

APPENDIX 5

PASSING ON THE RENT LEVY

Dialogue in Tasmania between FRED AULD and The Hon. W. A. BETHUNE M.L.A., reprinted, abbreviated, from "Good Government" (Sydney) for December 1966.

Dear Mr. Auld,

Land Tax can be and is passed on to the consumer as part of the cost of providing goods or services, in most cases with the addition of the normal profit. In common with many other taxes it suffers from the inherent fault of a tax levied without regard to the ability of the taxpayer to pay, and to this extent is inherently obnoxious.

W. A. Bethune.

Dear Mr. Bethune,

To regard land as a material possession along with man-made products is to make a fundamental error in economics. Production of man-made products is limited only by demand, and may continue 'ad infinitum'. Land, of course, is not produced. Its supply is fixed. As all man-made products have their source in land, to own the land is the ultimate in power. Land throughout the world is owned by a minority. Every site-owner will charge a tenant a rental according to the potential advantages of that site as compared with available inferior land (sites). Where land-ownership is comparatively diverse, as in Australia, any increase in rent without regard to this general law will drive away the tenant.

Suppose a levy of 25% land (value) tax on all sites. This in effect takes 25% of the rent from the landlord. This does not affect the tenant who continues to pay the economic rent (100%) just as before. The only difference is that the landlord now retains only 75% of it.

Can the landlord now increase the rent to 125% of the now prevailing rent? If he does so the tenant has the choice of paying the extra or moving to a cheaper site.

This shows that a landlord cannot increase the rent merely because land-value tax has been applied, which means that a land-value tax cannot be passed on.

An apparent minor exception where the tenant decides it is better to pay a minor increase in rent rather than move is seen, on examination, to be no exception at all.

Fred Auld.

And see Par. 96.