

CAPE TOWN LVT SWITCH

A MAJOR victory for tax reformers is imminent in South Africa, writes Peter Poole.

An independent commission appointed by Cape Town City Council has recommended a reform to the property tax, in which land values would be taxed ten times greater than the value of the improvements.

The commission was headed by former judge and Urban Foundation chief Jan Steyn.

Cape Town currently uses a flat rating system, in which the total value of both land and buildings is assessed for tax purposes. Prominent among the opponents of this system is Councillor Patricia Sulcas, who strongly advocated a switch to taxation of site values alone.

The commission's "composite" rating system is to come before the council,



• Godfrey Dunkley

and is expected to be implemented next year.

Ms Sulcas states:

"It's one of the best things that's happened for Capetonians for a long time ... the move away from taxing improvements has been a long and arduous road."

Tax reformer Mr Godfrey Dunkley, of Johannesburg, told *Land And Liberty*: "If it is fully adopted it will represent a major break-through. That

would leave only Port Elizabeth as a major city on flat rating."

Mr Dunkley has just published a study of the tax system,* which demonstrates the overwhelming public support for the property tax on site values.

But the opposition to the reform has been powerful, and led by Cape Town Chamber of Commerce, which represents most of the large commercial property owners.

In its evidence to the commission, the Chamber claimed that site-value rating did not reflect the extent to which property owners enjoyed council services. The owner of a large building,

* *That All May Live*, A. Whyte Publishers, The Law Shop, PO Box 48146, Roosevelt Park, 2129, South Africa.

with more occupants, benefited more from services than the owner of a small building with fewer occupants - even though both buildings may occupy sites of the same size and value.

The commission also made several other related recommendations:

- Customers should be directly charged for using sewerage and cleansing services. These user charges should be introduced simultaneously with the reform of the property tax, and not used to increase council revenue;

- The property valuation roll should be updated. Assessments have not changed since 1979. Since then, according to Ms Sulcas, the market value of land has increased by 900%, whereas the composite value of land and improvements has increased by 300%.

iated an agrarian law by which all public lands, either usurped or held on lease in quantities exceeding the holders' reasonable requirements, should be resumed on behalf of the state, and distributed to landless citizens in lots of 30 *iugera* as inalienable heritable leaseholds.

The reform was carried out, and showed good results; but it went so contrary to the interest of the corrupt oligarchy that they had the elder Gracchus murdered. Four years after his death, the distributions were suspended.

Gaius Gracchus, having had himself elected as tribune of the people, and established his position with a law authorising reelection, proceeded not only to secure resumption of the work started by his brother, but also to gain powerful political allies in the mercantile class and the city proletariat.

The various baits offered to the former need not concern us

here; but his offering to the latter is of vital current interest, in that it was both the foundation of the fatal "bread and circuses" policy of Imperial Rome, and an early simple example of what we now call the welfare state.

He made a permanent feature of the Roman economy out of the previously occasional practice of distributions of corn in the capital at purely nominal prices.

Gaius, like Tiberius Sempronius, ended by being hounded to death. One part of his work, the corn distributions, lived on to complete the demoralisation of the Roman populace. Another, the weakening of the power of the Senate, created a pattern for the future absolute rule of one man.

The great attempt, however, to establish economic justice by means of more equal access to natural resources came to nothing. It is likely, however, that in the end the plans of the Gracchi

would have been of no avail; for similar ones have since been carried out in revolutionary France and late nineteenth-century Ireland, with no further result than the expansion of the class privileged to hold land, and the continued depression of the rest.

What is required, as Henry George saw,⁵ is not a physical redistribution of the land, but a fulfilment of the equal right of all to its use. This would be achieved by the collection on behalf of the state of the rent, or return to landownership over and above the return necessary to induce use. It would then be ensured that landholding was for use, and not for speculation or the extraction of rent from others.

There would be no need for tenants to worry: they are already paying to private people whatever is surplus to their pro-

Continued on Page 76 ►