

An Unjustified Innovation

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IN A sixteen page document entitled *The Unit Land Tax*, Mr. Walter Gabriel, FIMTA, FRVA, Borough Treasurer of Sale, Cheshire, proposes a substitute for "the unpopular rating system, so dependent upon professional opinion and, in particular, upon the supply of valuers."

The scheme is based upon "one incontrovertible factor, namely the total area and therefore the fixed supply of land." Mr. Gabriel's calculations refer to the land area of England and Wales.

The basic proposition is that all land should be subject to a tax on ownership whether the land is in use or not. Broadly, there would be no exemptions and land owned by local authorities and by the Government would also be subject to the tax which would be expressed as so much per "unit", the number of units being based on the number of square yards (or metres) in each ownership, suitably weighted according to which of four "bands" the land came within, as follows:

Band	Description	Suggested Weighting
1	Common land and land not usable for the purposes of Band 2.	1
2	Agricultural and recreational	2
3	Domestic	222
4	Non-domestic (industrial and commercial)	2,220

Mr. Gabriel says that it would be for the Government to prescribe by legislation the weightings to be adopted and these would apply nationally. The local tax levy, however, would be determined locally in the light of the total number of units in the local tax area and the local budget requirement. "In other words, land units would replace £'s of rateable value

in fixing the annual rate of tax for each area."

He specifically points out that this is not Site-Value Rating which "depends upon the valuation of individual plots of land whereas under this proposal only measurement is necessary and no valuation."

Now, as the sole reason why Mr. Gabriel is not proposing Site-Value Rating appears to be because this involves a valuation, it may be pertinent to note two things with regard to his scheme. First, that he has not in fact felt able to propose a tax simply on the area only but has imported a crude "valuation" albeit that land in each of the bands is treated as if it were all of one value. (Rather as if the income tax system were to avoid individual assessments and to tax all employed persons, i.e. top executives and beginners, according to their "weighted" occupation: thus, perhaps, all employed in the legal profession would be weighted more heavily than all those in the building trade.) Secondly, if the valuation of individual plots is not an insurmountable problem, there would appear to be no justification in stopping short at these four "bands" instead of having a full valuation that would reflect the considerable divergence in values of land for all purposes.

Mr. Gabriel seems to have missed the lesson of the site-value rating survey carried out at Whitstable by the Rating and Valuation Association, although he lists the Report of this survey under his works of reference. On page thirteen of the Report the valuer stated "It is clear to me that the field work involved in valuing sites only is very much less than valuing site plus improvements. . . . Once the method is established and the evidence of market transactions is

passed to the valuer, the speed of the work in the office is considerably greater than on the orthodox method."

Why then innovate in order to avoid a valuation of all sites when, clearly, if valuers are available for the present complex system they could be switched to the greater simplicity of a site valuation?

This is not to deny some merit in Mr. Gabriel's proposals as compared with the present rating system. For one thing an improvement to property would not attract an increased rate penalty (unless it consisted of adding another storey to a building, for he suggests that each storey in excess of two should attract a further slice of tax).

Another point is that as this tax falls on all land, whether used or not, it should tend to encourage unused land on to the market. But this encouragement could be very uneven. Clearly some land may quite fortuitously happen to be "correctly" valued under the Unit Land Tax scheme but other land may be grossly under-valued and some may be grossly over-valued. It is axiomatic under site-value rating that land of no value (marginal land) pays no tax and that land of low value pays a low tax whereas, under the proposed scheme, the totally uneconomic and inequitable situation could arise of a tax being levied in excess of the rental value of the land which would doubtless tend to result in its being deposited on the Government or local authority as an economic deadweight.

Unfortunately, these heavily qualified remarks would seem to be the limit of what can be said in favour of these proposals. Other aspects of Mr. Gabriel's scheme



serve only to reinforce the view that he did not proceed to his Unit Land Tax from an understanding

of the full implications of site-value rating.

Another feature of Mr. Gabriel's proposals is that for occupied domestic property, in addition to the owner's tax, each earning occupier would pay on the same number of units as that computed for the owner's tax. An earning owner would therefore pay two shares; one as owner, and one as earner; a pensioner-owner would pay only one share.

This aspect of the scheme would necessitate an extension of bureaucracy in order to collect the tax on each earning occupier of domestic property, for as Mr. Gabriel points out, there would have to be a link-up between the income tax records and the local authorities. By definition, all such occupiers would pay according to the *area* of the whole site, presumably thereby encouraging would-be occupiers to seek premises on small sites.

This has not been overlooked by Mr. Gabriel who says, "There would be an obvious need for a very tight control of planning at all levels to prevent abuses, such as the overcrowding of sites, which would possibly be encouraged by the nature of the tax." Again he has missed the mark, for site-value rating would give no such encouragement to overcrowding.

When considering the likely productivity of his tax, the author provides the interesting information that land bands 3 and 4 together represent only about four per cent of the total land area of England and Wales.

He estimates that the average rate burden per domestic hereditament, £57 in 1971/72, could be reduced under his scheme to about £19 per annum so far as the *owner* was concerned. In addition, each *earner* living in the "average" house would pay £19 per annum. Thus, he points out, his scheme makes possible a reduction in the burden on domestic householders by an average of about one-third if they are themselves earning, or two-thirds if they are not.

This feature does not however even begin to equate the Unit Land Tax with the benefits of site-value

rating for the crucial question is: who ultimately bears the tax? And under the heading "Incidence" Mr. Gabriel supplies the answer that "this tax is mainly an *indirect tax* inasmuch as it will be passed on from taxpayer to consumer wherever possible. That portion of it levied on earning occupiers will, of course, be *direct*."

It is impossible to believe that if Mr. Gabriel had understood the essence of land-value taxation he would have devised an alternative scheme that he thus damns with his own words. For, it is a simple economic fact that the taxation of land values rests upon the re-

cipients of land values and cannot be passed on. In this connection Mr. Gabriel should refer to the chapter on "The Incidence of Taxation" in Lord Douglas of Barloch's book *Land-Value Rating*.*

A Chinese poet once said "Woe to him who wilfully innovates while remaining ignorant of the constant." Mr. Gabriel would possibly be shocked to think that this stricture could be applied to himself. But, if not wilfully, he has certainly innovated and, assuredly, he has not improved upon the constant.

Land-Value Rating, Lord Douglas of Barloch, Johnson Publications.