

DOUBLE DISASTER

IRELAND abolished domestic rates – the property tax on people's homes – seven years ago.

The result has been disastrous in both political and economic terms.

Politically, there has been an erosion of power from local to central authority.

The abolition which was popular, sweeping Fianna Fail into government with a record 20-seat majority in 1977 meant that the central government controlled spending.

For local government had to be financed by grants from Dublin.

By losing its independent financial base, local authorities became puppets, dependent on the whims of others. Michael O'Halloran, the Lord Mayor of Dublin

By DONAL O'LEARY
in Dublin

says: "We're constrained even more by this system than the old one."

Economically, the abolition of the property tax has been disastrous for unemployed people and families wanting to buy their homes.

For house prices rose by the amount saved as a result of the 1977 decision. Responding to the tax saving, property owners capitalised the benefit into higher prices!

The transfer of wealth to existing property owners has been massive. For the increase in the other taxes has not matched the reductions arising from the abolition of domestic rates.

Dublin has accepted the need for a strategy of budgetary austerity. Public spending has been cut, and so have the grants to councils – in every year but one since 1978 council grants have increased by less than the annual rate of inflation.

The result: property owners are sitting pretty.

● So disruptive has been the 1977 decision that councils are now being given some financial powers. They have been allowed to introduce charges for services like water and refuse collection. Angry residents' groups maintain that these charges are examples of double taxation and they have advised members not to pay.

Dark blues in the Black

Country

THE administration of the property tax in Britain is like a lottery.

Some ratepayers win handsomely; others lose painfully.

The winners and losers are identified in a report by Grimley & Son, a firm of chartered surveyors in Birmingham.

Properties are supposed to be revalued every five years, for tax purposes. The last valuation – based on rental values – was 12 years ago. Since then:

● Industrial properties have slumped in value. But because governments have regularly shirked the job of carrying out re-valuations, owners are paying rates on values which were set during the 1973 land speculation boom.

● Many shop rents have increased more than twice as much as industrial rents: these increases, reflecting higher turnover and greater retail profits, are not reflected in higher tax payments on property.

The result: sagging industries, located near the cradle of the Industrial Revolution in the West Midlands, are subsidising the prosperous owners of commercial properties.

The pain behind these discrepancies is intensified by Birmingham City's decision to increase rates this year by 43 per cent.

Mr. David Clarke, an associate of Grimley & Son, told *Land & Liberty*:

"The rateable value of some foundries is five times what it ought to be, by comparison with the rateable value of shops.

"Three-yearly valuations would solve

more problems than they would create, in manpower terms."

Noting that the rates "rebellion" began in Scotland, Mr. Clarke declared:

"The problem in Scotland arose not because the valuations are excessive, but

because the last valuation was so long ago.

"People were buying property based on incorrect values. What they now see is a 300 to 400 per cent increase in the rates: what in fact has happened is that they were paying too little in rates for the last five to six years."

Regular revaluations would prevent distortions from building up.

Rateable Value as a Percentage of Present Day Rents – Birmingham Area



● Grimley and Son's histogram shows how Midlands industrialists are subsidising retailers. The average line shows the level rateable values would reach if a revaluation were carried out immediately. Traditional industry and city centre offices would benefit from the revaluation, while retailers and modern industrialists would pay a fairer share of the burden.