THE LAND VALUATION BILL

SURVEY OF ITS PROVISIONS AND CERTAIN RECOMMENDATIONS

The Land Valuation Bill, which was published and circulated on 30th July as a draft for re-introduction next Session, occupies sixteen printed pages. It is a Bill of ten clauses and two sub-sections, and six of the clauses are divided into twenty-nine sub-sections. Our space does not permit reproduction of the whole text word for word, but the chief clauses or sub-sections are printed in full and the rest of the Measure is briefly described on page 182. Copies of the complete Bill, as officially issued, will be sent (price 4d.) to any readers who make application for them.

Proposals for Valuation

Clause 1 puts the work of valuation in the hands of the Commissioners of Inland Revenue, and the valuers are required to show the land value of each piece of land in Great Britian "as on the valuation date." This date is named in Clause 9 as the date of the commencement of the Act (the passing of the Bill), the next valuation to be seven years later and subsequent valuations to take place once every five years. By a "piece of land" is meant every parcel of land in separate occupation at the valuation date. The Commissioners may cause the land value of any two or more such parcels of land, if they are under one ownership, to be shown as if they were one piece of land.

The land value to be ascertained is the selling value of the freehold, apart from improvements as specified, the land to be regarded as free from tenancy, lease or tithe or incumbrances other than public rights, public restrictions, rates and taxes, and restrictions imposed by law or agreement and binding on the owner or his successors in title. These incumbrances, from which the land is deemed to be free, are listed in the First Schedule of the Bill.

Minerals are excluded from the valuation of any land by the formula that the purchase price is to be computed without taking into account the value of minerals as such. Shooting rights in different ownership from the land over which they exist, and all fishing rights, are to be separately valued; but mining rights are not to be valued.

In the case of agricultural land (defined as such by reference to other Acts) the valuers must also ascertain what is called the "cultivation value."

Where flats or offices in separate occupation stand above one another in a tenement building, the site of the whole building is to be deemed a piece of land, all owners or occupiers of the parts of the building being treated as owners or occupiers of the land.

Each piece of land is to be valued as if it alone were unimproved, while all other land is to be regarded as actually in its present condition—a principle of valuation which it is just as well to lay down in the statute.

Included in the land exempted from valuation is the land belonging to railways, canals, docks, harbours, etc., which is used for purposes of their undertaking under special Acts of Parliament. The exemption also applies to church sites, graveyards and burial grounds and to public parks and other grounds open free to the public.

There is no provision for valuing the various interests in land where the land value is shared by several parties, as in the case of many leasehold properties. The Commissioners are not empowered to value separately the portions of any piece of land that are essentially different in quality and situation. No provision is made to apportion the land value to meet the circumstances that arise when land is sub-divided or aggregated after the valuation date—developments that are continually taking place. In this and in other respects, a valuation fixed for all land for a period of seven years, revised later only at intervals of five years, cannot serve as a true basis of taxation.

The Definition of Land Value

It does not appear that allowance is made for all values fairly attributable to labour and capital expenditure, so to arrive at the value of land apart from improvements. The buildings on all land are to be regarded as absent, but "works" other than buildings are treated differently. Moreover, the definition of works rules out of consideration such obvious improvements as reclamation and protection from flooding. As to other expenditures for improving the land, no time limit is prescribed, and a time limit is necessary to prevent preposterous claims being asserted for improvements made in past centuries that have long ago merged in the land itself.

No "works" of any kind "for agricultural purposes" are to be deducted, and under the directions given, the valuers will have no alternative but to include the result of such works as drainage and the clearing or improvement of land for cultivation as part of the land value they are required to ascertain. The Bill as drafted attempts to draw an arbitrary line between agricultural and other land. It is a distinction that can neither be maintained nor defended.

Besides tillages and manures, the improvements mentioned by reference to the Agricultural Holdings Act and attaching to tenant right are all of a temporary nature. Only such improvements and buildings (which do not include fences) and the "cutting value of any trees," are to be regarded as things apart from the land. On the one hand all permanent improvements other than buildings are ignored; on the other hand, the landowner is wrongly credited with the cutting value of trees that he has neither planted nor cultivated. Agricultural land is to be valued along with fences and hedges, when allowance should be made for all plantings and for all works of a capital nature (on land of every kind) to the extent that these works add to the present value of the land, provided that no expenditures incurred on them 25 years before the date of valuation be taken into account. The Bill needs amending on these lines, if it is to provide the proper basis for a straightforward and sound tax or rate on the value of all land.

The Alternative "Cultivation Value"

The discriminations the Bill makes as to agricultural land are emphasized in the instruction given to ascertain "cultivation value" in addition to the ordinary land value. It is to be supposed that there is a public restriction permanently preventing the use of any piece of agricultural land for any purpose except agriculture; and the valuers have to determine what the selling value (apart from improvements) would be under these imaginary circumstances. In this the valuers would have imposed on them an almost superhuman task, certainly wherever the obviously best use of the land, as proved by the real selling value, was for building or other development. After they had wrestled with

the conception to arrive at their hypothetical result they would have no test by which to defend their result before the objector or the court of appeal. It is at the appeal court that any valuation will stand or fall. The provision would apply to all land now derated as "agricultural," especially the millions of acres held in speculation within and around municipal boundaries. What object is in view or what policy this part of the Bill would seem to anticipate is for the draughtsmen to say. The immediate consideration is that the practical difficulty of fixing and upholding this alternative "cultivation value" would jeopardize, if not destroy, the machinery of valuation itself.

A curious provision occurs in Clause 2 (6) that calls for remark at this stage. A referee must treat any appeal as made *both* against the "land value" *and* against the "cultivation value" (although against one or the other no objection has been made). This discloses a danger that the cultivation value would clog the machinery of the valuation from beginning to end, for no purpose except what seems to be indicated by succeeding words. The subsection goes on to say that a referee may if he thinks fit increase the land value and he may *decrease the cultivation value*. The inference is that the objector would be advantaged by having the difference between the two values as little as possible, while it would be to the advantage of the State or municipality to have it as large as possible. If the objector thinks the land value is too high and the valuer has refused to lower it, the referee may make it higher still. On the other hand, the objector's manifest reason for claiming a high cultivation value would be to keep down the taxation that is not imposed on the cultivation value, but on the difference between that and the land value. It is difficult to suppress the thought that the Bill contemplates not a land value tax so far as agricultural land is concerned, but only an increment or "betterment" tax on such land when it ceases to be used "for agricultural purposes" and is built upon or otherwise developed. It is in order to ask the question whether such a fanciful scheme, in every respect mischievous, is under consideration; and if not, what is the purport of these strange provisions.

The Exclusion of Minerals

The expressed intention of the Bill to avoid the valuation of minerals will certainly provoke a storm of protest. The provision clearly excuses from valuation (and in consequence from taxation) all coal deposits and all ownership rights over those natural resources where the landlord tribute is everywhere recognized as the most scandalous expression of private monopoly. That responsible Ministers have already announced proposals for nationalizing mining royalties by purchase out of public funds is serious enough. These proposals await the condemnation they deserve, and the Government that persists in them will commit suicide. Meanwhile, the question is the Land Valuation Bill as a practical and workable piece of legislation. The definition of minerals is so wide that every conceivable raw material "obtainable by underground or by surface working"—not only coal, but also iron and other mineral ores, slate, sand, sandstone, limestone, clay, salt deposits, etc.—would have to be distinguished from the land itself. What price would the land have apart from its content and its substance? The Bill sets before the valuers an insoluble problem.

Railways and Other Properties

Other exemptions from valuation are lands of railways, canals, docks, harbours, gas, water and electricity suppliers, in so far as the land is used for the statutory purposes of these undertakings. Here we find land privately owned as by a railway company and land publicly owned as by a dock authority bracketed together for the same treatment. The exemption of the railway companies, gas companies and the rest, ties the hands of Parliament, when the time comes for the tax legislation. The present rating system applies with its anomalies and injustice to all concerns of the kind, and the door should be left open for the application of land value taxation. All land to which the public has not free access should be valued, for whatever purpose it is used, even including the sites of buildings used for public worship, which the Bill exempts. It is for other legislation to provide whether they should be actually taxed and rated or not.

The exemption of public parks and grounds open free to the public is a matter of course. Land of that kind has no selling price, but the provision should be strengthened so that the exemption is allowed only in respect of grounds permanently dedicated to public use and enjoyment.

Objections, Appeals and Publicity

The proposals for checking and confirming the valuations, before they become final, need particular attention. Clause 2 provides that:—

> The owner receives notice of the valuation of the piece of land *and of that land alone*.
>
> Any person having an "estate or interest" in the piece of land may on application obtain a copy of the valuation *and of that land alone*.
>
> The said owner or person interested may lodge an objection against the valuation of the piece of land *and of that land alone*.

The right to see copies of the valuation, with a view to objection or appeal, is treated as a right "vested" in the owners and persons interested. It is even withheld from the occupier as such, since an estate or interest in land (terms not defined in the Bill) is declared in other Acts to exclude tenancies of less than 14 years.

These provisions are not in accord with valuation practice in any part of the world. The opportunity to object should not be reserved to the landholders in question. The interested parties are not they alone, but the whole public.

The Necessary Procedure

It is essential for attaining true and agreed results that the valuation lists be published before the process of objection and appeal begins, and that any landholder or occupier in a district where the copy of the list is deposited should be free to make complaint against the incorrectness of any valuation (his own or his neighbour's), whether too high or too low. This would do more than anything to facilitate and expedite the work of the valuer himself, since he would be able to bring any grievance to the test of comparison with the valuation list in front of him and the objecting party. For this publicity as an aid to valuation, the draughtsmen of the Bill have every precedent. It is familiar for rating purposes throughout this country, and the land valuation statutes of other countries show how fully and how well it has been observed. It is made more complete still, where, as in Denmark and in New York and other American cities, land value maps are published for anyone to see.

In this matter of land valuation, two points stand out most strongly. In the first place it is a *causa publica* which may not allow any special interests to have more say or influence than the general public. In the second place, land value is not an absolute standard. It is a comparative standard that will be seen to be sound and fair only when the test of comparison is afforded.

The Bill provides in a later clause (No. 3) that after the valuation has been completed, that is to say, after all objections and appeals have been settled, copies of the valuation lists are to be furnished to every rating authority for public inspection at all reasonable times. That is well enough; but then will come the time for criticism when perhaps all too late. The valuation would be settled for seven years, and if it is found to be faulty under the fierce light that would certainly be thrown on it, trouble would arise that might very well wreck the measure. Here we may take a lesson from the 1910 experience.

The presumption is that, irrespective of national taxation, the valuations are being prepared as a basis of local rating. This eventual use of the valuation makes it all the more imperative that in carrying out the work the public shall be associated with the valuers in ensuring accepted results.

Facts as to Land Prices

Clause 5 restores to the valuation authority the powers (of which they were deprived by the Finance Act, 1923) to obtain particulars of transactions on the occasion of the sale of land or the grant of any lease (for a term exceeding fifty years). Similar provisions in the Finance (1909-10) Act, 1910, required that particulars had to be delivered on the grant of any lease for a term exceeding fourteen years. The Bill thus seems to fall short of the earlier legislation in the facilities given to the valuers to obtain essential information that will aid them in ascertaining the true market value of land.

Interests in Land

It is difficult to understand why the Bill treats the ground landlord as if he were not an owner of land, when the lease is for a period of more than fifty years, whereas in the case of a lease for fifty years or less the ground landlord is treated as an owner. Both landlords have an interest in the value of land, since both are in receipt of economic rent. Yet the former is ruled out as an owner, no matter how much rent he is receiving or how soon the lease terminates and reverts to him as the freeholder. As to the Scottish superior who is equally in receipt of economic rent, the Bill goes even farther, by declaring that the superior is not only not an owner but also has neither an estate nor an interest in the land; his annual rent is regarded as interest on a capital sum, as if he had lent money to the tenant—the feuar.

We have pointed out where the Bill appears to limit the application of land value taxation by anticipatory provisions. Here the Bill seems also to anticipate the incidence of land value taxation when the time comes for deciding who is to pay the rate or tax that will be levied. When the tax legislation is introduced measures will have to be taken so that the tax or rate on land values is payable by each person interested in the value of land (the ground landlord and superior included), and in proportion to his interest.

Periodic Valuation

The interval of seven years between the first and the second valuation is much too long. The first valuation will only be the beginning of a process that will require continuous revision and improvement, as the valuers become more and more acquainted with the work. They, like anyone else, will have to learn in the school of experience, and it is not to be expected that such a big undertaking like the valuation of the land of the whole country will be beyond criticism the first time it is made. This is in line with the experience of all other countries.

The circumstance that will most affect the valuation is the introduction of land value taxation. This will bring about so many alterations in actual values that a revision, immediately after the tax or rate on land values has been imposed, will be an urgent necessity. The economic effect will be specially noted in the check placed on land speculation, and the fall in the monopoly prices and rents now demanded or exacted. Therefore, to stabilize the basis of the taxation for seven years, and later for as long as five years at a time, would make for grievances and put everything out of gear. The valuation must correspond with the facts from time to time, and from place to place, and be easily and quickly adjusted to the growth of population and the civic, social and industrial developments that are constantly taking place. The aim of the valuation should be year by year to measure a justly-apportioned contribution from every landholder.

There is no difficulty but every advantage in annual revision. We have the examples of the valuations made once every year in Scotland for purposes of existing local rates, as well as the land valuations made annually in New York and many American cities and throughout Western Canada, which show separately the value of land apart from improvements.

If the question of cost be raised in this matter of vital public importance, there is this to say, that annual revision would mean economy of effort, not to speak of the efficiency achieved. The continuous work of keeping the valuations up to date by a trained staff, permanently engaged and always in touch with ever-changing conditions, would average out at much less expense than is involved in organizing and re-employing fresh assistance on each occasion that a new valuation is made at long distance from its predecessor.

An Autonomous Valuation Department

The functions of valuation on the one hand and of tax-collection on the other hand are so distinct that they ought to be entirely separated under separate command. The Bill, however, would entrust the land valuation to the Board of Inland Revenue, which is one of the two tax-collecting authorities under the Treasury, the other being the Board of Customs and Excise.

Long ago, it was seen in New Zealand how desirable it was to establish an independent department concerned alone with land valuation. As the Hon. Pember Reeves wrote in his Report (1909) to the British Government on the New Zealand system: "The officers of the valuation department are not servants of any tax departments; their business is to supply valuation rolls, not to fix rates or taxes."

The Bill affords the opportunity to make wise arrangements at the outset such as have been made in New Zealand, New South Wales, Cape Province and Denmark, where the land valuation is in charge of a separate department of State. In this country, when the 1910 land valuation was made, the valuers were the subordinates of the Inland Revenue Commissioners, and this did not help to allay suspicions that tax official and valuer were one and the same. The severance of the two functions would put the Inland Revenue itself in a stronger position, in being able to say that they had no influence over the basis of taxation, but were concerned only to see that the tax, being levied, was duly collected. The added consideration is that the local rating authorities are equally interested in seeing the valuation done by a separate department, because of the eventual use to which the valuation will be put not only as a basis of local rates, but also as a basis for readjusting the Treasury grants-in-aid. Every argument points to the right course, which is to create the office of a Valuer-General with his own staff under his responsible direction.

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