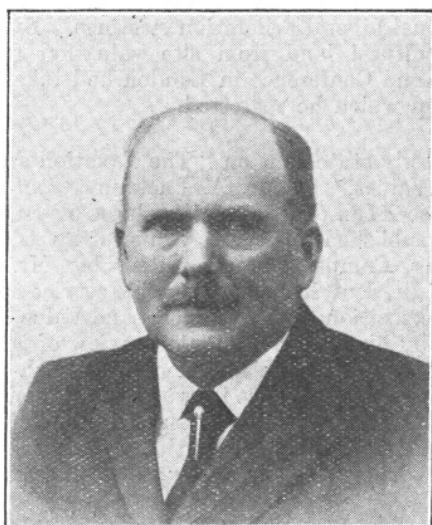


LAND VALUE LEGISLATION IN DENMARK

The New Act and its Significance



H. C. HENNINGSEN, M.P.

RADICAL LIBERAL LEADER FOR THE BILL AND
CHAIRMAN OF THE PARLIAMENTARY COMMITTEE

The legislation adopted on 31st March in Denmark requiring the urban, county and rural parish authorities to obtain some part of their local revenues from taxation based upon the value of land apart from improvements, correspondingly remitting taxation on improvements, is a significant and notable achievement. It marks a further stage in the progress that was begun when the Danish Parliament, in August, 1922, levied the uniform national tax on the value of all land. The national tax was but a small instalment, $1\frac{1}{3}$ mills, or one-third of a penny in the £ of capital value (7d. in the £ of annual value), and whether it was likely to have any appreciable economic effect was hardly worth discussing by comparison with what it secured in practical politics—the acceptance of the *principle* of land value taxation and the definite provision for a universal valuation of the land *apart from improvements* in every area and of every property as an established and integral part of the country's institutions. The next step, to make fuller use of the valuation, was certain to follow and it has been taken.

Valuations of the land apart from improvements had been made in 1916, 1920 and 1923. The valuation is being made now for 1927, and will be repeated every fifth year thereafter. Valuations are deposited for public and general inspection before being finally settled.

Proceedings in Parliament

The new Act is the outcome of the proposal originally introduced in Parliament in November, 1924, by the Minister for Home Affairs, Mr. C. N. Hauge. Its provisions were fully explained in *LAND & LIBERTY* of January, 1925, and its further progress and fortunes have been noted from time to time in our columns. It has been the subject of prolonged and illuminating debates in Parliament and of a public discussion over the length and breadth of Denmark that will be a long-remembered experience to those who took part in that inspiring campaign.

During the 1925 winter Session the Bill was considerably amended in Committee to meet the attitude of the Moderate Liberals, but no compromise on principle was admitted and in all the deliberations

the Chairman of the Committee, the Radical Liberal, Mr. Henningsen, and stalwart champion of the land value policy, did service beyond praise in guiding the Bill through that and subsequent stages.

The Bill was reintroduced in revised form by Mr. Hauge in October, 1925, and after further amendments in both Lower and Upper Houses it became law on 31st March, taking effect at once. On third reading in the Lower House, where there are 149 members, the voting was 103 to 26. In the Upper House, consisting of 74 members, the Bill was carried by 49 to 12. Finally, on being returned as amended to the Lower House it was confirmed by 92 votes to 23 and thereupon received the Royal assent.

The welcome news of this success reached us by telegram from Mr. S. Berthelsen, Copenhagen, and it came in time to be included in a special announcement inserted in our last month's issue after the paper had been printed. The message has been received with gratification on all hands not only for what the passing of the Act means to the Danish people in the way of an opening to a substantial social and economic reform, but also for its encouragement to all who in other countries are battling for the economic freedom certain to be achieved by devoting the value of land to the uses of the community and who are prepared to take every practical step going straight in the direction of that goal.

Attitude of the Political Parties

The present Government of Denmark is Social Democratic. It introduced the Bill. The Radical Liberals have long made the pace for a far-reaching application of land value taxation and the corresponding reduction or abolition of taxes on trade, industry and improvements. They gave the Bill their most strenuous support and found staunch and determined allies in the Social Democrats, whose spokesmen expounded and defended the case for land value taxation with convincing argument. The Moderate Liberals, while pledged as a party to the principle, made it a condition of their support that the amount of land value taxation to be imposed should be kept within restricted limits, and that improvements should not be entirely exempted even at the will of the local authority, but should only be relieved by taxing them separately at a lower rate of taxation than that levied on land values. The Conservatives offered uncompromising opposition to the measure, and headed a violent campaign in the country against it.

Accommodation to the Moderate Liberal point of view was necessary if this practical instalment of land value taxation for local purposes was to be carried in the present Parliament, the Moderates holding the balance of power in the Upper House and being able there (but not in the Lower House) by joining the Conservatives to outvote the Social Democrats and the Radicals.

The original scope of the Bill was considerably curtailed by one and another amendment. Yet in its final shape it accomplishes much and as it goes into operation it will provide, by the fact of the various options the local authorities can exercise, many exceptional opportunities that would otherwise be wanting in keeping the principle ever in public view. The legislation in itself is the grand argument.

Summary of Provisions

The Act abolishes the local taxes formerly levied on landed property and substitutes two new and

distinct taxes; namely, one levied on the value of land apart from improvements and the other levied at a lower rate on improvement values. Both these taxes are mandatory and are calculated to yield the revenue formerly obtained by the taxes now repealed.

In the result, the effective rate of the local land value tax, which like the national tax is based on the capital value of the land apart from improvements, works out approximately as follows, and in the following equivalents in English parlance:—

For Copenhagen: 1½d. per £ (7½ mills)—equivalent to 2s. 11d. on annual value.

For the Provincial Towns: At first four-fifths of a penny per £ (3½ mills) and increasing over a period of years till it reaches, on the average, about 2d. per £ (7 or 8 mills)—equivalent to 3s. 4d. on annual value.

For the Counties: 1½d. per £ (7½ mills)—equivalent to 2s. 11d. on annual value.

For the Rural Parishes: A rate calculated to average about 2d. per £ (7 or 8 mills)—equivalent to 3s. 4d. on annual value.

The County and Rural Parish land value rate added together will average not less than 5½d. per £ (15 mills)—equivalent to 9s. 7d. on annual value.

The Act further provides for a betterment tax levied at the option of the local authorities in Copenhagen, the Provincial Towns and the Parishes. It will be imposed as an additional annual tax of 1 per cent on (considerable) increases in land value that have arisen between the date of one periodic valuation and another as judged by the assessment on each date.*

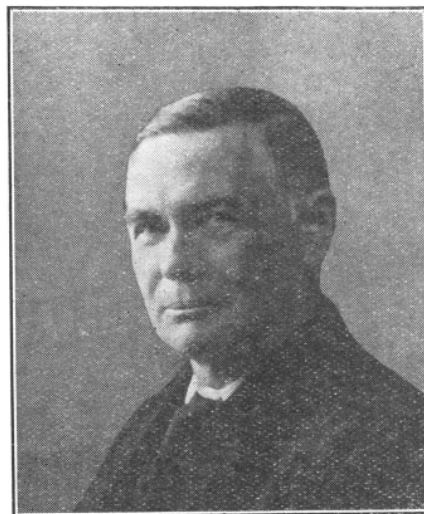
Revenue from Land Values

From the 1st April, 1926, all the local authorities taken together (urban municipalities, county councils and rural parishes) will obtain from their local rates on land value alone a total annual revenue of 60,000,000 crowns, or approximately £3,243,000. The national tax on land values yields an annual revenue for parliamentary purposes of 700,000 crowns (£378,000). Denmark is thus devoting to public uses by local and national taxes on land values—all land being included according to its value and irrespective of its use—the yearly sum of at least £3,621,000 or 22s. per head of the population. If in Great Britain land value taxation were in operation to the same extent, and the same ratio is taken for calculation, the annual revenue derived would be about £46,000,000. At the end of a transition period and especially if the rural parishes exercise an option they enjoy under an old law, the revenue from land value taxation will be still more.

How Improvements are Taxed

The separate tax on improvement values (ascertained by taking the difference between the composite selling value and the assessed capital value of the land alone) is imposed only after certain deductions are made and its rate is three-quarters the rate on land values. There must be an abatement of at least £160 from the improvement value of every property and the local authority is permitted to increase that abatement up to £540 in the case of Copenhagen; up to £430 in the case of the Provincial Towns and up to £270 in the case of the

* The betterment tax is leviable after 1932 and is calculated as follows: Take the amount by which the land value of any property has increased (comparing the 1927 and the 1932 valuations); from that amount deduct 15 per cent of the 1932 land value assessment; deduct also twice the percentage by which land values have increased over the whole country in the same period. On the amount that remains an annual tax of 1 per cent is levied from 1932 onwards, if the local authority has by that time resolved to apply the betterment tax within its area. The betterment tax is levied in addition to the general land value taxes.



A. V. PINHOLT, M.P.

MODERATE LIBERAL LEADER FOR THE BILL

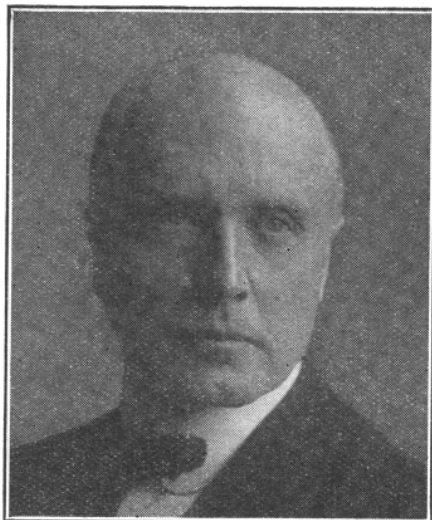
Counties and Rural Parishes.* Whatever abatement from the improvement value the local authority decides to adopt within those limits must apply uniformly to every property within the area. The opportunity for propaganda in every district to see that the local authority relieves improvements to the utmost limit of the law is obvious, and as a result much thought bearing on the general principle ought to be aroused. In addition to the abatements just named, there must be a deduction "if the taxpayer so requires" of £54 from the value of every separate dwelling a building may contain in excess of one dwelling. In the Bill as it left the Lower House there was also a provision to deduct £600 (12,000 crowns) from the value of every dwelling house erected since June, 1916, or to be erected in future; but that provision was cut out in the Upper House.

Application in the Different Areas

The operation of the Act in Copenhagen, in the Provincial Towns, in the Counties and in the Rural Parishes is influenced by conditions that have existed in the past. The rates of the land value tax (and of the tax on improvements) depend generally speaking upon the amount of revenue the several classes of local authorities took or could take by the former taxes on landed property. The bulk of the revenue in the towns has been derived from local income tax (levied even on very low incomes) and the Act makes little change in that respect, which is its most serious blemish, being largely the result of the limitations both the Social Democrats and the Radical Liberals sought to avoid.

In Copenhagen the rate of the land value tax is fixed at a maximum of 7½ per 1,000, or 1½d. in the £ of capital value, which with the improvements tax is calculated to bring in about the same revenue as the former taxes on the selling value of land and buildings lumped together, on floorage and on frontage. The yield of the land value rate itself will be about £330,000; or somewhat less than that for a temporary period owing to certain provisions whereby the yield of the land value rate on any given property is at first limited to an amount equal to 4 per 1,000 of its composite selling value. In Frederiksberg, part of greater Copenhagen,

The actual figures in crowns are: Minimum, 3,000 crowns; maximum in Copenhagen, 10,000 crowns; in the Provincial Towns, 8,000 crowns; in the Counties and Parishes, 5,000 crowns. Exemption for each dwelling-house as stated above, 1,000 crowns.



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similar provisions obtain. The maximum rate of land value tax is not named, but by calculation of the amount of revenue required it will be about 7 or 8 per 1,000. About five-sixths of the total tax-revenue of Copenhagen and Frederiksberg will continue to come from local income tax.

In the Provincial Towns, classed as such and of which there are 81 as distinct from market towns or townships in country districts, the land value tax suffers a limitation owing to old laws which the new Act has unfortunately observed. The rate will be small for the first year in the great majority of the towns because their previous taxes on land and buildings are of little account. From April, 1927, the land value rate can be imposed at $3\frac{1}{2}$ per 1,000 or nearly 1d. in the £ of capital value and in all towns it can rise until on the average it will reach 7 or 8 per 1,000 or about 2d. in the £ of capital value.

For the Counties the maximum rate of land value tax will be $7\frac{1}{2}$ per 1,000 and that rate will operate in most cases at once. Here and there a lower rate may suffice to contribute towards the revenue formerly obtained by the taxation now abolished.

In the Rural Parishes the rate of land value tax will vary from place to place according to circumstances in each case but will of course be the same for all properties within any given parish. As from 1st April, 1926, by an estimate of the total revenue involved, the average rate of the land value taxes levied by the parishes will be 7 or 8 per 1,000.

Taking both County and Parish taxation together (for each property is assessed to both) the immediate effect of the Act will be to levy taxation on the value of land *apart from improvements* at an average rate of $1\frac{1}{2}$ per cent ($3\frac{1}{2}$ d. in the £ of capital value) producing a revenue of about £2,700,000, to which must be added the yield of the new and separate tax on improvements levied at a lower rate after deductions as already explained. Should the parishes decide, as they can at a later date with the approval of the county council, to get rid of the local income tax, the average rate on land values in the country districts would be $2\frac{1}{4}$ per cent ($5\frac{1}{2}$ d. in the £ of capital value) yielding an aggregate revenue of £4,000,000.

Urban Taxation

The Provincial Towns have been bound by their constitution. They had to collect their revenues so that five-sixths at least came from income taxation and only the balance could be got from troublesome taxes on land and buildings. Many of these local

authorities have failed to take anything like as much from the latter source and have resorted more and more to the income tax which falls heavily on all earnings down to the most humble. The alternative was to try to enforce grotesque "house" and "ground" taxes, but few authorities cared to face that. The Act has rescued the towns from a difficult position besides providing a measure of land value taxation, although it has shown inordinate caution in prescribing the long period of 16 years which must elapse before even the limited rate of the land value tax can be fully applied.

The previous taxes on land and buildings are abolished. The local income tax will be gradually reduced from the excessively high level at which it stands—but only to the point below which it could not go under the old law. The local income tax will, in fact, continue to take at least five-sixths of the average annual revenue obtained during the previous ten years from both local income tax and the taxes on fixed property. The instalment of land value taxation now introduced as a source of the rest of the revenue in the towns is thus severely limited. Nevertheless, a new and sound direction has been given to the municipal finances, which is the matter of first importance. The writing is on the wall. And surely something substantial has been secured for the benefit of the community if there was anything in the furious opposition the landed interests in the towns brought to bear against this measure of land value taxation, all too timid as it is and gentle in application.

Taxation in Country Districts

The total tax-revenue of the country local authorities (the Counties and Rural Parishes) is at present £7,000,000, to which the taxes as landed property contribute about £4,000,000. State subventions (£49,300) in aid of local taxation are negligible. There is no sentiment in Denmark for "grants-in-aid" or any other of the many pernicious expedients that have been adopted in Great Britain for keeping local taxation low at the expense of the national exchequer. These expedients have done enormous harm to British agriculture and industry in general. In that they have made gifts to the landowners they have but increased the stranglehold of monopoly and given the rein to land speculation.

In Denmark, outside the Metropolis and the Provincial Towns taxes on landed property have always been the larger source of the local revenues. These taxes have been levied in later years to the extent of four-fifths on the combined value of land with its improvements and to the extent of one-fifth on the old-time "hartkorn" basis (of comparative natural fertility) upon which the whole of the local taxation and some State taxation had been levied from the years 1844 to 1903. Since then one-fifth of the taxation has been shifted in a lump every five years from the "hartkorn" basis to the combined selling value, much to the detriment of the men whose farms were small and well cultivated and correspondingly to the advantage of the bigger proprietor whose land was relieved of an historic burden and at once rose in price. The larger proprietors pocketed a gift of many millions by a mere change in the basis of taxation.

The New System

In 1926 there still remained one-fifth of the hartkorn tax and that portion had grown with the general increase in taxation to equal the amount of the whole hartkorn tax in 1903. The transference of this last instalment should have taken place in 1924 but was postponed each year in view of the intention to make land values a future basis of taxation. It is one of the virtues of the new Act that it came in time to cancel

the provisions of the old law that would have meant the shifting of some 15,000,000 crowns of taxation from the hartkorn basis to the combined value of land and improvements, with the same unfair and harsh results as had followed each previous transference.

Both forms of taxation on landed property are swept away by the Act, and the juggling that would have taken place between the one and the other is prevented. The new taxes are substituted and land value apart from improvements is now the substantial source of the revenues. Unfortunately land value is not the sole basis—the weakness of the Act is that it imposes at the same time (although at a lower rate) the separate tax on improvements. On the other hand the parishes reserve the right after a given date to remove the burdens now thrown on industry and “the work of man’s hands” by the levy of the local income tax.

The insistent demand among the small land-owning peasants in Denmark, partially conceded in the new Act, is for the *right kind of taxation* so that between “me and my neighbour” justice shall be done by each agreeing that the value of the land we hold shall measure our contribution to the common needs. There is much room for that adjustment in every district in Denmark that has power to collect revenues (and the same is assuredly true of Great Britain) without troubling to discuss the question whether one area as a whole should or could subsidize another area as a whole. The Act is happily not mixed up in problems of that complexity. It is a simple, straightforward measure that will enable each of the areas to obtain by a better standard of assessment no less revenue than before and in such a way that the burdens on industry shall be materially lessened.

Parliament and Public Opinion

Without telling the story here, the legislation just enacted is to be regarded as a chapter speaking of the wonderful growth of sentiment in country and town in favour of the “Henry George policy,” as it is named and proclaimed everywhere in Denmark and as it was referred to by friend and foe alike on practically every page of the recent Parliamentary debates. In our opening pages we publish some striking statements from the speeches in both Houses. In passing we would point to the splendid and manly gesture of the President of the Upper House when he intervened to dumbfound the opponents by announcing his support for the Bill and his conversion from his former attitude of hostility to the principle of land value taxation. It was a notable incident in the Parliamentary proceedings that were throughout a remarkable tribute to the success attained in the education of public opinion by the long, and persistent and devoted efforts of our co-workers in Denmark. The speeches in Parliament admit and reveal much. They indicate that the people sending such representatives are ready and prepared to make a far greater advance along the road the Act has so effectively paved.

In the Right Direction

For the Danish people and the welfare of their country, as for the democratic forces in all lands eager to emulate this example and teach its meaning, the 31st March, 1926, is a red-letter day. The significance of the step taken is in its direction. It is like the lever of the pointsman that changes the whole course of traffic and diverts it from a dangerous path along the path where nature and human safety intended it to go.

The eloquent advice of Mr. F. Folke, addressing his colleagues met together in Copenhagen in December, 1924 when the Bill was first introduced, may be recalled,



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now that the Act with all its limitations is safely woven into the fabric of Danish law and practice:—

“Many roads lead to Rome and we who are met here to-day must not forget that the roads may be different although the goal is the same. It is our task to promote what we can agree upon and to let be things on which we cannot unite. That is the fundamental rule of all good co-operation. The more the Land Values idea means for us, the wider and stronger are the perspectives that we see in its light, the further will our unity reach. . . . We may have many different opinions on the details of the proposal, on its construction and its adequacy, but let us hope we can all unite in agreeing that it is an advance in the right direction, one of the thousand steps that the race must take on its way to the Eternal City of Justice.”

The strains of Pope’s music are heard:—

For me kind Nature wakes her genial power,
Suckles each herb, and spreads out every flower;
Annual for me, the grape, the rose renew
The juice nectareous, and the balmy dew;
For me, the mine a thousand treasures brings;
For me, health gushes from a thousand springs;
Seas roll to waft me, suns to light me rise;
My footstool earth, my canopy the skies.

A. W. M.

BRITISH GOVERNMENT TO APPLY FOR OFFICIAL REPORT

In the House of Commons on 22nd April:—

Mr. ROBERT YOUNG asked the Secretary of State for Foreign Affairs whether he will obtain a report from His Majesty’s representative at Copenhagen as to the scope of the Measure recently passed by the Danish Parliament making provision for the levy of local taxation in urban and rural areas alike based on the value of land apart from improvements?

The Under-Secretary of State for Foreign Affairs (Mr. Godfrey Locker-Lampson) replied: Yes, Sir. I will call for a report and place it, when received, in the Library of the House.

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Our readers in other countries should act on this example and through the proper channels ensure that information about the Danish Act will likewise be made available for the information of their Government and their elected representatives.