

Compromise or Realism?

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AN ATTEMPT to make a form of land-value taxation "politically acceptable" is contained in a submission to the Committee of Inquiry into Local Government Finance by Mr. Scot Young on behalf of Dover Liberal Association.

On the ground that the residential sector, unlike the industrial and commercial sector, is not engaged in financial enterprise, the submission proposes that residential land should be classified into two categories, "improved residential" and "unimproved residential" and that the former should be subject to "a low assessment." "Unimproved residential" land (vacant residential sites) and derelict property would be subject to a full site-value tax.

"The full application of site-value rating to residential land, as presently proposed, would probably be too radical and politically unacceptable in the United Kingdom at present."

The assumption appears to be that residential properties on average now pay less under the existing system of taxing improvements than they would under one of taxing site value alone. This is not borne out by the 1963 and 1973 Whitstable surveys. If it be claimed that Whitstable provides only

isolated evidence for this argument then, one may legitimately ask, upon what evidence is the contrary argument based? The paper offers the answer that owners with large gardens would pay more site-value tax than owners with small gardens. But so they do today - other things being equal, and it would be no great burden if their gardens continued to be assessed at "garden value" and nothing else as they would be under site-value rating. But Mr. Young has another justification for not taxing gardens (which if he retained the present system for valuing residential houses he would automatically do anyway) and that is that a garden brings in no extra income, "and in that respect bears no relationship to ability to pay."

Rating on a site-value basis for residential properties is further rejected because Mr. Young considers it would unfairly penalize a house owner if development around him increased his land value. To this it must be answered that at least the higher value would be realisable without further tax (or it would not be included in a new assessment) whereas under the present system every realisation of land value potential is taxed through a higher

valuation Mr. Young may call his plan a political expedient but hardly "an equitable system" of rating.

The odd thing is that on the very first page of this evidence appears the following: "Taxes on residential land and property should not discourage the maintenance and improvement of property and the optimum use of sites . . . the present rating system discourages property owners from improving their houses . . ."

The foregoing apart, what is the objection to the workable system of having a lower *rate* on residential properties? This would work equally well under site-value rating while retaining the basic advantages of the change in assessment procedures. That is, of course, if residential properties *must* get preferential treatment.

Under Mr. Young's scheme, the industrial and commercial section would be rated on a full site-value basis. Rates would be collected by a central authority and distributed among local authorities according to need. (Local authorities and decentralists would prefer it the other way round although a form of equalisation of site revenues would be acceptable.)

An appendix describes a modified system of land-value taxation at present in operation in Hawaii - that is, a system that taxes land separately from buildings and improvements and at a different rate. Some interesting and simple tax analysis charts are given. (Site value taxation is often opposed as impractical, too costly, too difficult etc. Hawaii has apparently had no difficulty in introducing it and retaining and working the old system at the same time!)

Scot Young has been very influential in the Liberal Party and deservedly so. At heart he wants only to follow the unadulterated theory of site-value taxation. As a politician he discerns political snags in this. "Politically possible" is his guiding star and if that means compromising the true principle of LVT, then so be it never mind what snags and inconsistencies his own course reveals. For ourselves, we can only say that we have been up that road before.