

A short History of our Land

Constructive Taxation is based on the premise that provided annual taxes are paid, individuals should own the right to hold and use land with private land title being sacrosanct.

This premise is the same principle that was used in our early History. Every acre of land in England belonged to the crown which was the medieval way of saying all land belonged to the Public Domain. It was Public or "Royal" property and the words "Real Estate" originated from the concept of Royal Estate. In English law there is no such word as "Landowner" only "Landholder". The word "Title" in land was granted by the crown and usually title in land went along with a Title in nobility in other words territory in land gave one an "entitled" position. The large entitled Lords then passed parts of the main titles on to lesser titles and "Land" Lords. To run the government of the day the crown charged a large Feudal due on all land which had been granted. The crown rarely "let" land out of its possession, and never for ever. The Feudal dues or annual rent which the crown levied were usually paid in kind by the "Land" lords maintaining certain services of local government such as roads, maintenance of Law and Order, National Defence and maintenance of an Army in times of war etc.

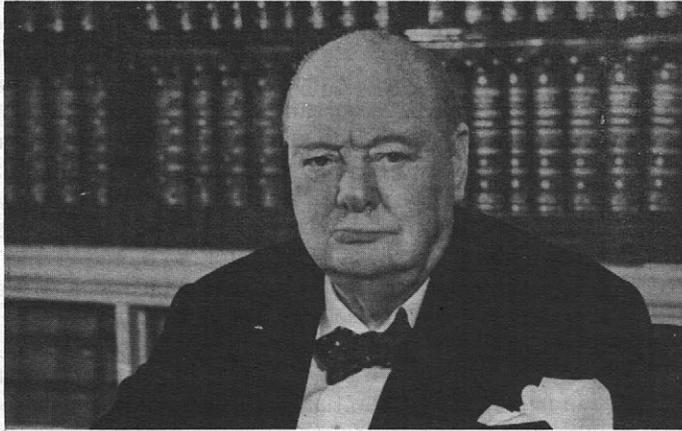
When the Lord died he was allowed to pass on his title to his son but only after the son had paid a substantial extra payment to renew the lease so to speak. Until the heir was 21, the crown took over the "Royal Estate" and most of the income. When the Lord died leaving only a daughter the crown took over the estate and passed it to someone else at an extremely high payment plus the fact that the new owner had to marry the daughter. The Church at one time in England owned approximately one quarter of all land and in return for this had to assume all social duties such as poor-houses and whatever other scanty services were available in these times. Land around the villages was granted in "common" to all the people and they were allowed to graze their herds and have "free" access to this common land.

The "commons" in England probably had as much effect on the vitality and freedom of the British people as any other single factor. It was not until the early 1700's that the effects of land monopoly were felt. In 1660 the power which Kings had monopolized was now monopolized by the huge "Land" Lords. Parliament became a Landlords convention. Only great landholders could sit in the House of Lords and only landholders could vote for members of parliament. For the next 150 years this select club of monopolists voted for larger tax relief on land and greater rights for property holders. Relieving the Lords of all Feudal dues and passing more than 4,000 "Enclosure Acts" which fenced in almost all the "common" land as private property which in the past had belonged to the common people.

Massive land grabs took place. The Duke of Sutherland got 1,358,546 acres. Duke of Buccleuch 459,108 acres. Earl of Breadalbore 438,358 acres to cite a few examples. At the beginning of the 1600's almost all government costs were taken from land values quite apart from the "Free Commons". By the early 1800's nearly all land was tax exempt.

It is still more or less exempt today with only rents taxable. Idle land and most unused property pays nothing at all.

Britains Property Rating system is amongst the most antiquated and iniquitous in the Western World.



Winston Churchill campaigned as a Liberal in 1910. He fought for land reform and in a major speech in Edinburgh said "Land monopoly is not the only monopoly, but it is by far the greatest of monopolies—it is a perpetual monopoly, and it is the mother of all other forms of monopoly.

"Unearned increments in land are not the only form of unearned or undeserved profit, but they are the principal form of unearned increment, and they are derived from processes which are not merely not beneficial, but positively detrimental to the general public.

"Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position—land, I say differs from all other forms of property, and the immemorial customs of nearly every modern state have placed the tenure, transfer, and obligations of land in a wholly different category from other classes of property.

"Nothing is more amusing than to watch the efforts of monopolists to prove that other forms of property and increment are similar in all respects to land and the unearned increment on land."

The Liberals won the bitter land reform election but the House of Lords stalled the issues. The King threatened to create landless peers to force a majority. By that time the war was upon the nation and the Liberals lost their party identity.

After the war the Labour party took the Liberals place as the second largest party, promoting socialism with government ownership in land, instead of land tax and private ownership as the Liberals had advocated.

In February 1964 the highly respected Rating and Valuation Association conducted an independent exercise with regards to the feasibility of Site Value Rating (taxing land as opposed to improvements).

The Association chose for its purposes the town of Whitstable in Kent. The main aspects of the exercise showed that:—

- a. land was simpler to evaluate than improvements.
- b. Approximately the same amount of money was raised on land as improvements.
- c. House rates were reduced considerably.

A Constructive Taxation

A Brief Explanation

The proposal for constructive taxation has as its base the mechanics which are involved in Site Value Rating. *That is the taxation of land, values as opposed to the taxation of improvements such as buildings.*

Constructive taxation however, goes well beyond the concept of Site Value Rating (which is proposed for the collection of local taxes only) into the realm of nationwide tax collection.

Constructive taxation would be used as one of the main Pillars in the raising of public revenue. Other taxes which at present are levied on private and business income would be *reduced proportionately*. Constructive taxation which would be applied and administered by the inland revenue would not conflict with local rates systems. It is basically a tax system which is levied on commercial property at a percentage of market value as opposed to Agricultural land which could and would be best taxed on use value.

In residential areas the main complaints against Site Value Rating is that it penalizes those who cannot pay and those with larger gardens. In other parts of the world this has been overcome by designating housing areas into two sections. Improved residential which receives a low burden of taxes and unimproved residential which pays the high rate. In other words where a reasonable home is situated in an area of settled housing a low rate of tax applies but where a lot is vacant it will pay the higher rate.

City and Town centres and industrial areas are the main source of income for Constructive Taxation because it is in these areas that land has grown to its greatest value. Office rents in the City of London have now risen to seven times that of Wall Street in New York City. Land zoned residential on the fringes of London is priced at least five times as high as comparable land around New York City.

The space taken up by a clerk typist in an office building in the City of London (Approximately 400 square feet, including service areas) costs on average £4,000 per year and is costing in some cases £8,000 per year five times higher than in Toronto, Canada where wages are at least double that of Britain. At the moment rates in Britain are assessed on the annual rental worth of property whereas Constructive Taxation would operate on the basis of the market value of land. Rates at this time are paid by the tenant or occupier of property. Constructive taxation would have the burden fall on the owner.

The two changes of taxing property at its value and having the burden fall on the owner when coupled to the assessing for tax purposes of land instead of improvements would do more to reform Britains tax systems than any other legislation this century.

Taking all the benefits which constructive taxation may produce such as the reformation of the rates system, cheaper housing, through cheaper land. Lowering of taxes on wages and business does not point to the main benefit which would be received by the implementation of Constructive Taxation because the greatest benefit would be the fact that the National Economy would attain balance. Pressures at the moment caused by various groups struggling for position on limited territory would be reduced by the process of the community collecting the annual value in land which everyone has created leaving earnings of the workers and business taxed at a far lower rate.

The cost of administering the overwhelming unjust income tax system in this country is becoming exorbitant. Avoidance techniques and in many cases evasion tactics employed by individuals, institutions and corporations are producing an unhealthy and publically immoral attitude within our society. It is time to search for alternatives and to examine our premises in the collection of Public revenue.

We shall not be a free nation made up of free individuals if we continue on our present course of brittle attitudes in connection with our search for a just system of distribution of wealth and opportunity to create wealth.

The Liberal Party has always been a Radical Party and Constructive Taxation is the radical approach which we need now for our economic and social progress.

Land including the raw material under it is our most precious resource, its nature made benefits belong to all the people. Its ownership and use by individuals is an undeniable human right but societies right to its unimproved value is also undeniable and must be paid by the individual as the price of ownership and privilege of use.

This society will not be free until it allows and encourages a free enterprise system to flourish but this system cannot flourish as long as the annual worth of land remains uncollected by all the people.

In utilising the fund collected through constructive taxation a unique opportunity presents itself to society to improve the quality of its environment by encouragement instead of enforcement. When lowering taxes on the income of firms engaged in business an environmental betterment process can be set in motion thus making it possible for capital to be attracted to companies and industries which might otherwise have difficulty raising capital for certain long range research projects. Heavy pollution industries obviously undesirable to the wellbeing of the nation as a whole would not receive the same encouragement to expand by remaining on a higher tax rate than other "better corporate citizens".

New "clean air" industries would be encouraged so that full employment would be a major factor. Firms engaged in basic research would be aided so that opportunity in the sciences was available to our progressive young people. This process of encouragement would not be possible under present conditions because without the system of constructive tax raising a new source of revenue *higher* taxes would have to be raised from goods and services to offset the rebates which would be granted thus causing a further increase in the cost of living. Remember society is already bearing the cost of private land speculation.

Constructive taxation is the true tax on inflation it is the only system of taxation which does not rely on production as its source of revenue, it is the only tax which cannot be passed onto the consumer.

Constructive Taxation

Land Taxation in other countries

The list of countries using some form of land taxation is long but the most important fact is that it is growing, Canada, Australia, New Zealand, and Denmark have used various forms of land valuation for tax purposes for many years. Various parts of the Caribbean are now on full taxation of land values only, with complete exemption on improvements. Various Municipal Governments in the United States are using Site Value Taxation and the pressure there to increase this method is growing in strength. It is the state of Hawaii however, that has taken the biggest advance into the realm of site value taxation.

During 1965 the Government of the State of Hawaii brought into force a Bill that called for all land to be valued at market price and taxed at $2\frac{1}{2}$ times that of improvements.

The total territory of the whole state was valued by the central taxation department and the tax was implemented without any sizable administrative problems. To the surprise of almost everyone concerned, the tax has been accepted by even its bitterest opponents as a fair system of collecting public revenue.

From only one per cent of its Real Estate value the State of Hawaii is collecting almost 20 per cent of its total taxes. The steps that Hawaii has taken will cause vibrations throughout the property assessment world for many years.

The world now has an efficient modern separated state using a graded form of Site Value Taxation as a guinea pig.

Questions and Answers on Constructive Taxation

1. **Q.** *What would be the effect of constructive taxation if it were implemented?*
 - A. In the short term it would act to break the deadlock of rising prices by making cheaper land available and lowering taxes. In the longer term it would produce a more balanced society by allowing more housing to be built on present unused or underused land *within* urban areas.
2. **Q.** *Would these be the main effects of Constructive Taxation?*
 - A. The main effect would be a revolution in taxation by moving The Tax base to our basic resource the land, as opposed to the present tax burden which falls almost totally on wages and profits. This would create pressures to lower the cost of living.
3. **Q.** *But if tax is put on land, will this not raise the price of land and consequently everything else?*
 - A. No. Quite the reverse again. A land value tax unlike other taxes, stays where it is put and cannot be shifted because land has no cost of production. It cheapens land because a buyer will deduct the cost of the tax burden from the price he now pays for land.
4. **Q.** *Give me an example of Constructive Taxation actually working.*
 - A. The new tax will be charged to start with on the basis of 50 per cent of the worth of land, thus if a property were valued at £10,000 and the land only worth £3,000, then annual value at 6 per cent would be 180, 50 per cent or half of this would be £90.

5. Q. *Why is Constructive Taxation based on 50 per cent of worth instead of full value?*
- A. It is estimated that when the new tax is brought in, land values would fall drastically from their present inflated values.
6. Q. *What about buildings sitting on the land, how would they be taxed?*
- A. Once the new tax system is fully implemented, buildings or other improvements would not be taxed.
7. Q. *If Constructive Taxation reduces the price of land, would this not knock down the price of homes?*
- A. Yes, it will, and will help the house buyer. Others would not lose if they were buying another house or staying put.
8. Q. *Will Constructive Taxation not hurt the investment I have in my house?*
- A. In lowering the price of homes, the new tax will allow any other home to be bought at less money. So that although on paper you are worth less, in actual fact you are not; you will receive all the other benefits of the new tax reductions.
9. Q. *What about the person on a pension who owns his own home? How will Constructive Taxation affect or help him?*
- A. The new taxation system is the *only* proposal that will help by lowering the cost of their living expenses, by lowering general taxation.
10. Q. *Surely by collecting all land value Constructive Taxation is just another form of Land Nationalisation?*
- A. Definitely not. All individuals have the right to own land and property. The new tax will simply collect the common worth of all land, but its ownership and use will still be in private hands, and possession sacrosanct.
11. Q. *How much money would Constructive Taxation collect once it was totally implement?*
- A. The value of land in Britain is not known, but the estimated value is not less than £30 billion. At 6 per cent of half of this figure it would be almost £1 billion.
12. Q. *Would Constructive Taxation be implemented all at once?*
- A. No, it would be placed on a graded basis, steadily increasing to allow the land market to adjust to its normal uninflated true use value.
13. Q. *When Constructive Taxation is used on farmland, will the farmer not suffer badly?*
- A. Calculations have shown that the farmer will benefit as much as anyone. His present tax will not rise because of the new system. The Death Duties at present paid by farmers on over-inflated land are killing off the family owned farm. The new tax will rescue the farmer inheriting the family farm. Agricultural land is, acre, for acre, tremendously cheaper than City land which will bear the greater burden.

14. Q. *But surely farmers might have to bear tax burdens quite beyond the productive capacity of their land.*
- A. This is a possibility and other Countries have overcome this by assessing farmland on its use value provided it is worked by *bona fide* farmers whose main occupation is farming.
15. Q. *Who would suffer under the system of Constructive Taxation as opposed to the present system?*
- A. Most definitely the speculator, the person or company who buys land not to produce with it, but to make money from inflation. Next the person who has commercial land, but who is not putting it to proper use value.
16. Q. *Surely Constructive Taxation will force people off land which they do not wish, or cannot afford to put to higher use.*
- A. This would only be a problem in areas of high density such as the city centres, or commercial areas. Adequate loans, however, could be made available to anyone in these circumstances to allow them to develop the property. Should they not wish to put the property into better use and they were in a commercial area, they then should not be allowed to deny the opportunity to other people, who would be willing to redevelop and pay the land tax required.
17. Q. *Constructive Taxation it is claimed, will aid the environment. How will it do this?*
- A. The new tax will develop a new source of income enabling reductions to be made to those businesses which eliminate pollution.
18. Q. *Give an example of Constructive taxation doing this.*
- A. A car company pioneering a non-polluting vehicle could be granted a tax rate of 20 per cent instead of 50 per cent. This would make the non-polluting vehicle more competitive to produce.
19. Q. *What about clearing up our rivers and canals. Could Constructive Taxation help here?*
- A. Yes, the new fund would be applied to clean up public areas in two ways. First by granting authorities money to improve their facilities. Secondly, by granting firms a tax reduction if they will undertake to change their processes to comply with clean environment standards.
20. Q. *Why use Constructive Taxation to make firms clean up? Why not just fine them?*
- A. Because the carrot is always better than the stick, and law enforcement of this kind is very hard to maintain.
21. Q. *Once Constructive Taxation is fully implemented, would buildings and other improvements be completely exempt from tax?*
- A. Yes, the new method would concern itself only with the market use value of land. Thus if a property is lying derelict it would pay the same taxes as its neighbour, who was fully utilising the site.
22. Q. *What if I were to add an extension to my house or build a garage. Would Constructive Taxation cost me any more?*

- A. No. All improvements would be excluded.
23. Q. *Would Constructive Taxation cost me more as a ratepayer?*
- A. Where land taxation has been implemented it has shown that homeowners pay less than the present Rates system.
24. Q. *Does Constructive Taxation tend to put idle or underused land to its highest use?*
- A. All around us in villages, towns, cities we can observe vacant sites or poorly used sites. These would pay their full share under the new system. But more than this would happen, for because the land was being used or improved to pay for the potential use, more would become available for housing etc.
25. Q. *Could I have another example of Constructive Taxation putting an empty property to work?*
- A. Centrepoint was in the news for a long time as a building which lay empty for many years. Were the new system to be applied and the worth of the *land* taxed each year, instead of the building, then the owner of the building would not be able to afford to keep it unused.
26. Q. *Would Capital Gains Tax on property not fulfil the same functions as Constructive Taxation?*
- A. Not all all. Capital Gains Tax is only collected when the property is sold. This only represents a tiny segment of the total annual worth which would be collected under the new system.
27. Q. *Would not Nationalisation of all land be a better answer than Constructive Taxation?*
- A. Nationalisation of land depresses land prices by stifling human ingenuity and enterprise. The new system would encourage land to rise in price (after its initial selling period) so that its increased value would be collected as the main source of national revenue.
28. Q. *Can you define more clearly how Constructive Taxation differs from nationalisation of land or the present system of private ownership inlaid?*
- A. The present system allows the income from the land, as opposed to the improvement that sits on the land, to go into private hands. The proposal by the Socialists would have all commercial land owned by the State and its use directed by State-run enterprises. The new system recognises the individuals right to own land for whatever purpose is wanted (provided it conforms to planning regulations), but denies the income from the land going into private pockets.
29. Q. *Suppose I lived in a house with a very large garden or in an older house that was not in keeping with the value of the land in the area where I could not possibly improve it to its potential value?*
- A. Hawaii's Site Value experience in this regards stands as a good example of the fairness in the system. Residential areas were designated with two categories, Improved Residential Zoning which received the low rate such as you have described in your question

and unimproved residential zoning, which assessed empty lots and unused property at the High Rate this system is accepted and works well.

30. Q. *I am still a little puzzled as to how Constructive Taxation would work. Supposing I owned an office building on a main street and my neighbour owned a delapidated garage next door. What would we both pay in taxes?*
- A. Imagine both your land and the land of the garage without anything built on it, just bare land ready to be built on. The value of that land in other words, what a business man will pay for its potential, would be the base for the tax so if each piece was worth £1 million 6 per cent of half of this (£500,000) would be £30,000 per year.
31. Q. *Surely this would put the garage out of business it could never afford to pay £ 2,500 per month?*
- A. As a nation the real question is, how long can we afford to carry this type of inefficiency, because examples of this kind of thing exist up and down the country amounting to millions perhaps billions of pounds. But worse than the lost revenue is the lost opportunity by the land not being put to its best value.
32. Q. *Would this example of the garage be the same if the property had absolutely nothing on it?*
- A. Yes it would, the owner would have to develop so that he could pay the £30,000 per year or sell to someone else.
33. Q. *I am beginning to realize the magnitude of what is being advocated by Constructive Taxation but surely this system would cause a turmoil within our society?*
- A. We must face the fact that Britain must improve its position with a new way. Land which is fought for so avidly in the market place and on the political arena is at the very marrow of our system. Other experience and our own History can give us faith in Constructive Taxation points the way to Britain's future.

The main purpose of the Liberal Party is to maintain the balance between Man and Nature and to advantageously separate labour and capital. The natural divide between labour and capital is land and when one side or the other gains control of land a great imbalance occurs here, then lies the reason for the undying nature of Liberalism, which is to safeguard the open and unimpeded access to land for the purpose of creating the quantity of opportunity necessary for the satisfactory progress of society.

Scot Young.
Dover 1974.

This booklet has been produced to stimulate support in taxation reform using the system of site value rating as the base.

The authors experience with the workings of Site Value Rating and land taxation covers many countries including a recent trip to Hawaii on behalf of the Liberal Party. He is an international businessman, Farmer, and a student of National Economy. He stood as a Liberal candidate in the Constituency of Dover and Deal in the February 1974 Election polling 20 per cent of the vote which was the highest liberal vote of any tight marginal in the Country. He has been readopted to fight the next election.

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