

Queensland levies no tax on the unimproved value of land for State purposes. On the other hand, it has proceeded earlier and further than any other country in the direction of assessing the unimproved capital value of land alone for local rates, having made this system compulsory for all rating bodies in the State, except water works trusts.

The initial steps in this direction were taken in "The Divisional Boards Act 1879," passed by the Conservative Government of Sir Thomas McIlwraith, providing for local government in rural areas and excluding certain improvements from rating.

In 1887, the Government of Sir Samuel Griffith, at present Chief Justice of the Australian Commonwealth, passed a consolidating Act, "The Divisional Boards Act 1887," which extended this principle, and inter alia provided that the capital value of country land, upon which the annual value was to be based, should be taken at the fair average value of unimproved land of the same quality in the same neighbourhood.

In 1890, Sir Samuel Griffith, then Premier in a Coalition Government composed of Liberals and Conservatives, succeeded in passing "The Valuation and Rating Act 1890," which excluded improvements from local rating in urban, as well as in rural areas, except as regards land held under goldfield tenures, where the value of buildings was to be included.

Thus the law stood till 1902, when the Government of Mr. Philp, again a Conservative Government, passed "The Local Authorities Act 1902," which consolidated the whole of the statutes relating to local government. This Act swept away almost the last vestige of any rating on improvements and made the unimproved value of land practically the sole corpus on which local authorities were permitted to assess rates. The experience gained of this system under previous statutes has been so favourable that the radical step taken by the Philp Government met with no opposition from the public, and with but feeble opposition even from the land-owners in the Legislative Council, who had only consented to the Act of 1890 under the strongest pressure. Many and loud had been the prognostications of disasters to come from this radical breach with past custom. However, they were quickly falsified. In 1893 a conference took place in Charters Towers of the local authorities of Northern Queensland. This conference suggested

various amendments in the Act of 1890, but--after two years' experience of the rating on unimproved values--the only resolution on this subject was one to reduce the valuation of buildings on gold-fields to one-third of their value, thus extending the principle.

In 1896, after five years of experience with the new system, a Royal Commission was appointed to inquire into and report upon the whole system of local government. The enquiry lasted for two months. The Commission examined many witnesses and sent questions to all local councils, which elicited 96 replies. Of the witnesses one only expressed an opinion in favour of the old system of rating, and only one local authority did the same. In face of the actual or implied approval by all other witnesses and correspondents, the Commission did not seriously consider the views of these dissentients. The ready acquiescence of the public and the Legislature in the Act of 1902 is thus explained by the favourable experience gained of the new system of rating under previous statutes.

The Act of 1902 limits the rating powers of local authorities as follows, no distinction being made between rural and urban authorities: - The general rate shall not be less than one half-penny and not more than threepence in the £ on the unimproved value of land; special rates shall not exceed threepence in the £. In addition, water rates, separate rates, loan, cleansing, and tramway rates may be levied, and no limit is set to their incidence. The minimum valuation of any property is £20 in shires and £30 in cities and towns. Tramways are rated in the ordinary way on their land, and in addition pay 30s. per cent on the gross earnings of their cars; gas companies pay from £1 to £8 per mile of main pipe, according to their diameter, and electric supply companies pay £2 per mile of route traversed by their line or lines. Hydraulic mains under public roads pay £5 per mile during the first ten years, and £10 per mile thereafter.

Exempt from rating are: All land belonging to the Crown and not let to tenants; land used for public purposes, show grounds, public recreation, athletic sports and games; land vested in any public authority, or used for public charity, public worship, public educational purposes, orphanages, mechanics' institutes, schools of art and cemeteries and mines, which are taxed by the State through a dividend tax.

The assessed unimproved value of land has varied little (Coghlan, "Australia and New Zealand, 1903-4," "Statistics of Queensland, 1906") :

1894	...	£41,772,975
1898	...	41,486,971
1902	...	43,203,000
1906	...	43,178,545

No information as to the value of improvements is obtainable.

In 1906, this value and the assessment was divided as follows:

		<u>Land Values</u>	<u>Assessed Rates</u>
		£	£
Shires	...	29,197,808	176,664
Cities and Towns	...	<u>13,980,737</u>	<u>217,665</u>
Total	...	43,178,545	394,329

The assessed rates work out: In the shires, at the low rate of 1.11d. in the £ of unimproved value; in cities and towns, at 3.73d. in the £; for the whole State, at 2.19d. in the £. To readers, other than Australian readers, these figures will appear very low. It must be remembered that local governments in Australia are practically unconcerned with the subjects of police, relief of the poor, education, and harbours. These matters concern the State Governments.

The population in 1906 consisted of 535,113 persons. The unimproved value per 100 persons, therefore, amounted to £ 8006, and the rate payable per head of population amounted to 14s. 9d.

The following table, the data for which have also been taken from "The Statistics of Queensland, 1906," and which gives the figures for the year ending 31st December, 1906, furnishes some information about the rating in the eight cities of Queensland. The rates per head of population are very high, with one exception, and highest in Brisbane, where the rate per £ is low. The very high value of assessment compared with population accounts for this conjunction. In four of the cities the rate per £ of assessed value is also exceptionally high:

	Population	Unimproved Value	Rates Levied	Rate per £	Rates per head	
			£	Genl.	Other	
Brisbane	37,442	6,228,032	67,621	2d.	0.62d.	36.0
Gympie	13,100	231,081	6,787	3d.	3.13d.	10.3
Ipswich	8,637	287,892	9,226	3d.	3.98d.	21.3
Maryborough	12,000	318,486	8,725	3d.	3.57d.	14.5
Rockhampton	15,461	880,065	13,821	3d.	0.77d.	17.8
S. Brisbane	30,517	1,238,713	25,987	2½d.	2.79d.	17.0
Toowoomba	10,700	565,044	11,778	2½d.	1.75d.	22.0
Townsville	11,000	760,017	9,500	3d.	---	17.3
Total	138,857	10,509,330	153,396	2.32d.	1.18d.	22.1
Aggregate						3.50d.

The unimproved values, the revenue, and the rates are exclusive of tramways, gas, and electric light mains. A very small percentage of some of the moneys raised by rates, other than general rates, is not based on the unimproved value principle, some cities charging a cleansing rate on the basis of services rendered.

There are in Queensland also 27 towns, the aggregate population of which consisted at the time (December 31st, 1906) of 88,249 persons, and having unimproved value of land assessed for rating at £3,471,407. The revenue derived from rates was: General rate, £38,921; and other rates, £25,348; making a total of £64,269. This general rate averages 2.69d. per £ of unimproved value, and the other rates average 1.75d. in the £. All the rates combined equal 4.44d. in the £, and 14.5 shillings per head of population.

In the towns, therefore, the rates are lower than in the cities per head of population, and also lower per £ of unimproved value, when Brisbane, with its exceptional condition, is eliminated.

It will have been seen that the rates in cities are fairly high. On the other hand, the rates in towns are low, with a few exceptions. In shires, they are very low, averaging 1.11d. in the £, and some shires, such as Bullo, having a population of 1000 persons, and an area of more than half of that of Great Britain, governed itself with a rate of 3/4d. in the £. Here also some exceptions occur, as, for instance, Overton, having a population of 17,000 persons, on an area of 518 square miles and which levies

a general rate of 3d. in the £, and other rates of 2½d., 1½d., and 2¼d., respectively, in its three divisions.

In reply to certain questions put to him by Mr. A. G. Huie, secretary Single Tax League of New South Wales, Mr. W.H.G. Marshall, town clerk of Brisbane, writes as follows on January 6th, 1908:

"1. Do you experience any difficulty in raising sufficient revenue in this way? - No.

2. Has there been anything of the nature of a land boom since the new system was adopted? - No.

3. Does it encourage owners of land to use it rather than to hold it idle for speculative purposes? - Yes.

4. Is it in the interests of the average wage earner who has, or who is trying to get, a home of his own? - Yes.

5. Does the land value rate induce people to overbuild on land, or, in other words, build two houses on land where there is really only room for one, because the improvements are free of taxation?

Not necessarily. The owner will of course use discretion in putting up such improvements as will bring in the best return; to over-crowd the land by erecting two cottages where there is only room for one would defeat this object.

6. Does rating on unimproved values assist the health officer of the council, or is it as profitable for a man to own slums on valuable land as under the old system?

Slums on valuable land would not pay. The owner must have suitable buildings commensurate with the value of his land to obtain a fair return on his outlay.

7. Is there any agitation against unimproved value rating?

No, not against the system; the question of obtaining the fair value caused some trouble at first, but a fairly equitable basis is now fixed and accepted by a large majority of the rate-payers.

8. Is there any way of evading the rate? - Not in our experience.

9. Has the condition of the building trade been generally satisfactory since its adoption?

The system does not much affect the building trade, save that probably it causes more building.

Question No. 10 (which was a request for an expression of opinion on the merits of the system). I enclose you a copy of a pamphlet prepared by Mr. Leslie Gordon Corrie, ex-alderman, and mayor of the city, which deals very comprehensively with the whole subject."

The pamphlet referred to by Mr. Marshall is a reprint of a report by Mr. Corrie, written at the request of the Government of Queensland, in reply to a request for information made by the Secretary of State for the Colonies. Extracts from this report are presented further on.

On a previous occasion, October 11th, 1898, Mr. Marshall expressed his opinion of the working of the new system as follows:

"In 1891 the capital value of the land alone was taken (for rating), and that amounted (for Brisbane) to £8,806,999, upon which a rate of 3/4d. in the £ was struck.

"The object of this legislation was primarily to more equitably distribute the incidence of taxation, and this result has in the main been obtained. The old system of taxing improvements was undoubtedly defective, as being calculated to retard progress, and I certainly think our present system a distinct advance; vacant lands, and lands whose improvements are not in keeping with their situation, are now more heavily rated than was formerly the case, and this has had a decided effect in urging on building operations.

"Fully improved properties have benefited by the change, and likewise house properties, as, for instance--a cottage property in the outskirts in 1890 was rated at £3 13s. 8d., and in 1891 at £1 5s.; another property in 1890 paid £6 16s., and in 1891, £5 5s."

Mr. J. T. Isles, a member of the firm of Messrs. Love and Isles, auctioneers, Brisbane, President Brisbane Rate-payers' Association, wrote in September, 1906:

"The principle in rating the unimproved value of land appears to me the most equitable one, as all owners under this

system are charged alike upon the basis of their holding in land.

"When rates are charged upon a rental basis, it appears to me that the owner who improves his land, and thereby presumably assists in the progress of his particular district, is penalised by having to pay higher rates; whereas, if any penalty is to be imposed, it should be on the man who does not improve his property, but who benefits in the increased value caused by the improvements of other owners without additional expense to himself. The unimproved land values as the basis, however, gets at all equally, and appears to be a most just method."

An inquiry by the Secretary of State, sent out April 5th, 1906 (White book c'd 3890), caused the Government of Queensland to call for reports from the Treasury, as well as from Mr. Corrie, and to forward the same to the Secretary of State.

Mr. T. W. Connah, Under-Secretary to the Treasurer, reports:

"The effect of this land value taxation (rating) has been to depreciate the value of land held for investment or speculative purposes, and to stimulate the utilisation of vacant land where practicable, so as to obtain some return for the rates paid. The exemption of improvements from taxation has a tendency to encourage building operations. As regards the effect on rents, it is obvious that the rentals from improved properties can be lower with taxation on land only than they would have to be to give the same percentage of return if the improvements were also taxed."

Mr. Leslie Gordon Corrie, F.L.S., President Queensland Institute of Architects, ex-mayor of Brisbane, several times president and treasurer of the Local Authorities' Association of Queensland, an association of Local Authorities formed to "protect the interests, rights and privileges of Local Authorities," speaks with exceptional authority on all questions affecting the local government of his State. His report, therefore, is not only valuable through its contents, but also through the exceptional opportunities its author has enjoyed to form valid opinions.

Mr. Corrie reports:

"In the year 1898 the Premier of Victoria requested through the Home Secretary, information as to Queensland's

experience with unimproved land valuation. This being forwarded to the Association as the body best qualified to answer, the executive approved its secretary writing, on behalf of local government, altogether favourably concerning the system.

"The British Government seeking similar information last year, the request was referred by the Premier (Hon. Wm. Kidston) to the Association. Being then treasurer of the Association, the writer suggested the matter should be discussed at the coming annual conference. The executive, however, considered the matter to be so 'non-contentious,' the local governing bodies resting so satisfied with the principle, that it was undesirable to occupy the time of the conference in this connection.

"The exclusion of taxation upon property other than land was apparently expected to lead to the promotion of improvements, while the application of the tax upon land only might reasonably have been expected to discourage land speculation. From the standpoint of Queensland city holdings it is believed that such expectations have been borne out.

"The case for comparison under the two systems (old and new) would have been simpler had the colony continued to prosper... The new system, although introduced in 1891, cannot be estimated as in full operation until 1894-5. ...At this period the colony was in the midst of the depression consequent upon the Australian financial crisis, with the result that, except in the instance of certain busy mining and other small centres, building was practically brought to a standstill....

"Personal acquaintance with the operations of leading financial and building institutions, and with private firms and individuals dealing largely in real estate, both improved and unimproved, enables the opinion to be expressed that the absence of any tax upon improvements considerably relieved the tension imposed upon the holders of improved properties during the depression, and also encouraged building operations being undertaken at an earlier period, and to an extent that would otherwise not have happened.

"The tendency under the new order of things was to depreciate the values of unimproved lands, regarded as lands only...and will always have a deterrent effect upon the holding of land for merely speculative purposes. In the light of Queensland's experience...the new system can be accepted as distinctly against the maintenance of fictitious values in land. The stimulation

to improve land, owing to the appreciable rating of the same, is more clearly established whenever the outgo is very direct and visible, such as in the instance of highly-priced city land.

"The taxation of the unimproved value of land in any case, omitting altogether a tax on improvements, necessarily lightens the burden in the instance of improved properties. This should, and does, enable the rent charge to be lessened.

"It is a system neither borrowed by their legislators nor accepted by the people of Queensland ready-made from others, but one educed, as the gradual development of legislation proves, more or less sub-consciously, from the germ of the idea, which in its integrity is an excellent belief, viz., that a premium should be held out, or, at worst, no discouragement offered, to the improvement of the unexploited lands of a new country."

THE NATURAL LAW OF PROPERTY

From the foregoing account it will have been gathered that the adoption of rating on the unimproved value of land in Queensland is principally due to the genius and influence of Sir Samuel Griffith. How clearly he had apprehended the principles which support the demand for concentrating taxation upon the value of land, and leaving undiminished in the hands of each individual the values arising from his individual services, may be seen from the Bill to declare the natural law relating to the acquisition and ownership of private property, which he introduced in the Legislative Assembly of Queensland, and which is reprinted below. Had he remained in the political sphere, instead of exercising his talents as Chief Justice of Queensland till 1901, and subsequently as Chief Justice of the Commonwealth, Australia, instead of making more tentative advances towards social equity, would undoubtedly have approached that goal with giant strides.

The following Bill was drafted by Sir Samuel Griffith in 1890, and was read in the Legislative Assembly of Queensland for the first time, but not subsequently proceeded with:

"Whereas it is essential to the good order of every State and the welfare of the people, that all persons should have and enjoy the fruits of their own labour, and to this end it is expedient to declare the natural laws governing the acquisition of

private property: Be it declared and enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Legislative Council and Legislative Assembly of Queensland in Parliament assembled, and by the authority of the same, as follows:

DEFINITIONS

1. The term "land" means land in its natural condition resulting from the operation of natural forces unaided and undirected by man, and does not include any improvements made upon it.

2. When the term "value" is used with reference to land, it signifies the extent of the difference between the advantage of having the use of the land in question and the advantage of having the use of the nearest other land, the use of which can be obtained by mere occupation without making payment to any person for such use.

3. The return or payment demanded by persons having, by positive law, the right to the exclusive possession of land, for the permission to use that land, is called "rent."

Rent is therefore a measure of the value of land.

4. The term "labour" includes all modes of exercise of the human faculties, whether of mind or body. It therefore includes the function of supervision or organisation of other labour.

5. The immediate remuneration of labour is called "wages".

6. The term "property" includes all forms of material things in the possession of man which have a value for the purpose of exchange or use. It also includes inventions and other material results of the exercise of the faculties of the mind.

7. The term "production" includes any act or series of acts by which labour is applied, either directly or indirectly, to property, and the result of which is now property, or property in an altered form, or in a different place.

It also includes the exercise of the faculties of the mind or body, the result of which is property, although the exercise

of those faculties was not applied to property.

8. The term "capital" means and includes all forms of property not being land which are in use for the purposes of production. It therefore includes property which is consumed or destroyed as well as property which is not consumed or destroyed in the process of production.

9. The term "interest" is used to denote either the immediate return derived from the use of capital for the purpose of production, or the payment received by the owner of capital from another person by way of return for the use of that capital.

Interest is therefore a measure of the value of the use of capital.

10. The term "productive labour" means labour applied for the purpose of producing some property which is, or is intended to be, of greater value than the value of the property (if any) to which the labour is applied.

11. The terms "net products of labour" and "net products" mean the net increase in property resulting from productive labour, after allowing for the cost of production.

12. The cost of production may include all or any of the following elements:

- (1) The replacement of the property which is consumed, or destroyed, or altered in form, or changed in place, in the course of the process of production;
- (2) The wages of the labour engaged in the production;
- (3) Interest on the capital used in the production;
- (4) Rent of the land used for the purposes of the production;
- (5) Incidental expenses not falling under any of the foregoing heads.

13. The term "positive law" includes all written laws enacted by a competent legislative authority.

It also includes all unwritten rules declared by any competent judicial authority to be the law of the State.

14. All persons are, by natural law, equally entitled to the right of life, and to the right of freedom for the exercise of their faculties; and no person has, by natural law, any right superior to the right of any other person in this respect.

15. The right to take advantage of natural forces belongs equally to all members of the community.

16. Land is, by natural law, the common property of the community.

17. Positive law is the creation of the State, and may be altered or abrogated by the State from time to time.

18. The application of the natural law of equality and freedom may be modified by positive law, so far as the common advantage of the community may require, but not further or otherwise.

19. The rights of individual persons with respect to land are created by, and their incidence depends upon, positive law.

20. All property, other than land, is the product or result of labour.

21. The natural and proper measure of wages is such a sum as is a fair immediate recompense for the labour for which they are paid, having regard to its character and duration; but it can never be taken at a less sum than such as is sufficient to maintain the labourer and his family in a state of health and reasonable comfort.

22. The net products of labour belong to the persons who are concerned in the production.

If one person only is concerned in the production the whole net products belong to him.

If more persons than one are concerned in the production, the net products belong to them, and are divisible amongst them, in proportion to the value of their respective contributions to the production.

23. When labour is not applied directly or indirectly to

property, the whole products belong to the labourer.

When labour is applied directly or indirectly to property, the person who is lawfully entitled to the use of that property is deemed to be concerned in the production as well as the labourer.

24. When for the purposes of production the use of land is required, then the rent (if any) payable for that use is a part of the cost of production.

The person who receives the rent is not by reason only of his permission to use the land concerned in the production, but may otherwise be concerned in it.

He is therefore not entitled by reason only of such permission to any share of the net products.

25. For the purpose of ascertaining the net products of productive labour applied to land, and the persons entitled to share in those products, the land to which the labour is applied is to be considered as if it were capital, and were the property of the person who for the time being is entitled to the possession of it.

The amount of that capital is to be taken to be equal to the value of the land burdened with a perpetual rent equal to the rent (if any) payable by him for the time being.

26. The share of net products coming to each person who contributes to the production from which they arise is the property of that person, and may, subject to any positive law, be disposed of by him at his pleasure during his lifetime or by will.

27. Any person entitled to a share of the net products of any productive labour may enforce that right by proceedings in any Court of competent jurisdiction.

28. It is the duty of the State to make provision by positive law for securing the proper distribution of the net products of labour in accordance with the principles hereby declared.

SHORT TITLE

29. This Act may be cited as the "Elementary Property Law of Queensland."