

PART I—INTRODUCTION

CHAPTER I

PRELIMINARY SKETCH

THE system of rating determines who are to be the contributors to local taxation and what share of the public expenditure is to be borne by each.

Under the system at present in operation in Great Britain the persons who have to bear the burden of local taxation are the occupiers of immovable property. The share to be paid by each occupier depends upon the yearly rent which would be paid for the property he occupies in its existing condition. If there is no occupier, no rates are payable in respect of the property. If the property is improved so as to be worth a higher annual rent, the assessment of the occupier is increased. If it is allowed to fall into disrepair or the improvements become obsolete, so that it is worth a lower annual rent, the assessment is reduced.

Under the rating of land values the persons who would bear the burden would be the owners of land. The share payable by each owner would depend upon the value of the land disregarding any buildings or other improvements upon it. (In certain cases, *e.g.*, long leases, the ownership of the land is shared between two or more persons, and they would pay the rate assessed in respect of the site in proportion as they shared the land-value.) The owner who improved his property would not pay more on that account; the owner who neglected his property or left it idle would not have less to pay on that account.

The practicability of land-value rating is no longer open to argument. Experience in many countries, extending in some cases over sixty or seventy years, has finally settled that question.

The desirability of the system is also attested by the same experience.

The arguments in favour of land value rating are :

(1) That it is economically the most advantageous system because it conduces to the best use of natural resources, and to the greatest production and the most equitable distribution of wealth.

(2) That it is a restoration to the public of a value which is entirely due to community causes, including public expenditure itself.

In order to appreciate the difference between the existing system and the land-value system, it is necessary to bear firmly in mind two facts :

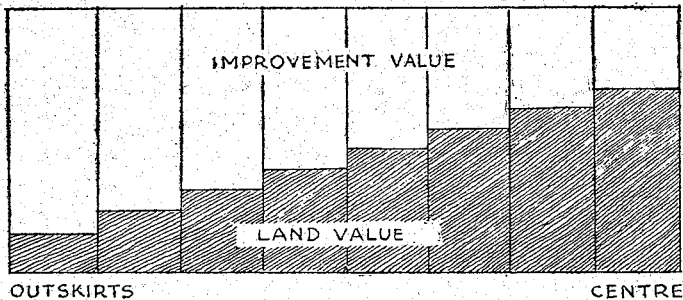
(1) That the value of land (per acre or per foot frontage or whatever comparable unit is used) is very much higher in the central districts than in the outlying districts of any town or city; and

(2) That for fully improved sites the ratio of the value of the buildings and improvements to the value of the site is very much higher on the outskirts than in the centre of the district.

The second fact is illustrated on the facing page.

This diagram shows the proportions as percentages. If it were drawn to scale so as to show the *relative* values of the sites and the improvements on them, the left-hand compartment would show, say, a site of £200 value with a £1500 building on it in the outskirts, and the right-

hand compartment would show a site of, say, £100,000 value with a building worth £80,000 upon it (or even higher site-values in the case of a large town). It is not

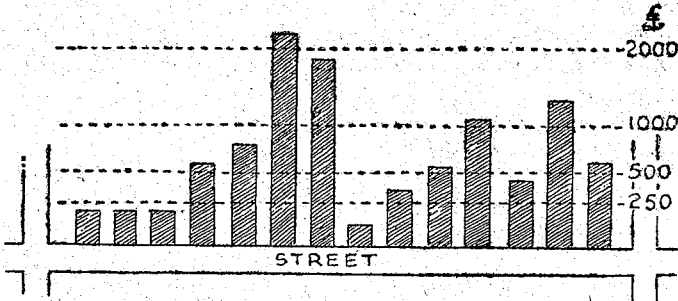


convenient to indicate such variations within the limits of a diagram that could be reproduced in the size of this page.

What has been said will nevertheless make it clear that under the present system the burden of the rate falls equally for every £1 of rateable value, whether that value is mainly composed of building or not. Whereas under the land-value system the burden will fall only according to the land-value and the amount falling upon the developed suburban site will be diminished while that on the central site will be increased.

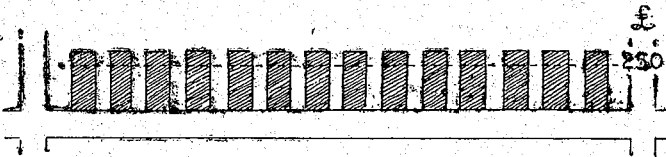
As a further illustration of the way in which land-value rating would redistribute the burden of local taxation between sites of equal land value but unequal development, the following diagrams show (1) the distribution of local taxation under the present system and (2) the distribution under the land-value system. The plots lie in a shopping street and have *equal value*, the corner

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(1) Local taxation as it is
(vacant land exempted)

plots being omitted as being of greater value than the others. The degree to which they are developed is, however, very unequal. The result is that under the existing system those that are most highly developed are most highly rated, whereas under the proposed system the



(2) Local taxation as it would be
(vacant land included)

rates in respect of each would be the same. It does not follow that the total amount of rates collected from the street would be the same under both systems, because that depends upon the distribution of the site value throughout the area. As already noted, the tendency of the new system would be to diminish the amount required from the suburbs, where the percentage of land-

value to total value is low, and to raise the amount required from the central areas, where the percentage of land value to total value is high. It has also to be remembered in considering such illustrations that in addition to alteration in the amount of the rate payable in respect of a property, there is also alteration in the incidence from occupiers to owners.