

## CHAPTER VII.

### ACHIEVEMENTS.

In Canada, Australia, England, and Germany, the last fifteen years have seen important changes in the methods of taxation, which single taxers justly consider advances in the direction of the single tax.

#### (A) BRITISH COLUMBIA.\*

Of the nine Canadian provinces, three have taken important steps toward the single tax. In British Columbia provincial revenue is still derived from poll, property, and income taxes; but since 1891 municipalities have been permitted to exempt improvements from taxation in part or in whole. Since 1892, in fact, municipalities have not been permitted to assess improvements at more than fifty per cent of their actual value. Under the authority thus granted all the important city and many rural municipalities now exempt improvements, thus raising practically all local revenue from land. The following cases furnish the best examples of this tendency:

*Burnaby.* A municipality bordering on Vancouver, area 27 square miles, has from its incorporation in 1892 totally exempted improvements from taxation.

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\*The facts concerning Canada have been taken from the "Vancouver number" of the "Single Tax Review," May-June, 1912 (150 Nassau Street, New York); and "Provincial and Local Taxation in Canada," by S. Vineberg, (New York, 1912).

The rate on wild lands is practically double that upon improved lands.

*New Westminster.* Adjoining Burnaby, area 6 square miles. Oldest municipality in the Province, chartered in 1860; improvements exempted from taxation in 1911 by a vote of 248, against 98. Ratification by a vote of the Council unanimous. Population 15,000, valuation land \$8,500,000, improvements \$2,400,000.

*North Vancouver.* Area 4 square miles; incorporated in 1906, when it was set off from the District of North Vancouver which in the twenty years of its existence has never taxed improvements. The City of North Vancouver in 1911 assessed land at \$9,400,000 and improvements at \$1,420,000, or nearly double the valuation of the previous year.

*Point Grey.* A residential suburb of Vancouver, population 30,000, seat of the University of British Columbia; incorporated as a municipality in 1908, improvements exempted from taxation. Wild lands taxed at a rate nearly double that on improved lands.

*South Vancouver.* Area 13 square miles; population 30,000; incorporated as a municipality in 1892; fifty per cent of improvements then exempted from taxation. Improvements totally exempt since 1903.

*Vancouver.* Area  $11\frac{1}{2}$  square miles, population approaching 100,000, value of land nearly \$100,000,000, improvements about \$38,000,000. Terminus of the Canadian Pacific Railroad, has one of the finest natural harbors in the world, and is the chief shipping port for Japan, China, Australia, etc. Largest city of the Province. In 1896 fifty per cent of the value of

improvements were exempted from taxation. Ten years later in 1906 the exemption was increased to 75 per cent. In 1910 the exemption was made complete. L. D. Taylor, then Mayor of Vancouver, says of it:

"From the beginning the cities of the Canadian West have taken the initiative in promoting the Single Tax policy by putting it into actual operation while other municipal governments have not reached beyond the theoretical. Vancouver's policy of valuing land at full capital value and improvements at only fifty per cent., thereby taxing buildings only half as much as sites, was adopted long before the Single Tax leaders had begun their campaign of education that to-day reaches around the world. And so satisfactory was this first experiment that when the further reduction of twenty-five per cent. was made so as to tax the capital value of improvements only one-quarter as much as that of sites, the opposition was so small as to be scarcely worth taking into account. The last step taken—the adoption of the Single Tax system in its entirety—has placed Vancouver in the unique position of being the only city of metropolitan size on the continent to elect a municipal government on a Single Tax platform. Edmonton is the only other Canadian city in which the system has been adopted without reservation. And there the same immediate effect has been felt."

### (B) ALBERTA.\*

In this Province the term "Town" refers only to such places as are incorporated as towns under a Town Act. It does not include Villages or Rural Municipalities. This year (1912) is the first of organization as Rural Municipalities. Fifty-two of these Municipalities have been established during the year, and

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\*On Alberta, in addition to references previously given, see "Single Tax Review," September-October, 1911.

will do business next year. These fifty-two Rural Municipalities will be required to levy their taxes on land values only. There are at the present time some seventy-four Villages. All these Villages are required to levy taxes according to land values only. There are at present some forty-six Towns; forty-four of these being required to levy taxes on land values only. This being a very new country, the number of Rural Municipalities, Villages and Towns is rapidly increasing.

In Alberta the provincial taxes are confined practically to taxes on corporations, railways, and inheritances. Several cities and many villages, under authority granted them, have for years exempted improvements or assessed them at a part of their value only. In 1912 the Province enacted three laws, practically without opposition, requiring the towns, with two exceptions, all rural municipalities, and all villages, to raise their local revenues exclusively from taxes assessed upon land according to its actual cash value.

The five cities in the Province have special charters which grant them wide discretion in taxation. Edmonton taxes land only; the other four are gradually changing their methods with a view to abolishing taxes on improvements within a few years. Edmonton, which in 1911 had a population of 27,000, has exempted improvements since 1904. It also controls all public utilities owning and operating water works, electric lighting and power plant, street railways, and a telephone system.

Strathcona began to exempt improvements in 1907. Lethbridge assesses improvements at twenty per cent of their value, and imposes a "super-assessment" of fifty per cent on vacant land. Calgary in 1912 reduced the assessment of buildings to twenty-five per cent of the actual value.

### (C) SASKATCHEWAN.

In Saskatchewan cities and towns formerly assessed improvements at sixty per cent of their value. In 1911, however, a law was enacted which retained sixty per cent on the maximum percentage permissible, and then authorized cities and towns to reduce the assessment of buildings below this figure, by not more than fifteen per cent per annum. Villages are permitted to confine taxation to lands, exclusive of improvements, and about twenty of them have availed themselves of this opportunity.

### (D) NEW ZEALAND.\*

Since 1891 New Zealand has levied a separate tax on land values which in 1909 was at the rate of 1d. in the pound of the unimproved value. In addition to this ordinary tax on all land, from which only estates worth less than £500 are exempt, New Zealand also imposes a graduated tax on large estates. The purpose of this graduated tax, is to break up the large estates which obstructed the growth of the country.

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\*See the New Zealand number of the "Single Tax Review," September-October, 1912.

The tax begins with a rate of 1-16 of a penny in the pound for estates worth from £5,000 to £7,000, and increases to 4.8d. per pound, or 2 per cent upon estates valued at £200,000 or more. To a considerable extent this graduated tax has accomplished its purpose.

Prior to 1896 local taxes had been levied upon either the capital value or the income of real estate, as each locality might elect. The law of 1891 imposing a state tax on land values, exclusive of improvements, called attention to the desirability of permitting local governments to raise their taxes in a similar manner. Accordingly in 1896 local bodies were empowered to levy their rates on the unimproved value of land, if they so desired. By 1909 not less than 85 districts had adopted the method of taxing land values, and a British Parliamentary Report of 1906 showed that the result had been satisfactory at every point.\* Concerning the working of this method the Commissioner of Taxes of New Zealand wrote in 1906: "The tendency of this system of taxation is not to increase rent, but, on the contrary, as the tax becomes heavier, it tends to bring into beneficial occupation land not put to its best use, and so reduces rents, the improvements being free from all rates and taxes."

### (E) NEW SOUTH WALES.

New South Wales introduced a state tax on land values in 1895, and subsequently extended this method

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\*Papers Relative to the Taxation of the Unimproved Value of Land in New Zealand, New South Wales, and South Australia. Cd. 3191 (1906).

of taxation into local finance. Hon. T. A. Coughlin, Agent-General for New South Wales, wrote in 1909 concerning the working of the system: "Land owners have been wise enough to see that it is only the unproductive land that feels the burden of the tax, and there is a general agreement that the first effect of placing rates on land has been to force much hitherto unproductive land into use. Another direct effect is that the exemption of improvements from taxation has led to the expenditure of considerable sums in the adornment of buildings and the beautifying of the land.

The people of New South Wales are well satisfied with the change that has taken place, and the holders of idle land do not complain, as they perceive that the remedy for a condition of which they may be tempted to complain lies in their own hands." It is not surprising, therefore, that in 1912 fifty-six out of the sixty-two municipal and shire councils imposed their local rates exclusively upon land values.

#### (F) SOUTH AUSTRALIA.

South Australia introduced a state tax on unimproved land values in 1884, at the uniform rate of  $\frac{1}{2}$ d. in the pound. Ten years later an additional half penny was imposed on estates valued at more than £5000, and upon estates owned by absentees an additional tax was levied at the rate of one-fifth of the tax otherwise payable. Subsequent changes have somewhat increased the rates of these taxes.

More recently South Australia has authorized local governments to impose their taxes upon land values

exclusively. In 1911 six localities were voting upon land values, and others were discussing the adoption of this method of local taxation.

#### (G) OTHER AUSTRALIAN STATES.

Every state in Australia except Queensland now has in some form a state tax on land values. Queensland raises its local revenues wholly from taxes on land values; while Western Australia has made a beginning in this direction; and the subject is now under consideration in Victoria, the Ministry having introduced one bill to this end.

#### (H) THE COMMONWEALTH OF AUSTRALIA.

The latest important advance in Australia is the adoption by the federal government of a federal tax upon the land value of all estates having an unimproved value in excess of £5,000. The constitutionality of this act was assailed before the high court of Australia, but without success; and the first assessment has now been made. In spite of the high exemption and the difficulties of carrying out the valuation and assessment over the whole extent of Australia, the tax yielded in its first year nearly £1,400,000.

#### (I) KIAO-CHAU.\*

The first of the recent German experiments in taxing the unearned increment, and the one which pointed the way for the others, was made in the model Ger-

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\*See article by Dr. W. Schrameler in "Single Tax Review," March-April, 1911.



man colony of Kiao-Chau which was established in 1897 in China. The land and tax ordinance of 1898 imposed a tax of 33 1-3 per cent of any increment of value accruing thereafter to private purchasers of lands acquired from the government. The purpose was to check land speculation, insure to settlers a reasonable price for land, and secure for the government part of any future increment due to the large expenditures made in establishing and developing the new colony. Provision was made for a land tax of 6 per cent on the value of land, exclusive of improvements, and a tax on land sales at auction. This ordinance suddenly and unexpectedly realized the German land reformers' program, in a German colony under the direct control of the imperial government. It naturally aroused great interest in Germany, and soon led to attempts to tax the unearned increment in various German cities.

#### (J) GERMAN CITIES.

The Prussian law of 1893, regulating local taxation, authorized local governments to introduce an important change in the taxation of land. Prior to that time land had been taxed upon its estimated yield, with the result that land held for speculative purposes was very lightly taxed. The law of 1893 authorized localities to change the basis of assessment to the capital value of the land, a change which has been made by several hundred local governments in the face of hostility of speculators and large land owners. The change has worked well in other respects, and has

materially increased the taxes paid by unimproved land.

The second step in the direction of heavier taxation of land values has been the introduction in many cities of special taxes on the unearned increment, modeled after the ordinance of Kiao-chau. Such experiments were found to be authorized by the Prussian law of 1893 regulating local taxation, and since 1904 several other States have taken action in this direction.

Among the cities Frankfort and Cologne took the lead, introducing increment taxes, respectively, in 1904 and 1905. Their example was rapidly followed by scores of other places, including most of the large cities, until by 1910 the increment tax was in operation in 457 cities and towns and was yielding a substantial revenue. The rates of taxation range from 1 per cent to 25 per cent of the amount of the increment.

#### (K) THE GERMAN EMPIRE.

In 1911, after two years of discussion, the German Empire introduced an imperial tax upon the unearned increment. This law imposes a progressive tax, increasing according to the percentage which the increment bears to the original value of the land. Then it takes 10 per cent of the increment when that amounts to 10 per cent of the original value, and increases 1 per cent for each additional 20 per cent of increment until it reaches 19 per cent on increments ranging from 170 per cent to 190 per cent. From that point it in-

increases 1 per cent for every additional 10 per cent of increment, until it reaches 30 per cent on all increments of 290 per cent and over. Certain deductions are granted, however, according to the period the land has remained in the hands of the owner; so that, for instance, if the increment were 290 per cent and the period of ownership had been ten years the tax would be reduced from 30 per cent to 27 per cent. If the period of ownership were twenty years the tax would be reduced to 24 per cent; and if it were thirty years, the tax would be 21 per cent.

The imperial tax is intended to unify the taxation of the unearned increment throughout the Empire and will replace the local increment taxes. To compensate the cities for the revenue thus lost, the law provides that 40 per cent of the product of the imperial increment tax shall be apportioned to the local governments; while the states are given 10 per cent, and the Empire retains 50 per cent. Authority is granted, however, to impose additional rates for local purposes; so that some measure of local option is retained.

#### (L) GREAT BRITAIN.

The now famous Lloyd-George Budget of 1909, which finally became a law in 1910, imposed four different taxes upon land, which marked a long step forward in the taxation of land values. The first, and most discussed, was the so-called increment value duty. This imposes a tax of 20 per cent upon land increment arising after 1909; which shall be payable by the owner when land is sold, leased for more than fourteen years,

or transferred at death. Land held by corporate bodies and not changing hands shall pay the tax every fifteen years. The tax amounts to 20 per cent of the increment that shall have accrued since 1909, or the last time that the tax shall have been paid. To carry the law into effect it was necessary, of course, to provide for a full valuation of all the land in Great Britain, in order to determine its value, exclusive of improvements, in the year 1909. This work, which is estimated to cost \$10,000,000 and to require five years, is now under way; and it will result in a monumental survey comparable to Domesday Book.

The second tax is the reversion duty, which imposes a tax of 10 per cent on the increment or benefit accruing to any lessor at the expiration of a lease. Agricultural land is exempt, and leases for twenty-one years or less are also excepted from the operation of the reversion duty. Reversions purchased before 1909 are exempt provided the lease expires within forty years from the date of purchase. Finally provision is made that reversion duty shall not be paid in respect of increment or benefit upon which increment value duty may have been paid.

The third tax is the undeveloped land duty which is payable annually by the owner of undeveloped land. Its rate is half-penny in each pound of the site value of such land, the value to be ascertained in 1909 and each fifth year thereafter; and proper allowance will be made for increments of value upon which increment duty may have been paid. Land is to be considered undeveloped if not built on or used for some business other than agriculture. Various exemptions

are granted, for instance, to land, the site value of which does not exceed £50 per acre, land kept free from buildings in pursuance of some definite plan of development, and parks, gardens, or open spaces to which the public has access.

The fourth tax is the mineral rights duty, which is levied annually at the rate of five per cent on money received by owners for the right to work minerals and for wayleaves. If the owner works the minerals himself, he is required to pay upon what he might have received in rents or royalties.

Since the land valuation has not yet been completed the financial importance of these new taxes cannot be determined. They are very important, however, in establishing a principle and in requiring a valuation of all the land of Great Britain. When the valuation is completed it is the intention of the tax reformers to move for a reform of local taxation, by which local rates shall be levied exclusively upon land values.