

THE NEW ZEALAND STORY

Rating in New Zealand by Rolland O'Regan. 1973. Available from the publisher, Baranduin, Ltd., Wainuiemata, New Zealand (NZ \$2.75); or from the Robert Schalkenbach Foundation, 50 E. 69th St., New York, N.Y. 10021, USA (US \$3.75).

Reviewed by GILBERT HERMAN

It is not often that one comes across a book as clear, concise and lively as this one by Dr. O'Regan about a subject that could easily become dull.

There are four concurrent systems of local property taxation (rating) in New Zealand: taxation of annual rental value, taxation of capital value, taxation of partial unimproved value and taxation of full unimproved value (i.e., of land irrespective of improvements). Starting with the English system of the taxation of annual rental value, most of New Zealand prior to 1876 moved away from this system to the collection of the unimproved value. In 1876, with the abolition of the provinces, Parliament adopted a uniform system of rating for the newly created counties, boroughs and towns. Taxation of the annual rental value was imposed as in the English system, with one important distinction - rateable value was defined as the rent which could be received if the property was let, that is, its potential rent. The Rating Act of 1882 attempted to establish capital value rating as the sole system of local taxation. The act passed but was subsequently amended to allow localities to choose either annual value rating or capital value rating.

After many attempts, the Rating on the Unimproved Value Act was passed in 1896. This law permitted local ratepayers to choose by election unimproved value as the basis of local rating. However, this choice was applicable only to the general rate; other rates, such as water rates, could not be changed.

Since 1896 the overwhelming majority of New Zealand local governments have adopted unimproved value rating.

Dr. O'Regan points out the defects of annual value and capital value rating and gives arguments for the adoption of unimproved value rating. Although the Rating Act of 1876 attempted to prevent annual value rating from becoming a use-oriented system, it has in fact become that. Unfortunately the law in New Zealand is biased toward annual value: it allows local valuation, gives wide flexibility to local assessors and permits annual or triennial assessments as opposed to quinquennial valuation for the other forms of rating.

In order to attain uniformity and fairness Dr. O'Regan recommends the adoption of annual valuation. All valuation should be done by the national government's Valuation Department, which Dr. O'Regan lauds for its service. He recommends that New Zealand adopt a single rating and valuation system and that this be unimproved value rating. However, his belief in democracy compels him to declare for local option. Two government committees have urged the adoption of unimproved value rating. The author proposes that polls be held in each locality not presently under this system.

In addition to local property taxation, New Zealand also has a national property tax. It was first imposed in 1879. The importance of the revenue from this tax in the national budget has decreased drastically - from 10% in 1926 to less than $\frac{1}{2}$ of 1% in 1970. Presently only urban land is taxable and the rate is ex-

tremely low. Dr. O'Regan is a strong believer in maintaining strong and self-sufficient local government and believes that the tax sources of local governments and central government should be kept separate. Thus he recommends that the national property tax be transferred to local governments and be used to support regional agencies. The national government should abandon the property taxation field which is the ideal and natural form of taxation for local bodies. Unfortunately Dr. O'Regan does not make clear what would be a suitable form of taxation for central government.

Among other topics discussed in this book are the question of improvements which merge with the value of land, valuation in situations where land use is changing due to growth or zoning, special taxes to extend the local tax base, and the type of services to be borne by local taxation. All these are taken up with a knowledge of the facts and with cogent recommendations, some debatable.

In this book of some 200 pages there are packed arguments, facts and insights that make it a very useful work, not only for information about New Zealand but also for problems connected with the Georgist proposal that are applicable universally.