

## CHAPTER X EXEMPTIONS

THE introduction of any new system of taxation inevitably evokes a large number of specious pleas for exemption. Demands of that kind should be strenuously resisted. An exemption from taxation or rating is simply a concealed grant or subsidy to the interest exempted. If the State or the municipality finds it expedient to favour some interest, it should not be done in this way, but by a direct payment out of the public funds properly accounted for in the published accounts of the authority and subject to reconsideration, abatement, or abolition from time to time.

No exemptions should be allowed beyond such as are given by the existing law, and even these should be severely curtailed. The land-value rate, after all, is the recovery for the public of a public value, the restoration to the people of a part of the national estate. The arguments in favour of allowing some privileged persons to profit out of public values must indeed be overwhelming if they are to prevail.

The most important exemptions from rates enjoyed under the existing law are in respect of agricultural land and industrial hereditaments, but the Rating and Valuation Bill of 1960 proposes to abolish the 50 per cent exemptions on industrial hereditaments, as from 1st April, 1963.

Agricultural land and buildings in England are now completely exempted from local rates, except for the dwelling-house of the farmer which is assessed and pays

rates as other dwelling-houses do. As already indicated, this exemption does not in the long run benefit the farmer but goes to the landlord. As a rate on land value is a rate on the owner of land, and not on the farmer as such, there is no reason why agricultural land should be exempted, for the rate will be no burden upon the industry of farming. Indeed, so far as it tends to bring unused land into use, or badly used land into better use, it will tend to the reduction of rents and benefit the farmer in that way. Moreover, so far as the rates on his house are reduced by transfer of part of the rate burden to the land-value basis this also will be to his advantage.

So far as the tenant farmer is concerned, there cannot be any real objection to the new system. In the case of the owner-occupier there may be cases in which his burden will be increased, but these are only likely to occur where the land value is above the average, and where he is able and ought to pay. The argument that this system will penalize the struggling farmer is evidently fallacious, because the struggling farmer can *ex hypothesi* make out of his land but a bare living for himself and in that case the land value can only be very small or nil, the rate on it correspondingly low, and the exemption of his house a not negligible benefit.

The objection to the application of land-value rating in rural districts probably arises from a mistaken idea that the value to be rated would be the same as the annual value of the present day, whereas it would, where the land is at all well developed, be generally less because the value of the improvements would be exempted. It may be remarked that land-value rating has been applied to a considerable degree in the rural districts of Denmark and that the small farmers there are strong supporters of it and indeed largely responsible for its introduction. It is

also the only method of rating in the country districts of Queensland and New South Wales.

In the case of industrial hereditaments, the underlying idea of de-rating was to encourage industry. That encouragement will be given in a much better form by the rating of land values which will exempt the buildings and improvements and so encourage development. There is no reason why the land value should be exempted. In fact it is unfair that it should be, because that gives a greater benefit to factories upon expensive sites than to others, and encourages the investment of money in land value rather than in real productive capital.