

There is no reason why the level of the Land Tax should be kept so low. The effect of the tax is vitiated enormously by various exemptions, the most indefensible of which is the Mortgage exemption. This exemption provides that from the taxable unimproved value of the land a sum of up to £10,000 may be deducted on account of a mortgage. For example, a property whose unimproved value was £155,000 may have a mortgage of £10,000. In this case Land Tax would be paid only on the taxable unimproved value of £5,000. This, of course, is completely unjustified by any principle. The Taxation Committee, 1951, who recommended the abolition of the Land Tax said: "If land tax has any justification, the question for liability for tax should not relate to the existence or size of a mortgage on the property." If this Mortgage Exemption were abolished the Land Tax would probably produce a revenue of at least £3 million a year, a sum equal to the amount that the Commission propose should be raised

for the benefit of local authorities by the extra tax on petrol.

The proposed 3d in the £ petrol tax and the proposed transfer of the proceeds of a reformed Land Tax to local authorities would both give an extra £3 million to local government. The petrol tax, however, will filter through into prices at a thousand points as I have pointed out in a previous article. It will thus tend to raise prices which in effect a decrease in real wages. This to my mind is a very grave objection to this method of raising further local body revenue.

By contrast this objection does not hold in any degree against a reformed Land Tax. It will find a permanent place in our tax structure for this tax which has endured in this country so long and which is practically impossible with honesty and fairness to abolish. At the same time this proposal effects a complete separation of the field of taxation for local government and for general government and as such constitutes a real tax reform.

## The Lords and Land Values

**The Town and Country Planning Bill, having passed through all stages in the Commons, went before the House of Lords on April 14 and was given a Second Reading. The speech by Lord Douglas of Barloch is here reprinted in full, followed by extracts from other speeches.**

**I**T IS certainly significant that the Lord Chancellor (Viscount Kilmuir) and so many subsequent speakers have devoted attention to the problem of site value or of betterment. This, I think, is inevitable in considering any legislation dealing with town and country planning and, indeed, that has been recognised by those who, during the last forty or fifty years or more, have taken part in these discussions. If I understood the Lord Chancellor aright, he himself admitted the principle which is involved in this; and so, I think, did Lord Gage, and other speakers, although some of them found difficulties in the practical methods of dealing with it. It is perfectly true that, as it has hitherto been handled, there are practical difficulties, and the Uthwatt Report is typical of the line of thought which has led to these difficulties. Indeed, it was, I think, inherent in the terms of reference of that Committee; or, at any rate, it was a shackle with which they bound themselves.

"It is impossible to deal with this problem from the point of view of trying to attribute to some particular public improvement a certain element in the value of land. It is impossible to distinguish the various factors which have contributed to creating the value of any site: and it is still more difficult to deal with this problem if it is proposed to start out by taking some arbitrary date and

calculating increases of site value which have arisen after that point. That is the reason why the measure introduced by Mr. Lloyd George in 1909 broke down in practice; and that is the reason, in my opinion, why the provisions of the 1947 legislation also produced very little result.

"But it does not follow from that that the problem is insuperable, or that it is intrinsically of very great difficulty. What is required to be done is to separate this question of site value as an administrative and legislative matter entirely from the question of town and country planning. The site value problem is, in its essence, a fiscal problem, which ought to be dealt with upon fiscal principles; and as in fact site value is entirely a monopoly value—a community value, if you like to put it that way—which is due to the whole environment in which any particular site is situated, it ought all to be made a basis of taxation or of local rating, as the case may be, not attempting to identify some particular slice of it and to make that alone contribute to the public revenue.

"I sympathise with what Lord Hylton said, up to a point. I do not want to see this made a cumulative measure of taxation, or of local rating, in addition to what already exists: but, at any rate, it is reasonable to propose that in substitution for some part of the local rates which are levied upon the value of buildings and improvements to land there should be levied instead a rate upon the value of sites alone, irrespective of the building and improvements placed upon them. That would serve two purposes: it would recover for the community some part of the communal value which the community has created; and it would at the same time help to relieve from the burden of local rates the capital expenditure on improvements which are made to the land in order to render it productive and useful.

"It is in that kind of way, and in that way alone, that a solution will be found for this problem, and on a very

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much more workable and economical basis. After all, it has in practice been proved feasible by communities in many parts of the world—for instance, Australia, New Zealand and Denmark. Parts of Canada and the United States practice it. It is there that we ought to look for a solution, and not encumber measures of town and country planning with something which is a related but really a separate problem."

In his opening speech, the Lord Chancellor (Viscount Kilmuir) had explained why the Bill did not contain any comprehensive proposals for recovery of "betterment" although clause 9 provides that an acquiring authority shall not pay for "betterment" directly created by a scheme for which the land is being acquired. He said: "There is no logical reason why the changes made by this Bill should be accompanied by a system for the collection of betterment. Owners of land realise unearned increment in their land in private sales. There is therefore at present a distinction between owners who sell land privately and a smaller proportion who sell to public authorities. The Bill merely removes this distinction. If any system were to be introduced for the collection of betterment, it would obviously have to apply to all owners."

#### ALL RIGHT IN THEORY

"It is possible to produce a theoretical case for collect or taxing unearned betterment—that is, the increase in value of land due to the expenditure of activities of the community. Many attempts have been made to turn this theory into practice, and the Government have reviewed the problem yet once again. They have come to the conclusion that any scheme for the taxing or collecting of betterment which was to be free from glaring anomalies, and which would be accepted by the public as just, would be so complicated that the cost of administration would not be justified by the return which would be obtained."

Dealing with this point, Lord Silkin (the Labour author of the 1947 Act with its pernicious "development charge" provisions) said: "Although the Lord Chancellor pointed out that Clause 9 contains provision to ensure that the individual landowner does not benefit by development schemes which have been introduced by local authorities, the fact remains that a large part of the increase in land values is due to the efforts of the community for which the community pays. It has been the problem for many generations of people who have given consideration to this question, to see how the community can be recouped for the expenditure it has incurred in carrying out developments and thereby increasing the value of land. Every time a local authority builds a housing estate it creates values of which landowners take advantage—I do not say in any improper sense. That is the present position. But the fact remains that when a community is brought into a certain area, with all its activities and all its life, naturally values are increased, and the increase in those land values goes to the owners. I submit that until such time as the community is enabled to recoup itself for the expenditure which it has incurred out of the increase in land values which it has itself created, we shall get no finality in the

system of land compensation."

Lord Silkin said that the Town and Country Planning Act, 1947, had been an attempt to carry out the principle that the community should recoup itself for factors which it had itself created. It had its imperfections, he said, but he denied, as he had always denied, that the attempt had failed. "It was never given a fair chance, and it was made in conditions which were exceedingly difficult."

Viscount Gage thought the 1947 Act was the most ingenious and scientific of all the many attempts that had been made to collect "betterment". But it seemed to have been proved in every case so far that the remedy had been worse than the disease. He did not believe that the Conservative Government had repealed the development charge on purely Party principles. It had been very unpopular. The real reason for its repeal, he believed, was that it took so much land off the market.

#### LAND NATIONALISATION

Lord Chorley, severely castigating the Bill, regretted that their Lordships were not going to divide against it. The Government were destroying "the very reasonable compromise" embodied in the 1947 Act. "The result will be that we in the Labour movement will feel our hands perfectly free to return to nationalisation of the land [which is] probably much the most effective way of getting planning properly carried through."

The Lord Chancellor (Viscount Kilmuir), replying on the debate, adroitly avoided discussing the straightforward rating or taxation of land values. Instead he set up, and vigorously knocked down, an Aunt Sally. "In theory," he agreed, "there is a case for collecting or taxing unearned betterment, the increase in the value of land due to the extent of the activities of the community. But . . . it makes very bad law. It is easy to talk of a capital gain which is to be taxed; and when that gain is in land values, it is by no means easy . . . Are all increases in value to be taxed, including increases in the existing use value? And if so, what allowance is to be made for changes in value due to the owner's improvement or neglect of maintenance? Then from what date—I think Lord Douglas of Barloch, if I understood him correctly, mentioned this point specifically—are increases in value to be measured; and how are the initial valuations to be arrived at? A complete valuation of all the land in the country is a formidable task, as was discovered in 1910. Then, should betterment be taxed when it is realised, or should there a periodic tax, whether it has been realised or not? Development arises when planning permission is granted and disappears when the land is developed. If land is developed before sale, there will be no development value to be taxed in the sale proceeds; the development value has gone, because the land is fully developed. There have been several comprehensive attempts to collect betterment in the past, of which the last was in the 1947 Act. They have all failed because of the failure to provide practical solutions to problems such as those that I have described. The Government have been concerned in this Bill not only with what is just but with what is reasonably practical . . ."