

## NEW SOUTH WALES

A tax on the unimproved value of land in town and country was imposed under the Reid Government in 1895, to allow for the large reduction of revenue consequent upon the abolition of the protective and most of the revenue duties, the rate being 1d. in the £ of capital unimproved value. A sum of £240 is allowed by way of exemption. All properties of lower unimproved value are exempt, and a like exemption is granted to each property in excess of such value. Where, however, one owner holds more than one property, only one such exemption is allowed. In cases where the property is mortgaged, the mortgagor may deduct from the amount of his tax a sum equal to the income tax paid by the mortgagee on the interest derived from the mortgage. Exempt from taxation are: Crown lands not leased with the right of purchase or held under special or conditional leases or as homestead selections; all other lands vested in His Majesty or his representatives; or vested in the Railway Commissioners or local authorities; public roads, parks, reserves, cemeteries and commons; land used as public pounds, and for or in connection with public hospitals, benevolent institutions and other public charities; churches, chapels, the University and its affiliated colleges, the Sydney Grammar School, Mechanics' Institutes and Schools of Art; land vested in trustees for and used for zoological, agricultural, pastoral and horticultural shows, or for other public and scientific purposes.

In the event of the tax remaining unpaid for two years after it has become due, the Tax Commissioners, on giving another year's notice, may lease the land for a period of not more than three years, or with the sanction of a Judge of the Supreme Court, may sell so much of it as will cover the taxes due and the fines, costs and expenses accrued.

Owing to the exemption of £240 and mortgages, the yield of the tax has been much reduced. Difficulties inseparable from the introduction of the system account for the fluctuations shown in the returns for the first two years. The returns for 1899 and subsequent years are normal.

Year	Revenue from Land Tax
	£
1897	139,079
1898	364,131
1899	253,901
1900	286,227
1901	288,369
1902	301,981
1903	314,104
1904	322,246
1905	323,267
1906	329,998

In reply to the enquiry from the Secretary of State for the Colonies, Messrs. W. H. Hall, Acting Statistician, and Mr. L. S. Spiller, First Commissioner of Taxation, render the following testimony in May, 1906 (Blue-book c'd. 3191, 1906). Mr. Hall states:

"The operation of the tax has been to a certain extent to reduce the value of house property; and in a stronger sense has affected the value of land hitherto held for purely speculative purposes. It has had the effect of forcing large areas of country lands on to the market which otherwise might have been allowed to remain inactive, and in this way the producing interests of the country have been benefited. It cannot be said that there is, at the present time, much bona-fide land speculation in the city and suburbs, as purchasers in the main have a fixed object in view, and there is little buying for purely speculative purposes."

Mr. Spiller reports:

"Regarding the effect of land taxation on the building trade, it may be mentioned that some considerable headway has been made in the suburbs, caused somewhat by the land tax forcing the sale of unoccupied lands... This suburban development has affected the rentals in the metropolitan area of the small (more particularly terrace) properties, many people preferring to reside in small cottages in the suburbs rather than occupy terrace houses in the city area. Rents of large residences have declined considerably, but to what extent the land tax has been a lever it is difficult to say. It has certainly operated to some extent, but there have been other factors at work. Values of residential properties have been reduced, principally in the city and

immediate suburbs, by reason of the development of the more outlying areas. Vacant sites have suffered a reduction in value in many districts. The tax has considerably affected land held solely for speculation, and has certainly compelled many owners to sell for a lower figure than previously required. In the city and suburbs very little land speculation has been in operation. Buyers now, in view of the land tax, mostly secure properties with the definite idea of speedily making a home, and not as heretofore, waiting for a rise in value. In the country the effect has been to break up a number of land monopolies and secure improved conditions of larger and closer settlement... In conclusion, taking the operation of land tax as a whole, it is not considered that it has had any pronounced effect on the lands generally, save in the country, where the apprehension exists that the tax may be increased at any time. This apprehension has brought about the sale and settlement of holdings which would otherwise have remained in less productive condition."

The Government of Sir Hector Carruthers passed an Act in 1905 (The Shires Act) giving self-government to rural areas and compelling local authorities established under it to levy their general rates on the capital unimproved value of land, and giving them the option to levy special, local and loan rates, either on the capital unimproved value or on the capital improved value. As this Act was merged in "The Local Government Act 1906," almost without alteration, provisions need not be detailed. The latter Act came into force on January 1st, 1907, with the exception of its rating provisions, which became operative on the first of January, 1908. This Act also was passed by the Government of Sir Hector Carruthers, and applies to the whole of the State of New South Wales, with the exception of the City of Sydney, but not excepting the suburbs. It is proposed to include the City of Sydney at an early date.

This Act is, in many respects, a model of its kind, and specially as regards the levying of the revenue for local purposes. In this respect it prescribes: On the imposition by any local body of a rate on the unimproved value of land of not less than one penny in the £ as prescribed in the Act, the suspension of the State Tax on the unimproved value of land within the area of such locality.

As to shires (rural areas), a general rate of not less than 1d. in the £ and not more than 2d. in the £ upon the unimproved capital value of all rateable land in the shire, to be levied annually by the Council of such shire, provided that on representation by

any Shire Council that the revenue derived from 1d. in the £ is in excess of its requirements, the Governor-in-Council may permit the reduction of the rate below 1d. in the £. Special rates and local rates may be levied whether upon the improved or the unimproved value of land as the Council may decide, provided that if a poll be demanded by fifty property owners, including Crown tenants, a referendum of property-owners shall by a simple majority decide the basis of rating for such special or local rates. When, however, the number of ratepayers is under 300 for a special rate and under 150 for a local rate, such a referendum may be demanded by one-sixth or one-fifth of their number respectively...\*

As to Municipalities (urban areas), the Council shall annually strike a general rate of not less than 1d. in the £ on the unimproved capital value of the land rateable in the municipality. Any additional income required from general rates the Council may assess either upon the improved or the unimproved capital value of the land, subject to a referendum of the ratepayers on the question of the basis of such further assessment, if such referendum be demanded by 100 ratepayers. Similar provisions apply to the assessment for special rates, local rates, and loan rates, by municipalities, as have been set out as applying to shires. In either case, it will be seen that only property owners and Crown tenants can vote in a referendum on such rates.

**Limitations of Rating Power:** In a municipality the revenue from general rates shall not exceed the revenue derivable from a combined rate of 2d. in the £ of unimproved value and eighteen pence on the annual value, which must be assessed at not less than 5 per cent of the unimproved value, but the whole of it may be levied from the capital unimproved value. The revenue derivable from all rates may not exceed that derivable from a combined rate of 2d. in the £ of capital unimproved value and 24 pence in the £ on the assessed annual value. These limits may be enlarged on application to the Governor-in-Council for cause shown.

**Further Rates.** In addition, both shire and municipal councils may levy water rates, sewerage rates, and other rates under

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*\*Proposals for loans by Municipalities must be submitted to and endorsed by the ratepayers at a referendum, which at the same time decides whether the rate to be struck for interest and sinking fund shall fall upon the improved or unimproved value. Shires may only raise loans of a temporary character.*

special Acts, either on the improved or unimproved capital value of the land, subject to a poll of the property owners only, inclusive of Crown tenants, as provided for the determination of the basis of other rates.

Further provisions are: As to Mines. - For the purpose of the Act, the unimproved value of a coal or shale mine is fixed either at a sum equal to 3s per ton on the annual output of large coal and eighteen-pence per ton of small coal, the average of the three preceding years being taken, or at the saleable value of the mine, less the value of the actual serviceable improvements. The option as to which value shall be taxed rests with the council of the municipality or shire. For the metalliferous mines the unimproved value is defined as a sum equal to 20 per cent of the annual saleable value of the ore or minerals won, or of the products of such ore or minerals, the average of the three preceding years being taken, or, where the land is not being principally worked as a mine, the saleable value of the property less the value of serviceable improvements thereon. Provided that no such metalliferous mine shall pay more than 2d. in the £ of its unimproved capital value.

Rateable land owned by the Crown and not leased may only be rated on its unimproved capital value. Crown lands held under lease or licence from the Crown may be rated as other land, but their unimproved value shall be taken as twenty times the rent payable by the tenant during the preceding year.

Not rateable are: Commons, public parks, and public reserves; cemeteries, public hospitals, benevolent institutions, and buildings used exclusively for public charitable purposes, churches, public libraries, unoccupied Crown lands, lands vested in the University of Sydney and occupied solely for purposes of education, lands vested in the Chief Commissioner of Railways and actually used for railway or tramway purposes.

An agitation has been started by suburban municipal councils to remove the exemption of land used for ecclesiastical and educational purposes (1908).

VALUATIONS - Valuations are made by the Councils themselves, and the Act provides that they are to be revised every three years, a separate column to be prepared for improved capital value; unimproved capital value, and for annual rental value. New valuations may, however, be made at any time of any property which has been sold or on which structures

or buildings have been altered or newly erected.

Occupiers are compelled to pay overdue rates, but may deduct the same from the rent due by them, and otherwise are entitled to recover from the owner. When rates have remained unpaid for four years, the Council may take possession of the property, hold it against any person; lease it for several terms, any one of which, however, must not exceed seven years, and may apply the rent received to the payment of rates and expenses. The surplus (if any) is payable to the legal owner if claimed within sixteen years. If not so claimed within this period the legal ownership of land and surplus passes to the Council.

It will have been noticed that as regards the general rate, rating on the unimproved value is partly compulsory and partly optional for municipalities and entirely compulsory for shires, and that it is optional for either as regards all other rates. It is, therefore, a remarkable fact that almost throughout the whole State the rates have been placed on the unimproved value of land, either through the action of the councils, or, where these preferred the dual system, through that of the land-owning ratepayers themselves. The State contains 134 shires and 190 municipalities, or in all 324 rating bodies. Only 25 of these have placed any part of their rates on improved land values, and even in their case fully three-fourths of the revenue is derived from the unimproved value of land. More remarkable still are these facts:

No poll has been demanded in any municipality or shire in which the council determined to concentrate all the rating on the unimproved value of land. In only 33 cases did the councils decide to place part of the rates on the improved value of land. In nine municipalities this decision was challenged, and though only land-owning ratepayers can take part in the poll, in each case the council's decision was reversed by considerable or large majorities, who declined to sanction any part of the rates being placed upon improvements, viz.:

	Against Councils' Decision	For Councils' Decision	Majority Against Rating Improvements
Blayney	30	17	13
Liverpool	169	20	149
Broken Hill	421	266	155
Randwick	322	248	74
Alexandra	221	50	171
Waverley	413	333	80
Woollahra	271	171	100
Mesman	388	84	304
Wickham	<u>222</u>	<u>39</u>	<u>183</u>
Total	2457	1228	1229

The opponents amongst the land-owning ratepayers, therefore, were one-third of the total. Moreover, in several cases in which councils had announced their intentions or had actually passed resolutions in favour of the dual system of rating, public agitation was sufficient to cause them to alter or reverse their decision before a poll could be taken.

At the time of writing no definite information as to the average amount of the rates per £ of land values can be given. The rating in shires (rural districts) is low, as these do not require any large revenue. In a very few instances it is only 3/4d. in the £. In the great majority of shires the rate is 1d. in the £; in a few cases it is between 1d. and up to 2d. in the £.

"Financially the shires have shown excellent results on their first year's working, as Mr. Wade, the Premier, said in opening their conference, for although only 23 councils have exceeded the penny rate, 115 out of 117 turned their first annual corner with surpluses, which in 84 cases reached £1000." -- "Sydney Daily Telegraph," 22/5/08.

The rating in municipalities is higher, as their requirements or revenue are greater. Most municipalities, moreover, have made use of the change for the purpose of increasing their revenue, which previously was unduly small. At the time of writing, the rates imposed by 181 municipalities out of a total of 190 is known. Of these 12 have imposed a rate of between 1d. and under 2d. in the £ of unimproved values; 39 a rate of between 2d. and under 3d. in the £; 58 a rate of between 3d. and under 4d; 51 a

rate of between 4d. and under 5d; 12 a rate of between 5d. and under 6d.; 3 a rate of between 6d. and under 7d.; and 6 municipalities have imposed rates of 7d. and over. Of these Wilcannia has imposed a combined rate--general, special and water--of 10d. in the £ of unimproved value; and Hay a combined rate covering general, lighting and water rate, of actually  $11\frac{1}{4}$ d. in the £. It is, however, held that in these two, as in many other, instances the unimproved value of the land has been considerably undervalued.

In all the suburban municipalities except one the rates have been placed on the unimproved value alone. The exception is Hunter's Hill, which has placed 2d. on the unimproved and  $\frac{1}{4}$ d. on the improved value. The unimproved value of the rateable land within their area is assessed at £25,518,001 and their population is 432,030, giving unimproved value per head of population of £59. In 1906, under the system of rating on the basis of rental value, the revenue derived from rates was £258,197, or 11.9 shillings per head. This same amount would have been raised by a rate of 2.41 pence in the £ of unimproved values. The revenue which these 40 councils expect to receive from rates in 1908 is £361,280, or 15.2 shillings per head, equal to 3.40 pence in the £ of unimproved values. The aggregate expected increase of revenue by these 40 municipalities is 43.5 per cent.

It seems probable that the total revenue derived from rating the unimproved value of land will at least absorb 25 per cent of the rental value of the land of New South Wales.

Though it is too early to speak of results generally, it is admitted on all hands that there never was such a scarcity of labour in New South Wales as at the present time, nor such activity in trades, especially in the building trades. Recently over 200 new locomotives have been ordered, or put under commission, and although hundreds of new waggons and stock-trucks have recently been added to the rolling stock of the railways, the manufacturers are still working at high pressure to cope with the additional demand. While in the adjoining State of Victoria, having no system of taxing or rating land values, the Government is making frantic efforts to find employment for unemployed workers, the Labour Bureau of New South Wales states officially that there are no unemployed workers in the State. While in Victoria wages have a downward tendency, and have actually been reduced for some workers, in New South Wales they are increasing. For instance, the wages of ploughmen have within the last few months been raised from 15s. to 20s. a week, both with board.

That this increased demand for labour is a direct and



inevitable result of the change in the system of rating, may be seen from the facts set out in an editorial article, which appeared in the Sydney "Morning Herald" of May 11th, 1908. It may be stated that the "Morning Herald" is the Conservative morning paper of Sydney, and has always opposed the taxation of the unimproved value of land. Its testimony is all the more convincing, when it admits the following facts:

"Unimproved land value taxation has evidently come to stay. Wherever there are large tracts of unimproved lands in good positions, or where a council in the past has been compelled to rate a property on the annual rental value basis simply because there were some improvements of a minor character, the revenue could under the new system be raised considerably.... The tax will press very heavily upon some people, while to others it will materially lighten their load of taxation. At Waterloo two dairymen have a lease of 250 acres of land, part of the Cooper Estate. The dairy is on one portion of the land, another portion is under cultivation, while the third part is used as an enclosed grazing ground. These dairymen pay an annual ground rental, and in former years the council has been obliged to rate the property upon the rental basis, which brought in to the municipality a yearly income of about £10.\* Now this property has been rated upon the unimproved land value basis, and the dairymen's rates have been raised from £10 to £833 a year!\*\* All dairy properties with large areas of land are in a similar position. Racecourses will also suffer. The trustees of the Randwick Racecourse will have their rates raised this year from £400 to £1950. Kensington Racecourse and similar tracks will suffer accordingly. Golf links and poultry farmers will pay heavily.

"The owners of large tracts of land, whether subdivided or not, will have to pay up; for instance, the trustees of the Wentworth Estate at Vaucluse will have their rates raised

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\* In reality the rate paid was only £6 3s. per annum before it was raised to £833.

\*\* Not the dairymen, but the owner will pay the rates; as soon as the lease runs out, if the lessors were foolish enough to undertake payment of all rates; even during the currency of the lease if they were wise enough not to do so. Moreover, the fact is suppressed that this property, situated in a thriving suburb and held for speculative purposes also paid £200 a year in State Land Value Tax, which is now remitted.

something like 500 per cent. The trustees of Cooper and every other estate will find this year's rates increased many fold. Buildings and lands belonging to the Government, such as public schools, lighthouses, reservoirs, reserves for military purposes, certain railway and tramway properties, have all been rated this year for the first time. Industries at Botany and other places where areas of land are required for wool-drying, etc., must be prepared to pay large increases. Glebe and other lands belonging to churches will have increased rates; for instance, glebe land at Randwick, on which the rate hitherto was £12 10s., will now pay £87.10s. a year in rates. The Town Hall itself is not to escape being rated. The hundreds of persons who hold suburban allotments for a rise, and who in the past have paid a few shillings a year in rates, will now have to pay a few pounds for their speculation. The question naturally arises if the councils are not to have a great deal extra revenue under this system. Surely, somebody must be getting off very lightly. The explanation is that the man who has built his cottage upon a piece of land with a small frontage in other than the leading avenues of a municipality and who, under the old system of rating, paid upon the rental value of his property--which meant that his rates were anything from £1 to £3 a year--will now be called upon to pay but a few shillings. In other words, he will pay the same amount of rates as his neighbour with an equal frontage who has not built. This means that while the owner of the unoccupied allotment of land in an estate will have his rates raised from 5s. to £1, the man who has built will have his rates reduced from £3 down to £1, and there are thousands of such cases. They are to be found in every municipality."

These facts, which our Conservative authority terms "revolutionary," were predicted by the advocates of the change in the system of rating, and are part of the reasons which cause their advocacy of this system.

Similar testimony comes from other parts of the country. For instance, the "Lithgow Mercury" of May 18th, 1908, reports that the council of this mining and industrial centre has levied a rate on the unimproved value, which will increase its revenue by 50 per cent. Nevertheless, it points out that the mines within the municipal area pay lower rates than under the old system, to the extent of about 30 per cent, that a leading industrial establishment has had its rates reduced from £135 to £36, and that in all the cases in which the houses erected are of much greater value than the land upon which they stand, which is the case with the overwhelming majority of dwelling-houses, the rates payable under

the new system are lower than they were under the old, notwithstanding the 50 per cent increase in the total revenue raised. On the other hand, the "Mercury" has a long list of properties, either public-houses or business blocks in the principal business street, or vacant land, on which much higher rates have to be paid under the new than under the old system.

"The Standard," Sydney, of August 15th, 1908, reports:

"Hurstville has a rate of 3d. in the £, on land values, for all services, and is raising about 50 per cent more revenue than last year. Keeping the fact that there is such a large increase in mind, let us see how the properties fronting a street are affected. On one side of Dora-street there are a number of cottages, and a few vacant allotments. On the other side a park and vacant land, belonging to one owner. Last year the partially-occupied side of the street paid £70 2s. 4d. in rates. The vacant side paid £13 9s. 8d. This year, although the council is collecting 50 per cent more revenue, the partially-occupied side is paying £55 14s. 6d., and the vacant land-owner pays £48 15s. On the side partly used, there are 50 cottages. The rates paid on them last year amounted to £65 13s. 3d. This year, with an increase of 50 per cent in the council's revenue, those home-owners pay £38 2s. 9d. Forty-four have a reduction, while six are paying rather more than last year. Here are some of the reductions: 22s. 8d. to 8s. 3d., 26s. 11d. to 12s. 6d., 25s. 6d. to 7s. 6d., 28s. 4d. to 20s., 29s. 9d. to 10s., 39s. 8d. to 25s., 19s. 10d. to 6s. Then take some of the adjoining vacant lots: 8s. 6d. to 25s., 4s. 3d. to 12s. 6d., 2s. 2d. to 10s., 5s. 8d. to 20s., 3s. 2d. to 15s., 2s. 10d. to 13s. 9d. It may be added that as revenue was formerly mostly coming from one side of the street, it was not kept in a satisfactory state of repair, as Aldermen hesitated to spend much on it because of the stretch of vacant land, yielding so little revenue on one side. Now that all parties are paying on a fair basis the necessary funds have been allotted to put it in proper order."