

NEW ZEALAND

It is a curious fact that the first step towards the realization of the Single Tax ideal in New Zealand was taken before the actual publication of *Progress and Poverty*. The Government of which Sir George Grey was Premier came into office in 1877, and in the following year submitted its proposals for the taxation of land values, which proposals Parliament adopted under the name of the Land Tax Act. The measure provided for a tax of one half-penny in the pound "on the capital value of land after deducting the value of all improvements thereon," and "improvements" were defined as meaning "houses and buildings, and includes fencing, planting and draining of land, laying down in grass and pasture, and any other improvements the benefit of which is unexhausted at the time of valuation." The Act did not provide for any graduations in taxation, that is to say, the tax of one half-penny in the pound was levied on the value of land, minus improvements, all round; but there was provision for an exemption to the value of £500. Save for this exception the measure was in complete accord with the principles of taxation since associated with the name of Henry George.

Those were the days of plural voting and large estates, and the measure aroused fierce and unscrupulous opposition. The press poured out a tirade of misrepresentation and abuse on the Government, and as the principles of land value taxation were not then as popularly understood as they are now, it is not surprising that the position of the Government was seriously weakened. Finally a motion of Want-of-Confidence in the Government was carried by a small majority, and the usual constitutional result followed: The Government resigned, and were succeeded by a Conservative Ministry, of which Mr. (afterwards Sir John) Hall was the Premier. Almost the first work of the new ministry was to repeal the Land Tax Act; indeed it was repealed before there was time to collect a penny

of taxation thereunder. In this the enemy showed his usual astuteness, for had the tax been collected, its benefits would have been immediately apparent, and its repeal would have been a very difficult matter. The finances of the country were in a bad way, and as it was imperative to provide revenue, the new Government had recourse to two expedients—they increased the Customs duties and induced Parliament to pass a measure providing for a direct tax on all property. This last was known as the Property Tax Act. Inasmuch as it was a tax on the value of land and improvements as well as upon all personal property of every kind, subject to an exemption of £500, the property tax proved in practice a very unpopular impost indeed. In principle, of course, it was not really worse than the indirect taxes, but everyone felt that he paid it and nobody felt that he ought to pay. Although the property tax remained in force until 1891, it excited continual unrest and dissatisfaction, and its unpopularity had much to do with the return of the Liberals to power at the general election of 1890.

In the interval between 1879 and 1891 no legislative advance whatever was made in the direction of taxation reform, but an important victory was gained in 1889. In that year the Atkinson (Conservative) Ministry, submitted to Parliament an Electoral Bill. No very important change in the electoral law was contemplated by the bill, but when it was being considered in the Committee of the Whole, the veteran Sir George Grey moved an amendment abolishing plural voting, and to the surprise and chagrin of Ministers, the amendment was carried by 55 votes to 18. The general election that followed in 1890 marks an epoch in the history of taxation reform in New Zealand. The property tax was unpopular, plural voting had gone, and the country had just emerged from a strike of which the effect was to quicken organized labor into unprecedented political activity. The result was that the Atkinson Ministry was swept from power, and the Liberal Party, of which the Hon. John Ballance was leader, came into office with the active cooperation of organized labor. The new Ministry was definitely pledged to abolish the property tax and to substitute therefor

a land and income tax. Mr. Ballance had always been more or less a protectionist, and there is little doubt that neither he nor his colleagues ever fully realized the potentialities of land value taxation. To his Government, nevertheless, must be given the credit of accomplishing something really fundamental and enduring. Tried by the test of our principles there was much to criticise in the new law. The exemption of £500 was retained, improvements were exempted only to the value of £3000, and provision was made for the imposition of a graduated tax on land values over and above the ordinary land tax which was fixed at one penny in the pound.

Once the measure reached the statute book, friend and foe combined in attacking the taxation of improvements above the value of £3000, and in 1893 the Sedden Ministry (for Mr. Ballance had in the meantime died) swept the limitation away altogether. Thereafter there remained two defects, and these still persist. First, the mortgagee of land is deemed the owner, and he pays the tax. In the vast majority of cases mortgaged land is improved land, and thus the taxation of the mortgage, since the mortgage necessarily covers improvements, is in reality the taxation of improvements. In my opinion, however, the exemption is a much more serious defect. In every instance where the unimproved value does not exceed £1500 this exemption is allowed, and the exemption diminishes above that limit at the rate of £1 for every £2 of unimproved value. Thus a person owning land of the unimproved value of £1500 is taxed only on £1000. An owner of £2000, unimproved value, is allowed to deduct £250; and the exemption does not disappear absolutely until we reach an unimproved value of £2500. As a result of this exemption fully two-thirds of the freeholders of this country pay absolutely no land value taxation at all for national purposes.

The graduated tax, which is imposed in addition to the ordinary tax of one penny in the £, begins when the unimproved value reaches £5000. The Act of 1891 provided for an additional tax of $1\frac{1}{8}$ of a penny in the pound from £5000 to £10,000; $1\frac{3}{8}$ from £10,000 to £20,000, and so until the tax reached

two pence and $\frac{5}{8}$ ths from £190,000 to £210,000, and two pence and $\frac{3}{4}$ ths above that figure. These scales of graduation have been altered from time to time in the direction of increasing the tax. In 1907, for instance, the scales of taxation were shortened. Thus from £5000 to £7000 the tax was increased 1-16th of a penny in the £, until the tax reached 13-16ths of a penny from £30,000 to £40,000. Above the limit of £40,000 the tax was increased by one-fifth of a shilling in the £, and an increase of 25 per centum was added to these increases, except in the case of urban land on which are erected "business premises." Under pressure of vested interests these increases did not take effect until March 31st, 1910. On account of the extraordinary expenditure required by the present war, the graduated tax was this year (1915) increased by 50 per centum, but the increase is limited to country lands. (By way of parenthesis I may add that in connection with the war we have adopted other taxes greatly at variance with the principles of land value taxation. Reformers cannot disregard the fact that war makes always for unsound taxation). Concluding my reference to the graduated tax, I may add that, notwithstanding its economic unsoundness it is decidedly popular for the reason that it professedly aims at the largest class of proprietor. The ostensible object is to accelerate the subdivision of land, but it cannot be maintained that in that respect it has proved an unqualified success. The revenue from the land tax in 1892 was £280,000 in round figures. It is now increased to £800,000, but of course some of the increase is due to the increased values.

Neither the Act of 1878 nor that of 1891 contemplated a systematic valuation of land. When the principle of land value taxation had been adopted, however, the need of a regular system of valuation was felt immediately, and in 1896 the Government Valuation of Land Act became law. By this Act a Valuation Department was set up under the control of an officer called the Valuer General. Provision was made for the separate valuation of land and improvements, and re-valuation was provided for from time to time in the discretion of the Valuer General. The measure aroused strong opposition, and has given rise to much

criticism, but, though amended from time to time, its essential provisions stand, and the Act may now be regarded as a fundamental law; indeed its existence is bound up inextricably with our system of land value taxation.

The year 1896 is remarkable for another great advance towards the realization of the Henry George ideal, for in that year was passed the Rating on Unimproved Values Act. Here I may explain that all local taxation is with us called "rating," the word tax and taxation being reserved for the imposts levied by Parliament. Prior to 1896 our local governing bodies—called counties in the country and boroughs in the towns—had perforce to raise their revenues by rates on the value of land as improved. Hence the owner of vacant land paid less in taxation than the improving proprietor; in other words, the improver was penalized for his industry, while the mere speculator was encouraged to allow his land to lie unused. Parliament did not proceed to abolish this evil directly, and indeed it is not abolished yet. By means of the Act, however, power was conferred on the ratepayers within any given district to cause all rates to be cast upon the unimproved value, all improvements being exempted. Like all legislation hitting monopoly in the heart, this measure encountered the most truculent opposition. It was passed by the House of Representatives in 1894 and 1895, but was rejected by the Upper House or Legislative Council. The popular Chamber passed the Bill again in 1896, however, and the Council then withdrew its opposition, and the measure became law. As it stood at first the Act had several serious defects. For example, no rating poll was valid unless a third of the ratepayers actually voted. In 1899, however, this blemish was removed, and since that year every poll has been decided by those ratepayers who record their votes. Again, certain rates such as charitable aid rates, gas rates, etc., were not within the Act, but in 1911 this anomaly was also swept away, and now, if and when the provisions of the Act are adopted, all rates are struck on the unimproved values only. A rating poll is obtained on a requisition signed by a number of ratepayers. The number of signatures is twenty five per centum where the number on the ratepayers'

roll does not exceed one hundred; twenty per cent. where the number exceeds one hundred, but does not exceed three hundred; and in all other cases fifteen per cent. Readers will readily understand that this Act has given Single Taxers in this country a chance of which they are not slow to take full advantage. In the great majority of cases where rating polls have been won, the moving spirit has been the Single Taxer who, taking tactful advantage of the unpopularity of penalizing improvements, has first shown the improving proprietor how to get rid of the injustice and then induced him to sign a requisition asking for a poll under the Rating on Unimproved Values Act. Once the required number of signatures has been obtained the Mayor or County Chairman, as the case may be, must order a poll within twenty-eight days. So far about 130 local districts have adopted the system, including the important cities of Wellington and Christchurch. A poll can be taken every three years on the question, but though numerous attempts have been made, the old system has been reverted to in two cases only. A most determined effort was made a few months back to rescind the new system in Christchurch City, but without avail. It is absolutely certain that within the next few years in this country all local taxation will be derived from the unimproved value of land alone.—P. J. O'R.