

Public Charges on Land Values in Australia

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As the community develops need arises for a greater range and better quality of public utilities and services. These necessitate increasing public revenues which can only be met by public charges which draw upon the pool of wealth produced by the citizens.

These public charges fall ultimately into one or other of two types.

With one, public charges are based directly or indirectly upon the actual value of the wealth produced or used by the citizen. In this class are income taxes, sales taxes, pay roll taxes, tariffs, excise, local taxes upon buildings or cultivation. The effect in each case is to reduce the incentive to produce more.

With the other, public charges are based upon the wealth producing **potential** of land irrespective of whether it is developed or not. To this class belong land taxes and rates upon the site-value of land apart from improvements, ground-rentals, timber and mining royalties. The charges, being fixed commitments based upon potential, give full incentive to development in the knowledge that any excess above the fixed charge remains with the producer.

The first takes for public uses part of the privately produced values given to materials by labor and capital. The second absorbs for public purposes part of the publicly created rental value of land which reflects the concentration and standard of public services and utilities available.

This site-rental value is a natural and just source upon which the community is entitled to draw to maintain and extend its utilities on which that value is based.

To the extent that public revenue is increasingly shifted from privately-created values to the publicly-created rental or capital value of land (exclusive of improvements), we approach a clear-cut functional ideal of taking for the community that value which justly belongs to it, while leaving the individual owner in full possession of the value due to his own effort.

With most countries public revenue charges are a mixture of these two elements. Income taxes, for example, fall mainly on wealth actually produced but in the process absorb part of the site-rental where land is put to use (but none where its potential is untapped). Again, rates and taxes upon real estate fall partly upon the value of the improvements and partly upon the value of the site.

In Australia, the shift of public charges or taxes from privately-produced values to community-created land values has gone further than with most other countries. This is a major (though not the only) factor contributing to the high living standard enjoyed by Australian people as a whole.

This high standard is all the more surprising when account is taken of the relatively small population, comparative infertility due to the poor rainfall over most of the continent, and the enormous distances making transport costs inordinately high compared with more compact countries.

The weight of public charges on land values varies greatly among the six States. These differences in public revenue policy operating over many years are attended by equally marked differences in the prosperity and development of the States.

In 1945, the Land Values Research Group published a survey comparing the extent to which public charges on land values had replaced other taxes in each of the six States. It also compared their effects as shown by key indicators of development. These results were contained in a booklet "Public Charges on Land Values." The Research Group has now made a new assessment of the further developments of the post-war years to 1958.

This shows that in most States further spectacular advances have been made in the proportion of the ground rent collected for public revenue. The earlier survey took account only of charges levied directly upon land values, ignoring that part of local taxes on the Net Annual Value basis which falls on land values. The most recent survey has taken account of this part as well as direct charges, but the comparison below is on the old basis, comparing only direct charges on land-values as a proportion of the apparent ground rent. This is given so that the great advances achieved in the post-war period can be seen.

State	Direct public charges upon land values as a proportion of the apparent ground rent	
	@ 1939/40	@ 1957/58
Land Value Rating Group		
Queensland	54.5	66.1
New South Wales	29.8	50.0
West Australia	16.6	32.5
Annual Value Rating Group		
South Australia	14.4	23.5
Victoria	8.8	24.0
Tasmania	7.6	9.5

The table above shows the spectacular post-war advances in collection of land values for public purposes in lieu of other taxes. They are particularly great in New South Wales, West Australia, South Australia and Victoria.

In South Australia a further 11 local government units have changed to the site-value rating basis since the pre-war survey. In Victoria 29 have changed to that basis, and in West Australia five of the 21 municipalities exercised optional powers given them under recent legislation to make this change. In Victoria, the State Rivers & Water Supply Commission changed to the site-value basis for its Irrigation and Rural Waterworks Districts. In Queensland and New South Wales substantial extensions of irrigation systems occurred financed by water-right charges based on acreage or

site-value rates. Only in Tasmania was there no substantial advance made in collection of public revenue from land values in lieu of other taxes. In all States the necessity to rely increasingly on their own revenues instead of Federal Government handouts led to increased taxation of land values by State Governments.

However, the above table does not give a real picture of the comparative levels of public charges on land values as it shows direct charges only. In addition, about 25% of the local rates based on Nett Annual Value fall on the site as distinct from the improvement values. This mainly affects South Australia, Victoria and Tasmania. Making allowance for this the apparent proportion of the ground rent absorbed for public services in the States becomes:—Queensland (66.1%), New South Wales (53.0%), West Australia (38.8%), South Australia (32.5%), Victoria (33.7%), Tasmania, (24.0%).

The apparent ground rent has been approximated by adding to the total yield of the public charges levied on land values 5% of the assessed unimproved capital value (which is the capitalized rent remaining in private hands). This understates the true ground rental because official valuations lag far below market values. Assuming these official valuations in each State to be only half the current market value the true relative proportions of the ground rent absorbed for public purposes would be:—Queensland (50%), New South Wales (36%), West Australia (24%), South Australia (19.4%), Victoria (20.3%), Tasmania (12.6%).

The account in the accompanying tables is incomplete since it does not include mining and timber royalties, nor rentals drawn from railway and other public properties let on building lease, the totals being substantial. Nor does it include any allowance for part of the income tax on developed properties falling on the site-value. Without these the public charges raised from land values in the six States accounted for in the table totalled £100,175,000. This does not include the Australian Capital Territory with approximate charges of £500,000 in land rentals and rates.

The measure of practical adoption of our principles in most States is most impressive, and the results in material prosperity a source of envy to other nations. But we are still a long way from our goal of collection of the full economic rent for public purposes in lieu of taxation. Let us point to the benefits that have already followed the practical application so far and demand extension of this just principle to further fields of public revenue.

"Public Charges on Land Values," Booklet obtainable price 1/- (plus postage 6d.) from:

Land Values Research Group, 52 Guildford Road, Surrey Hills, Victoria,

or

Henry George League, 18 George Parade, Melbourne, C.1, Vic.

EXTENT OF PUBLIC CHARGES ON LAND VALUES IN AUSTRALIA **Year Ended 30th June, 1958**

Nature of Charge	Queensland	New South Wales	West Australia	South Australia	Victoria	Tasmania
1. Land Rentals	£ million 3.029	£ million 1.500	£ million 0.186	£ million 0.199	£ million 0.421	£ million 0.027
2. Land Tax	1.468	6.002	1.522	1.390	4.607	0.407
3. Local Government Rates						
(a) General Rates						
Directly levied on U.C.V.	12.180	32.175	2.138	1.461	6.575	—
Part (25%) of levy on N.A.V.	—	—	0.333	0.926	3.028	0.501
(b) Water and Sewerage						
Levied direct on U.C.V.	6.200	2.734	—	0.268*	0.125	—
Part (25%) of levy N.A.V.	—	2.996	0.499*	0.819*	2.370	0.177
(c) Electricity and Gas						
Levied on U.C.V.	0.001	0.360	—	—	—	—
(d) Main Roads						
Levied direct on U.C.V.	—	1.083	—	—	—	—
4. Irrigation and Water Commissions						
Levied direct on U.C.V.	0.065	—	—	—	0.719	—
Part (25%) of levy N.A.V.	—	—	—	—	0.098	—
Water Rights @ charge/acre	0.037	0.837	—	—	0.814	—
Total Public Charges (ie., Ground rent collected)	22.980	47.687	4.678	5.063	18.757	1.112
Apparent Ground Rent in private hands (@ 5% of U.C.V.)	11.770	42.275	7.215	10.490	36.745	3.513
Apparent proportion collected	66.1%	53.0%	38.8%	32.5%	33.7%	24.0%

* Controlled by Government Departments in these States. U.C.V. means Unimproved Capital Value.
N.A.V. means Net Annual Value of Improved Property.