state level or for the major cities, for example, Western Australia, Melbourne, Brisbane and Cairns.

New Zealand

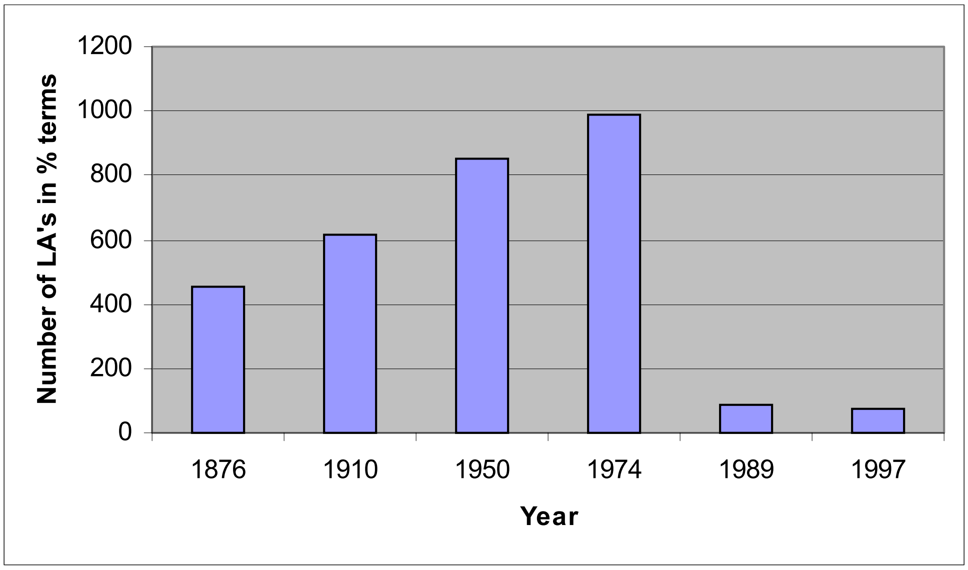
Origin and Historic Development

In 1844 the new colony's government gave local authorities the power to tax land for the purposes of raising revenue. The principal system of rating adopted by all local authorities was based on annual rental values, more or less identical to the English rating system. In a young and developing country land tended to be bought outright rather than rented. Given the undeveloped nature of the country the Unimproved Value Act 1896 was passed giving local authorities the choice of which valuation basis to adopt. The majority of local authorities by ratepayer poll adopted unimproved value systems. Over the last fifty years land value based rating has been the dominant system. However, since 1985 there has been a definite swing towards the use of capital improved systems.

Local Government Structure

Since 1989 New Zealand local authorities have experienced major restructuring. As at December 1987 there were 828 agencies of regional and local government, there are currently twelve regional councils, 74 territorial authorities and six special authorities. Both regional councils and territorial authorities have the power to levy rates. The main functions of the regional councils include responsibilities under the Resource Management Act, control of pests and noxious plants, marine pollution control, regional civil defense and to oversee transport planning. Territorial authorities generally have responsibility for noise and litter control, parks and reserves, roads, sewerage, water supply and building consents. Figure 4 shows the number of local authorities over the period 1876-1997.

Figure 4: Number of local authorities: 1876-1997

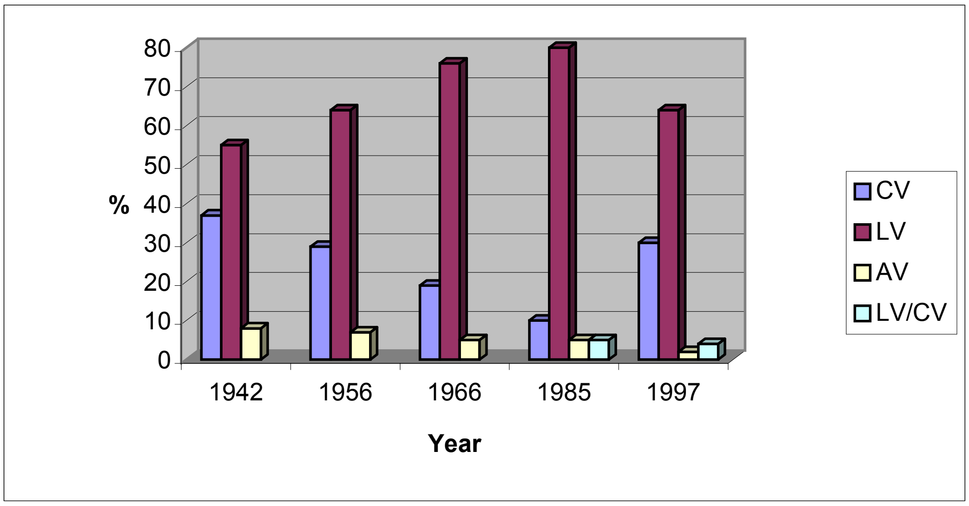


<u>Present Status of Land Value Taxation</u>

The property tax represents an important source of municipal finance. Rating has a historical pedigree in New Zealand and clearly has a significant future. Currently, the valuation roll shows capital improved value, land value and the value of the improvements, which can allow the application of different rates for each element.

The changes, which have occurred in terms of the service provision of valuations for authorities, are far-reaching and likely to have important consequences. Figure 5 illustrates the importance of land value as the main rating basis up until the mid-1980s. In fact in 1985 almost 80% of territorial authorities used land value. However, it is since 1985 that there has been a gradual decline in the usage of land value by territorial authorities and the relative increase in the use of capital improved systems.

Figure 5: Systems used by local authorities in percentage terms



Nature of the Property Tax

Table 17: Synopsis of the local government property tax legislation

Taxable Object	1.57 million parcels
Tax Base	Territorial authorities can normally decide on any one of three options subject to taxpayer poll; site value; capital improved value and; annual rental value; highest and best use concept is applied
Taxpayer	Normally the occupier however, the owner in certain circumstances may become liable
Method(s) of Assessment	Comparable sales; residual method; limited use of multiple regression techniques
Valuation Cycles	The legislation provides for 5-yearly revaluations however, most local authorities revalue on a 3-yearly basis; Wellington revalues annually
Objections and Appeal Procedures	Objections can be made against the roll or alterations made to it; appeals can be made to the local Land Valuation Tribunal and ultimately to the High Court
Tax Rates	Each territorial authority can set its own tax rates on an annual basis; there is widespread use of differential rating
Exemptions	Crown land; land used for schools, universities, religious worship, hospitals, airports, harbours, national parks and historic places

Table 17 (continued)

Rebates	Farmland is entitled to rates postponement if the market value is in excess of the existing use value; special rateable values provided for land which has values greater than existing use
Collection	Payment can be made in one lump sum or by instalments; discounts available for early payments in full
Enforcement Procedures	Penalty charges levied on unpaid rates; rates become a charge on land if remain unpaid
Assessment	Territorial authorities can tender for valuation services from the private sector and the government owned Valuation New Zealand

Valuation Issues

Land value is the value of the owner's estate or interest, unencumbered by any mortgage that might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to require, and if no improvements had been made on the said land.

The value of improvements means the added value, which at the date of valuation the improvements give to the land. Improvements to land means: all work done or material used at any time for the benefit of the land by the expenditure of capital or labour by any owner or occupier. Insofar as the effect of the work done or material used is to increase the value of the land and the benefit thereof is unexhausted at the time of valuation. Certain improvements are deemed to be part of the land value such as, draining, excavation, filling, grading, leveling and the removal of rocks and soil (Dowse and Hargreaves, 1999). Therefore the current definition includes all invisible improvements of capital or labour to the land to make it suitable for development.

The valuation rolls provide for each ratable property the capital improved value, land value and the value of improvements.

Overall Performance (Coverage, Assessment, Tax and Collection Ratios)

Coverage ratio: all land apart from exempt land is included within the tax base and currently would be close to 100% coverage.

Assessment ratio: Revaluations are normally conducted on three-yearly cycles with Wellington being subject to annual revaluations. Valuation rolls are therefore kept up-to-date and representative of market values. Prior to July 1998 Valuation New Zealand was the government agency responsible for providing valuation services to the local authorities. However, VNZ has now been replaced by two new organizations, Office of the Valuer-General and Quotable Value New Zealand. The main result is that the provision of land and capital rating valuations is no longer an exclusive central government function. As from July 1998 territorial authorities have the choice as to who will provide rating valuations on their behalf.

Tax ratio: Territorial authorities have the power to set their own tax and differential rates ensuring that revenue from rates is buoyant and sufficient to meet relevant expenditures.

Collection ratio: Levels of delinquency and arrears and extremely low, payment would tend to average around 99%.

Revenue and Non-Revenue Policy Issues

Territorial authorities have the power to levy different types of rates; general rate, separate or special rate, service rate, uniform annual charge, consolidated rate and lump sum contributions. Under the general rate an authority may levy differential rates. This allows different rates in the NZ$ for various parts of the district and/or for different land uses.

Overall local government has six main sources of income, the relative importance of which is shown in Table 18.

Table 18: Local government sources of revenue

Total Current Receipts (%)		
	1990	1998
Property tax (i.e. rates)	56.0	56
Sales and other income	18.0	19
Grants	13.0	10
Investment income	8.5	9
Fees and fines	3.5	5
Petrol tax	1.0	1

The Future of Land Value Taxation in New Zealand

Early attempts to establish a uniform basis of rating in New Zealand were negated as early as 1896 when the freedom to choose between annual value, capital value and unimproved value was clearly established. The Officials Co-ordination Committee Report (1988) drew attention to the various ways that the property valuation focus had been shifted, by bringing in differentials and uniform annual charges. The report suggested the introduction of capital value rating would reduce some of the pressures giving rise to the use of differential rating. Mainly for reasons of local autonomy there has been a perception that a choice of systems was needed. It is claimed either capital value rating or land value rating may be more appropriate for an individual authority because of the character of the district. It could be argued that land value rating is better for rural areas and capital value rating is more appropriate for cities. The report concluded that there were good reasons for having one form of rating system nationwide, but if government had no clear preference, then there should be access to both land and capital value rating systems. The 1988 Committee indicated the following:

- Capital values are readily established by reference to direct market data whilst land values are more difficult to demonstrate and are consequently less readily understood;
- Capital values will continue to be required for other purposes;
- There is more correlation between ability to pay and capital values than is the case with land values;
- Many local authorities ostensibly rating on land value nevertheless derive a significant proportion of their rating income from capital value levies.

Would the move to a uniform system be less expensive? There would be a saving in costs if the land value system was discontinued (VNZ, 1992). Although not exactly quantified it could be in the order of 5% of expenditure related directly to the provision of valuation roll services. This represents the marginal cost of maintaining detailed assessments of land values for improved properties.

As the capital value system is better understood it is likely that there would be less time spent in advising ratepayers about the system than is the case with those districts where land value rating is used. Land value as a system is not well understood by ratepayers particularly with respect to the development improvements and structural improvements.

It was one of the conclusions of the 1988 report that generally speaking sharp changes in value arise in respect to land values, rather than to buildings and other improvements. Valuations based on land alone are therefore more likely to increase more than capital improved values.

While the land value rating system has been a valued system in the past, its benefits are increasingly being questioned. Even if one accepts that its strength is the encouragement that it brings to develop property it is questionable whether New Zealand is in a developing mode. In addition, land use planning through the rating system is not the most efficient mechanism to attain proper land use controls.

Jamaica

Origin and Historic Development

Jamaica has had a long and diverse history of property taxation. It was first introduced in the 17th century as part of the British administration of the island. The first property tax to be imposed was levied under the 1901 Valuation Law, and comprised a quit rent levied at the nominal charge of 1 penny per acre, a house tax based on the value of each dwelling unit and a crop tax levied on all cultivated land. The law required that landowners supply specific information relating to their property including acreage,