Appeal to our readers

NOT SINCE the 1930s has the editorial philosophy of *Land & Liberty* been more relevant. The economy of the free world is virtually in ruins. In the absence of a convincing political philosophy capable of navigating the decision-makers through the hazards of the next few years, a fresh interpretation of the facts is vital.

***Land & Liberty* with Fred Harrison, who has been re-appointed Editor, and his team of correspondents, will continue to expose the weaknesses in official policies and present the crucial issues which – all too often – are ignored as irrelevant.**

But we need money.

Subscription rates have not been increased since January 1978 despite ever rising production costs. And we expect to maintain our rates at their present levels for the foreseeable future.

But, if we are to provide the service that is expected and have the resources to ensure the future of the only international journal devoted to land tenure and taxation reform, free trade and individual liberty, then we need **YOU** *to play a part.*

We are appealing for donations. We know that you have been generous in expressing your appreciation of our efforts in the past. We ask you to make a special effort now.

ACTION **Send your donation now,** *or,* **if you feel *Land & Liberty* is worthy of your support, write and tell us whether you can give a certain amount each year in addition to your annual subscription. Cheques – in any currency – should be made payable to "Land & Liberty Appeal" and sent to us at 177 Vauxhall Bridge Road, London SW1V 1ER, England.**

Barbara Sobrielo
Secretary

Tony Haviland-Nye
Treasurer

NEWS IN BRIEF

POLAND'S Marxist rulers, while continuing to suppress the urban proletariat, has now decided to allow farmers to increase the size of their privately-owned farms.

The Government is proposing that the maximum size of private farms, which produce 70 per cent of the country's food, can be increased from 50 to 250 acres.

According to PAP, the official Polish news agency, the proposed new agricultural laws would help farmers to "reinforce their sense of ownership," and enable them to "develop economically strong and productive farms."

AGRICULTURE Minister Edith Cresson is distrusted by French farmers. At first, she tried to deflect criticisms by launching a crusade on a variety of fronts, including plans to control land speculation without regard to the laws of inheritance. But following increased tension in the rural sector, the socialist minister has had to change her priorities and take up the cudgels on behalf of the farmers in their battle to squeeze higher prices out of the Common Market.

ANOTHER "Green Paper,"[1] more acceptable than the Government's, has been published by The Land Institute.[2] It is important to note that this appeared a month before the Government's Paper, anticipating much of its content. In the Institute's publication, both the case for and the case against the abolition of domestic property rating is set out in full. The paper is well written, accompanied by the tables of rating statistics, and well organised.

The Institute provides and examines a range of arguments, contributions to which were sought from known sympathisers of abolition and from those opposed to it. These arguments include: difficulties of administration (valuation and re-valuation, rate rebates, appeals, collection etc.), unpopularity, incomprehensibility and the exclusion of millions of residents from rate contribution because they are not householders.

In a general comment the Institute says that the abolition of domestic rates will lead quickly to the abolition of the whole property tax and that it is inconceivable that non-domestic ratepayers would continue to be prepared to meet a rates bill of £4,740 m., thus funding the cost of local services, net of government grant and of an equivalent source of revenue to replace domestic rate income. The *total* amount that would have to be found through substitute sources of local revenue, is currently £8,750 m., the equivalent to an increase of 30 per cent in revenue from income tax.

The Institute also observes that the proposal to abolish property rating appears to be running into party political trouble in that leading figures in the Labour Party and the new Social Democratic Party are now advocating (without any research into the matter) the abolition of the rating system in its entirety.

The point that not all residents contribute to local revenues is answered thus:

> **"Rating, as a property tax, is not meant to hit every resident and never was. It is aimed at, and directly hits, the occupiers of every property, apart from minor statutory exemptions. No rated occupier escapes. If we are rating or taxing land then no parcel of land would escape. The argument that rating misses residents is totally irrelevant. It does not hit every resident, it hits every *residence*, and that is the basis of rating."**

This is a valid point though it raises some interesting questions regarding the economic and fiscal effects of taxing an elastic factor (buildings) combined with the inelastic factor (land) as if the two parts responded uniformly to taxation simply because they are called "land" when combined.

On another point, the Institute says:

> **"The view that rating is incomprehensible will be questioned by those whose professional activities bring them into contact with ratepayers. There is little evidence to support the statement. To those who pay rent inclusive of rates, it is not an observed tax at all. Those who pay rates are mainly the house-owners who do understand what it is all about."**

Our own view of the economic effect of abolishing rates is supported:

> **"Scrapping domestic rates would merely bolster house prices and ease the way for rent increases."**

The final comment on central taxation as the chosen reform is:

> **"Evasion of a property tax (rates) is virtually impossible. The so-called black economy flourishes under our income tax system. Why switch an extremely efficient source of taxation to one where untold millions of revenue is uncollected?"**

The Institute's own suggestions for rating reforms do not meet all the requirements of pure site-value rating theory – largely, we think, because of what it would consider to be practical political difficulties. But whatever the reasons, their proposals go a very long way indeed in supporting the arguments for rating reform long advocated by this journal.

IN DEFENCE OF THE PROPERTY TAX

● **VIC BLUNDELL reviews the arguments for and against the abolition of the rating system in Britain.**

Among these proposals is the re-rating of agricultural land which has escaped its contribution since 1929, the effect of which has been to bolster the price of farm land.

It is a pity, however, that this excellent proposal includes the rating of agricultural *buildings,* which would tip the scale against those farms with modern and well-equipped buildings.

In discussing the re-rating of agricultural land, the Institute – wrongly, we think – considers de-rating in times of agricultural depression excusable:

> "Motives for giving relief cannot be questioned when economic stress afflicts a whole industry and that was the case with agriculture rather over a century ago."

Since de-rating ultimately boosts the rent and price of land, the beneficiary is the land owner not the industry, as we argued with historical evidence in our issue of November-December, 1980.

This criticism apart, the case for rating agricultural land is well reasoned and arguments to the contrary are effectively disposed of.

The Institute calls for the total exemption of improvements from taxation in the non-domestic section – in short, for site-value rating. But it is proposed to restrict the valuation of sites to their existing use and the reason given for this is that restricting site-value rating to developed sites will not raise the development and planning problems associated with the use of site-value rating for all sites, developed or vacant, and will not involve consideration of latent development value. This is true enough but it would be at the cost of negating the sound principle of "highest and best use" which the market for land reflects and, of course, idle sites would tend to remain idle without the spur of a site-value rate.

The latter point apart, it has been argued elsewhere that for the vast majority of residential properties, existing use equates near enough to highest and best use, given that planning permission would not be forthcoming for any appreciable change of use in residential areas.

The many administrative, legal and valuation advantages of site-value rating are pointed out as well as those arising from the reduction of appeals, now related largely to structural alterations.

The Institute rightly favours the basing of valuations on annual values (an important principle of site-value rating,) rather than capital values, and it rightly argues for charging rates on ownership instead of mere occupation, saying:

> "... a property tax charged on occupiers as such is illogical and, among nations imposing property taxes, a freak."

The case for the abolition of *non-domestic* rates is also examined and the Institute concludes that in the light of existing circumstances, the abolition of non-domestic rating is as impracticable as the abolition of domestic rating.

On exemptions from rating, the Institute says that aid to worthy causes should be by direct government subsidy not by rate relief, but

> "acknowledges that any review in present circumstances is likely to be quite unacceptable so far as religious and charitable beneficiaries are concerned . . ."

This document, despite the objections we have raised, is far superior to anything produced by government departments. While the Institute makes concessions to what it no doubt regards as the politically possible, it does not misrepresent or avoid views contrary to its own. It is a handy booklet for those wishing to know more about those aspects of local taxation which are in the forefront of today's discussions on rating and gives a lead to sound thinking and sound principles in the field of local taxation.

1. *Rating – Has it a Future?* The Land Institute, 93 High Street, Epsom, Surrey. 32pp, A4, not priced.
2. A body of professional people concerned with rating, valuation and other aspects of land economics, legislation and taxation.

LETTERS

RENTS AND RATES

SIR – I find it absolutely incomprehensible that so many people think that rates are closing down small (and presumably large) traders' businesses.

According to Lloyd's Bank Bulletin and the Confederation of British Industry, it is estimated that rates represent about five per cent of the turnover of industry and commerce, but neither authority tells us what the percentage of turnover is in terms of rent or its equivalant in mortgage interest or interest on debenture shares.

An analysis in North London shows the initial lettings of retail shops and rent reviews are producing rents three to three and a half times what the trader will pay in rates.

The differencea between rates and rent is that rates produce services while increases in rent produce nothing at all. Rents are inflated because rates are subsidised and because income tax is allowed to the trader on both rent and rate payments.

As a landlord, I receive the rate support grant intended for my tenant and as a tenant, I lose my rate support grant to my landlord. Human nature being what it is, I don't return it to my tenant and my landlord doesn't return it to me.

Reduction of support of the rates is causing increases in the rates and increased rates mean reduced rents on initial lettings and at rent reviews. We do get something for the rates.

T. A. ENDE,
Finsbury Park, London N4

THE LAND REGISTER

SIR – Certain planning committees in Britain consider the Land Register defining land considered surplus to the requirements of local authorities, nationalised industries and other public bodies, to be less than satisfactory.

The Register is by no means comprehensive. There is little reference to land owned by nationalised industries, statutory undertakings and Government and public bodies.

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