

Certain South African farmers would rather pay a tax on land values than income tax. They want the Government to investigate the matter. The Bloemfontein *Farmer's Weekly* dismissed their proposal and evoked this response by the President of our International Union.

## A Land Duty is Needed

By Hon. F. A. W. LUCAS, Q.C.

**Y**OUR Editorial prompts me to deal with some of the points raised in it. Before I do so I should like to get away from the phrase "land tax," which you use throughout. It is a misnomer.

What was intended by the Somerset East Farmers' and Wool Farmers' Associations was clearly a "tax on land values"—a very different thing. In Denmark, where they have such a charge it is referred to as a "land duty."

You refer to the report of the Social and Economic Planning Council in 1946, which, you said, "found against

Nothing else gives such a power to any other class of people.

In an article which I read recently it was shown that, because of the excessive increase in the price of farming land, anyone wishing to go in for farming would need to have £20,000 to £25,000, if he were to be able to have an income of £1,000 a year. Some years ago *Die Transvaler* gave the high price of farming land in the Union as the reason for so many platte land youths leaving to go to Rhodesia.

### THE LAND TAX AGAIN — *Farmer's Weekly* Editorial, August 28

Would it be in the interests of agriculture and the State if farmers were required to pay a land tax instead of income tax?

This question crops up every now and again and the Somerset East Farmers' and Wool Growers' Association propose to raise it at the forthcoming congress of the Cape Province branch of the National Wool Growers' Association.

The Somerset East association suggests that: "in view of the serious and increasing malpractices", the Government should be asked to investigate the desirability of levying a land tax instead of income tax for farmers. There are those who favour a land tax. They contend, as Henry George did, that land is a free gift of Nature, its economic rent represents an unearned increment to the landlord and should be appropriated by the community and that a tax on economic rent would fall on the element of "surplus" and would stimulate economic activity.

Theoretically that may be so, but we doubt it. Many factors govern economic activity. They include capital for

investment and the state of the market—two potent factors.

Will it be possible to value land fairly for taxation purposes? Regional or zonal valuation is palpably unfair. The productive value of neighbouring farms can differ widely. To value each and every farm would be impossible, unless an army of valuers were employed.

Market prices during any season have a direct effect on the relative values of farms. If the demand of wool is strong and prices boom, the value of land suitable for sheep rises correspondingly. If beef becomes cheap, the value of cattle farms drops. That sets up a practical problem which cannot be solved by a wave of the wand. To say that the values determined at any given moment should be more or less permanent is absurd, because it does not accept the economic facts of life.

Imperial preference, through which South African products may be exported to Britain at lower tariffs than similar products from other countries, has played a part in raising the values of our wine and fruit farms. If this

preferential treatment were to be abolished, the value of the land concerned would immediately drop.

We cannot accept the contention that a land tax will act as a spur to increase production. The incentive is demand, which makes its impact in the form of the price.

The worst feature of land taxation is that it is not based on capacity to pay—which is determined by income—but on a value placed on a capital asset. Under a land tax the taxpayer would be expected to pay up irrespective of how he fared during the year—whether disease or drought or poor prices resulted in a financial loss. But with the income tax one at least has the assurance that it is based on earnings.

If a land tax were introduced, there would still have to be an income tax for non-farmers. Is it really possible to guarantee that the impact of one will not be harsher than the other?

In its report of 1946 the Social and Economic Planning Council found against a land tax. We see no valid reason to reverse that finding or to investigate the matter anew.

a land tax." Actually that council had no one on it or advising it, who really appreciated what land means in our social and economic life. It is the basis of our very existence. We live on and from it and it is as necessary for our life as is air. No man created, or can create, land. Reclamation schemes are merely a form of improvement made on existing land.

That being so, ownership of land confers on the owners, who are only a minority of the people, the power to demand a price or rent from the non-owner for the right to be on land; that is, for permission to live and work.

So far, like you in your article, I have been dealing with the question of land as if it meant merely agricultural land. That, however, though it is the largest in area, is not the most valuable. Land is also urban, industrial and mining. There are sites in our cities which are worth more than a million pounds an acre. Our mineral-bearing land is also immensely valuable.

Those of us who advocate the levying of a land duty do not suggest limiting it to farming land. To the revenue from such a duty the farmers' contribution would be only a small fraction of the total yield. In my little book,

*South Africa as She Might Be.* I estimated that the farmers' contribution would not be more than one-seventh of the total. It would probably be less.

In your editorial you fell into the common error of regarding land as capital. Capital is the product of human labour. Land is not. Man can increase the amount of capital indefinitely. He cannot enlarge the earth.

You say, too, "The worst feature of land taxation is that it is not based on capacity to pay." Robin Hood "taxed," that is robbed the rich to help the poor. He went on "capacity to pay." Actually our existing system of taxation is not based on capacity to pay. Our customs and excise dues hit the poor much harder than the rich. Our income tax hits at initiative and thrift and leaves the fortunes made by land speculators untouched. Rises in land values escape all taxation and they are always unearned.

Here is an example: A few years ago the late Dr. Karl Bremer, when he was Minister of Health, announced that owing to the success of the anti-malaria campaign the value of land in the previous malarious areas had risen by £50,000,000. The taxpayers paid for the campaign and are paying to keep the land free, but that increase in value has gone into the pockets of the land owners, tax-free. Could there be a fairer source of revenue for the State than such unearned riches?"

That example is merely one of thousands one could quote. It illustrates, too, how the value of land, always excluding the value of improvements made on or to it, is created by the presence and activities of the community. The value of land is never made by the owner. He may have never seen his land, but it still has the value the presence of the population gives it.

If we charge a land duty, based on the value of land, we are merely making the owner pay back to the community for the benefits conferred on him and the services rendered to him by the community. Such a payment is on a par with that which we make to the grocer for the goods he supplies, or to the carpenter who makes an article for us.

Our present taxation cannot pass that test. It bears no relationship to the services we get from the State. Every Government service helps to enrich the landowner without requiring any return from him for it.

Then you ask whether it will be possible to value land fairly for taxation purposes. It is easily possible. In 1952 I had the opportunity of meeting the chief valuer in Denmark, where all land is valued for taxation purposes. No difficulty is experienced in doing this, with a relatively small staff. There would be no more difficulty in doing so in the Union.

Fluctuations in valuations are met by revaluations from time to time, again without difficulty or great expense.

A land duty cannot be evaded. It cannot be affected by graft or deceit. It is not destructive. It cannot be passed on in increased prices. Its tendency is to reduce the cost of living. It brings into use unused or poorly used land,

thus increasing the number of jobs and, therefore, the market for the farmer's produce.

All our existing taxes are destructive and oppressive. A land duty, by taking for the community what the community creates, is constructive and just.

I am convinced that every farmer, who is truly a farmer and not primarily a big landowner or speculator, would benefit enormously from the substitution of a land duty for our existing forms of taxation. It is probable that at least one-third of our existing cost of living is due to our present taxation. Let each farmer work out for himself what relationship that one-third bears to what a duty of, say, five per cent on the value of his land alone, excluding improvements, would be, and then he should remember he would, as a result of the application of the duty to urban and mineral land, have an unlimited market for all he could produce.

### NEW COMPENSATION TERMS FOR BRITISH LANDOWNERS

**T**HE *Town and Country Planning Bill*, published October 29, provides that in future public authorities shall pay present-day market values when they buy land under compulsory powers. For any such transaction where notice to treat (the step preliminary to purchase) is served on the owner after October 29, he will get, in the normal case, the price he could have obtained in the open market if he had been offering his land for sale.

"Market value" will take into account the use allowed by the planning authorities, and the use to which the purchasing authority intended to put the land.

If land is compulsorily bought for one purpose and is later (within five years) used for a different purpose which makes it more valuable, the owner can claim additional compensation.

Where a threat of future acquisition by a public authority (perhaps for a new road) prevents an owner-occupier who wishes to move from selling his house at all, or at a reasonable price, he will be able under the Bill to call upon the local authority to buy it forthwith. In the case of other property similarly affected, the authority has discretion to buy in advance, and if it does so the Bill enables any relevant Government grant to be paid to it forthwith.

The Bill does not alter the compensation payable when planning permissions are refused. Disputes about compensation will be settled by the Lands Tribunal.

### MORE GIFTS AND LOANS

**T**AXPAYERS' money is to be lent, *via* the building societies, to people who want to buy houses on mortgage, and *given* directly to about 65,000 hard-pressed small farmers. The schemes, which are announced as we go to press, will be examined in our next issue.

### REMINDER TO READERS

Those who would like to see "Land & Liberty" grow are invited to send names and addresses of any who may be prospective readers. Sample copies will be sent without charge.