

NEW SOUTH WALES

The first law providing for the taxation of land values in New South Wales was passed in 1895. It was called the Land and Income Tax Assessment Act. It was the result of very considerable public agitation due to the wide circulation of *Progress and Poverty*, and to the visit of Henry George to this State in 1890. The chief issues at the General Election of 1894 were freedom of trade and taxation of land values. The result was a sweeping victory for Mr. G. H. Reid, M.L.A., now Sir George Reid, M.P., of the British House of Commons. The conservative element in Parliament still resisted the proposal to tax land values and the Upper House, known as the Legislative Council, threw it out. Mr. Reid appealed to the people forthwith, was returned again, and so the bill became law.

It is important to bear in mind that this law, with its many defects, was an earnest attempt to carry out that fundamental feature of Henry George's proposals—to substitute taxation of land values for existing taxes. The effect of the persistent and bitter opposition is seen in the number of exemptions and the coupling of a tax on incomes with the tax on land values. Mr. Reid remitted a large number of customs duties, making Sydney one of the freest ports in the world. He taxed land and incomes for revenue and practised economy to make the loss good.

The Land Tax Act of 1895 provided for a tax of one penny in the pound on the unimproved capital value of all land after the deduction of £240, which deduction was made only once in the case of an owner of more estates than one. Land subject to mortgage was liable to a deduction each year from the tax on the unimproved value of a sum equal to the income tax leviable for that year on the interest derivable from the whole mortgage on the land, improvements included.

Mr. T. A. Coghlan, in his *Australia and New Zealand, 1903-4*, states:

“The value of land assessed for taxation purposes is £129,178,000; while £16,440,000 represents the value of land falling below the minimum taxable value (£240), or untaxable in consequence of mortgage deductions. As an exemption of £240 is allowed for each person, the taxable amount is further reduced by £9,840,000; exemptions in respect to mortgages described in the text still further reduce the taxable balance by £16,800,000, and balances due on land conditionally purchased from the State by £9,298,000, so that the actual taxable value is £78,800,000.

“The number of persons owning land in New South Wales is about 178,000, but the deductions allowed by law reduced the actual number of taxpayers to 41,000.”

The intention of the Act was to impose the tax upon the owner of the land. It was found, however, that certain landowners who had leased their land for long terms with conditions as to improvement, and a stipulation that the lessee should pay “all rates and taxes,” sought to evade their responsibility. The result was the Land Tax Leases Act of 1902, which apportioned the amount rightly payable between owner and lessee. It was found that some lessees were in effect owners of land value, because of their long lease and the increase in value after they leased the land, while the rent to the owner was fixed for the whole term. Referring to this Act the *Commonwealth Year Book No. 2*, states:

“The Act of 1902 only applies to land while it is subject to a lease from the owner which was current at the end of the year 1902, and of which not less than thirty years were at such time unexpired, and land that is subject to a lease from the owner made after the commencement of the Act for a term of not less than thirty years, and provided for a similar tax to be paid conjointly by owners and lessees, according to an adjustment made by the Commissioners.”

The revenue obtained from this Act was not very large. It steadily increased until the financial year 1906-7, when it amounted to £345,497. Next year it began to fall off as the shires imposed their rates on land values. The State tax is now

only collected in the western division and in 1914 amounted to only £4,692. The benefits of the law must not be measured by the revenue received. It was the first legislative recognition of a principle of vital and far-reaching importance. In order to show the great advantages accruing from an instalment of the policy of remitting indirect taxation of labor through customs taxes, and substituting even a small faulty tax on land values, it is only necessary to draw attention to the great increase of land under cultivation. Free trade and land value taxation is a great policy to facilitate production in a new country. In the six years from 1895 to 1901, when the Commonwealth robbed New South Wales of its free trade policy, the area under cultivation increased by 1,119,600 acres, or 84 per cent. The increase in the value of all crops was £2,417,162, or 70 per cent.

The next advance was the passage of the Local Government Act of 1906, by Mr. J. H. Carruthers, now Sir Joseph Carruthers, who became Premier in 1904. It is due to him that we have taxation of land values for raising local revenue in the best and purest form in the world—as a substitute for taxes on improvements.

Prior to the passage of this Act local government in N. S. W. was confined to 192 municipalities with an incorporated area of less than one per cent. of the total area of the States. Mr. Carruthers first tackled the problem of rural government by means of the Shires Act, 1905. That covered the whole State outside municipal boundaries, except the sparsely settled western district. The next step was the Local Government Extension Act, which remodelled municipal legislation. These two acts were at once consolidated into the Local Government Act of 1906, which came into operation on the 1st January, 1907, except the rating provisions in municipalities which were not enforced until 1908. The Act provides that municipal and shire councils shall impose a general rate of not less than one penny in the pound upon the unimproved capital value of all land except commons, public reserves and parks, cemeteries, public hospitals, benevolent institutions, churches, and other buildings used exclusively for public worship, free public libraries, the Uni-

versity of Sydney, and colleges connected with it, and unoccupied crown lands. The Act did not apply to the "city" portion of Sydney. It was provided that in case a council did not require as much revenue as a penny rate would yield, the governor could consent to a lower rate.

Councils must impose a general rate or local tax, and may impose additional general, special, local, loan, or water rates. All rates except the general rate may be imposed on unimproved land values or improved values—that is, the value of land and improvements taken together. All these rates except a loan rate for interest and sinking fund on loans raised prior to the passage of the Act, are subject to a poll of the ratepayers if demanded in the prescribed manner. All polls yet taken under the Act have been decided in favor of rating on unimproved values.

These polls usually are on a demand for a poll to decide the incidence of a proposed rate, or in connection with a proposed loan. When a municipal council proposes to borrow money it has to get the approval of the ratepayers at a poll. Two questions are submitted: (1) To decide whether the loan shall be raised, and (2) whether the rate for interest and sinking fund shall be on unimproved or improved values. A proposed loan may be rejected, but a majority of the ratepayers are always for land value taxation in case it should be carried.

It is important to note that landowners alone have the right to vote at a poll to decide the incidence of a rate. Taxation of land values so far as local government in N. S. W. is concerned, is essentially a landowners' policy. They always favor a just basis at a poll because the majority of landowners are users of land, not speculators in vacant areas.

As soon as a council imposed a rate of not less than one penny in the pound, or a lower rate with the governor's consent, the collection of the State land tax with its £240 exemption was suspended. The provisions of the Land Tax Leases Act of 1902 were preserved.

In 1909, Mr. Wade, who had succeeded to the Premiership, passed amending legislation which also transferred the power to

collect the land tax to the City Council of Sydney, but he insisted upon the occupied crown lands being exempt, whereas under the Local Government Act they are ratable. He also amended the Local Government Act and Sydney Corporation Act to put the liability for rates upon the lessee instead of the owner as hitherto provided. The City Council was also empowered to rate on land values only, but it has remained a dead letter owing to the exemption of government properties. The Wade Act caused no end of trouble. As the result of much negotiation Mr. Holman, as Premier in 1913, undertook to indemnify the City Council against loss if it imposed its rates solely on land values. Having that promise the electors in the General Aldermanic election in December, 1915, returned a council with a substantial majority in favor of rating on land values only.

Here is a summary of the position in 1913, concluding with a table showing the revenues assessed as due. The figures are from the latest *Statistical Register*. Of the 134 shire councils 38 imposed a general rate of 2d in the pound. Eight councils imposed less than one penny with the Governor's permission. No fewer than 105 councils imposed one flat rate for all services, while 29 imposed various local rates, the highest being a water rate of 9d in the pound, at Portland. Of 187 municipal councils—several areas having been absorbed by surrounding shires—70 imposed one flat rate for all services varying from one penny to 6½d. Other councils imposed one or more additional special or local rates, although in most cases they obtain the bulk of their revenue from the general rate on unimproved values. The larger portion of the City of Sydney rate revenue is obtained by means of a rate on the assessed annual value of property, instead of the improved capital value.

LOCAL GOVERNING BODIES	Unimproved Capital Value	Rates Imposed on Land Values	Rates Imposed on Improved and Annual Values
134 Shires	£99,452,191	£ 572,695	£ 197
40 Sydney suburban municipalities	28,240,971	752,497	1,509
147 Country municipalities	20,807,126	485,773	41,254
City of Sydney	23,837,157	148,982	241,696
Total	£172,337,445	£1,959,947	£283,656

Apart from the State Land Tax which yields a nominal sum in the Western division, land values are not drawn upon for State revenue purposes in N. S. W. The Australian Commonwealth Government, however, imposes a graduated tax on unimproved values, with an exemption of £5,000. It begins at one penny, gradually increasing to 6d at £80,000 and over. There is no exemption for absentee owners and rate of tax is a little higher. The Act was passed towards the end of 1910. The system adopted is of a very complicated character. It is not on Henry George lines at all. Not only are the exemptions and graduations a departure from principle, but the tax is imposed in addition to existing taxes, instead of in substitution for them. It is impossible to say what proportion of the tax is collected from N. S. W. Probably it is about two-fifths of the total. The tax assessed as payable for the whole Commonwealth for the year ending 30th June, 1913, was £1,459,962. The rate of the tax was increased in 1915, but the £5,000 exemption was not touched.¹—A. G. H.

¹Since this article was written the city of Sydney, with a population of 700,000, has adopted a measure for the taxation of land values only. It is thus the largest city in the world to derive its revenues almost exclusively from land values. There is no personal property tax in Sydney. The credit for this victory is due in large measure to the tactful and persistent advocacy by the writer of the foregoing contribution, Mr. A. G. Huie. It marks quite the most important advance in legislation secured by the advocates of our principles anywhere in the world.—EDITOR.