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22nd October 1976

Mr. James Nxumalo,
The Permanent Secretary to
the Minister of Finance,
The Government of Swaziland.

Dear Mr. Nxumalo,

LAND TAXATION FOR SWAZILAND

As suggested by yourself during our discussions on the 17th September, the suggested steps in LAND TAXATION are set out in this letter. The subject is handled under the following headings :

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Introduction

Proposed Steps

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Notes on Interim Tax
2. Establish Register of Land Values
Suggested Timing
3. Introduction of Land Value Taxation
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Suggested Timing
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5. Residential Land Value Tax Abatements/
Rebates
Relief to Aged, Invalids and Low
Income Group

6. Security of Tenure over Swazi National Land
Need and Method

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PREAMBLE

The concept of economic justice which can be arrived at through Land Value Taxation is so foreign to the modern way of economic thinking that it is not easy for anyone approaching the subject for the first time to grasp its full significance.

You have already acquired a reasonable understanding of how, by applying these principles, substantial benefits could accrue in the development of Swaziland merely by a change in the concept of taxation.

Anyone unfamiliar with the subject should first try to see the underlying principles that lie behind these proposals before being side-tracked by apparent problems seen from the standpoint of modern taxation.

At first one should be careful that personal interests seen in the present economic climate do not tend to overrule the National interest. Once the full impact is understood, it will be realised that all Swazis will in the long run benefit and be able to live fuller lives if these proposals are adopted.

INTRODUCTION

The true value of any nation arises from its general recognition and respect of honest labour and the resultant honour and human dignity of man. It has been shown clearly recently that many leaders in the Third World clearly recognise this fact.

The mark of development of a nation should not lie in the accumulation of monetary wealth by a section of the population, but in the advancement and contentment of its people.

Agriculture and industry are foundations of development. For either operation man needs access to land and a measure of security of tenure. No private individual or company can honorably justify the holding of land in excess of their ability and willingness to put to its full use. All land should be

put/.....

put to its full use and no man should be forced to be idle through want of access to land. Man has been given dominion over land to use and not abuse it.

Before Western democracy and capitalism appeared in Southern Africa, the Swazis along with many other nations accepted that all men were entitled to the use of land according to their need and ability; it was unknown for any man to withhold land from use for speculative purposes. Whilst the standard of living may have been low by today's western world standards, men were not driven to poverty whilst land stood idle.

Even when the concession hunters acquired rights to land it is inconceivable that your Swazi King could have knowingly given them the land but rather the right to use the land. Your nation still pays the price today for the difference in understanding and interpretation.

Freehold land which today is still withheld from use contributes nothing to the national economy and deprives men access to large areas of choice agricultural or potential industrial land.

Tibiyo has been doing a commendable job in bringing land into use for the benefit of the nation. Their achievements could be greatly accelerated if freehold land were more readily available at realistic prices.

This could be easily and justly achieved on a "willing buyer - willing seller" basis described by Mr. Timothy Zwane, simply by requiring each man to render to the community that which is naturally due to it.

The productive value of land is increased by the presence of the community and the infra-structure and markets provided by that community. Market value of the land, excluding improvements, is related to its productive potential and almost unrelated to the owners' efforts. By placing an annual tax on the market value of all land, the nation will receive its just dues.

This tax should be paid whether the land is economically in use or not.

PROPOSED STEPS IN LAND TAXATION

The sequence in which steps could be taken to introduce land value taxation with the least delay, are set out below.

STEP/.....

STEP 1 : INTERIM LAND TAX (for 2 years)

Provided it is within the power of the Minister of Finance, impose immediately a tax on all freehold or title deed land. Such tax could initially be based on the value of land where records are available, i.e. municipal valuation of land excluding improvements, or on the area of agricultural land.

As a starting point, such tax could be say 10% on value or £1 per acre for agricultural land.

NOTE : NO TAX SHOULD BE PAID ON ANY IMPROVEMENTS.

Where any form of Income Tax or Company Tax is already being paid by the owner, individual or company, the one tax should be offset by the other so that only the larger of the two is paid. To use an analogy, the two will "run concurrently".

Any well run business or farming operation which owns the correct amount of land for their operation and contributes towards the running of the nation, will not be affected by the new Land Tax.

Speculators will be required to contribute towards the society whose presence and efforts have given their land its value.

A business which owns land far in excess of its requirements is also speculating and should rightly pay for that privilege. Their tax will be increased accordingly.

NOTE ON STEP 1

The initial tax imposed in Step One should only be regarded as an interim measure as it is too low to be fully effective. As it is not geared to the value of the land in the case of farming land, it will not reflect accurately on the benefit the owner enjoys due to the efforts of the community and thus should not be arbitrarily increased.

This argument should not, however, affect the introduction of Step One as there is still more justice in this tax than taxing only those industrious citizens who contribute towards production and wealth of the nation.

STEP/.....

STEP 2 : ESTABLISH REGISTER OF LAND VALUES

The full implementation of LAND TAX requires establishing the value of all Freehold or Title Deed land. This could be a major undertaking if the conventional methods are applied and could retard the national benefits to be derived from Land Taxation.

There is, however, a simple method of establishing a land value register whereby each owner establishes the price at which he would be willing to have his land expropriated or to sell his land; improvements rated separately.

This value would then be used as the yardstick for both taxation and/or acquisition by Tibiyo for the benefit of the nation.

If land is deliberately undervalued to avoid taxation, there would be a greater chance of purchase by Tibiyo or of expropriation for community purposes. If land is overvalued then the owner pays the price in tax.

SUGGESTED TIMING

1. Forms should be sent to all Title Deed owners of land, to be completed, signed before a Commissioner of Oaths and returned within six months.
2. An Interim Register should be compiled and made available for inspection. If possible, District maps should be set up showing the land value per acre for ease of comparison.
3. Owners should be given a further six months in which to object to their original valuation when this is seen to be out of line with other values in the district.
4. At the end of this second six month period (the first year) the main Land Value Register should be compiled, on which taxation should be based.

STEP 3 : INTRODUCTION OF LAND VALUE TAXATION

In the third year full Land Value Taxation should be introduced based on the registered land value. When this is introduced, the value of land will drop by an amount

governed by the percentage tax and further influenced by the building society or land bank borrowing rates.

To give the registered owners a concession which will prevent antagonism when the land values drop as a result of introducing this new tax, the taxable land value should be fixed at 50% of the registered land value for the first two years, namely Years 3 and 4, after which it should be adjusted to actual land sales or asking prices.

Based on this revised value (50% of registered land value) an annual tax of 20% should be levied in Years 3 and 4.

NOTE (ON STEP 3)

As in Years 1 and 2, the land tax in Years 3 and 4, and in subsequent years should be offset by or against Income Tax so that only the larger of the two would be paid. However, a special formula could be introduced to protect people in the lower income groups, such as pensioners or invalids. This will be discussed in Step 5.

COMMENTARY

By the end of Year 4, a considerable change should have occurred in the general economic pattern of Swaziland. Some of the more significant aspects anticipated are given below :

1. Speculation in land by non-resident land owners will have reduced considerably and unused or under-developed land will have dropped in value. This will give those who wish to make full use of land a better chance of acquiring suitable land.
2. Speculators and land hoarders previously unaffected by Income Tax will have started contributing to the National economy. This additional revenue could be transferred directly to Tibiyo in order to purchase selected land at the more reasonable prices brought about by this method of taxation. This will help to accelerate the activities of Tibiyo to the overall good of the whole Swazi nation.

3. Many/.....

3. Many owners of underdeveloped land will have sold off portions of their land not being used for production in order to reduce their tax.

This step will have several beneficial results :

- (a) Their efforts will be concentrated on a reduced area of land and production per acre should improve.
- (b) New owners will be more selective in their purchase of land and will avoid over-purchase which is akin to land speculation.
- (c) As owners will be keen to put their land to best use, they will be more willing to listen to advice and direction given by Agricultural Technical Services, Land Officers, etc. The time will come when owners will actually seek their aid and even be prepared to pay for such service.

NOTE :

To assist this step, the sale and transfer of registration of land should be simplified and unrestricted. Transfer fees should be minimal and transfer duty for revenue purposes should be abolished.

4. Government, Regional and long term planning of major projects, such as infrastructure, irrigation etc., will be assisted by the fact that land values fixed at the Registered Land Value will be known and thus assist planners in their selection of most economical sites or routes. Land values will not suddenly jump up just because the nation intends spending money to improve an area. Any increase in land values will eventually come back to the Government in the form of taxes and thus help pay for the capital investment.

STEP 4 : LAND VALUE TAX TO REPLACE INCOME TAX

Over the period of Years 5 to 10 the rate of Land Value Taxation should be increased progressively to a level where it takes over from Income Tax. By Year 10 Income Tax should no longer be levied on agriculture or industry. By Year 10 it may also be possible to discontinue Income Tax completely.

Business and Commerce would pay tax on the business land which they occupy.

SUGGESTED TIMING

Based on more factual land values which would have been registered over the period of Years 1 to 4, the rate of taxation can now be progressively increased as follows :

1.	Year 5	increase tax to	25%)	NOTE : Land values
2.	Years 6 and 7	"	30%)	will be gradually
3.	Years 8 and 9	"	35%)	revised according
4.	Year 10	"	40%)	to supply and demand
					in the market

As the above planning can be set out in a published 10 Year plan it will cause little hardship as investors in Industry etc., would work out their return on investment accordingly and pay a land price governed by this return. See Appendix I.

NATURAL RENT

The above system of taxation is based on the natural rent of land and the ten year plan should be regarded as the bridge between the present system of taxation and a future system which directly taxes the natural rent. See Appendix II.

COMMENTARY

The incentive to put land to best use will bring about an undreamed of acceleration in the economic growth of Swaziland.

The absence of Income or Company Tax will bring a steady flow of foreign investment which should initially be encouraged in order to bring a substantial improvement in the overall standard of living.

The growth of industry and markets will encourage growth in agricultural production already stimulated by the availability of land.

Control of growth will always rest with the Government through its control of land usage rights and the provision of the necessary infra-structure.

The/.....

The increase in revenue over Years 5 to 10 will allow for the provision of improved educational facilities and medical services etc., which will improve the overall well-being of all citizens.

Illiteracy and poverty should be eradicated in record time.

Economic stability should also help to maintain political stability and a more secure position relative to sister states.

STEP 5 : RESIDENTIAL LAND VALUE TAX ABATEMENTS

The aged and invalids should not be adversely affected by any system of taxation provided their demands on society are reasonable. The wealth of the nation is also the wealth of the people and each will benefit in the facilities which enrich his life.

The income of the aged is normally very low and this should not be unduly taxed. Each person needs somewhere to live and the introduction of Land Value Taxation need not in any way create a burden even if that person has no immediate relations able and willing to look after him.

On the other hand, no person who is beyond contributing anything to the nation should monopolise any of the production facilities and thus prevent others from producing. The aged should thus occupy a minimal amount of less productive and therefore less valuable land. This can best be achieved not by regulations, restrictions and elaborate schemes, but by a simple process of tax abatements or rebates.

There are two steps in this development :

1. In the initial years, whilst both Income Tax and Land Tax are in force, a slightly different formula will be used to that which will apply when only Land Tax is applied, but the principle remains the same.

In the first instance, the amount of Land Tax, calculated on the value of Residential land occupied by the owner, should be added to his income tax before rebates are applied; or the Residential land value could be added to his income before tax abatements are applied. The method would be governed by the

Income/.....

Income Tax formula applicable from time to time and the tax rates on land value.

When, at the end of the ten year plan, Income Tax is completely replaced by Land Value Taxation, all owners will be given tax abatements or rebates much along the lines of the present system which assists married persons according to the number of children.

Under the above system of taxation pensioners and invalids should normally pay no tax.

STEP 6 : SECURITY OF TENURE OVER SWAZI NATIONAL LAND

"LAND REFORMS : The farmer should feel secure to undertake costly investments for himself and his family. Ideally, land reform policies should also remove social injustice in such a way that the rural people should feel that the land they work is their own".

(B.M. NSIBANDZE. FOOD AND AGRICULTURE IN SWAZILAND. Resources of Southern Africa - 1975).

The above aim can best be accomplished by the system of taxation set out in this letter but with a slight alteration to allow for lack of Freehold Title; A proposed system of taxing the natural rent is set out in Appendix II. The above aim should not be accomplished by selling the land and giving Absolute ownership to individual citizens.

Poverty in the Western World and Third World has been brought about by two main factors, unreasonable and misconceived taxation and full land enclosure ; NOT by free enterprise.

Swaziland is indeed very fortunate in not having full land enclosure (private ownership of all land) but was brought very close to it by the concession hunters.

Without/.....

Without selling national land or creating any hardship for the subsistence farmers who are violently opposed to change, the progressive farmer can be given registered security of tenure by a very simple process. At the same time the frightful drift of farmers to the towns can be discouraged and regulated by your fiscal policy which can be periodically changed to fit in with your long term national planning.

THE RIGHT TO FENCE LAND IS COUPLED WITH THE DUTY TO CONTRIBUTE TO THE NATIONAL WEALTH.

Any farmer or owner of a home or other building on Swazi National land should be allowed to register tenure over land by paying a nominal registration fee and an annual tax on land value or an equivalent rent on land. He will never own or sell the land which is not his outright property but he will own and be able to sell all improvements which are his property. The sale of improvements will be coupled with the transfer of the land. Registration of the land by the new occupier will again be at a nominal fee and coupled again to the duty and undertaking to pay the land tax.

Whilst a man observes his duty to society by paying his full share of land tax, society and the nation in turn undertake their duty to him by guaranteeing his security of tenure.

CONCLUSION

The concept of LAND VALUE TAXATION is a very natural and simple one as it obeys natural laws of economics and a few fundamental principles.

The Earth is the Lord's. By His grace man is given dominium over land; to use it to the good of mankind; not to abuse it for personal greed.

Value is given to land by the combined efforts and needs of society, past and present, and future.

Man is entitled to the proceeds of his labour, but not to that extra value which is due to the presence and efforts of the community.

Land should be taxed to prevent its being hoarded. This proved successful in Swaziland with regard to mineral rights, so why not also with the land itself?

Production should not be taxed in any form other than to keep control over immoral or undesirable processes.

Swaziland is possibly more suited than any other country in the world to the introduction of Land Value Taxation and the abolishment of production taxes.

The overall development of Swaziland could well be at the turning point because of world pressures on Southern Africa. I firmly believe that correct taxation could in the long term play a more important part in shaping the future of Southern Africa and the Third World than any other single factor.

May God guide you in doing what is best for the Swazi Nation.

Kindest regards.



GODFREY R.A. DUNKLEY

APPENDIX I

The attached set of examples gives a comparison of typical land prices for various types and percentages of taxation.

All examples are based on the same, or similar, piece of land and show how, for any given set of conditions, the market value will decrease with any increase in taxation.

In this Appendix a piece of land with a natural rental of £10 000 per annum is considered. The land is considered to be fully productive in all cases. Interest on money is taken at 10% per annum.

For the purpose of quick comparison payback has been calculated simply; not taking into account decreasing balances or discounted cash flow netted back to today's value. Accurate calculations change the figures but not the principles revealed. Space has been left to fill in the results of any accurate calculations on period of payback which may be desired and worked out.

The total profit left to the owner after paying interest on money and taxation is considered to be used to repay the capital invested in the purchase price of the land.

It is recommended that the examples be studied which give a payback period of approximately ten years and that any difference in period be compensated for.

COMMENTS

1. In examples 1.1 and 1.2, whilst full land usage is assumed, in practice there would be very little land where this condition would apply so that the taxation would only be collected from a small percentage of freehold land owners.

The tax on those few sites in full use would still be a very small percentage of the natural rent and yet the owners profit is not unduly high; the lions share of the £10 000 goes in interest on the capital investment or market price of the land.

2. When Land Tax is imposed in examples 2.1 to 2.7, the tax payable increases considerably, but not only on those few sites which are in full use: This higher tax will apply to all freehold land. The total annual tax will increase many times.
3. As the rate of tax increases so the market price of land will reduce. The percentage of tax to natural rent continues to rise and the amount paid in interest continues to fall.
4. For a ten year payback, the owner's profit remains fairly consistent at $\pm 20\%$ of land market price irrespective of the percentage land tax.
5. Tax should be limited to a maximum of 80% at which level the market price would be approximately equal to the natural annual rent; in these examples E10 000.
6. If tax is eventually fixed at 80% a natural control will be set on land values. It will be seen in examples 2.6 and 2.7 that an increase of only E1000 will virtually prevent the land from being paid off. A drop of E1000 in the purchase price will roughly halve the payback period, a condition hardly likely to occur in an active market.
7. It is essential that no restrictions be placed on the buying, selling and transfer of land. Registration of land transfer should be no more difficult or expensive than change of ownership of a road vehicle. The more property that changes hands and transfer registered, the quicker land values will be established and the market allowed to settle down.
8. The sale of land to foreigners should not be restricted. There will be little demand for land unless the intention is to make full use of it. If such owners care to subsidise the tax with money earned in another country this becomes a form of foreign earning which will improve the balance of payment. In any case, such owners will contribute to the national economy. Any foreigners retiring in Swaziland also contribute to the national economy.

9. The cost of national capital developments and improvements to the infrastructure are reflected in an increase in the natural rent of land and thus will automatically be paid for in record time by an appropriate increase in tax paid to the nation.

SUMMARY

The list of benefits arising from land value taxation is almost unending. The incentive to produce to the lands full potential becomes greater as the percentage tax increases and it is obvious that land will not be withheld from production for long. Initially there will be a drop in land value but as the economy and population grow, so the natural rent and market value of land together with tax paid, will start to increase. The total annual land tax will increase enabling all other forms of tax to be discontinued. This will result in a decrease in the cost of living, a decrease in the cost of production and increased entry into world markets.

G.R.A. DUNKLEY
8.11.1976

APPENDIX 2

TAX ON ANNUAL VALUE OF LAND

1.0 Land Value Register

The first step in this method of taxing land would be to establish a land value register, as explained in the letter, for freehold or title deed land.

2.0 Determine Initial Land Tax

The next step would be to determine the annual tax applicable to each piece of land. This would be done simply by taking the total present or budgeted income of the Government from existing taxes as a percentage of the total land value register and applying this to the value shown for each piece of land,

	<u>E million</u>
e.g. 1) Total Swazi Government Budgeted Revenue from all taxes for year X - say	35
2) Total of Land values shown on Register - say	350
1) as % 2)	= 10%

Hence each piece of land would incur an annual land tax equal to, say, 10% of its initial value per register and the Government would receive the same or its budgeted revenue.

3.0 Abolish Income Tax

As will be explained more fully below, it would be harmful to retain Income and other taxes after the introduction of Land Tax and they should therefore be abolished as soon as possible.

However, some holders of under-utilized land might be unable or unwilling to adjust to the shock of paying an annual tax related to the productive value of the land, and there would therefore be an unusually large number of sellers which the market would take some time to absorb. Initially, therefore, income and other taxes might be retained for one or two years with right of offset for land tax payable to ensure that there was no shortfall in revenue.

However, a simpler alternative might be to cater for this by marginally increasing the rate in the E arrived at in 1 above. This might speed the adjustment process inasmuch as the absence of income tax would provide an incentive for the bringing into use of hitherto unused or under-utilized land.

4.0 Determination of Future Land Tax

Since land values fluctuate naturally according to changing economic circumstances and the location of public works, and since increasing revenue would be required to finance the continuing development of Swaziland, a method of adjusting the annual tax payable is called for.

Before explaining the two methods that are suggested, it should be pointed out that once a land tax is levied, capital values inevitably tend to drop. The letter and Appendix 1 deal with taxing these values.

Where the annual unimproved value of land is to be taxed, two methods of adjustment present themselves. The first would simply be an updating of the roll on a regular basis similar to the triennial valuations carried out by Johannesburg and other South African cities for municipal site value rating purposes. The other method would consist of allocating land coming on to the market on a tender basis. Alternatively, a combination of these methods could be used.

4.1 Regular Revaluation of Land Register

Although several South African cities use site value rating rather than levy rates on improvements, it is believed that Johannesburg has the most up-to-date and sophisticated Valuations Department. In fact, it is probably one of the most advanced in the world as borne out by the fact that the head of the Valuations Department is regularly invited abroad to address overseas authorities on site value rating techniques. It is not proposed here to go into these in any detail; suffice it to say that the oft-repeated claim "it can't be done, it's too complicated" when land tax is proposed, reveals a surprising degree of ignorance as to the undoubted success with which this very thing is already being done on our doorstep. In short, there is little doubt that Swaziland would receive plenty of expert advice from close at hand.

Some differences could be noted: because municipal rates are such a small proportion of the total tax-take, site value rating in those South African cities that use it, although it has clearly benefited them, has not resulted in the kind of fall in capital values which would occur once a change is made from taxing production to taxing land by the central government. Mr. McCullough's men are therefore able to take cognisance of actual prices when updating the roll, i.e. capital values. In principle, however, there is no difference between assessing capital and annual land values. The many detailed and varied factors fed into the regression analysis computer programme used by Johannesburg would remain the same.

Of interest also is the fact that, despite rates not being levied on them, all improvements in Johannesburg are also valued separately by the Department as in many instances it would otherwise be impossible to arrive at the underlying land value.

In Swaziland, capital values would fall sharply on the introduction of land tax as described in 2. above. However, until the land tax approaches the level of the full natural rent (see below), land would change hands at easily ascertainable prices, which could be of some use to the Swaziland Land Valuations Department.

However, in the long run, it would be necessary for the total tax take by Government to approach the natural rent (see below) in which case, prices at which land changed hands would dwindle rapidly.

Once this point was approximated, there would be little or no market indication as to whether Government was over- or under-taxing land.

At this stage, or earlier, therefore, it might be appropriate to introduce the system described in 4.2 below.

4.2.1. Determination of Annual Unimproved Land Value by Tender

In principle, this method would consist simply of the Department of Inland Revenue allocating land coming on to the market to the highest bidder according to the ordinary mechanisms of supply and demand. The price to be bid would not consist of a lump (capital) sum but instead would consist of undertakings by prospective occupiers to pay specified amounts by way of land tax for specified periods. The Department would then simply allocate the land to the highest bidder.

The value of improvements would be established and agreed separately beforehand as between the existing occupiers, prospective occupiers, and the Department. The Department would undertake the valuations subject to a speedy hearing by a Land Tax Court (viz. Income Tax Court in South Africa) in the event of objections by existing or prospective occupiers.

All tenderers, other than existing owners, would have to submit, with their tenders, bank guarantees regarding their ability to pay the outgoing occupier for the improvements.

In order to prevent abuse and encourage the development of a well-informed market in land, each stage of the procedure should be well-publicised, viz. (1) the coming up for tender of the property concerned; (2) the establishment of the value of improvements; and (3) the award of the tender with full details of all other tenders submitted.

To minimise unnecessary upheaval, land holders could be given the option of matching higher tenders from outside. In addition, they could also be given the opportunity of challenging bids suspected of being made frivolously or maliciously. The Land Tax Court would then decide (a) whether the bid appeared reasonable in the light of general levels and (b) whether the outside bidder appeared reasonably capable of paying the tax tendered.

4.2.2. Effects of Annual Land Value Tax

The above scheme would:

1. wipe out all speculation in land, i.e. withholding of land from use for purpose of eventual sale at a profit;
2. provide at once a stimulus and incentive to use and develop land to its fullest potential;
3. increase the supply of available land;
4. direct all the benefit of rising land values into the coffers of the State;
5. pitch the initial level of tax borne by the economy lower than that optimum level which provides both a natural incentive to business as well as a sufficient source of State revenue. In short, land would initially be "cheap" relative to this level, which can be termed natural rent (see below) and in the wake of the resultant stimulus to business activity, land taxes would rise providing a steadily growing source of State revenue;
6. rule out any payment to owners for land sold.

Although this might seem rather harsh, the owner would still have several advantages:

- (i) he could work the land in the knowledge that he would pay no income tax but would only have to pay a land tax which would in effect, be a very cheap rental for his land;
- (ii) if he did not wish to work the land, he could, since the land tax would be below the natural rent, lease the land out, taking the difference for himself. However, as land taxes would gradually rise until they absorbed the full natural rent, this would be by way of a temporary dispensation;
- (iii) he could opt out, receiving instead fair value for improvements made, as set out in 4.2.1 above.

In practice, the proposed scheme might work out more favourably than the present situation as in some cases, land-owners are finding it difficult to receive fair value for

5.0 Duty to Keep the Land in Good Condition

From the above, it will be seen that title deed land will in a sense become "free" inasmuch as it does not have to be bought but anyone who can pay the going market rental will gain access to land.

No true freedom is viable without corresponding duty and all land owners would be obliged to keep the land in good condition. The State would have to enforce this.

6.0 Undesirability of Land Nationalization

The "freedom" of land above is in no way whatsoever to be confused with nationalization of land which would "imprison" land in a bureaucratic morass of red tape and interference with free enterprise and the market mechanism. It would involve an enormous increase in the power of the State to direct and plan the lives of individuals and enterprises and would be wholly intolerable in a free society.

It is important to realise that security of land tenure is vital and would be undisturbed under the above proposals provided the land holders fulfilled their basic duties of paying the annual tax and keeping the land in good condition.

Under the tax system proposed here, there would be no need to change the extent to which Government controls planning or land use.

7.0 Natural Rent

Natural rent is that portion of production on a site which is due to such factors as the proximity of the community with its demand for the produce of the land as well as the infra-structural services it provides for the site, as opposed to that portion which is due to the effort and skill of the individual occupier.

Natural rent may therefore be defined as the difference between production on the least productive site in use and other sites, assuming equal effort and skill. Since it results from the presence of the community, it is also the natural source of its revenue. Furthermore, if it is used as such, then the least productive land in use is not subject to tax.

Virtually all the Income and other taxes levied in Swaziland and elsewhere in the West amount to a tax on production. Naturally, if you tax beer or cigarettes, drinking and smoking are discouraged. Just so, if you tax production, then production is discouraged. If you tax land, production is encouraged.

8.0 Effects of Land Enclosure

Where land is enclosed, men have no choice but to take employment at a level which can be described as the least they will accept. This varies according to the status of civil liberties in a country, e.g. the extent to which trade unions operate freely, and rises and falls according as to whether trade is good or bad.

There is more to a full understanding of natural rent than this, but what has been said here is enough to give one a glimpse of the inevitable rise of poverty where land is encouraged to lie idle by taxing production.

9.0 Combination Revaluation and Tender Method

The regular revaluation and tender methods can be combined so that, for example, the tender method could be used as a kind of appeal method where land holders object to the Land Register Valuation. Alternatively, the Land Valuation Authorities could put out to tender only a certain proportion of sites coming on to the market. Even a small proportion would give the authorities a guide as to the general level of values as is the case in, for example, Johannesburg.

10.0 Summary

Once it is realised that the proper source of revenue for the needs of the community is the natural rent as described above, and not taxation of production, then the implementation of this in practice presents little difficulty in the case of Swaziland. Once a comprehensive Land Value Register is compiled, it can be revalued regularly, or alternatively, annual land values can be determined by allocating land as it comes on to the market, or at minimum intervals, to the tenderers of the highest annual tax. A further possibility is a combination of both methods.

S.W.P. MEINTJES