

LAND REFORM IN POLITICS

A history of land policies and legislation in
the United Kingdom.



Definition of land-value taxation (or site-value rating) — Agitation of municipal authorities — The Land Values (Scotland) Bill — Lloyd George's land taxes (1909-10) — Repeal of the Act (1922) — Pledge of the Labour Party while in office — The Snowden Land Value Taxation Act — Repeal of the Snowden Act before operation — The Conservative threat — Revival of municipal campaign — The London Rating (Site-Value) Bill — Conservative opposition — The Town and Country Planning Act Development Charges — The Simes Committee — Repeal of the Development Charges —

FIRST — A DEFINITION

Land-value taxation is the levying of a tax or rate upon the market value of land alone, exempting all buildings and improvements, the tax being payable on all land whether it is used or not and irrespective of its use, but having regard for existing planning provisions.

Current taxation in Great Britain relating to landed property is levied on the basis of the rent that the property might be expected to yield if at the date of the assessment it were let for a year in *its existing condition*, the single exception being death duties which are levied on selling value. The result is that land is taxed according to its use, the better the use, the higher the tax. Every improvement to a property is the occasion for an increased assessment; every neglect or dereliction can occasion a lowered assessment. If land, however valuable it may be, is idle, there is no assessment. Vacant premises, so long as they are empty, are exempt from the charge of rate or tax.

AGITATION FOR MUNICIPAL TAX REFORM

The municipal agitation to amend the law governing local rating dates back to 1895. The Council of the City of Glasgow took the initiative in that year, and by 1906 it had gained the support of no fewer than 518 Scottish, English, and Welsh local authorities. Between 1902 and 1905, eight bills, some for England and Wales, and some for Scotland, were introduced by Liberal Party members, but with the Conservatives in power, none of them progressed beyond discussion.

At the general election in January 1906, the Liberal Party came to power with an overwhelming majority. In February of the same year, to an influential deputation representing 118 municipal bodies, the Government gave assurance of its intention to go forward with the valuation and the (local) taxation of land values. Later in the year the bill promoted by the Glasgow Corporation and named the "Land-Values (Scotland) Bill," was presented by one of the Liberal Party members, its provision being for a land-value rate limited to two shillings in the pound of annual land value. The Bill passed the second reading by a majority of 258 and was referred to a Select Committee, which recommended that the first step should

be a valuation of the land, adding that when land-value rating did take effect it should be applied fully and at once, accompanied by the total exemption of buildings and improvements.

Following the first part of the recommendation providing for the land valuation, the Land-Values (Scotland) Bill was presented as an official Government-sponsored measure and was carried in the House of Commons in August 1907. It was then sent to the House of Lords and was there rejected. In 1908 it was passed again by the Commons and was once more sent to the Lords, only to be so mutilated by them that the Government decided to abandon the measure.

THE LLOYD GEORGE FINANCE BILL, 1909-10

It came up again a year later as a Money Bill under the Lloyd George Finance Bill of April 1909. This Bill embodied provisions for a valuation of the land of the whole country, and linked with this were three taxes called "Land Value Duties." *These were by no means the taxation of land values*; actually they were selective and discriminatory imposts. They included a tax taking 20 per cent of increases in land values proved to have arisen on sales or transfers of land occurring after April 30, 1909; an annual tax of one half-penny in the pound on the value of undeveloped land—defined in the Bill in such a way as to provide loop-holes for avoiding the tax—and a tax of 10 per cent of the value of leasehold reversions. Existing land values throughout the country other than vacant land were unaffected.

The structure of the valuation itself was complicated and had a number of imperfections involving the need for ascertaining as many as four, and sometimes five, values in land — its "gross," its "total," its "full site," its "assessable site" value — all highly technical because of the complexities of the so-called "land-value duties" — and, for certain lands, the "agricultural" value. The Bill was passed by the Commons and was sent to the Lords.

The House of Lords could, without overreaching its powers, block any legislation coming from the Commons, although they heretofore had refrained from interfering with Money Bills, such as was the Lloyd George Finance Bill, for raising parliamentary revenues. On this occasion

the Lords defied the Commons and rejected the measure on November 22, 1909.

This produced a constitutional crisis. Parliament was dissolved on January 10, 1910, and a general election followed. The Government was returned and immediately re-submitted the Lloyd George Finance Bill to the Lords, who thereupon gave consent to the measure which was enacted as the "Finance (1909-10) Act 1910."

In December 1910 the Government called another general election, seeking, and obtaining, a mandate to settle the issue of the power of the Lords. Under threat by the Prime Minister that he would advise the creation of enough peers to swamp the Upper House, the Parliament Act of 1911 went through, and it was written into the Constitution that the Lords never again could interfere with Money Bills. Moreover, a two-year limit was put on their power to hold up any other legislation.¹

The land valuation ordered by the Finance (1909-10) Act 1910 proceeded, but it was such a cumbersome thing that the valuers were at work for five years and even then did not complete their job. As has been stated, one of the values that it was necessary to ascertain was the "full site" value; if that had been correctly defined in the law, it would have provided the basis for the eventual levy of a true tax on land values and for the local rating of land values as well. In 1914 the Government produced a revenue bill to put that definition right, but war broke out that year and as a consequence all reform legislation was stalled.

During the war there came a split in the Liberal ranks.² As a result, the radical wing of that party was driven into the political wilderness and the Coalition Government that came to power after the general election of December 14, 1918, was wholly dominated by Conservatives. They made the most of their opportunity to press for the repeal of the land clauses in the Finance (1909-10) Act 1910, and in 1922 they finally succeeded, refunding to the land owners what they already had paid in the form of land-value duties. Although this Act was not the taxation of land values, in providing for a valuation of all land apart from buildings and improvements it prepared the way for it.

LABOUR'S PLEDGE

At the November 1923 general election, the Liberal and Labour parties had both reaffirmed their pledges in favour of land-value taxation. Together they had a majority of eighty-three in the House, although no actual partnership was formed. A Labour Government took office with Philip Snowden as Chancellor of the Exchequer. He promised that his next Finance Bill would provide for a far-reaching measure of land-value taxation. But this was not to be. The Conservatives created a

storm because the Government had abandoned the prosecution of a leading Communist accused of seditious writings, and in the ensuing fracas Ramsay MacDonald, the Prime Minister, was forced to resign. This precipitated a general election (October 1924).

The new Conservative Government, with Stanley Baldwin as Prime Minister, lasted out their term of five years, during which they passed the so-called "De-rating Acts" by which agricultural land, however valuable, was exempt entirely from local taxation.

THE SNOWDEN FINANCE BILL 1931

The Labour Party won the next general election in May 1929, securing 288 seats as against the Conservatives' 268 and the Liberals' 59, and they took office dependent upon the support that a sufficient number of Liberals (a camp divided in itself) were prepared to give. Philip Snowden, once more Chancellor of the Exchequer, presented his proposals for land-value taxation in his Finance Bill 1931. These provided for a valuation of the capital value of all land, apart from buildings and other improvements, and for the levy of a tax of one penny in the pound of that value (equivalent to 1s. 8d. in the pound or eight per cent of annual land value). As introduced, the measure had some blemishes but the valuation of the land of the entire country was secured under conditions vastly superior in character, simplicity, and definiteness to those in the Lloyd George legislation of 1909-10.

The Finance Act 1931, embodying Snowden's proposals, was passed on July 31 of that year. But again a crisis broke. The Labour Government fell, to be replaced on August 27, 1931 by a newly-formed Coalition Government which Ramsay MacDonald and Philip Snowden joined.

REPEAL OF THE SNOWDEN LAND-VALUE ACT

On December 8, 1931, shortly after the election, Neville Chamberlain, now Chancellor of the Exchequer, announced the Government's decision (taken at once, though not legalised until seven months later) to suspend the valuation and disperse the staff engaged upon it. But the Conservatives were not satisfied with a mere suspension that left an open date for a resumption of the work. They forced the Government to repeal the legislation *in toto*, this being accomplished in the Finance Act of 1934. Thus was fulfilled the earlier pledge of Stanley Baldwin, who, in June 1931, when the Snowden proposal for the land-value tax was being debated, declared: "I can say one thing about it, that if we get back to power, that tax will never see daylight."

Protests poured in upon the Government, especially from many of the municipalities favourable to land-value rating, who saw what the abandonment of the valuation meant to them. The United Committee for the Taxation of Land Values (London) also added their voice. In their manifestoes they charged the Government with having "obeyed the behests of those who benefit from that

¹ Reduced to one year by act of the Labour Government in 1949.

² Some of the Liberals had criticised Lloyd George's military tactics. At the close of the war in 1918, Lloyd George, unforgiving toward these critics, endorsed only those candidates (of all parties) who had supported him throughout.

monopoly which does the greatest hurt of all to society." Prime Minister Ramsay MacDonald was stung to a reply. He wrote to the United Committee, his letter dated May 14, 1934, offering excuses for the Government's action, and added, "*It may be argued that the step which has been taken indicates the power of certain interests.*" This was an extraordinarily humiliating admission to come from the head of the Government, and in the eyes of his Tory masters this Prime Minister had committed a blazing indiscretion.

In June 1935 the Government took advantage of the international crisis to rush a general election, and questions of domestic policy were largely pushed into the background. The Government labelling itself "National," but dominated by Conservatives, was returned to control the destiny of the country for the next ten years.

REVIVAL OF MUNICIPAL CAMPAIGN

On the municipal front, from 1935 onward, the campaign pressing for the legislation necessary to provide for the rating of land values was vigorously maintained. By 1947 no fewer than 263 local authorities had responded to the lead given by Cardiff, Manchester, Stoke-on-Trent, Edmonton and other city councils, but most notably by the London County Council. The last named had been captured by the Labour Party in the municipal elections of 1934, and in that campaign the question of land values played a prominent part. Determined steps were taken. The County Council, through its Finance Committee, made a thorough enquiry into the local taxation system and an illuminating report was produced. This advised that the Government be urged to introduce legislation empowering local authorities to levy a rate on site values. From the Government came the curt answer that no action of the kind would be contemplated. The Council then prepared and presented a bill applying only to the metropolitan area—the "London Rating (Site Value) Bill"—providing, as a start, for a county rate of two shillings in the pound of annual land value. Technically, it had to go forward as a "private bill," since it applied to London alone, and it was so presented on February 8, 1939. The Tories, hoping to see the measure dismissed without debate, gave challenge on a matter of procedure and were supported by the Speaker of the House, who ruled that it could not go forward as a private bill because it raised "questions of public policy of great importance and affected interests of vast magnitude." Later, on February 15, 1939, it was presented again under a different procedure as a "public bill." This forced the Tories to vote, and the Bill was defeated, 229 to 135.

Thus we see that on four occasions—in 1908, in 1924, in 1934 and in 1939—legislation leading to the taxation and rating of land values was brought to the House of Commons and backed by a great popular sentiment. Nevertheless, it was cast aside.

The Snowden Act of 1931 and the London Bill of 1939 had been pressed by the Labour Party. It was natural to expect, and it was expected, that these meas-

Expensive Space

LAND which covers only one-sixth of an acre in the fashionable Old Village of Hampstead fetched £20,000 at a London auction on December 11. It was bought by surveyor and valuer Mr. Alfred Chambers, brother of ICI chairman Mr. Paul Chambers.

The site formed half of a tumbledown kitchen garden overgrown with weeds.

— From the *Daily Mirror*, December 12, 1963.

ures, with their provisions well prepared for adoption, would be taken up and re-introduced by the Labour Party when its opportunity came. The obvious line was (1) a Finance Bill instituting a national tax on land values, thereby securing a valuation of the land of the whole country; (2) a bill to reform the basis of local taxation empowering all local authorities to levy their rates on land value, and (3) through the taxation and rating of land values to reduce the taxes and rates on wages, on trade, on industry and on improvements. But that course was not followed. On the contrary, the Labour Party, having won its sensational victory at the polls on July 5, 1945, promoted legislation which, so far as the land is concerned, was of a wholly retrograde and disastrous character.

LABOUR GOVERNMENT LEGISLATION

Two Acts passed by the Labour Government call for special comment: the Town and Country Planning Act of 1947 and the Local Government Act of 1948.

The Town and Country Planning Act, 1947, dealt with the physical planning or zoning of land, and embodied special provisions to that effect. These, in broad outline, were as follows:

1. Building developments and material changes in the use of land and premises could be made only with official sanction.
2. A State monopoly of the right to develop land was created.
3. A global "share-out" fund of £300,000,000 of public money was to be paid by way of compensation to land owners deprived of the development value of their land. This, in effect, meant that the public would purchase from land owners the future land values created by the community itself.
4. Any would-be developer of land had to buy from the State the monopoly value of the permission to develop, this payment, called a "Development Charge," being the difference between the two values of property which the Act had established. One of these values was the assumed selling value of the property supposing it was condemned perpetually to remain in its existing state—

the "existing use value." The other was what the property would be worth if it carried the benefit of the permission to make the development in question.

The effect of the charge, falling as it did only on development and in relation to its extent, was clearly to penalise, retard — and even prevent — development. Experience proved that to be the case. *In no sense could it possibly be said that these development charges bore any relationship to the taxation of land values.* Rather did these charges follow the principles of the present rating system which increases taxation where development or improvement takes place.

The Local Government Act, 1948, confirmed the total exemption of agricultural land from local taxation. Embodying as it did new schemes for distributing subsidies from the Treasury to the local authorities, it gave further impetus to the process by which local self-government was gradually being undermined. Otherwise the Act left the local taxation system substantially unchanged.

When the Local Government Act, 1948 was being debated in Parliament (November 15, 1947), disappointment was expressed that there was no provision for levying the local rates on land values, as the earlier statement of the Chancellor of the Exchequer, Hugh Dalton, had given grounds to expect. An Enquiry Committee was therefore appointed with instructions to consider and report upon the "practicability and desirability" of a rate on land values, but with the inhibiting condition, "having regard to the provisions of the Town and Country Planning Act and other factors." The Committee, its hands tied in advance, spent four and a half years in its deliberations, its report¹ not being issued until April 1952.

The Majority Report, signed by six members, declared that "the meeting of any part of local expenditure by an additional rate on site values, having regard to the Town and Country Planning Act and other relevant factors is neither practicable nor desirable." The Minority Report, signed by three members, declared that "the rating of site values is both practicable and desirable; the arguments in favour of it stand unimpaired; the only event since 1939 having a material bearing upon the matter is the Town and Country Planning Act, 1947; this involves some changes in the method of application but does not affect the principle."

The Labour Government, nearing the end of its term, went to the country in the election of February 1950 and returned with a bare majority of six over all other parties, to live a precarious existence that lasted but a year and a half. The next general election in October 1951, returned the Conservatives to power.

DOOM OF LABOUR PARTY LEGISLATION

It remains to record two important subsequent events. The Conservative Government so drastically amended the

¹ *The Rating of Site Values: Report of the Committee of Enquiry*: Her Majesty's Stationery Office, London, 1952 (Price 5s.). For review of this report see *LAND & LIBERTY* May 1952 and *Site-Value Rating — Objections Answered*.

Town and Country Planning Act that the Development Charge was abolished, together with the State Monopoly of the right to develop. The obligation to pay out £300,000,000 in one large sum to land owners has been avoided by making other arrangements with regard to compensation, so that it is now paid piecemeal when permission to carry out developments is withheld. By these amendments in the Town and Country Planning Act, the position, so far as landlord privileges and perquisites are concerned, is as it was before the Act was passed. On the other hand, by these amendments the road to the taxation and rating of land values is now clear of the obstacles which the financial provisions of the 1947 Town and Country Planning Act put in its way. And it may be remarked that the disappearance of the Development Charge of this Act dissolves the adverse arguments of the Majority Report of the Enquiry Committee on site-value rating and substantiates the findings of the Minority Report.

As for the provisions in the Local Government Act, 1948, for distinctive and peculiar methods of assessing dwelling houses—a scheme that broke down hopelessly—the Conservative Government suspended and rescinded that part of the Act. It has since passed new legislation restoring methods and standards of assessment essentially the same as have heretofore obtained.

The system of property taxation must be rebuilt from its foundation upon a basis that will recognise how foolish and how wrong it is to tax any building or other improvement, and how wise and how right—how beneficial in the interests of the community—it is to provide public revenue out of the value attaching to land—the value that in nature and in origin rightfully belongs to the community.

LAND VALUE REPORTS

Shopping Centre Surveys in Five States. A. R. Hutchinson, B.Sc., A.M.I.E. Aust., Land Values Research Group, shows the effects of site-value rating with exemption of buildings upon development of business centres of Australian towns, as reflected in their modern or obsolete appearance. Reprinted from *The Valuer*, July 1959. 6d.

Report on Social Effects of Municipal Rating by the Land Values Research Group with the co-operation of the Footscray City Council, Australia. Illustrated. 2s. 6d.

Municipal Improvement and Finance by H. Bronson Cowan, Research Director of the International Research Committee on Real Estate Taxation. The subject matter covers all aspects of taxing land values and untaxing improvements, with three forewords by the chairmen of the U.S.A., Canadian and British sections of the Committee, on the origin and purpose of the research. Illustrated. 7s. 6d.