

International Conference celebrating
The Henry George Centenary, Hotel
Commodore, New York City. August
30th to September 2nd. 1939

Local Taxation in South Africa

By F. A. W. Lucas, K.C.

(Chairman of the Farmers' and Workers' Party)

Before the specific information is given which is asked for, it will not be out of place to give, as a short introduction, a brief statement of the general form of government and administration in South Africa. South Africa is a union of four provinces. The Union Parliament has power to legislate for the whole country, but, subject to that power, each of the four provinces has legislative power in respect of certain specific subjects, including power of direct taxation. Among the subjects assigned to the Provinces is that of Local Government. In the Cape Province the whole area is subject to some form of local government, that Province being divided into Divisions each of which has a Divisional Council. Divisional Councils were first established in 1855. Their powers and functions relate to the maintenance of roads, bridges, pontoons and ferries, the control of outspans and trek paths, local rating, vehicle taxation and public health. Any town in a division, while still being subject in certain respects to a Divisional Council, has also its municipal administration. In the other three provinces there is no local government other than municipal which applies to towns, villages and health committee areas.

DISTRIBUTION OF LAND

In Cape Province there is a general valuation of sites and buildings separately. The Valuation Roll shows the number of individual holdings as 229,236. The valuation of the sites is £128,634,743, of buildings £129,513,628, exempted improvements £27,157,452, making a total valuation of £288,034,497, with a rateable value of £260,877,045. It is possible and indeed probable that many holdings may be owned by one person although they are in the occupation of a large number of tenants or bywoners (share croppers). There are many land companies, some of them with very large holdings. For example, the African and European Investment Company's last annual report shows that company as owning in the Union over 1,100,000 morgen with mineral rights, gold and coal, over a further 618,000 morgen.

There is for the whole of the Union no information as to the number of holdings or their value or the number of owners in each group size. A census of agricultural land holdings of Europeans was made in 1935,

Local Taxation in South Africa

This gave the information shown in the following table :—

(Note :—A morgen is slightly more than two acres in extent.)

Size, Morgen	No. of Holdings	Area
Under 5	4,188	10,925
5—20	9,571	94,743
21—100	10,102	581,831
101—500	33,601	9,935,866
501—1,000	20,248	14,915,502
1,001—2,000	13,103	18,983,875
2,001—3,000	4,608	11,603,686
3,001—5,000*	3,567	13,833,761
5,001—10,000	2,142	14,988,553
10,001 and over	812	13,442,319
Undivided farms	2,307	—
Total ...	104,249	98,391,061

The number of such agricultural holdings in the Cape Province was 38,239 with an area of 59,500,891 morgen.

TAXATION

The position with regard to taxation will appear from the following table :—

Total revenue (1937)	£43,087,430
Less Posts and telegraphs and telephones	£5,021,955
State mining revenue	4,222,722
Forest revenue	114,748
Rents of Government property	177,733
Interest	2,325,900
Departmental receipts	722,487
	<hr/>
	12,599,645
Total National taxation	30,487,785
Provincial taxation, 1936-37	7,651,192
	<hr/>
Total taxation—national and provincial...	£38,138,977
Revenue 1936-37 derived from :—	
Tariffs*	£10,376,755
Excise	2,584,175

* There are several Control Boards dealing with the production and disposal of farm produce. These impose a levy on maize, wheat, butter, eggs, meat, by which the public is mulcted in large sums not included in these figures. In respect of sugar alone, the high price charged for locally produced sugar, because of customs tariffs, which, as there is no imported sugar, yield no revenue, although there is a small sum paid in excise, represents a burden on consumers of nearly £3,000,000 yearly. The total wage bill of the industry is under £2,000,000.

Sales tax :—

Auction dues 1 per cent on sale or immovable property and 2 per cent to 2½ per cent on movable property or livestock (Transvaal and Orange Free State Provinces)	61,970
2 per cent. transfer duty on immovable property (all Provinces)	1,002,330

There is no tax on land values either for Union or Provincial revenue, but the Cape Province has a provincial property tax of a very small amount which is levied on land and buildings, which are valued for this purpose at £260,877,548, the yield of the tax being £49,052.

Until recently a small sum was payable by owners of land in certain parts of the country as quitrent. This payment dated from early in the nineteenth century, when the old land system of loan farms, under which farms were held on a tenancy renewable from year to year, was altered to a system of freehold title subject to a small quitrent. This rent became in the course of time purely nominal and has now been abolished. Except, therefore, for an infinitesimal payment in respect of land in the Cape Province there is no taxation on land value for the Union or Provincial Government revenues.)

LOCAL TAXATION

The receipts of Divisional Councils from taxation in 1937 were as follows :—

General rates... ..	£519,530
Other (including vehicle tax and dog tax)... ..	167,649
Total	<u>£687,179</u>

The general rates are levied on land and buildings in accordance with the general valuation roll for the Cape Province.

MUNICIPAL COUNCILS

Each Province has its own rating system.

CAPE PROVINCE

In the Cape Province each municipality works on the general valuation roll prepared for the Province, the value of the site being assessed separately from that of improvements. Under that Ordinance *site values* are determined by the ordinary price which a buyer would be willing to give and a seller to accept if the land to be valued were brought at the time of valuation to voluntary sale. The basis of the valuation of buildings is the estimated cost of erection at the time of valuation, allowance being made for structural and other depreciation. *Exempted improvements* are those "which increase the value of the land for agricultural purposes and include structural works, dipping and storage tanks, kraals, fences, irrigation works, dams, bore-holes, stables, etc., but not residential buildings." The total revenue from rates in the Cape Province in 1935-36

Local Taxation in South Africa

was £1,848,401. The law provides that the maximum general rate shall not exceed 4d. in the £ capital value of sites and buildings together, except when the rateable valuation of the town exceeds £1,000,000 when the maximum shall be 6d. A special rate up to a maximum of 4d. may also be levied. Municipal Councils in the Cape Province may exceed these rates or levy a special rate, if the enrolled voters determine that such higher or special rate be levied. There is no provision for any minimum amount payable in rates. Property of the Crown or other public administrations, places of public worship, cemeteries, schools, colleges, public libraries or museums, art galleries, hospitals, charitable institutions, land used solely for athletic sports or owned by agricultural societies, land owned by public utility companies, are exempted. Provision is also made in respect of municipalities other than Cape Town for a maximum emergency rate of 2d. in the £, but any town may levy a water rate of $\frac{1}{2}$ d in the £. The valuation for the Cape Town municipal area is: Sites £17,109,931, improvements £38,203,075. Cape Town has a general municipal rate of $4\frac{1}{2}$ d. in the £ on sites and improvements plus a water rate. Port Elizabeth, the next largest town, has a general rate of 5d. in the £. The only town in that province which has rates confined to site values only is Cambridge Municipality, a small town bordering on East London. Its site value rate is 1s. 6d. in the £ on the capital value, and charges are made for water and for sanitary services. East London has differentiated in its rates on sites and improvements and has a rate of $11\frac{1}{2}$ d. in the £ on site values and 2d. on improvements.

NATAL PROVINCE

The general rate and the water rate are assessed upon immovable property as a whole or upon land and buildings separately. There is no maximum amount payable, but the amount is assessed annually according to the estimated amount of money required for the service of the municipal year. State-owned property and land or buildings solely appropriated to religious, educational or charitable purposes or hospitals, or let under agricultural lease and used only for agricultural, pastoral and like purposes are exempted from rates. Durban, the largest town in Natal, which has a valuation of £13,599,440 for sites and £23,371,440 for improvements, has a rate of 6d. in the £ for site values and 3d. for improvements. Three small towns in Natal all differentiate, having a higher rate on sites than on improvements, usually in the proportion of approximately 2d. on sites to 1d. on improvements. The total amount raised in rates for this Province in 1935-36 was £573,311.

ORANGE FREE STATE PROVINCE

In this Province there is a general rate and a water rate provided for, with a maximum in each instance of $1\frac{1}{2}$ d. in the £, and a minimum amount payable in respect of the general rate of £1 and of the water rate of £3. The maximum rates may with the consent of the registered owners of immovable property be increased to any figure specified in their consent. The rate is assessed upon immovable property, site and buildings, or on

the value of land only. Special rates may be imposed by a meeting of registered owners to such amount and for such period as the meeting may lay down. Bloemfontein, the capital, has a sanitary rate of 2d. in the £. Immovable property belonging to the Crown, churches and other buildings used for religious worship or educational purposes, libraries, schools, land or buildings owned, leased or held by agricultural societies, burial grounds, hospitals, buildings used for charitable purposes, are exempted. Eight of the smaller towns in this province have a higher rate on site values than on improvements, one of them, Kroonstad, having a rate of 8d. on sites and 1d. on improvements. The total amount raised in rates in this Province is £224,232.

TRANSVAAL

The Transvaal Rating Ordinance provides that if any rates are levied at all an original rate of one penny must be levied on the site value of the land. An additional rate may thereafter be levied upon the site value of land up to a maximum of 6d. in the £ capital value, the minimum amount payable in respect of any holding to be 5s. per annum. Local authorities have an option in respect of this additional rate, but the rate on improvements shall not be higher than that on site values, and this rate shall not exceed 3d. Where the rate levied on improvements is less than that levied on sites the maximum rate shall not be such as to produce a sum greater than would be produced by a rate of 3d. in the £ on the value of sites and improvements together. The Administrator may sanction an additional rate higher than the stipulated maximum. Special provision is made in the law for rating land held by power companies, and for rating improvements on land held under mining title. Land held by the Crown or used exclusively for public worship and education or for a charitable institution, any licence or right to dig for precious stones or metals, any land laid out and used for the purpose of sport or recreation controlled under rules approved by the local authority, is exempted. Land being not less than three morgen in extent, bona fide and exclusively used for agricultural purposes, or land irrespective of size laid out under the provisions of the Agricultural Holdings Act and any other land which the owner is precluded by any law or servitude from using for any other purpose than agriculture is rated on one-eighth of its site value. The option allowed under the Transvaal Ordinance to rate only site values has been exercised by all the towns on the Witwatersrand and a number of the smaller towns in other parts of the Province. Pretoria, the capital, has a rate of 6d. on site values and ½d. on buildings. In Johannesburg, in the year 1937-38, there was an original rate of 1d. and an additional rate of 4d. on site valuation. The valuation of land was £50,316,659 and of improvements £63,561,142, making a total of £113,877,801. In addition there were non-rateable land and improvements of £12,080,084. The revenue from rates was £828,268. Included in the additional rate is 1d. levied specially for road-making. The total rates levied in the Transvaal in 1935-36 was £1,213,929. The grant to Municipal Councils in the Transvaal of power to levy rates

Local Taxation in South Africa

on site values only was made in an Ordinance passed in 1916, which came into full effect in 1918. Since then no municipality on the Witwatersrand has levied rates on improvements, with the minor exception of improvements on land held under mining title, which land was exempt from rates, and for most years the rate on sites has been the maximum of 1d. original rate and 6d. additional rate. In recent years, since the rapid rise in land in consequence of the rise in the price of gold, the Johannesburg Municipality has reduced its rate to a total of 5d. in the £. The City Council during these years has been under the control of interests which have pressed for a reduction in the rates, instead of the maintenance of the rates at the maximum and the reduction or abolition of the large profit made on such services as the supply of electric current and water. Since the adoption of site value rating by the reef municipalities in 1918 no serious attempt has been made to revert to the old system of rating land and buildings. When some seven years ago a commission investigated the working of the Rating Ordinance of the Transvaal, no evidence was presented in favour of a reversion to the rating of improvements, and this may rightly be taken as expressing the general attitude to the rating of site values only. The definition in the Transvaal Ordinance of "improvements" reads as follows:—

" 'Improvements' shall include all buildings, movable or immovable and shall further include all work actually done or material used upon any land by the expenditure of capital or labour by any owner or occupier of any interest in such land, but in so far only as the effect of such work or material used is to increase the value of the interest in land and the benefit thereof is unexhausted at the time of valuation, but shall not include work done or material used on or for the benefit of any interest in land by the Crown or by any statutory public body unless such work or material had been paid for by the contribution of the owner or occupier for that purpose and such work or material has not become the property of the Crown or such statutory public body; provided that the payment of rates or taxes shall not be deemed to be a contribution within the meaning of this definition."

and of "site value of land":—

" 'Site value of land' shall mean the capital sum which the land or interest in land might be expected to realize if offered for sale on such reasonable terms and conditions as a bona fide seller would require, assuming that the improvements, if any, thereon or appertaining thereto had not been made. The site value of land shall include any value due to any franchise licence privilege or concession attached to the site for the time being."

There can be no doubt that the site values rating in the Transvaal has very definitely encouraged building. The large exemption granted to agricultural land has led to a considerable number of areas being held out of use for speculative purposes. In one instance an area in the Johannesburg Municipality of 190 acres in extent was valued at £5,900

in 1933, and rated as agricultural land on one-eighth of that value. Before the next triennial valuation this land was laid out as a township, with quarter acre lots, and in 1936 lots representing about 130 acres were sold by public auction for £130,000.

The rate on site values in Johannesburg is estimated as representing about one-fifth of the full rental value of the land. Although the effect of this rate has been beneficial it has not prevented speculation being possible in the capital value of the four-fifths of the site value remaining the private property of individual owners, in a period when site values have been rising very rapidly.

MINING LAND

The law relating to the mining of precious metals provides, in theory, for complete application of Henry George principles, when the land is worked, though there is no pressure of any kind placed upon the owner of gold-bearing land to use it or allow anybody else to use it. When prospecting has been allowed and gold has been discovered and the land proclaimed as a gold-mining area, the Government allows the owner certain valuable rights, and proceeds to lease the right to mine for gold. As however mining on the Rand requires a considerable amount of working capital there is very little genuine competition for these leases and so, although the amount received by the Government for these leases is in the aggregate fairly considerable, it is generally a very small portion of the real value of the right to mine. A complete application of the Georgian principles to gold-bearing land would require very little change in the existing law, which explicitly vests in the State the sole right to mine for gold.

GENERAL

Until recently there has been no active Henry George movement in the Union. In former years the Labour Party gave prominence in its programme and its speeches to the taxation of land values, but in recent years that Party has paid no attention to this subject. In 1936, a number of former workers in the Henry George movement decided to establish a party to be known as "The Farmers' and Workers' Party," to push Georgian principles. Its programme has as its fundamental principle "the whole of the land for the whole of the people," and every item in its programme is dependent on the rental value of the land being taken for the community before those items can be brought into effect. Though this party has no representatives at present in any public bodies it is becoming well known throughout the country, and its little monthly paper, *The Free People*, published in both English and Afrikaans, is definitely exercising an influence on public thought. The party's fight is concentrating on the problem of poverty, which is terribly acute in the Union, and the effect of the party's steady and constant work on this subject is now noticeable in public utterances of politicians and in editorial comments in the Press. As everywhere else the work of Henry George is seriously cramped for lack of funds.

Local Taxation in South Africa

South Africa is a bi-lingual country, as far as the whites are concerned, the two official languages being English and Afrikaans. The work of the Farmers' and Workers' Party has largely stimulated the reading of Henry George's works. So far none of these has in its entirety been translated, though quite lengthy passages from one or other of his works have been translated into Afrikaans, and have appeared, or will appear, in the Afrikaans issue of *The Free People*.

To sum up, one may say that, although nothing spectacular has been achieved by the movement in South Africa, since the days of the introduction of the rating of site values in the Transvaal, there is good ground for hope that before long there will be definite signs of a wide-spread interest in the remedy for the appalling poverty from which this country suffers, through the application to our problems of the principles enunciated by Henry George.

(Issued for the International Conference celebrating the Henry George Centenary, New York, 1939, by the International Union for Land Value Taxation and Free Trade, 34 Knightrider Street, London, E.C.4.—Additional copies, price 2d. each or 5 cents.)

*Printed and made in England by
Vacher & Sons, Ltd., Great Smith
Street, London, S.W.1*