

Finnish Tax Attack on Vacant Sites

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reports from Helsinki

FINLAND'S Real Estate Tax Act has been amended to apply pressure on owners to bring their vacant sites into use – or sell them to local governments.

The minimum annual “general tax rate”, which is levied on all building land, has been raised from 0.2% to 0.5%. The maximum rate remains at 1.0%. This tax is purely municipal but Parliament sets the lower and upper limits.

The minimum tax on residential buildings has been raised from 0.10% to 0.22 (maximum rate remains at 0.50%). Other “residential buildings” (mainly used for recreation) are to be taxed at a rate which is at most 0.60% higher than the rates for residential buildings.

The amendment includes a new “penalty tax on vacant lots” in urban areas. The purpose is to persuade owners to either sell their sites or develop them. There are many such sites in urban regions, and this penalty could enhance the supply. This raised tax rate must be between 1.0-3.0%. The maximum thus means a trebling of the “normal” tax.

Because this Real Estate Tax is municipal and the tax rates are decided by local councils, there is a risk that councils will choose the lowest alternatives and so water down the original purpose.

The Income Tax Act was also amended so that profits from sales were temporarily tax free if land was sold to the municipality between 15 November 1999 and 30 June 2000. The purpose was to encourage landowners to sell to municipalities which could promote urban development. The tax-relief was designed to speed up these deals, because some municipalities suffer from lack of suitable land for development.

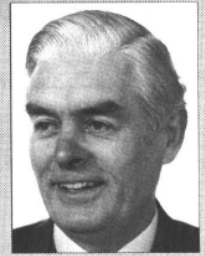
Finnish municipalities were already before this last change in a favourable position as buyers of land, because 80% of sales profits were tax-free when land was sold to them, instead of the normal 50% on deals involving other buyers.

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PERSONALLY SPEAKING

The Duties of Government

KENNETH JUPP



THE DICTIONARY defines a nation as “a large number of people of mainly common descent, language, history, etc., usually inhabiting a territory bounded by defined limits, and forming a society under one government”. The relationship between this trinity of government, people, and territory, determines the moral, political, and economic health of the nation.

The wealth of a nation is born of the marriage of the people with its territory. The amount of wealth produced therefore varies according to the potency of the two sides of the union: the intelligence, skill, and strength of the people, and the richness of the territory. The art of government is in matching their people to their territory. It only appears to be difficult because people are so diverse in character, and territory is so varied in terms of climate; mineral, vegetable and animal resources; fertility of the soil; availability of water; density of population and so on. Many think these differences are immeasurable. But this is not so.

The prime duties of government are three. First, to protect the national territory; secondly to preserve peace within its boundaries; and thirdly to ensure that every family unit of the nation has space in the nation's territory for a home and a means of livelihood. The first two of these duties are recognised today, but are inadequately performed because of the neglect of the third. Any family which lacks a home and a livelihood must either perish, or be an incubus on the rest of society, supported by charity, as in former times, or as in modern times, by poor relief provided by the state and funded by the taxpayer. Unfortunately, because this third duty is not understood, and is not carried out, an excluded class of families who are denied the opportunity to provide for themselves, strain the resources of government in looking after them, and compel a reduction of expenditure on defence of the realm, and on keeping the peace, in order to fund poor relief, now euphemistically called “welfare”. The task of keeping the peace is in any case exacerbated by the crime, the drug-taking, the disloyalty, and the sheer anti-social vindictiveness of the excluded. The idleness and boredom forced upon them by the system leads to their senseless vandalism, hooliganism, and every other kind of anti-social behaviour. It is hard to blame them, and because times have changed, many now sympathise with them. But there was a time when,

as victims of enclosures and clearances, they were severely punished with whipping, imprisonment, and transportation in the most cruel conditions to America as bond servants, and later as convicts to Australia. The cause was, and is, government's neglect of its third duty.

That Mankind cannot live except on the dry surface of the earth, and cannot get a living except from the earth's resources is a matter of evident sense. That these resources must somehow be shared is equally evident. This is affirmed both by Natural Law as discovered by reason, and by divine law as revealed in Scripture, and John Locke cited both as authority for the necessity to share the earth's bounty:

Whether we consider natural reason, which tells us that men being once born have a right to their preservation, and consequently to meat and drink and such other things as nature affords for their subsistence; or Revelation, which gives us an account of those grants God made of the world to Adam, and to Noah, and his sons; it is very clear, that God, as King David says, Psalm cxv 16, has given the earth to the children of men; given it in common.*

How, then, can the common territory of a nation be shared? Certainly *not* in these days by physically giving each family a certain parcel of land. That was only feasible in primitive, almost wholly agricultural, societies. The diversity of lands today is such that there can be no justice in that. But land can be paid for by those who occupy it. The better the land the more they pay. This is indeed what happens today. What is wrong is that the payments are made to the freehold tenant, who has no more right to it than anyone else. Justice can only be done if the payment is to the community. It is the national territory, and belongs to the community by divine right, and because the revenue arising from it is due to the work of the community past and present. Of course, if the freeholder is also the occupier, he pays nothing for the land. But he should pay like anyone else. The land was given him originally in return for rent which he no longer pays, or service which he no longer performs.

* Locke, *Second Treatise of Government* (1690), II, section 25. There are, of course a number of other scriptural references to the subject in both Old and New Testaments, although they are not much in evidence in the teaching of the modern Church.