

# TAXING LAND VALUES

(See Editorial)

**A**MID the welter of proposals for dealing with the problem of high land prices, and with the memory of two recent failures (development charges and betterment levies) Skinflint's proposal for a national Freehold Redemption Act comes as a breath of fresh air.

"Land reform" has been played with by politicians for almost a century and Acts which did not reach the statute book (with the notable exception of the 1931 Act) were travesties of land reform, being in practice nothing but taxes on the development or sale of land. (The 1931 Act set out to tax all land values at a uniform rate, regardless of the state of development or whether developed or not. It was repealed before the valuation had barely begun.)

Oddly enough, the taxation of land values proper, if correctly and progressively applied until it took 100 per cent of land value, would achieve by another route that envisaged by Skinflint — namely the individual private possession, enjoyment and security of land while rendering unto the community its annual rental value. The revenue from the land-value tax is envisaged as offsetting taxation which now falls upon labour industry and trade.

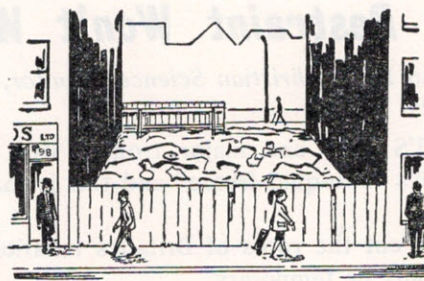
There is a distinction between the 100 per cent land-value tax achieved with step by step increases over a period of years and freehold redemption over, let us say, a similar period.

Land-value taxation would leave the buying, selling and leasing of land in private hands. When the whole of the annual value of land was taken in taxation, land would of course have no selling value as such. Nonetheless, most land has buildings and improvements of various kinds on it. It would be these buildings and improvements which would remain marketable, the land going with them at a nil price but being subject to the burden of the annual charge. What would be the position under a leasehold held from the Government? Would the Government as owner (on behalf of the community) lay down conditions for the buying, selling or transferring of ownership in the buildings and improvements? Would the Government impose conditions of use and repair more onerous and restricting than would be agreed between two private persons under a private contract of sale?

As Skinflint is a self-confirmed believer in the "entrepreneurial capitalist system" I am sure he would want the minimum control and restraint of land use that is possible (it would of course be subject to

considerations of health, amenity etc.). Would state leaseholds be consistent with this?

As for the proposal that 100 years elapse before



redemption, this is too long. Fifty years would give the Act teeth to bite and it would probably see out the lifetime of most land holders living at the commencement of the Act. At the same time, most of the speculative element in land prices would begin to wane immediately.

But there are other questions also to be pursued.

What would be the rental terms of new leases? With what frequency would revaluations and rent revisions take place? In Hong Kong where the Crown holds all the freeholds, many leaseholds were granted for long periods, for seventy to 100 years, without a rent revision — absurd when one considers the fall in the value of money and the natural tendency for land values to increase with the increase in industrial power and population.

Other countries have had the same bitter experience of seeing their revenues from the state-held lands diminish annually in real terms, while the semi-permanent leaseholder sat back and enjoyed the fruits of rising land values directly or indirectly by sub-letting.

Canberra offers the most disastrous example of all. Owing to the failure to keep valuations (and thus rents) up to market values for state leaseholds, the margin between chargeable values and market values grew ever wider, until it was politically impossible to revise rents to their proper levels. The longer leaseholders enjoyed their low rents, the more they resisted revaluations. Thus the more delay — and the higher the values became — the greater the resistance, until at last the government gave way and made a present of the freeholds to all the sitting leaseholders. (See *Canberra in Crisis* by Frank Brennan, 1971; Dalton Publishing Co., Canberra City.). The importance of reassessments and revaluations cannot be over-emphasised. The more frequent the valuations the easier and cheaper they are to do, and if done annually they will arouse little or no resistance, particularly as for a very large proportion of land holders the rents would remain the same — apart from being adjusted to conform to the fall in the value of money.