

## CHAPTER XI

### EXPERIENCE IN OTHER COUNTRIES

A large volume of experience in many countries testifies to the practicability and the advantages of land-value rating.\*

IN those places where rating on land-values is in operation it is as a rule competent for the local authority to abandon the system and revert to the rating of improvements. The fact that the system continues to be operated year after year is, therefore, *prima facie* evidence that it gives satisfaction. But there is more direct and specific testimony. In 1906 the Government caused official reports to be obtained regarding the practical operation of land-value taxation for State and local purposes, and these reports published in a Blue Book (Cd. 4750) give ample proof that the system worked smoothly and gave satisfaction.

In 1929, the United Committee for the Taxation of Land-Values sent an exhaustive questionnaire to many local authorities in various parts of the world, to which official replies were received. The replies received once more indicated that their method of rating worked well.

In the Transvaal a certain measure of local rating on land values is obligatory upon local authorities and they have the option of raising the whole of their revenue in

\* A comprehensive and detailed survey of land value legislation throughout the world will be found in *Land Value Taxation round the World*, published by the Robert Schalkenbach Foundation, New York. See also Appendix III to *The Rating of Site Values: Report of the Committee of Enquiry*. H.M. Stationery Office, 1952.

that way. Johannesburg, some other towns and a number of smaller authorities rate land-values only. The rest of the local authorities, including the capital, Pretoria, raise the major part of their revenue from this source. In Cape Province, Natal, Orange Free State and Rhodesia important steps have been taken on the same lines.

Johannesburg, with a population of 997,608 (372,000 white) and an area of 59,939 acres commenced to impose a special rate on site value in 1918. The capital value of the land in 1959 was £212,000,000 and the revenue was obtained by a rate on site value of  $5\frac{1}{4}$ d. in the £. The valuation is revised every three years and there are few, if any, legal appeals. No difficulty was experienced in making the valuation. The system has given general satisfaction. There is considerable evidence that it has promoted the making of improvements. There has been great activity in the building trade.

Durban (population 565,679, of whom 153,220 white; area 8 sq. miles) established a special rate on site values in 1923. In 1959 a rate of 7d. in the £ was levied on capital land value and  $3\frac{1}{2}$ d. in the £ on building value. The values are revised frequently and the number of appeals is few. The increase in the taxation levied on land values promoted the development of vacant land and the erection of buildings. Most of the residential properties are owned by the persons occupying them. Although a certain amount of dissatisfaction was shown by persons owning large areas of ground, there has been no considerable agitation to return to the old system of rating.

In New Zealand optional powers, since modified and improved, were first given to local authorities in 1896. At present the capital city, Wellington, and other

boroughs, counties, and urban districts levy their rates on the "unimproved value" (i.e. on the site value).

Wellington, with a population of 125,000 has always rated land value more heavily than buildings. All the rates are now levied on site value as the result of a poll of the ratepayers taken in 1927. The rate levied in 1959, was about 10 $\frac{3}{4}$ d. per £ on a capital land value of £39,225,000. The valuation is made by the Government.

In New South Wales the system was introduced in 1905 and soon became universal.

Sydney consists of the City of Sydney and a large number of boroughs forming a metropolitan area of 429,680 acres with a population of 2,054,800 in 1959. All of these bodies raise their revenue by a rate on land value only. The capital land value of the metropolitan area was £802,763,000 and the rates levied were £18,864,858. The City of Sydney, with a population of 182,640 and an area of 7,161 acres, had a capital land value of £161,507,000. It will readily be seen how much the site value per acre in the central area exceeds the average for the whole city.

In Queensland the system was applied to rural districts in 1887 and to urban districts in 1890 and every local authority throughout the State levies the whole of its rates on land values.

Land-value rating has also been applied to a lesser extent in other parts of Australia.\*

\* A very careful investigation of the working of the rating of site values in Australia and New Zealand was made some years ago on behalf of the International Research Committee on Real Estate Taxation by Mr. H. Bronson Cowan, who visited Australia and New Zealand. A summary of his findings, profusely illustrated, was published for that Committee by Harper & Brothers, New York, in 1958 under the title "Municipal Improvement and Finance". It provides documented proof of the beneficial results of the rating of land values in those countries.

In Denmark since 1926 all local authorities (towns, counties and rural districts) have been obliged by law to raise a substantial part of their revenues by land-value rating.

Copenhagen, with a population of 730,000 began to impose a rate on land values in 1926. The rate of tax on site value in 1957-8 was 1.1 per cent. The rateable site value was 1,918 million kroner. The valuation is made officially by the Government for the whole country, and is revised every four years. The introduction of the land-value rate impelled land speculators to sell vacant land.

Pittsburgh (Pennsylvania) has imposed special taxation on site values since 1914. The rate of tax on site value was increased by stages over a period of years until it reached double the rate levied on improvements. In 1953 the rates were 3.2 per cent on capital site value and 1.6 per cent on the capital value of improvements. No difficulty has been experienced in assessing the value of land apart from improvements. The revenue is as easily collected and defaulters are no more numerous. The system has given general satisfaction, and it is generally agreed that it has materially stimulated building operations, and has encouraged owners to improve vacant or unused land or to sell it to others who have since put it to better use.

Many other instances could be quoted both from the British Dominions and Colonies and from foreign countries, but what has been said is sufficient evidence that the land-value system has stood the test of experience under the most diverse conditions.