of

course, at the same time one of the greatest followers of Henry George. Writing in his book, *The Seventh Dominion*, in 1928, Lord Wedgwood said: "Gravest of all the impediments that Zionism has had to face is the exorbitant price exacted for land." If the sense of frustration and betrayal of the Jewish people in Palestine is not to issue once more into a state of chaos and disorder, heed must be taken of the warnings quoted from so many sources.

*Taxation should be based, as the Joint Survey Commission said, not on the actual yield but on the unimproved value of the property to be taxed.* The remedy is in line with the requirements of the Mandate: it has been endorsed and demanded by the Jewish leaders: it is the remedy associated with the name of Henry George, and embodies the principles of the Laws of Moses: "the land shall not be sold in perpetuity."

## SCOTTISH RATING AND VALUATION COMMITTEE

### Memorandum of Evidence Submitted by the United Committee for the Taxation of Land Values

[The Secretary of State for Scotland has appointed a Committee with the following terms of reference: To review with reference to post-war requirements the law and practice in Scotland in relation to (1) The valuation and rating of hydro-electric undertakings, with special reference to the recommendations of the Committee on Hydro-Electric Development presided over by Lord Cooper; (2) The effect of the existing system of rating on the provision of houses and the question of whether it is practicable and desirable to limit the maximum amount payable in respect of owners' rates; and (3) The liability for rates in respect of empty or unused premises.]

The terms of reference to the Committee indicate a variety of subjects for consideration, the most extensive of which is "the effect of the existing system of rating on the provision of houses." But, as any alteration in the rating system in relation to any class of lands and heritages will automatically affect the proportion of rates to be borne by the occupiers and proprietors of all other classes, it is essential to consider in the first place what is the general nature of the existing system and what economic consequences flow from it.

The fundamental basis of the system of rating is the valuation upon which the rate is levied. This is the yearly value of land and heritages and is defined to be "the rent at which, one year with another, such lands and heritages might in their actual state be reasonably expected to let from year to year."

The subject to be valued is land, but that term in law includes the buildings and other improvements which have been made on or in it. Thus the basis of the rate is a composite subject consisting both of the natural resource, land, and of the artificial things attached to it by man. It is also to be observed that the subjects of valuation are to be valued "in their actual state," that is to say, according to the actual degree of development or use which has been made of the land and without regard to the possibility of it being put to a better use.

The result is that undeveloped land is valued at a nominal figure, and that the better it is developed, the higher becomes the valuation, and the greater becomes the burden of rates levied in respect of it. For example, if there be in the same street three sites side by side and of equal site value, and if the first is undeveloped, the second poorly

developed (e.g., having on it worn out and antiquated buildings), while the third is well and adequately developed, then the first will be rated at a nominal value, the second at a low value and the third at a high value.

It is, therefore, evident that the present system of rating discourages the provision of houses and of other buildings and improvements, and makes them scarcer and dearer.

On the other hand, the present system by virtually exempting unused land from contribution to the rates encourages owners to hold back their land from sale or feuing until they can get a high price or feu duty. This tends to raise the level of market price, and in that respect also discourages the provision of houses and other buildings and improvements.

The fact that the Scottish system of assessment imposes part of the rates upon the "proprietor" and part upon the occupier does not make any material difference to the economic effects outlined above. It is to be remembered that "proprietor" in this connection means the person "who shall be in actual receipt of the rents and profits," and that a person occupying under a lease for more than 21 years is deemed to be the proprietor. As there cannot for the purpose of rating be more than one proprietor of any rateable subject, it follows that no rate is levied upon the owners of feu duties and ground annuals, although both of these are owners of interests in land and in the broad sense of the word are as much proprietors as those who are defined to be "proprietors" for purposes of rating. Thus it appears that in some cases the occupier and the proprietor are one and the same person who bears both classes of rates, and that in many cases proprietors who draw very large rents in the form of feu duties or ground annuals are not rateable.

The ultimate incidence of a rate, as of any tax, is not determined by the mere fact of it being collected in the first place from some defined person. It depends upon the nature and economic effect of the charge. Thus, it is well understood that taxes upon commodities such as tea and sugar although collected from importers or manufacturers are paid in the end by consumers in the shape of a higher retail price.

The same thing takes place in the case of rates which are taxes upon

houses and other buildings and improvements. In the case of houses they are borne by the occupier (who is in effect the consumer of the dwelling) and in the case of heritages used for industrial or commercial purposes, they are shifted on to the consumers of the goods manufactured or vended.

The incidence of rates upon the value of land is entirely different. Land is not produced. There can be no question of reducing the supply and so raising the price. On the contrary, if a rate on land value is levied upon all land, whether used or unused, it will discourage the holding up of land for future increase of value and so will reduce land values from a speculative to a normal level.

The effect of the existing system of rating in discouraging the provision of houses does not arise from the fact of some rates being levied upon owners. The amount of the rate which the owner is likely to bear is taken into account when he bargains with the occupier over the rent. Houses will not be erected unless a return can be foreseen from them which will both cover any rates which the owner has to pay and remunerate the cost of construction and the cost of the land.

It may be said that the levy of rates on owners has the effect of asserting the principle that payment should be made for public services which maintain the value of the heritage whether it is used or not. Clearly no land would be worth much more than a nominal price or rent if all public services were withdrawn. The existence of these services is essential to the maintenance of the land value, which is indeed simply a measure of the communal advantages of living in one place rather than in another. There would be a principle involved if the rate were levied upon land value and so fell inescapably on those who benefit by public expenditure and other forms of public activity, and it would be a sound principle. The same principle is not involved when the rate is levied on the yearly value of land as built upon and improved because the rate then tends to be shifted on to the occupier.

But there is nothing to be gained by limiting or abolishing owners' rates, so long as the present system remains. The result will be to increase the direct burden upon occupiers, whereas it was formerly an indirect burden concealed in the rent. The discouragement to the

provision of houses would still remain if all rates were levied upon occupiers instead of some being levied upon a certain class of proprietor.

The discouragement can only be removed by basing the rate upon the value of the land, disregarding the value of buildings and improvements. If that were done provision would have to be made for an appropriate part of the rate to be levied upon the owners of feu duties and ground annuals to the extent that these payments represent rent for the land itself and not for the improvements.

On this subject generally reference may be made to the Report of the Select Committee of the House of Commons on the Land Values Taxation, etc. (Scotland), Bill, 1906. As to the technique of applying a rate on land values attention may be directed to the London Rating (Site Values) Bill, 1938, where this was worked out in detail, and the principles of which could readily be adapted to the conditions existing in Scotland.

The principal change involved would be the addition of a new column to the valuation roll containing the land value of each heritage. The valuation roll already records the name of the "proprietor," and the demand for the land-value rate could be addressed to him. The "proprietor" would be entitled to deduct from any rent, feu duty or ground annual payable by him a proper proportion of the rate (or the whole of it if the rent he pays is equal to or greater than the annual land value).

The transition to the new system of rating on land value could be made by whatever stages were deemed advisable, that is to say, a portion of the rates could be levied upon the existing basis and a portion levied upon the new basis.

If this reform were adopted, it would solve the remaining problems which have been referred to the Committee.

The rates upon structures such as the hydro-electric undertaking, as upon all buildings and improvements, would be reduced to the extent that land-value was taken as the standard of rating, and the provision of houses and other needed improvements would be encouraged.

Empty or unused premises would be liable to the land-value rate. There is no reason why that value which arises solely from community causes, and owes nothing to work done or improvements made by individuals, should be exempted. On the other hand, if the premises were empty because they had become old, dilapidated and unfitted for their purpose, then rebuilding with a modern and suitable structure would be encouraged by the reduction in the quantum of rates levied on improvements. The development of vacant land which was needed for housing or other purposes would in like manner also be encouraged.

It is, therefore, submitted that nothing of value is to be gained by modifications in the existing rating system such as are adumbrated in the terms of reference. The system which has

become already complicated by de-rating and other devices would merely be made more complicated. The remedy is only to be found by recognizing the economic and social distinction between

what has been produced by human effort and what has been provided by nature, and to adjust the system of rating so as to take account of this distinction.

## MANCHESTER APPOINTS INQUIRY COMMITTEE

AT THE meeting of the Manchester City Council on 1st September, the following resolution was adopted:—

"That a Special Committee be appointed to consider and report to the Council upon (1) The recommendations contained in the reports issued by the Royal Commission on Compensation and Betterment, and on Land Utilisation in Rural Areas in so far as they are applicable to the present and future needs of the Corporation; (2) The advisability of acquiring powers to rate land values; and that the Nomination Committee be requested to make recommendations to the next meeting of the Council as to the constitution of this Committee."

Signed: Councillor Needoff (mover), Alderman Sir Miles E. Mitchell, Councillor F. E. Tylecote, Councillor Lee, Councillor Heggis.

The resolution came at the end of a crowded agenda and just before the lunch-time adjournment. Councillor Needoff (Liberal) recommended the proposal in a brief speech, saying that the Government, with a view to preventing a deadlock like what occurred in housing and re-planning schemes after the last war, had appointed various commissions—the Barlow, the Scott, the Uthwatt—to define broadly the lines on which our rural, urban and industrial planning should proceed, and to recommend ways and means to solve the financial problems that would inevitably arise in connection therewith. These "ways and means" in the Uthwatt report were particularly complex and controversial; the proposal to purchase "development rights" would involve three separate valuations and would probably not make it possible for land outside urban areas to be bought any cheaper than nowadays. The recommendation that legislation should enable public authorities to purchase land within urban areas at no higher than the "1939 ceiling" was illusory, because there was no valuation in 1939 and the "ceiling price" of land was already tremendously inflated. After the last war we saw how prices were pushed up by our own housing needs. Land in Wythenshaw was bought piece-meal. The first section cost £80 an acre, the real value as agricultural land being no more than £40 an acre. A year later it was decided to extend the Wythenshaw scheme and the price of the needed land (identical with that which had been purchased) cost £120 per acre. Four years later a further extension was decided upon, and for similar land the price was £300 an acre. That experience reflected the unfair advantage which the existing rating system allowed landowners to take of the community. There was not time to finish

the speech. A vote was called. Alderman Wood (Labour) seconded the resolution in a one-minute speech and the resolution was carried by a substantial vote. Labour and Liberal voted solidly together in favour.

## UNOCCUPIED PROPERTIES

IN ENGLAND and Wales the Elizabethan Act of 1601, which is still the foundation of rating, makes the rates on a property chargeable on the "occupier"; an expression that has been the subject of various judicial decisions. One result of this arrangement is that where there is no "occupier" there is no one on whom the rates can be charged, and properties that are unoccupied go practically rate free.

In Scotland, on the other hand, the liability for rates is divided between the "occupier," which has much the same meaning as in England, and the "owner," which generally means the occupier's landlord. Thus where there is no "occupier," unoccupied property is not assessable to rates in respect of the occupier's share of the assessment. But, in view of the terms of the Lands Valuation (Scotland) Act, 1854, the Court of Session held, as long ago as 1858, in the case of *Tod v. Mitchell* (20 Milne, 445), that unoccupied property is assessable to rates in respect of the owner's share of the assessment. Reference may also be made on this point to the *Encyclopædia of the Law of Scotland*, vol. 15 (1933), p. 204.

This difference between the English and the Scots practice is recognised in the Increase of Rent, etc. (Restrictions), Act, 1920, in relation to those cases in which the landlord pays the rates for the occupier and includes them in the rent, when the rates are increased after that inclusive rent has been arranged. Where this is the case in England or Wales, s.2 (I) (b) authorizes the landlord to increase that inclusive rent by the amount by which the rates have been increased; but where it is the case in Scotland, s.18 (I) (b) authorizes him to do so only for the increase of the rates "other than those for which he is responsible"—that is, only for the increase in the occupier's share of the assessment.

In any rating or taxation of land values—or, in other words, in any local or national land-rent—the persons chargeable would be those who are in possession of the land values, whether as receivers of rent for them or otherwise. Thus, so far at least as rating is concerned, the transition from the present valuations to land-value valuations would effect a shifting of the liability to pay the rates, as well as a change in the basis of the valuations on which they would be charged.

J. D. W.