

THE OPERATION OF LAND-VALUE RATING IN VARIOUS COUNTRIES

**Memorandum of Evidence submitted by the United
Committee for the Taxation of Land Values, Ltd., to
the Enquiry Committee appointed by the British
Government.**

In December, 1947, an Interdepartmental Committee on Site-Value Rating was appointed by the Minister of Health and the Secretary of State for Scotland "to consider and report on the practicability and desirability of meeting a part of local expenditure by an additional rate on site values having regard to the provisions of the Town and Country Planning Acts and other factors." It was subsequently explained that the "additional rate" should be interpreted to mean a rate levied on a separate assessment of site values.

To this body the United Committee for the Taxation of Land Values, Ltd., submitted a Memorandum of its main Evidence on April 20, 1949, and, dealing with the Scottish system, the Edinburgh Taxation of Land Values League submitted a Memorandum of Evidence on July 26, 1948. Reprints of these documents are published as Paper No. 14 of this International Conference. On April 19, 1948, the United Committee submitted a Special Memorandum on the Operation of Land Value Rating in Various Countries, the text of which is here given, certain small changes or additions appearing in italic type.*

The Committee's terms of reference raise the question of meeting expenditures of local authorities by way of rates levied upon the value of land apart from buildings and improvements.

Instructive material is provided from other countries where the application of this principle, which necessarily involves the reduction or removal of the burden on buildings and improvements, has made some headway.

As part of our general evidence we therefore offer this separate Memorandum, believing that it may aid the Committee in its deliberations.

Our information enables us to deal more particularly with Denmark, New Zealand, Australia and South Africa, and we attach to this Memorandum certain exhibits including the International Conference Paper by K. J. Kristensen, Chief of the

*The Enquiry Committee has not yet (August, 1949) issued a report.

Central Valuation Department in Denmark, describing the procedure for Land Valuation in that country; specimens of the Danish Land-Value Maps, which are an important feature of valuation technique; and a demonstration with regard to Wellington, New Zealand, showing with comparative tables and photographs the incidence of taxation according as it is levied on land values or on the composite value of land and buildings.

The land-value legislation varies in scope from country to country. In one case the law requires that all rates on real estates be levied on the land-value assessment with complete exemption of buildings and improvements; in other cases it is mandatory upon local authorities to obtain at least a portion of their revenues by land-value rating; in other cases again, the transference of the rates upon land-value depends entirely upon the exercise of such optional powers as are given.

Thus, under one or other provision of law, and in greater or less degree, the system of land-value rating has been instituted and sufficient experience has been gained to judge of its principles and their operation in practice—the principle being that of an annual charge assessed upon each separately occupied plot or holding, at a uniform percentage or poundage within each respective administrative area, the assessment being the market value of the land apart from buildings and improvements, and the payment being made by each landholder in proportion to his interest in the land-value.

The necessary valuations, periodically revised, are made by the Central Valuation Department where such exists, and in other cases by the local authorities themselves. In the matter of practice so far as the countries under review are concerned, the assessment is the selling value (capital value) of the land. In this statement the term "land-value" refers throughout to the value of the land apart from buildings and improvements. In South Africa the term "site-value" is used.

Denmark

The national land-value tax levied annually at a uniform rate (now 6 mills or $1\frac{1}{2}$ d. in the £ on capital value), on all land, urban and rural alike, was instituted by the Act of 1922. General valuations of the whole country had already taken place in 1916 and 1920, which had assessed the composite value and the land-value of every landholding. The next general valuation took place in 1924. Succeeding that came the Act of 1926, which, with its other provisions, instituted the local rating of land values applicable to all areas and to all land within them. Since then, general valuations of the whole country were made in 1927, 1932, 1936 and 1945. Revaluations are to follow every fifth year.

Previous to the 1926 Act there had been in the towns certain old forms of house and ground burdens; in the country districts,

rates were levied on the capital value of land and buildings lumped together. The Act repealed that taxation in town and country and replaced it by (a) a separate rate on the land value of every property, accompanied by (b) a rate levied on the improvement value but at a lower percentage. Improvements were further relieved by exempting a given amount of their value, that exemption per property now going up to 7,000 crowns in the parishes, 11,000 crowns in the provincial towns and 14,000 crowns in the metropolis. From these rates, so levied, the local authorities were required to obtain at least as much revenue as they had obtained from their former real estate taxation. They could obtain more by reducing the proportion of the revenues coming from local income tax, an option, however, which the Act gave only in limited degree to the towns. The result is that the land-value rate cannot meanwhile apply with the same effect to urban as to rural land.

In 1933 the greater part of county taxation, which is levied only on real estate (there being no local income tax for county purposes) was transferred to the value of land apart from the improvements.

The local taxation returns for year 1946-47 show that the average of the land-value rates levied over the whole country was 11.91 mills (2.86 pence in the £) and the average of the rate on improvements subject to local taxation was 7.09 mills (1.70 pence in the £).

In 1947-48 the revenue from the national tax and the local rates on land values was 168,700,000 crowns, corresponding to £8,768,000. The following table shows how it was made up, stating also the basis on which the taxation was levied and the rates of tax imposed:—

				<i>Million Crowns</i>		
				Metropolis	Provincial	Counties and Parishes
Taxable land-value	...	...	...	1,511	939	3,705
Revenue from						
National tax on land-value				9.1	5.6	22.0
Local rates on land-value				13.4	5.5	113.1
				<i>Percentage Rate of Taxation</i>		
National tax	...	...	...	0.60	0.60	0.60
Local rates (average)	...	...	...	0.88	0.58	3.05
				<i>Equivalent Poundage</i>		
Tax and rates on land values						
(pence) ...	...	...	...	3.6d.	3d.	8.8d.

The significance of the considerable application of the land-value taxation principle to the country districts (counties and parishes), and accordingly, to the agricultural land, will not pass unobserved.

There is also a tax on "increments" which is based on the amount by which the assessed land-value on periodic valuation exceeds the land-value as it was assessed at the 1932 valuation taken as datum line. Various statutory deductions are made from

that difference and what remains of it is subject to an annual tax of approximately 2 per cent., which is levied over and above the normal rate and tax which falls upon the whole land value. This "increment" tax has affected only large increases in land value. In 1947-48 it produced a revenue of 6,000,000 crowns, equivalent to £312,000, *which is divided between the National Exchequer and the local authority.*

The Danish Government has now submitted the whole matter of land-value taxation to a Parliamentary Commission with instructions to consider the steps necessary for the full adoption of land-value taxation, that is to say, the collection for the benefit of the community of the land rent which is not collected nor collectible by present taxation, including the "increment" tax; to recommend legislation in regard thereto; and to examine its relevance to valuation, the relationship between title-holders and mortgagees, the distribution and use of land, and the reduction of taxation (upon production, trade and industry).

The systematic methods for the land valuation in Denmark are described by Mr. K. J. Kristensen, chief of the Department, in the Paper [which accompanied this Memorandum]. The valuation determines the composite value and the land-value of every separate holding, urban and rural, throughout the country, and among its efficient instruments are the published Land-Value Maps of each town and district which help to secure the co-operation of the public and their confidence that the assessments are in just relationship with one another.

The latest general valuation was that made in October, 1945, preceded, as already mentioned, by the general valuations in 1936, 1932, 1927, 1924, 1920, and 1916. On each occasion the work is done within twelve months. The cost of the 1945 valuation was £300,000 and in intervening the years intervening between the general valuations the supplementary expenditure is about £75,000 a year.

The following figures summarise the 1945 valuation returns of the total composite value and the total land-value (including property owned by the State and the communities) in the Metropolis, the Provincial Towns and the Counties and Parishes.

	Composite Value	Million Crowns	
		Land Value	(Population) (Thousands)
Metropolis	6,468	1,868	927
Provincial Towns	4,788	1,104	1,021
Counties and Parishes	9,434	3,815	2,097
	<hr/> 20,708	<hr/> 6,787	<hr/> 4,045

The totals are equivalent to £1,078,540,000 composite value, and £353,490,000 land-value. The land-value per head is equivalent to £105 in the metropolis; £56 in the provincial towns; £94 in the counties and parishes; and £87 for the whole country.

New Zealand

Local authorities in New Zealand may levy their rates upon (1) the annual rental value of the composite subject, land and buildings, or (2) the capital value of the composite subject, or (3) the capital value of the land alone, i.e., the "unimproved value," as it is named in New Zealand. The first two assessments are alike in incidence. They tax buildings and improvements and impose a heavier burden the better the land is used. They should be bracketed together for contrast with the alternative system, the "unimproved value," which taxes no improvements but obtains the revenues from land-values alone.

Where local authorities assess on the composite annual value they make the necessary valuations themselves. Otherwise the valuations are provided by the Department of the Valuer-General. In passing, a note may be made of the proviso in the assessment of the annual composite value. It is that in no case shall the annual value be less than 5 per cent. of the fee simple of the property. A similar provision attaches to "annual value" assessments in Australia, so that even where the "old system" prevails in New Zealand and Australia, it has not the curious phenomenon which the British system presents of valuable vacant land, or agricultural land for that matter, being treated as having no rateable value whatever.

Local councils decide by resolution whether to levy the rates on the annual value or the capital value of the composite subject. Adoption of the rating of land-values, of the "unimproved value" system, requires the approval of ratepayers on special polls taken for the purpose and it remains in force until a similar referendum should reverse it. Between all polls there must be an interval of at least three years.

Powers to rate on unimproved values, subject to ratepayers' approval as stated, were first conferred by the Rating on Unimproved Values Act of 1896, applying the system to general rates excluding those for water, gas, electricity, sewage and hospital and charitable aid. The 1911 amending Act struck out that exception so that adoptive polls after that date result in the levy of the rates on land values for all purposes.

The position arrived at (April, 1948) by the exercise of those powers is tabulated as follows :—

	Boroughs	Counties	Independent Towns	Total
Rating Land-Values :				
For general rates ...	31	22	4	57
For all purposes ...	56	38	13	107
Total ...	87	60	17	104
Rating Composite Value :				
Capital value assessment	18	64	14	96
Annual value assessment	22	—	3	25
Total ...	40	64	17	121
Grand Total ...	127	124	34	285

Thus the land-value rating system is in operation in the great majority of the boroughs and in nearly half the counties. It applies also in a number of road, river, land drainage and electric power districts. The larger cities include Wellington, Christchurch, Invercargill, Wanganui, Hamilton and New Plymouth, but Auckland and Dunedin have not yet come into line. Only in eleven cases have reversion polls been successful and in five of these the ratepayers, after retrial of the system of taxing improvements, were not long in voting a return to the rating of land values.

The valuation of the whole country is undertaken by the State Department, which was set up in 1896 subsequent to the institution of the Dominion Land Tax in 1891. It ascertains in respect of every property the capital value of land together with the improvements and the "unimproved value," i.e., the capital value apart from improvements. There is no general revaluation applying to the whole country as on one date. The districts are revalued from time to time as occasion demands and the dates of their revaluations differ. A recent amendment of the Act requires that the revision of any district must be made at least once in every five years.

The aggregate values of all rateable property as derived from the 1944-45 returns are as follows:—

	Composite Value Land and Improvements	Unimproved Land Value	(Population) No.
	£	£	
Boroughs ...	315,610,000	101,904,300	942,840
Counties ...	312,772,100	154,778,200	645,180
Independent Towns ...	7,093,400	1,773,100	28,050
	<u>£635,476,000</u>	<u>£258,455,600</u>	<u>1,616,070</u>

The land-value per head averages £108 in the boroughs, £240 in the counties, £63 in the independent town districts and £160 over the whole country.

Farm Lands in Boroughs

There are boroughs in New Zealand whose areas for various reasons far exceed any reasonable estimate of future borough development and the borough boundaries may extend into purely rural areas and so embrace numerous farms. The "Urban Farm Lands Rating Act, 1932" (amended in 1933 and 1935) was passed with the object of giving some rating relief to genuine farm lands subject to rates levied by borough (or city) councils, independent town boards and certain road boards.

New South Wales

The rating of land values is in universal operation throughout the State, deriving with negligible exceptions the whole rate-revenue of the Councils of the cities, municipalities and shires. The negligible exception is that in a few shires a special rate of small amount is levied on improvements, so small that it is not recorded in the returns of the Statistical Register. A larger exception to the rule that improvements are not rated affects the independent Boards, which administer the water and sewerage services in the Sydney metropolitan and Hunter River (Newcastle) areas and which levy their rates on the annual value of land and improvements taken together. As it happens, in the Sydney metropolitan area, for example, while the land-value rates imposed (1943-44) by the Councils produced £3,445,390, the water and sewerage rates amounted to £2,603,000. The two different systems are acting side by side and the expected further progress is that the water and sewerage rates will also be levied on land-values as they are in Brisbane (Queensland).

Local government was organised in municipalities and shires by the Acts of 1905 and 1906. Already since 1896 a State Land Tax of 1d. in the £ of unimproved value (but with an abatement of £240 from the total land value possessed by the taxpayer) had been in operation. This tax, with the abatement abolished, was handed to the local authorities and became the basis of their rate-revenue. In other words they were required to levy the rest of their rates either on the capital value of land plus improvements or on the capital value of the land alone and all of them (*before long*) decided in favour of the latter basis, *although there had to be several strenuous campaigns at first to bring them into line.*

The City of Sydney, as distinguished from the Sydney metropolitan boroughs, adopted the rating of land values under other legislation. The "City" had been incorporated much earlier. Up till 1908 the rates had been on the annual value of land and improvements. In 1908 some part of the rates were transferred upon land-values and in 1916 the land-values system was adopted fully *for City purposes, as distinct from the water and sewerage rates already mentioned.*

The aggregate of the land-value rates collected (1943-44) and the averages of the rates in the £ were :—

		Revenue from Land Value Rates £	Average of Rate in the £ Pence
Sydney and suburbs	... ..	3,445,390	5.24d.
Country Municipalities	... ..	1,442,770	9.13d.
Shires	... ..	1,602,700	2.60d.
		<hr/> £6,470,860	

Previous to the establishment, in 1916, of the department of the Valuer-General, the local authorities made their own valuations. Since then they have been required to use the valuations made by the department, excepting where shire councils may decide to employ their own valuer. The valuations are revised triennially. In the municipalities three valuations are made in respect of each property, namely, the capital value including improvements, the capital value exclusive of improvements, i.e., the "unimproved value," and the annual value of the land and improvements. In the shires, only the "unimproved value" is ascertained.

The expenses of the Valuation department run at £50,000 a year and they are more than recovered by the fees charged to the local rating bodies. The unimproved value is defined as: "The capital sum which the fee simple of the land might be expected to realise if offered for sale on such reasonable terms and conditions as a bona-fide seller would require, assuming that the improvements, if any, thereon or appertaining thereto and made or acquired by the owner or his predecessor in title had not been made."

The Valuer-General does not make the valuations within the City of Sydney. The city operates under its own charter and makes those valuations itself. But the city is exceptional in the fact that it makes only two assessments, namely, the "unimproved value" of the land alone and the "fair average annual value" of land and buildings taken together. In the city of Sydney no actual valuation is made of the "improved capital value" (i.e., the composite capital value of land and improvements taken together). The assessed "annual value" is used for the purposes of the water and sewerage rates, which are levied by the independent Board. The "unimproved value" is used for the levy of the city rates. In assessing the annual value of unoccupied land, such value shall be deemed to be a sum not exceeding 6 per centum per annum on the estimated capital value of such land.

While there is no actual assessment of the "improved capital value," in the City of Sydney the amount of it is estimated in the Statistical Register and is included in the figures given in the table below. The figures for the city of Sydney (that is, of course, the

central part of Sydney, excluding the metropolitan boroughs) were as follows for the year 1943: Assessed "unimproved capital value," £50,321,280; assessed "annual value" of land and improvements, £7,869,520; and the *estimated* "improved capital value," £174,878,160.

Summarised figures [of the valuation, 1943-44] show as follows:—

	Land and Improvements	Land Value "Unimproved Value"	(Population)
	£	£	No.
Sydney and Suburbs	522,367,280	157,822,140	1,377,810
County Municipalities	136,146,230	37,388,370	628,070
Shires	(not valued)	148,114,200	808,480
		<hr/> £343,324,710	<hr/> 2,814,360

The land-value corresponds to £105 per head of population in Sydney and suburbs; £59 in the country municipalities; £183 in the shires and £134 over the whole State.

Queensland

The principle of imposing local authority rates solely upon the value of land and exempting improvements was first legalised in Queensland by the Valuation and Rating Act of 1890 (*following upon previous enabling Acts*). The Act of 1890 made the new principle uniform without option throughout the State and the date of its passage marks it as the first legislative measure in the world to adopt the principle.

Later legislation has repeatedly confirmed it. The provisions are embodied in the consolidated Local Government Act of 1936. They are contained also in the Brisbane City Ordinances under the Act of 1924, which constituted Greater Brisbane as a largely self-governing unit when it incorporated six adjoining towns and ten surrounding shires, the city now covering an area of 384 square miles and comprising a population of 335,520. There, as elsewhere, all services are financed by the rating of land-values excepting only that cleansing (removal of garbage, etc.) is not on the rates but is paid for by specific charges.

The local authorities make the valuations which are revisable, at least once in every five years.* The valuations ascertain the land-value only, it being unnecessary to assess improvements since no rates fall upon them. The instruction to the valuers is that "The value of any rateable land shall be estimated at the fair average value of unimproved land of the same quality held in fee simple in the same neighbourhood."

In Brisbane, unlike in Sydney and Melbourne, the water and sewerage rates are levied on land-values, the city by the 1924 Act

* *Later legislation has established a Queensland Land Valuation Department.*

having taken over the functions of the boards which had heretofore rated upon land-values. The particulars as to Brisbane (1942-43) show as follows:—

Land Value	Urban Land	...	...	...	£20,290,200
Ditto	Rural Land	...	...	...	799,000
					<hr/> £21,089,200
Revenue from land-value rates					£1,869,110
Cleansing dues					£167,030

General rates on urban land are 1s. 4½d. in the £; on rural land, 6½d.; water and sewerage rates 8d. in the £ on occupied lands and 5d. on vacant lands.

The returns (1939-40) for the rest of the State are thus summarised:—

	Population	Land Value	Rates
33 cities and towns	236,420	£7,746,560	£451,020
121 shires	479,300	£43,961,480	£1,251,500

In these cities and towns, the land-value rate averaged 1s. 2d. in the £; in the shires it averaged 6½d. The assessed land-value per head of population works out at £63 in Brisbane; £33 in the other cities and towns, and £92 in the shires.

Victoria

Optional powers to levy rates upon land-values, instead of upon the annual value of land and improvements, became operative under the Act of 1920, the land-values system being applicable to all rates except for water and sewerage, which are administered by independent boards. The law, however, has laid down conditions which involve much time and trouble in the preparation and the holding of necessary polls for adoption. The same is the case in South Australia under the optional powers there given.

In Victoria, success has been attained in fourteen of the twenty-eight cities with in the Melbourne metropolitan area; in *four boroughs or towns outside it: Newtown-Chilwell, Hamilton, Portland and (latest) Echuca*; and in *three shires: Dandedong, Rose-dale and Yea*.

The fourteen metropolitan cities, these not including the city of Melbourne itself, cover 71,913 acres of the total *Metropolitan area of 125,926 acres, and they embrace 46 per cent. of the total population of the area*. Five of the fourteen adopted the land-values system in the last year or two. They are Box Hill, Kew, Moorabbin, Northcote and Preston. The nine others adopted the system between 1922 and 1926 and their experience of land-value rating is thus of more than twenty years' standing. They are Brunswick, Camberwell, Caulfield, Chelsea, Coburg, Essendon, Mordialloc, Oakleigh and Sandringham. *The latest information is*

that, taking the fourteen cities together their aggregate yearly revenue from land-value rating is £1½ millions.

Polls for the rescission of land-value rating can also be taken. These have been held : Brunswick (twice), Sandringham, Oakleigh and Dandedong, and on each occasion they were defeated with increasing majorities favouring the land-values system. In fact, nowhere in Australia has any local authority departed from land-value rating after its adoption.

The necessary valuations for the levy of rates on unimproved value are made by the local authorities themselves and they are revisable quinquennially. The definition of "unimproved value" follows closely the wording of the New Zealand statute.

South Australia

Enabling powers are given by which local authorities can abandon the annual value assessment of land and improvements, substituting "unimproved value" and thus levy all their rates upon land-values alone. The local authorities adopting the change can either make the necessary valuations themselves or they can use the valuations for the State Land Tax, which are revisable quinquennially. These powers are derived from the Land Values Assessment Act, 1893, and subsequent amending Acts, all incorporated in the Local Government Act, 1934-36. They are not easily operated because of the conditions the law has seen fit to impose before adoption polls can be taken or majority votes declared valid. The situation, however, is that the land-values system is in operation in six corporations in the metropolitan area, nine other municipalities and seven district council rural areas.

The metropolitan corporations (giving the date of adoption) are : Thebarton (1907), Port Adelaide, Hindmarsh, St. Peters (all 1910), Glenelg (1911), Colonel Light Gardens, a model garden suburb (1919).

The other municipalities are Moonta (1908), Mount Gambier (1910), Port Pirie (1911), Peterborough and Quorn (1912), Port Lincoln (1922), Murray Bridge (1926), Wyalla (1944), and Renmark (1946).

The district councils rural areas are : Kimba, Murat Bay, Loxton, Barmera (all in 1927), Minnipa and Le Hunte (1928), since amalgamated, Karoonda (1928), and East Murray (1930).

From the particulars for year 1947 of population, assessments and rates levied, the following summary is made :—

	Population	Land Value Assessment £	Land Value Rates Levied £	Rates. Average Pence in £
Metropolitan Corporations	83,670	4,325,100	130,100	7½d.
Other Municipalities ...	41,260	1,438,000	59,530	10d.
District Council Rural Areas	12,380	1,169,390	16,170	3½d.

The land value per head is £52 in the metropolitan corporations, £35 in the other municipalities and £93 in the district council rural areas.

Tried by long experience in so many places, the land-value rating system has found favour. The defeat of the three reversion polls—Thebarton (1913), Murray Bridge (1928), and Murat Bay (1945)—are testimony to that effect.

Western Australia

The local rating of land-values is universally applied in the country districts under control of the 127 Road Boards, which were first given that power in 1902. Rates levied on the "annual value" of land and buildings provide but a fraction of the revenue. It is only in the goldfields divisions, comprising 15 road districts, that they are applied to any extent as a supplement to the land-value rates. There remain the 23 districts which rate upon land-values only and the 89 districts which derive by far the larger part of their revenues from that source.

The total amount of rates levied—for the most part on land-values only—was £284,751. Under the Road Boards are 106 Local Boards of Health, 40 of which levy their rates wholly on land-values; and the Vermin Boards, which rate either upon land-values or upon an acreage basis.

With the exception of Albany, which adopted land-value rating in May, 1948, the rates in urban municipalities are levied on the annual value of land and buildings, but it is of interest to note that the annual value of improved or occupied land may in no case be less than 4 per cent. of its capital value, nor less than $7\frac{1}{2}$ per cent. in the case of unimproved or unoccupied land.

The Valuation Branch of the State Taxation Department controls the valuations of all land. The particulars as to the 127 road districts (1943-44) show a total land-value of £21,552,190, which, with a population of 257,840, gives a land-value of £83 per head.

South Africa

Provisions for Land Valuation

In South Africa local taxation *is based on the assessment of capital value*, that is to say the selling value of rateable property. For many years, as a matter of valuation procedure, it has been the practice to ascertain at the same time the value of land apart from buildings and improvements.

In the Transvaal, where the local authorities themselves make the valuations, which are revisable once every three years, this separate ascertainment of the land-value has been compulsory since 1903.

In the Cape Province, the practice was similarly legalised in 1912, since when, in 1914, a Central Valuation Department was established, which values all property, distinguishing the value of land, the value of buildings and the value of beneficial improvements. The times for the revisions of these valuations are left at the discretion of the Administrator. In the Orange Free State the rule is triennial valuations, which are made by the municipal councils. Ordinance No. 4 of 1913 required that valuations show separately the land-value apart from improvement. In Natal the local valuations are made "as often as may be deemed necessary."

It will be seen that, on the whole, the separate ascertainment of the land-value as an ordinary and customary procedure in the course of valuation, has not presented any problem; nor would it be possible or even rational to treat it as something which involves extra cost or additional time and trouble. The application of the valuations in the shifting of taxation from buildings and improvements so that it rests on land-values, either in whole or in part, is a distinct question.

Transvaal

The definition of site-value as given in the Transvaal statute is :
" ' Site value of land ' shall mean the capital sum which the land or interest in land might be expected to realise if offered for sale on such reasonable terms and conditions as a bona-fide seller would require, assuming that the improvements, if any, thereon or appertaining thereto, had not been made. The site value of land shall include any value due to any franchise, licence, privilege or concession attached to the site for the time being."

The law of rating and valuation was consolidated in Ordinance No. 20 of 1933. The rating of land-values was instituted in Ordinance No. 1 of 1916. It altered the system under which a flat rate was levied on the composite value of land and improvements. It provided, in effect, that there must be an "original" site-value rate of 1d. in the £ prior to the imposition of any rate on improvements, and it was permissible to levy the rates on site-value only up to a maximum of 7d. No rate could be levied on improvements unless it was accompanied by an equivalent rate (over and above the "original" rate) on site-values; nor could the rate on improvements be beyond the point at which its yield, together with the additional rate on site-values, would exceed the produce of a rate of 3d. in the £ on land and buildings taken together. The rates are payable by the owner. The stated maxima can be increased by the authority of the Administrator. These rates do not cover water, sewerage connections or cleansing services on private property for which separate charges are made. Another exception, so small that it can be ignored, is that for special reasons improvements on land held under a mining lease and not incidental to mining are rateable.

Under the provisions of the 1916 Ordinance the bulk of the local rate-revenue is obtained by the site-value rate, the local authorities having so exercised their option. Rates on improvements where they are levied range from $\frac{1}{2}$ d. to 2d. in the £, whereas the site-value rate is four or five times as much. In Pretoria, for example, the rates (1946-47) are $7\frac{1}{2}$ d. on site values and $1\frac{1}{2}$ d. on improvements. Johannesburg took the lead among the municipalities to levy the rates on site-values only, and for thirty years the improvements in that city have been completely rate-free. Similarly, in the townships and villages, the system has been applied either full-out or with a modicum of taxation on improvements.

The latest particulars from Johannesburg, where the periodic valuation was lately completed, shows as follows: Aggregate site-value, £90,658,700; aggregate value of land and buildings, £202,792,900; value of improvements, entirely rate-free, £112,188,400. The site-value assessment, which is the selling value of the land alone, is especially revealing. At 5 per cent. it represents an annual land value of £4,542,900, which is left in private possession after payment of the £2,792,900, which goes into the city treasury. The picture is, therefore, of a total annual land value of £7,335,800 available for the needs of the community without taking from any individual the results of his industry or enterprise—and the “sufficiency” of land values seems to be amply demonstrated.

Comment is necessary that the enactment, with all that it provides, is not a perfect measure. The limit placed on the poundage of the site-value rate is a drawback. If revenue requirements rise above what may be allowably met by the site-value rate, there must be resort to the taxation of improvements; or what is equally undesirable, if not more so, the council finds a revenue by over-charging for gas, electricity, or water and by making a profit on its trading departments, thus imposing a concealed indirect tax on the citizens, notwithstanding the fact that the vast fund of land-values rightfully belonging to the community is still richly capable of meeting their needs. As it happens, Johannesburg itself, and without exhausting its site-value rating powers, obtains much revenue in that way—no less than £400,000, according to its latest budget. The graver flaw in the enactment is the privilege allowed to the owners of certain lands “bona-fide and exclusively” used for agricultural purposes which are rated at one-fourth of the site-value. The provision applies to land of not less than three morgan in extent and to other land of any size which is definitely restricted to an agricultural use. In either event, revenue is sacrificed to a privileged interest and the efficacy of the site-value rate as a preventive of the speculation in land values which can intrude in that field is undermined.

Other South African Provinces

In the CAPE PROVINCE the two Ordinances of 1917 and 1918 gave municipalities the option of transferring rates from the assessment of the total value to the assessment of the site-value. East London and Cambridge, since amalgamated, exercised these powers at once and the rates in that municipality are now 2s. 0½d. on site values and 2½d. on improvements.* In July, 1945, Kimberley Town Council, supported by a poll of ratepayers (1,055 votes to 100) decided to institute the rating of site-values, taking effect on January 1, 1946, or as soon thereafter as the re-valuation (last made in 1924) was completed.

In NATAL the City of Durban has, since 1923, levied its rates so that the rate on improvements is half that on site values and the rates are now 7d. in the £ on site-values and 3½d. on improvements. The Durban Report (1922), which examined the case for the rating of land-values, is one of the most illuminating documents in the official literature relating to the question. Seventeen other local authorities in Natal have followed Durban's example, levying the rates generally in the proportion of 2 to 1 on site-values and improvements respectively, although some go farther. These seventeen local authorities are: Amanzimtoti, Colenso, Empangeni, Eshowe, Glencoe, Harding, Howick, Ipisingo, Malvern, Margate, Mooi River, Paul Pietersburg, Pine Town, Port Shepstone, Richmond, Stanger and Westville.

In the ORANGE FREE STATE, Ordinance No. 11 of 1925 conferred optional powers with respect to the town rate (but not the sanitary rate) so as to increase the poundage upon site-values and lower it upon improvements, or relieve improvements entirely. Eleven municipalities have exercised these powers in more or less degree. They are Bloemfontein, Bothaville, Clarens, Clocolan, Cornelia, Heilbron, Kroonstad, Odendaalsrust, Petrussteyn, Villers and Wesselsbron.

The latest to join was Bloemfontein, the Council having unanimously resolved in November, 1944, to adopt site-value rating in full by transferring the rates upon site values in stages spread over three years and beginning in April, 1945. At the same time the Council urged an amendment of the 1925 Ordinance enabling local authorities to base the sanitary rate also upon site-values. The debate in the Council, fully reported in the daily "Friend," November 27, 1947, carried much instruction on the rating system in general, and the "Friend's" leading article welcoming the Council's decision found opinion in favour "strengthened by the fact that at the recent Conference of estate agents held in Durban—a Conference attended by men with an intimate knowledge of property values and the public needs both as regards sites and

* East London was revalued in 1948, the valuation showing a total site value of £4,435,485 and a total building value of £12,000,108. The rates are now (1949) levied at 1s. 3½d. on site values and ½d. on building values.

buildings—the principle of ‘site rating’ (all rates upon site values) was definitely endorsed as the most advantageous system from all points of view.”

Rhodesia and Kenya Colony

A note is added on these countries. The Rhodesian Municipal Ordinance of 1914 permitted municipalities to differentiate in their rating between land and improvements. In 1915 Salisbury gave effect to this by altering the incidence to make the rate on land-values four times the rates on improvements, and Salisbury's rates are now 7d. on site-values and 1d. on improvements. In 1917 Bulawayo took similar action, followed later by Gatooma, Gwelo and Que Que.

In KENYA COLONY, Nairobi has, since 1921, levied its rates on land values only. The Taxation Enquiry Committee, appointed in 1947 by the Government, in the part of its Report dealing with local taxation, recommends wholly in favour of the “site rate” which levies rates on land values only as distinguished from the “differential rate,” which levies a lower rate on improvements than on land values, and the “flat rate,” which is imposed equally on land and buildings as a composite subject. The Committee was not content with any rating of improvements. We quote from paragraph 62:—

“The flat rate system has no part in the rating policy of municipalities and need not be commented upon. Under the site-rate system . . . no penalty is entailed in the erection of new buildings or the improvement of existing buildings. A valuable incentive to property owners to improve their holdings is, on the other hand, withheld under the differential-rate system. Moreover, on a site-rate basis the owner may in all respects be said to bear his due proportion of the costs of communal municipal services. It conforms no less well to the revenue norms of elasticity and certainty; it is equally economical to administer. . . . From the fiscal point of view and bearing the present need to encourage development, the Committee favours the site-value system in the taxation pattern of the Colony and the principle of levying a comparatively high rate on land, thus ensuring that it will not be left idle or insufficiently developed for long, rather than the taxation of improvements.”

The foregoing evidence was examined orally on May 31, 1949, by the Interdepartmental Committee on Site Value Rating. Representatives of the United Committee at this meeting were Messrs. Rolland O'Regan (New Zealand), Ashley Mitchell, R. D. Young, V. H. Blundell and A. W. Madsen (Secretary).