

CHAPTER II HISTORICAL

ISOLATED examples of local rates are found in England at an early date. The embanking and draining of Romney Marsh, for instance, was paid for by a rate levied upon the proprietors of the adjoining lands.

The general system of rating dates from the Poor Relief Act of 1601 which created the "Overseers of the Poor" and authorized them to raise money "by taxation of every inhabitant, parson, vicar, and other, and of every occupier of lands, houses, tithes, coal mines or saleable underwoods in the said parish . . . according to the ability of the same parish."

Under this statute movable property could have been rated, but in practice any attempt to do so was abandoned long before the Poor Rate Exemption Act, 1840, gave legal sanction to the exemption of such property. Similarly, although the annual value of property was in practice adopted as the measure of "ability" it was not until 1836 that it was given statutory authority by the Parochial Assessments Act of that year. As thus developed local taxation in England was based upon the rateable value, which might be broadly defined as the amount of rent which a tenant on a yearly tenure might be expected to pay for the property in its existing condition on the assumption that he was liable to maintain it in that condition. As the rate was a charge upon occupiers, nothing was payable during any period in which the property was unoccupied.

Although this system was, and sometimes still is, de-

fended as beneficial and equitable, it has not been able to withstand the pressure of various interests. Many arbitrary changes have been made in it from time to time, and it is now a complex structure which is incapable of rational defence.

The Agricultural Rates Act, 1896, exempted agricultural land from one-half of the poor rate, the deficiency in the yield of the rate being made good to the local authorities by a Government grant. This exemption was increased to three-quarters in 1923.

The Rating and Valuation Act, 1925, exempted certain machinery and fixed plant from assessment.

The "De-rating" legislation of 1928-29 exempted agricultural land and buildings (but not farm dwelling-houses) entirely from rates, and exempted industrial hereditaments and freight-transport hereditaments from three-quarters of the rate.

As a result of these exemptions a special benefit was given to the owners of the lands affected. This benefit has been at the expense of heavier rates upon the occupiers of other property or heavier taxation to raise the new Government grants given to local authorities to compensate them for the loss of rate-revenue from the de-rated properties.

By the Rating and Valuation Act, 1925, many changes were made in the machinery of local rating. The councils of county boroughs, boroughs, urban districts and rural districts became the rating authorities, and the powers of the overseers were transferred to them. The Act also required valuations to be revised every five years, a requirement which previously had only been in force in London where rating procedure is governed by special statutes. These changes conduced to the appointment of permanent rating and valuation officers, and to a much

improved technique of valuation. It may be remarked that county councils are not rating authorities. The rate-revenue they require is apportioned among the county districts in their area, and the rating authorities of these districts collect the rate-revenue of the county together with that required for their own purposes.

The intentions of the 1925 Act were not carried out. Various difficulties culminating with the outbreak of war prevented the periodical valuations from being made. After the war the responsibility for making valuations for rating was transferred from the local authorities to the valuation officers of the Department of Inland Revenue. A new definition of rateable value was enacted and repealed before effect was given to it. Eventually a new valuation was made in which the dwelling houses were valued at the rent they might have been expected to yield if they had existed and been let at 30th June, 1939. Other properties were valued on the basis of current values, but a further complication was introduced by the Rating and Valuation Act, 1957, which in effect provided that properties, other than houses and the various classes of property which are "de-rated," would be rated on four-fifths of their value. The Rating and Valuation Act of 1959 postponed the making and coming into effect of new valuations until the rating year 1963-64, at which time the valuation of houses was to be on their current value.

Under the Rating and Valuation Bill, 1961, it is proposed that, as from 1st April, 1963, industrial and freight transport hereditaments shall be rated once more on their full value and the Minister of Housing and Local Government is empowered to make an order, subject to Parliamentary approval, providing for the rateable value of houses to be a percentage of the full value.

Although the Scottish system of rating at one time differed from the English in certain respects, it is now substantially the same as in England except that the valuations continue to be made by the local authorities.

In both countries the valuation, and therefore the burden of the rate, depends upon the use which is being made of the land at the time of valuation and the degree to which it has been developed. This is the fundamental feature of the system in each case, and determines the economic consequences of it.

ENQUIRIES AND LEGISLATION

In 1885 the Royal Commission on Housing drew attention to the fact that "land available for building in the neighbourhood of our populous centres, though its capital value is very great" is rated "not in relation to the real value, but to the actual annual income". The owners "can thus afford to keep their land out of the market, and to part with only small quantities so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position". The Commission suggested that such land might be rated "at, say, 4 per cent on its selling value".

The question of land-value rating was considered by the London County Council as early as 1889 and by the Glasgow Town Council in 1891 and both of these bodies took an active lead in favour of this proposal during the subsequent decade.

In 1901 the Royal Commission on Local Taxation issued its final report. The chairman, Lord Balfour of Burleigh, and four other commissioners submitted a separate report in which they recommended that urban authorities should be empowered to levy a special site-value rate.

Between 1901 and 1905 six Bills for the rating of land values were introduced in the House of Commons. Three of these received a majority on second reading, but, not obtaining facilities from the Government, advanced no further.

In 1906 a Bill for the local taxation of land values in Scotland received a second reading and was referred to a Select Committee of the House of Commons presided over by Mr. Alexander Ure, K.C. (afterwards Lord Strathclyde). The Committee reported in December, 1906, completely endorsing the principle of the Bill, and recommending that land value should be the sole standard of rating.

In pursuance of the recommendations of this Committee, Government measures were introduced in 1907 and 1908 for the purpose of securing a valuation of land in Scotland, but they were rejected or mutilated by the House of Lords.

In order to overcome this opposition the Government decided to introduce the principle through the Budget, and the Finance (1909-10) Act, 1910, embodied four taxes which fell upon land under certain circumstances, but it failed to apply the simple principle of a straightforward tax on the actual value of land apart from improvements. Four different kinds of values had to be ascertained, improvements had to be valued, the taxes fell in an irregular and partial fashion, and the whole measure was complex and unworkable. The promise of the Government to bring in amending legislation was frustrated by the war and the legislation was ultimately repealed by the Coalition Government in 1920.

When the final report of the Departmental Committee on Local Taxation was issued in 1914, a minority of the Committee made a considered recommendation

in favour of site-value rating, but the war intervened and no further legislative progress was made.

In the Finance Act of 1931 provision was made for a valuation of land value and for the imposition of a national tax of small amount, and the Chancellor of the Exchequer indicated that the Government intended to make the valuation available for purposes of local rating. Before it could come into operation this measure was suspended and subsequently repealed by the National Government which came into power shortly after it was passed.

Meanwhile the demand by local authorities for power to rate land values continued to be expressed. In February, 1906, a deputation from 118 local authorities had presented to the Government a petition signed by 518 local authorities urging legislation for the separate assessment and rating of land values.

Since the latter part of the last century many local authorities have passed resolutions in favour of the rating of land values. Some have called conferences on the subject, and a number have introduced bills in Parliament for the purpose of enabling them to carry out the principle. Among those which have taken a leading part mention may be made of the London County Council, the cities of Glasgow, Manchester, Bradford, Stoke-on-Trent, Sheffield, Newcastle-on-Tyne, Hull, Inverness, and Cardiff, and the counties of Cardigan, Pembroke, Glamorgan, Monmouth, the Isle of Wight, and the West Riding of Yorkshire.

Particular mention may be made of the London County Council which gave evidence in favour of the rating of land values to the Royal Commission on Local Taxation of 1896 and promoted a Bill in Parliament in 1901. In 1936 pursuant to a Report by its Finance

Committee containing a masterly survey of the question it passed a resolution once more approving this policy and requesting the Government to introduce legislation to give effect to it. As the Government declined to act, the Council prepared and introduced in the session 1938-39 a Private Bill, the London Rating (Site Values) Bill. The Speaker of the House of Commons ruled that as the Bill "raised questions of public policy of great importance" it should not be allowed to proceed as a private bill. The Rt. Hon. Herbert Morrison (now Lord Morrison of Lambeth) thereupon sought the leave of the House under the "ten minutes rule" to introduce the Bill as a Public Bill but the motion was defeated by 229 to 135.

In this Bill the necessary provisions for putting the rating of site values into operation were carefully worked out, and it may well serve as a model for subsequent legislation with such alterations in detail as may be necessitated by later amendments of the general law of rating.

In September, 1935, the Cardiff City Council called a conference of Welsh local authorities which passed a resolution demanding powers to rate land-values, copies of which were circulated to all the rating authorities and county councils in England and Wales.

Since the Second World War various local authorities have renewed the demand for power to rate land values.