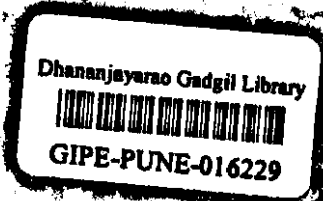


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C O N T E N T S.

Taxation of Land Values.

1. Papers Relative to the Working of Taxation of the Unimproved Value of Land in New Zealand, New South Wales, and South Australia. (Cd.3191.) 1906. pp.1-24.
X723.82.N D6
2. Papers Relative to the Working of Taxation of the Unimproved Value of Land in Canada. (Cd.3749.) 1907. pp.85-85.
X723.72.N D1
3. Papers Relative to the Working of Taxation of the Unimproved Value of Land in New South Wales. (Cd.3761.) 1907. pp.86-103.
X723.82.N D7
4. Papers Relative to the Working of Taxation on the Unimproved Value of Land in Queensland. (Cd.3899.) 1908. pp.104-114.
X723.81.N D8
5. Return to the House of Commons the Proposals of Mr. Chancellor of the Exchequer with respect to the Estate Duty. (79.) 1894. pp.115-116. X72991.3.M9
6. Papers bearing on Land Taxes and on Income Tax, &c., in Certain Foreign Countries, and on the Working of Taxation of Site Values in certain Cities of the United States and in British Colonies, together with Extracts relative to Land Taxation and Land Valuation from Reports of Royal Commissions and Parliamentary Committees. (Cd.4750.) pp.117-279. X723.1.N10 E01 c4
7. Second Series of Memoranda and Extracts Relating to Land Taxation and Land Valuation prepared for the Chancellor of the Exchequer. (Cd.4845.) pp.280-319.

-----000----- X723.1.N10 E0.2

AUSTRALASIA.

PAPERS

S 2029

RELATIVE TO THE

WORKING OF TAXATION OF THE UNIM-
PROVED VALUE OF LAND IN NEW
ZEALAND, NEW SOUTH WALES, AND
SOUTH AUSTRALIA.

Presented to both Houses of Parliament by Command of His Majesty.
November, 1906.



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1906.

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2	The Deputy-Governor of South Aus- tralia	May 7	3
3	The Governor of New South Wales ...	May 28	20
4	The Governor of New Zealand ...	July 9	24

AUSTRALASIA.

PAPERS

RELATIVE TO THE

**WORKING OF TAXATION OF THE UNIMPROVED
VALUE OF LAND IN NEW ZEALAND, NEW
SOUTH WALES, AND SOUTH AUSTRALIA.**

No. 1.

**THE SECRETARY OF STATE to THE GOVERNORS OF NEW SOUTH WALES,
SOUTH AUSTRALIA, AND NEW ZEALAND.**

TELEGRAM.

(Sent April 5, 1906.)

Please send home, as soon as possible, any reports or other information available as to the working of taxation on unimproved land, both for municipal and State purposes in [*New South Wales*]. Information especially desired as to effects of land value taxation on building trade, on rent, on incidence of taxation on house property and vacant sites respectively, and on land speculation.—ELGIN.

No. 2.

SOUTH AUSTRALIA.

THE DEPUTY GOVERNOR to THE SECRETARY OF STATE.

(Received June 11, 1906.)

MY LORD,

Government House, Adelaide, May 7, 1906.

REFERRING to your Lordship's telegram of the 5th April last, requesting to be furnished as soon as possible with any report, or other information available as to the working of taxation on unimproved values of land, both for municipal and State purposes in South Australia, and also with the information specially required as to effects of land value taxation, I have the honour to forward you herewith a report by Mr. Arthur Searcy, Deputy Commissioner of Taxes, dated the 21st ultimo. This is accompanied by 12 printed and other documents* enumerated in the schedule.

21st April, 1906.

2. Mr. Searcy has the practical management of the Department, the Commissioner, Mr. J. G. Russell, I.S.O., being principally engaged on judicial duties as Commissioner of Insolvency, &c.

* Certain of these documents are not printed here.

3. Mr. Searcy's report is dated 21st April, but the documents contained in the schedule were subsequently collected, and only received at this office on Friday last, and I am, therefore, forwarding you the information asked for at the earliest possible opportunity.

4. My Ministers will be glad to furnish any further information on the subject should it be required.

I have, &c.,
S. J. WAY,
Deputy Governor.

Enclosure in No. 2.

SOUTH AUSTRALIA.

TAXATION ON UNIMPROVED LAND VALUES.

Municipal. Information is requested as to the above under two heads: (1) for municipal purposes, and (2) State purposes. In respect to the first, although the Land Values Assessment Act for municipal rating on unimproved land values was passed in 1893, no Corporation has yet availed itself of the provisions thereof, consequently, no information as to its working and effect can be given as requested.

The only information bearing on the subject that I can find are the Land Values Assessment Act, 1893, and the amendments thereto, and two Parliamentary Papers:—

No. 79, August, 1893.—Showing the unimproved land values in Corporations and the approximate rating thereon to produce the same revenue as under the present rating.

No. 117, November, 1896.—Showing land taxes payable (for State purposes) and the rates payable municipally.

Both these papers are attached hereto.*

State. In regard to the tax upon unimproved land values for State purposes, the tax on unimproved land values was first collected in 1885 under the Taxation Act of 1884 (herewith). The scheme of assessment and notices and the difficulties of launching the system are fully detailed in the "Tax Commissioner's Report," dated October 25th, 1885 (attached hereto).

At the outset of the imposition of the land tax there was considerable diversity of opinion as to the meaning of "Unimproved Value," the chief trouble being as to country lands; many holders of valuable lands having in their lifetime seen, and personally carried out on their own land, the clearing of country from its original natural state, bringing it up to the perfection of cultivation; and their opinion as to unimproved value was its value in its virgin state. However, the generally accepted meaning of unimproved value now is as described in the original Act.

"Unimproved Value' as applied to any land shall mean the actual value of any land less the value of all improvements, if any, on such land," or, to put it shortly, the amount for which the land would sell without visible improvements. See observations on the nature of unimproved value on back of Land Tax Return required from land holders in 1885 (attached hereto).*

The early difficulties of the land tax have gradually disappeared, and it is now thoroughly engrafted on the State system of revenue being well understood by the bulk of the public, and working with little or no friction, the tax being paid freely and well at due date, both direct to the Taxation Office, and at the local Post Offices, where payments are received for one month only, up to due date, a

* Not printed here.

system of collection, which, judging by the number of persons who avail themselves of it, is popular. A perusal of the forms herewith, notice to taxpayer, directions to postmasters, statement of taxes collected, and summary of postmasters' statements, the latter for use at Taxation Office, will give a clear idea of the method; and after the money has been duly received, the dockets detached from taxpayers' notices and forwarded by postmasters are made a quick means of bringing the amounts received to the credit of the various taxpayers by a comprehensive system of checking and sorting.

In 1899 and 1900 there was a great outcry by a section of the community against the Taxation Office, and a Taxation Acts Commission was appointed by Parliament, the finding of which was favourable to the land tax, the opening sentence of their report on the land tax being:—"Your Commission find that the administration of the land tax has not yet been such as to cause much complaint."

The land tax until 1895 was a uniform one of an all round $\frac{1}{2}$ d. in the £, but in that year under the Taxation Act Amendment Act, 1894, an additional $\frac{1}{2}$ d. in the £ on values above £5,000, and 20 per cent. on and added to the taxes payable by absentees was also collected. These rates continued until 1903, when the all-round tax was increased to $\frac{3}{4}$ d. in the £, the additional on values above £5,000 remaining at $\frac{1}{2}$ d., with the absentee tax charged only on the $\frac{1}{2}$ d. in the £ on each tax reverting again for 1904 to rates in force prior to 1903. In 1905 the rates were an all round $\frac{3}{4}$ d. in the £, and $\frac{3}{4}$ d. in the £ on values above £5,000, with absentee 20 per cent. on total of both taxes. For 1906 the rates prior to 1903 are in force. (See detail of rates of land tax attached hereto).

With regard to the effect of the land tax as requested in minute:—

- on (1) building trade;
- on (2) rent;
- on (3) incidence of taxation on house, property, and vacant sites, respectively;
- and on (4) land speculation.

There are no data or reports extant bearing on these points, but from general observation during the first years of the collection of land tax, little or no appreciable changes were traceable thereto, but after 1895, with the application of the additional and absentee land taxes, together with increased rates of income tax on income derived from property also imposed under the Taxation Act Amendment Act, 1894, it became distinctly noticeable that large holders of land were realising and disposing of their lands as opportunity offered, especially so with regard to absentee owners, where they could sell and were untrammelled by any trust restrictions. Considerable areas of suburban land, formerly the property of large owners, have been sub-divided, and many persons have purchased a plot of land for residential purposes and built thereon. For years past there has been a gradual closing up of all vacant land around the city, a great deal of which may be attributed to the land tax, more particularly since the application of additional and absentee land taxes in conjunction with the increased rates of income tax imposed at the same time; but much of the movement would have occurred irrespective of taxation, with the gradual growth and advancement of the State.

The introduction of taxation did most certainly have an effect on land values as thereafter there was a decline, but other causes must also be taken into account when considering land values, as at that time land was at an inflated value just at the finish of a "Land Boom," and values without taxation would have fallen to a fair value according to the uses to which land could be put. Again, to show that an all-round taxation is not a dominant factor in regard to values, witness the recent great rise in value of country lands throughout the State with the introduction of improved methods of agriculture, and more especially artificial manures; the values now being as high or higher than before taxation was introduced. With regard, more particularly, to suburban and town lands the effect has been a steadying one, as the values after a great drop, more attributable to the breaking up of the land boom of the early eighties than taxation, have recovered, particularly in the suburbs, to a normal state, there being now little or no fluctuation, but a fair value according to position and the use to which the land may be put.

(1) The effect on the building trade has been beneficial owing to the sub-division of suburban lands and the building of residences as previously mentioned.

(2), (3) On rented or house property and vacant sites whatever might be the effect, if rating on unimproved values was applied municipally, so far as taxation on unimproved values for State purposes goes, the effect is not appreciable, as this class of property consists of small pieces of land on which the tax is, comparatively on each, of no great amount; besides it must always be remembered the numbers of persons in this State who are the proprietors of their own residences. (See return of owners in grades at last assessment, Parliamentary Paper, No. 76, November, 1905, herewith.)*

(4) In regard to land speculation the tax must certainly have a deterrent effect, but as a burnt child dreads the fire, so are the people of South Australia chary of land speculation after the losses generally sustained with the collapse of the "Land Boom" of the early eighties.

The speculative builder is not unknown, buying suburban lots and building residences on the chance of finding purchasers, but in the main the result to the speculator has been disastrous. This phase of speculation is, however, in no wise affected by taxation.

ARTHUR SEARCY,
Deputy Commissioner of Taxes.

Victoria Square, Adelaide,
April 21, 1906.

Anno Quadragesimo Septimo et Quadragesimo Octavo

VICTORIÆ REGINÆ.

A.D. 1884.

No. 323.

An Act for a Tax on land and on the Income from Real and Personal Property, Professions, Trades, and Avocations.

[Assented to, November 14th, 1884.]

Preamble. Whereas it is desirable to raise additional revenue by taxation—Be it therefore Enacted by the Governor of the Province of South Australia, with the advice and consent of the Legislative Council and House of Assembly of the said province, in this present Parliament assembled, as follows, that is to say—

Short title. 1. This Act may cited for all purposes as the "Taxation Act, 1884."

* * * * *

Part I. PART I.

The Land Tax.

Land tax. 7. A tax is hereby imposed on all land in South Australia, with the following exceptions:—

- i. Land of the Crown which, for the time being, shall not be subject to any agreement for sale or right of purchase:
- ii. Park lands, public roads, public cemeteries, and other public reserves.
- iii. Land used solely for religious or charitable purposes, or used by any Institute under the provisions of the "Institute Act, No. 16 of 1874."

Rate of land tax. 8. The land tax shall be at the rate of one halfpenny for every pound sterling in the amount of the taxable value thereof.

* * * * *

* Not printed here.

PART III.

Part III.

The Taxable Amount.

11. The unimproved value of any land shall be the taxable value thereof.

Taxable value of land.

* * * * *

PART IV.

Part IV.

The Taxpayer.

15. The taxpayers in respect of the land tax shall be—

Taxpayers as to land tax.

The owners of the fee simple of the land taxed.

* * * * *

PART V.

Part V.

Distribution of burden of Taxation.

20. Every taxpayer in respect of any land tax shall be liable to the Treasurer for the full payment of the whole amount of the tax.

Liability of taxpayer.

21. The burden of the land tax shall be distributed between the taxpayers in the relative proportions of the value of their interests in the land taxed. And every taxpayer who shall have paid any land tax shall be entitled to recover from every other taxpayer in respect of the land tax of the same land a proper proportion of the amount paid.

Distribution of burden.

22. Every party having paid any money by way of land tax or any contribution thereto shall be entitled to contribution towards such payment from the following parties:—

Right of contribution.

The owners of every freehold estate and of every term of years in the land taxed: Provided that such estate or term has heretofore been created or granted, and the immediate reversion on such estate or term is owned by the party claiming contribution and such term has more than seven years to run at the time of the passing of this Act: Provided that the Crown shall in no case be liable to contribution.

23. The amount of the contribution to be made pursuant to the preceding section shall be a sum which bears the same proportion to the whole amount of the tax as the value of the estate or term owned by the contributor, and of all subsequent contributors, bears to the value of the fee simple.

Amount of contribution.

24. Every contribution to which any party shall be entitled shall be a debt from the party liable to the contribution to the party entitled thereto, payable on demand, and may also be added to any rent becoming due by such first-mentioned party to such last-mentioned party, and shall be deemed part of such rent. And every remedy, by distress, re-entry, or otherwise, exercisable by such party in the case of non-payment of such original rent, shall be exercised in case of the non-payment of such additional rent or any part thereof.

Recovery of contribution.

25. The calculation of values required to be made for the purpose of fixing the amount of any contribution or payment shall be made in accordance with such tables and rules as may be prescribed.

Rules for calculation.

26. Every taxpayer and contributor who shall pay any tax or contribution in any representative capacity shall be entitled to recover from the persons entitled to the land or income taxed in the proportions in which they shall be so entitled, or to retain out of any money that shall come to him in his representative capacity, so much as shall indemnify him against the payments which by this Act he is required to make in his representative capacity.

Indemnity to representative taxpayer or contributor.

* * * * *

Part VIII.

PART VIII.

Assessments for Land Tax.

Triennial
assessment
for land
tax.

36. The Commissioner shall, once in every third year, make an assessment of all land liable to land tax, and general notice of the making thereof shall be given so soon as conveniently may be after the same shall have been made, and immediately thereafter such publication such assessment shall be and remain in force, except so far as the same may at any time be altered, until a new assessment shall be made.

Contents of
assess-
ment-book.

37. Such assessment shall be written in a book, wherein shall be specified in separate columns the following particulars:—

- i. A short description of or reference to the land assessed:
- ii. The actual value of the land assessed:
- iii. The unimproved value of the land assessed:
- iv. The amount of the land tax:
- v. The names and descriptions of the taxpayers in respect of the land assessed, so far as such name and description can be readily ascertained.

Power to
use exist-
ing assess-
ments.

38. For the purpose of making any assessment, the Commissioner may, if he think proper, adopt or avail himself of so much of any assessment then in force which shall have been made by, or by the authority of, the Commissioner of Waterworks or any Municipal Corporation or District Council or Drainage Board as may be applicable to any assessment to be made under this Act, or as may be useful for the purpose of making the same.

Power to
inspect.

39. The Commissioner, or any person having an order for that purpose under the hand of the Commissioner, shall be entitled as of right, at all reasonable times, to inspect, free of charge, all rate-books and assessment-books relating to any land, and all other books and documents concerning any assessment, and all deeds, instruments of title, books, returns, accounts, and documents, in the Lands Titles Registration Office, or the General Registry Office for the Registration of Deeds, or in the office of the Registrar of Probates, Commissioner of Inland Revenue, or in any other public office, and to make and take copies thereof, or extracts therefrom.

Penalty for
not permit-
ting in-
spection.

40. Any person who shall wilfully neglect or refuse to permit the Commissioner, or any person having an order for that purpose under the hand of the Commissioner as aforesaid, to exercise any right conferred by the preceding section, shall, on conviction thereof, forfeit and pay for every such offence a penalty not exceeding Fifty Pounds.

Deposit of
assess-
ment-book.

41. So soon as any such assessment shall have been made by the Commissioner, the assessment-book, or a true copy thereof, shall be deposited in the office of the Commissioner, and the same shall be open, free of charge, to public inspection between the hours of ten o'clock in the forenoon and three o'clock in the afternoon on every day except Sundays, Saturdays, and public holidays.

Commis-
sioner may
correct
assessment.

42. The Commissioner may, at any time, alter or correct any assessment and assessment-book in any manner he shall think fit, and, so soon as he conveniently can thereafter, the Commissioner shall give general notice that the assessment has been altered or corrected, as the case may be.

Particulars
to be left.

43. After any assessment of any land has been made, the Commissioner shall give particular notice every year to the taxpayer in respect of the land assessed, of the particulars of the assessment, and the amount of the tax which is payable in respect of such land.

* * * * *

Part XII.

PART XII.

Recovery of Land Tax by Letting and Sale of Land.

Land tax
to be a first
charge
upon the
land.

57. All land tax shall, until payment, be a first charge upon the land taxed, in preference to all rates, mortgages, charges, and encumbrances.

58. Whenever any land tax in respect of any land shall have been in arrear for the space of two years, it shall be lawful for the Commissioner to cause to be published three consecutive weeks in the "Government Gazette" a notice specifying such land, and the amount of taxes due in respect thereof, and stating that if such taxes shall not be paid within one year from the first publication of such notice, the Commissioner will let the land from year to year as provided by this Act, or will apply to the Supreme Court for a sale thereof.

Notice of intention to let or sell.

59. If, after one year from the first publication of such notice, all or any part of the said taxes due at the time of such first publication are still unpaid, the Commissioner may let such lands from year to year, and may receive the rents and apply the same towards the payment of the said taxes and costs and expenses; and hold any surplus for the persons entitled to the income of the land.

Commissioner may let from year to year.

60. The Commissioner, in lieu of letting such lands, may, by petition to the Supreme Court or any Judge thereof, apply for a sale of the land described in such notice, or of so much as may be necessary, and the Court or Judge, on being satisfied by affidavit or otherwise, that the arrears are lawfully due, and were in arrear at the time of the first publication of such notice, and that all acts required by this section to be done by the Commissioner have been done, shall order the sale of the said land, or so much thereof as shall be sufficient to pay all arrears due up to time of sale, together with all costs of and attending the application, and of and attending the sale by public auction, and that the proceeds be paid into Court.

Commissioner may apply at Supreme Court for sale.

61. The Court or a Judge shall order payment of the said taxes, costs, and expenses to be first made out of the proceeds of the sale; and the conveyance or transfer, as the case may be, shall be executed by the master or other officer of the Court, to the purchaser, his heirs and assigns, in such form as shall be approved by the Court or a Judge, and such conveyance or transfer shall vest the land sold in the purchaser for an estate in fee simple, free from all encumbrances; and in cases where the land is under the Real Property Act of 1861, the purchaser shall be entitled to receive a certificate of title to the land purchased; and the balance arising from the proceeds of such sale shall be subject to any orders of the Court for the benefit of the parties interested therein.

Application of proceeds of sale.

* * * * *

PART XV.

Part XV.

MISCELLANEOUS.

66. If the occupier of any land, or the person in possession of any property, when requested by the Commissioner, or by any other officer appointed under this Act, to disclose the name of the owner of such land or property, or of the person entitled to receive the income of such land or property, shall refuse or wilfully omit to disclose such name, or shall wilfully misstate the same, or shall neglect and refuse to give any information in his possession which shall be required by the Commissioner, or any such officer, such person shall, for every such offence, forfeit and pay a penalty not exceeding Twenty Pounds.

The occupier or person in possession refusing to give the name of the owner is liable to a penalty.

* * * * *

76. No contract or covenant heretofore made or executed shall bind any party to relieve any other party of the burden or incidence of any tax for which such last-mentioned party is made liable under this Act, nor shall any future contract or covenant so bind unless the tax in question is expressly mentioned in such contract or covenant.

Contracts.

77. No statute of limitation shall bar or affect any action or remedy for recovery of taxes.

No statute of limitation to apply.

* * * * *

SOUTH AUSTRALIA.

TAXATION ACT, 1884.

REGULATIONS.

At the Executive Council Office at Adelaide, the twenty-ninth day of December, 1904.

PRESENT:

His Excellency the Governor.
The Hon. the Chief Secretary.
The Hon. the Attorney-General and Minister of Education.
The Hon. the Treasurer and Commissioner of Crown Lands and Immigration.
The Hon. the Commissioner of Public Works and Minister of Industry.

Whereas by the Taxation Act, 1884, it was amongst other things enacted that the Governor might from time to time make regulations not inconsistent with the said Act, for the purposes therein mentioned: Now it is hereby ordered that the regulations hereinafter set forth shall forthwith be published in the "Government Gazette," and shall thenceforth be observed and have the force of law.

These regulations are divided into thirteen parts as follows:—

- Part I.—Returns.
- II.—Assessments and levies.
- III.—Computation of income and of the taxable amount.
- IV.—Payment of taxes.
- V.—Appeals.
- VI.—Distribution of burden of land tax amongst owners of fee-simple.
- VII.—Contribution to land tax.
- VIII.—Evidence.
- IX.—Officers.
- X.—Revocation of regulations.
- XI.—Absentee and additional land taxes.
- XII.—Shipping.
- XIII.—Miscellaneous.

PART I.

RETURNS.

As to Land Tax.

1. A land tax return, in the form numbered 11 in the schedule hereto, containing the information and particulars mentioned or referred to in such form, and verified by a declaration as therein set forth, shall be furnished to the Commissioner by every person to whom particular notice shall be given by the Commissioner requiring a land tax return, within fourteen days from the service of such particular notice.

2. Every owner of the fee-simple of land shall, upon parting with his ownership, send notice to the Commissioner, giving the name, residence, and description of the party to whom such ownership shall be transferred or conveyed, or in whom the same shall have become vested, and for the purposes of the Act the ownership shall not be deemed to have changed until such notice shall be received by the Commissioner, or until some other party's name shall be entered in the assessment-book as the owner.

* * * * *

PART IV.

PAYMENT OF TAXES.

35. Taxes may be paid in any of the following modes:—

- (a) At the office of the Commissioner at Adelaide, by cash, or bank notes, or cheques, payable in South Australia.
- (b) By direct remittance to the Commissioner in Adelaide by bank draft or cheque, payable in South Australia, or post office order or postal note, payable in Adelaide, for the net amount payable.
- (c) By payment in cash or bank notes payable in South Australia to any postmaster or postmistress in the State; provided that in this case payment must be made in each year on or before the last day appointed by the Commissioner for payment at post offices, and the assessment notice and the docket annexed thereto must be presented to the postmaster or postmistress at the time of payment.

36. The Commissioner shall credit taxpayers with the net amount only of taxes received by the Commissioner, and shall first deduct from any remittance the amount of any charge which he may have to pay by way of exchange or duty stamp upon any remittance, and the amount of postage and surcharge which he may pay upon any unstamped or insufficiently stamped communication received through the general post from any taxpayer.

37. Except with the express consent of the Commissioner, no money shall be received on account or in part payment of any tax.

38. When payment or remittance is made by cheque, the tax shall not be deemed to be paid, notwithstanding any receipt given therefor, until the amount of such cheque shall have been collected by the Commissioner.

PART V.

APPEALS AGAINST LAND AND INCOME TAXES.

39. A notice of appeal shall be in such one of the forms numbered respectively 13 and 14 in the schedule hereto as the case shall require.

40. The Commissioner may, after receiving notice of appeal, alter the assessment in accordance with the requirements of such notice, and may, not less than seven days before the day for the hearing of the appeal, give notice of such alteration to the appellant, and thereupon the appeal shall be determined without costs to either party.

41. The Commissioner may, after receiving notice of appeal, reduce the assessment, and may, not less than seven days before the day for the hearing of the appeal, give notice of such reduction to the appellant, who may, not less than three days before the day of hearing, give the Commissioner notice that he accepts the assessment as reduced, and thereupon the appeal shall be determined without costs to either party. If the appellant do not give such notice, the assessment as reduced shall be deemed to be the assessment appealed against.

42. On any appeal the Court shall have power to raise or lower the amount of the assessment or of the tax thereby fixed, or to make such other order touching the matter in dispute, and costs as shall be just.

43. The order of the Court of Appeal may be in the form No. 15 in the schedule hereto, or in a form to the like effect, and shall be drawn up and signed by the special magistrate and sealed with the seal of the court, at the foot of a certified copy of the assessment-book, or the part thereof that relates to the assessment appealed against, which shall be produced in court by or on behalf of the Commissioner, and the Commissioner shall cause the assessment-book to be altered in accordance with such order.

44. The appellant shall not be limited on any appeal to the grounds stated in his notice of appeal.

PART VI.

DISTRIBUTION OF BURDEN OF LAND TAX AMONGST OWNERS OF FEE-SIMPLE.

45. The value of the interest in land of any party entitled without payment or condition to the fee-simple thereof in equity, or to acquire the fee-simple, shall, for the purposes of Section 21 of the Act, be deemed equal to the whole value of such land, and the whole burden of the tax on such land shall fall on the party.

46. The value of an interest in land in any case of a right to purchase or acquire the fee-simple thereof not coming under the last preceding rule shall, for the purposes of Section 21 of the Act, be calculated according to the following rules, in which—

A means the owner giving the right to purchase or acquire.

B means the party having the right to purchase or acquire.

C means the unimproved value of the land in fee-simple based on the assessment.

D means the sum payable on exercising the right to purchase or acquire *plus* the amount of any mortgages subject to which the land is to be purchased or acquired.

E means the proportion of D which is attributable to the value of the improvements on the land at the time the right to purchase or acquire was created, and bears the same proportion to D that the value of such improvements then bore to the actual value of the land.

F means the proportion of D which is attributable to the unimproved value of the land, and is equal to D *minus* E.

47. *In the case of land with no improvements existing at the time when the right to purchase or acquire was created.*

(a) *Where D is wholly unpaid.*

If D is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If D is less than C, the value of A's interest is equal to D, and the value of B's interest is equal to C *minus* D.

(b) *Where D has been partially paid.*

If the unpaid portion of D is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If the unpaid portion of D is less than C the value of A's interest is equal to the unpaid portion of D and the value of B's interest is equal to C *minus* the unpaid portion of D.

48. *In the case of land with improvements existing at the time when the right to purchase or acquire was created.*

(a) *Where D is wholly unpaid.*

If F is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If F is less than C, the value of A's interest is equal to F, and the value of B's interest is equal to C minus F.

(b) *Where D has been partially paid.*

Appropriate any payments on account of D to E and F *pro rata*. If the unpaid portion of F, after such appropriation, is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If the unpaid portion of F, after the said appropriation, is less than C, the value of A's interest is equal to the unpaid portion of F, and the value of B's interest is equal to C, minus the unpaid portion of F.

49. In any case not coming within the preceding rules, the Commissioner may fix the relative proportions of the values of the interests of any taxpayers in any land taxed, and his decision shall be final.

* * * * *

Anno Quinquagesimo Septimo et Quinquagesimo Octavo.

VICTORIÆ REGINÆ.

A.D. 1894.

No. 604.

An Act to provide for Increased Taxes on Land and Income, and for other purposes.

[Assented to, December 21st, 1894.]

Preamble. Be it Enacted by the Governor of the Province of South Australia, with the advice and consent of the Legislative Council and House of Assembly of the said province, in this present Parliament assembled, as follows, that is to say:

Repeal. 1. Section 10 of the "Taxation Act, 1884," and the whole of "The Taxation Act Amendment Act, 1892," are hereby repealed, but so that this repeal shall not affect existing rights or liabilities, and the same shall be enforceable as if this repeal had not taken place.

Short title. 2. This Act may be cited as the "Taxation Act Amendment Act, 1894," and shall be incorporated and, except so far as inconsistent therewith, read with the "Taxation Act, 1884," the "Taxation Act Amendment Act, 1885," the "Taxation Act Amendment Act, 1887," and Act numbered 556 of 1892, being an Act to declare the meaning of the "Taxation Act, 1884," and all regulations purporting to have been made thereunder, which Acts and regulations, so far as inconsistent with this Act, but no further, are hereby repealed, but otherwise, except so far as hereby or heretofore repealed, are validated and confirmed as if herein enacted.

Interpretation. 3. In the interpretation of this Act, and of all regulations to be made thereunder, the following terms shall, unless inconsistent with the context, have the following meanings:—

"Additional land tax" shall mean the additional land tax imposed by section 4:

"Absentee land tax" shall mean the absentee tax imposed by section 4:

"Taxation Act, 1884," shall include all Acts and regulations confirmed by Section 2:

"Absentee" shall include every person who shall have been absent from or resident out of South Australia for at least two years immediately prior to the date as on which any assessment shall be made, except in the case of life assurance societies doing business in South Australia on the mutual principle, or to cases in which the whole of the income from the land is paid to or for public or charitable purposes in the colony:

If at least three-fifths of the entire beneficial interest in any land are owned by absentees, or, in the case of a company owning land, if

at least three-fifths of the entire beneficial interest in such company are held by absentees, the land in question for the purposes of this Act shall be deemed to be wholly owned by absentees; but any person not an absentee paying tax by virtue of this provision shall be entitled to a refund of the amount paid as an overpayment, pursuant to section 11.

4. The taxes recoverable under the "Taxation Act, 1884," are hereby increased by the imposition of the following taxes, viz. :— Increased taxes.

I. An additional land tax of One Halfpenny for every Pound sterling exceeding the amount of Five Thousand Pounds of the total assessed unimproved value of all land owned by any party:

II. An absentee land tax of twenty per centum on and added to the amount of land tax and additional land tax payable in respect of land owned by absentees:

* * * * *

8. If additional land tax shall be payable on land included in more than one land tax assessment, such additional land tax shall be charged on the land included in the various land tax assessments in the proportion that the amount of each assessment bears to the total amount thereof. Distribution of additional land tax.

9. No land or party assessed for land tax, or additional land tax, or absentee land tax shall be relieved from charge or liability by reason of change in the ownership of such land or any part thereof subsequent to the day as of which such assessment was made, or on account of any matter happening subsequently to such day, and the Commissioner may refuse to recognise any change in the ownership of such land, or any part thereof, until the amount of such tax, together with fines and interest thereon (if any), have been paid. Change in ownership.

10. The Commissioner may at any time, by particular notice, require any party to furnish returns, and may make assessments thereon, or in default thereof, or without requiring any return, notwithstanding that the year in respect of which such returns should have been required and assessment made shall have expired, and taxes shall be paid thereon; but any party so assessed shall be entitled to appeal against such assessment. Commissioner may make omitted assessments.

* * * * *

TAX COMMISSIONER'S REPORT.

(Extract.)

SIR, Land and Income Tax Office, Adelaide, October 28, 1885.

In compliance with the request contained in your favour of the 21st ultimo, for a general report upon the working of the Taxation Office, containing any information that might prove of use and interest to Parliament and the public, I have the honour to submit the following report:—

From the earliest stage of the work of administering the Taxation Act, 1884, it was clear that the land and income taxes required distinct modes of treatment. For the former the assessment would be public, the chief search would be for descriptions of all the taxable lands, values and owners being secondary considerations; for the latter the assessment would be private, everything appertaining to it would have to be regarded as quite of a confidential character, and the chief search would be for the taxpayers themselves.

The two taxes have, therefore, from the beginning, been managed as two distinct systems, as much apart as though they had been under different Acts; and I propose to similarly divide the subject matter of this report. But, before doing so, it will be convenient to make a few remarks on the initiation of the work as a whole, of which there is no part that may not be regarded as more or less interesting.

The scheme has been to do the whole work in Adelaide, without the aid of offices throughout the country, and without employing distributors of forms or

collectors of taxes. This necessarily makes the operations in the one office very heavy, but it must greatly lessen the expenses of administering the Act.

I have to acknowledge the valuable assistance rendered through the office of the Postmaster-General. The post offices in the province became depôts at which taxpayers obtained forms of returns, and this mode of rendering forms available worked without a complaint. It will be remembered, too, that taxes may be paid at any of the post offices—a convenience that I think will be appreciated by taxpayers.

Making the above arrangements for 555 post offices, and negotiating for and obtaining reports on land values from over 150 valuers in the country, in themselves involved careful management, and took some time before the real work commenced.

All information obtained from taxpayers, whether from returns or otherwise, has been regarded as strictly confidential, and every person engaged in the administration of the Act has, before entering upon his duties, been required to make a declaration of secrecy.

The Act gave the barest sketch of the machinery necessary for carrying it out, and left all the details to be provided by regulations. Bearing in mind, that by that short Act of 77 clauses, a land tax and an income tax—two distinct modes of taxation—are initiated, and that the English income tax alone requires some hundreds of clauses to enable it to be collected, it must be admitted that the task of preparing the regulations to cover the double system was not a light one.

Nothing could be done until the regulations were settled, and with their gazetting on the 22nd January last the administering of the Act began.

Considerable trouble was taken to instruct the public on the requirements of the new law, and, in addition to the "Gazette" publication, and the extensive extracts printed in the ordinary issue of the press, arrangements were made by which full prints of the regulations were issued gratis as supplements to the "Register" and "Observer," and "Advertiser" and "Chronicle" newspapers, besides specially prepared notices inserted in the German newspaper, the "Australische Zeitung."

Returns were to be furnished by the 21st March, and for some weeks prior to that date the rush of people to the taxation office for information, and with returns, was so great that they could with difficulty be attended to. At the same time the office was completely flooded with correspondence, every possible question that could arise under the Act and regulations appeared to be raised, and answered time after time; and I venture to think that by the 21st March, there were few persons in South Australia affected by the taxes who did not realise the full meaning of the Act, and what was requisite under the regulations.

The total returns received are as follows:—

For Land Tax	...	...	...	...	...	36,921
For Income Tax	...	...	...	...	...	10,421

It was satisfactory to find that, contrary to what might have been expected from the display of advertisements by agents, the returns were, for the most part, filled up by the taxpayers in person, few comparatively being written by agents.

The office accommodation has been quite inadequate, want of room much retarding the assessment, and, but for the assistance kindly afforded by other departments, fresh arrangements must have been made to carry out the work.

In considering the time taken in getting out the assessment, it is well to note that the Act requires both assessments to contain more than is actually necessary for revenue purposes, and as the notices have to echo the assessments, the same objection applies to them.

First, as regards the land. The tax being upon the land alone, time would have been saved if the unimproved value only had been required, but it is necessary under the Act to also separately assess the actual value (land and improvements), which, moreover, has to be stated in the Assessment Book, and repeated in the notice. And, secondly, as regards the income. The gross amount of income from

property and personal exertion, with which the tax is not concerned, have to be separately specified, and then given in the notice in addition to the taxable amounts.

These may seem small matters, but in the aggregate they mean much time and money, and what for? No one could be in the least prejudiced if they were left out.

Possibly, after we have had the experience of this first assessment, it will be deemed advisable to amend the Act, and I hope then to be able to make suggestions that will, so far as procedure is concerned, be alike beneficial to taxpayers and the department.

When the Act was passed, it was not thought possible that any land assessment upon an entirely new basis could be made for the first year's taxes, and it was upon this supposition that statements were made to the effect, that for the first year, it was intended to accept taxpayers' returns. A reconsideration of this proposition showed how unfair such a course would be, by reason of the unevenness of the values that such an assessment could not but give rise to great dissatisfaction; and that, after all, the work entailed in making an assessment would not be avoided, but only postponed.

Under the circumstances, it was considered most advisable to make an original land assessment for the whole province, and Northern Territory, in such a manner that the bulk of it would form the material for all future assessments; and that, as to income, the Commissioner should make the assessment strictly as required by the Act.

These assessments have been made, and under the proper headings will be found particulars that will cause them to be better understood, and give an insight into the nature of what had to be done.

Statements have been frequently made in public to the effect that the taxation scheme has been a failure. It is true that the initiatory work has been heavier, and taken longer than was anticipated, but, in all other respects, I claim for the administration that it has been a success; that is to say, the objects of the Act have been completely attained, by assessing the land for land tax, and all persons liable for income tax.

Of course errors will be found in so much that is new; the assessments doubtless are far from perfect; but, bearing in mind that, from the drawing of the regulations themselves, everything had to be initiated, there being no machinery in existence available for either tax, and that immense difficulties have had to be overcome to get out any assessment at all in the time, I venture to regard the result as satisfactory. Instances are not wanting in the history of direct taxation of absolute failure to get out an assessment for the first year's tax, and I am thankful to those officers of the department and extra clerks who have worked for long hours under great pressure, to enable such a mishap to be avoided in our case. In Mr. L. S. Spiller, the Deputy Commissioner, I have had most able support. He has worked early and late with a devotion worthy of the highest commendation. Unfortunately, a large part of the work has had to be done by overtime, occasioned by the impracticability, as well as, considering the nature of the employment, the undesirability of increasing the staff.

Under the Act the assessment has to be made as of 1st January, and the tax is due on the 31st March. I consider this period needlessly short. Taxpayers must have a reasonable time after the 1st January to send in returns, because their statements are to be made up to that date, and then how little time is left to get out an assessment? In England, where the work is distributed through local offices all over the country, there is a marked difference in this respect, the assessment notices for income not issuing until about nine months after the due date of the returns, which gives time to do justice to the assessment. Hurried assessments should be avoided, as they must necessarily have less care bestowed upon them, and are more likely to cause irritation.

As the question of the expense of collection is an important feature in any scheme of taxation, it may be expected that I should report upon it. It will not be heavy under the present Act. The amount for the first year, covering, as it does,

everything from the purchase of the first bottle of ink to the completed assessment, cannot be taken as a criterion. Most of the expenditure will not be required again; and I estimate that, after the present financial year, the whole cost will not exceed £5,000 per annum.

The taxpayers in the Northern Territory have had their convenience specially considered. The period for returns was extended, and assessment notices have been forwarded earlier, so as to reach the Northern Territory about the time that the notices will be sent to taxpayers in the southern part of the province.

The following shows the result of the whole assessment:—

Land:—

Actual value	...	...	...	...	£71,530,265		
Unimproved value	...	...	...	...	50,192,158		
Income:—							
From property	...	...	...	...	544,850		
From personal exertion	...	...	...	...	2,185,831		
Land Tax	...	...	...	...	...	£104,566	19 11
Income Tax	...	...	...	...	...	40,944	0 0
				Total	...	£145,510	19 11

The carrying out of the details of the land assessment gives an increase upon the rough draft assessment furnished in July, and the amount for income is modified by assessments upon additional returns and defaulters.

THE LAND TAX.

Upon careful consideration, it was estimated that we had at the outside 40,000 landowners in South Australia. The returns received were 36,921, and I do not think that there will be five per cent. of the land assessed to unknown owners. This must be regarded as an excellent result, and better than might reasonably have been expected for so large an area, for the first assessment. Remembering the trouble of working out the particulars contained in those returns, I cannot say much in praise of their quality. As I before stated, the taxpayers generally made them out themselves, and if they had but appreciated the numberless predicaments into which they were getting us, they would certainly have taken a little pains to be correct. In a recent parliamentary debate, a speaker said, "The majority of people were exceedingly inaccurate in ordinary life, not purposely perhaps, but from mere thoughtlessness." To the truth of this, all who have been connected with the land tax returns can amply testify. At first, upon discovering what appeared to be errors, the presumption was in favour of the return being right, and our search or entry being wrong; but of late the presumption was altogether the other way, and no kind of error surprised us. The rule seemed to be that where taxpayers could blunder they did so. They gave wrong hundreds, wrong numbers of sections and allotments, parts of sections when they should have been whole, and *vice versa*; wrong areas, wrong references to title, and by way of variety they crossed Hundreds, *i.e.*, Light for Barossa, and *vice versa*; transposed figures of sections, *i.e.*, 717 for 771, and mixed areas most ingeniously. And, with a persistence for error scarcely credible, a considerable number have on the line against the word "description," between the "name" and "postal address" lines, given a full, true, and particular account of their heights, ages, complexions, &c., &c., and one handsome taxpayer, in addition, favoured us with his photograph. The majority of these persons have given the particulars in all earnestness, and have attributed the requirement to the "obnoxious" taxation scheme, seemingly regarding the department as a branch of the detective service. The critical have said "why have used such a word as 'description,' instead of 'occupation'?" The answer is, that it is a proper term, is required by Clauses 37 and 44 of the Act, and has to appear in the assessment books. It is a relief to think that the Legislature, instead of "description," did not, in the words of Clause 13 of Act 8 of 1841, require the "names and additions" of

the taxpayers, for I fear that the office album would have been too small for the photos. of the family groups which would surely have been received.

The mistakes which I have sketched have happened by thousands. They have for the time baffled all in the office to unravel them, they have kept a large staff employed in clearing them up by search, and have required repeated applications to the taxpayers themselves before they could be disposed of. They have been by no means limited to ill-educated persons, but have been made by all classes, from the best business men in the city to laborers in remote parts of the province. Side by side with these inaccurate returns, it has been pleasing to note the completeness with which others have been prepared in the minutest particulars, and we cannot fail to recognise the thoroughness of the taxpayer who returned that piece of land of his measuring 9 feet \times 6 feet in the "——— Cemetery," and under the column, "Name of Occupier," gave that of his departed wife.

The effort has been to clear up the mistakes by search or the best means at our disposal, and, as a last resort, by writing to the taxpayers. In the latter event, difficulty was experienced in first obtaining any answer at all, and next in getting such replies as explained the errors.

Another source of trouble has been the confusing similarity in the names of places, and frequently, without an extended search, it has been impossible to ascertain which locality has been meant. A slip in the orthography in other instances has caused an annoying waste of time to clear up the error; and it seems a matter for regret that any person is at liberty to cut up lands, and, by depositing a plan, appropriate any name for it that he chooses, possibly causing confusion to a community for all time. As samples of the trouble I refer to, take the Northern Territory, where, of twenty-one Hundreds, fourteen bear names identical with Hundreds in South Australia proper. In townships we have no less than five Kingstons, three Williamstowns, and three Windsors, and two each of the following:—Bridgewater, Brighton, Brooklyn, Hamilton, Horsham, Hyde Park, Rosaville, Shoreham, Swansea, Totness, and Wolseley; and as instances of similarity, take the townships of Clairville, Clareville, and Claraville, Alexandra, Alexandria, Alexandrina, and Alexandra Park, London and Loudon, Milbook and Millbrook, Rosaville (2) and Roseville, Swinden and Swindon.

The old surveys, made in the early days of the Colony, have also occasioned considerable trouble, in consequence of different sections in one Hundred, and frequently not far apart, bearing the same number. For instance, if a taxpayer returned two acres, part of Section No. 2, Hundred of Adelaide, did he refer to Section 2 facing the city park lands and adjoining Thebarton, or did he mean Section 2 on the Goodwood Road, adjoining the townships of Redfern and Westbourne Park? Or, again, suppose he returned twenty acres, parts of Sections 17 and 18, in the same Hundred, did he mean Sections 17 and 18 near Crafers, or the 17 and 18 south of Springbank, near the Sturt; or suppose he returned Sections 35 and 36, in the same Hundred, on the South Road. As there are two sections of these numbers, with only a road dividing them, which were meant?

I refrain from more minutely following these details; but, as affording some information to the uninitiated why an assessment could not be got out at an earlier period, I am bound to refer to a few of the difficulties which have had to be dealt with by the thousand, and patiently mastered one by one.

Under the heading of "Assessments" I have grouped a few other particulars, which may be deemed of interest.

THE ASSESSMENT.

The following epitome of the principal branches of the work necessitated by the assessment does not require much comment.

1. Taxpayers' returns already referred to.
2. Obtaining detailed reports, from local valuers, upon lands within 30 Corporations and 115 District Councils, upon the basis of the particulars contained in the local assessments.

3. Similar reports for lands outside Corporations and Councils.

4. Searching out and abstracting from records in the office of the Surveyor-General—(a) particulars of lands granted; (b) selected lands; (c) scrub lease lands, and (d) lands held under ten years' leases having rights of purchase, and obtaining the verification thereof by his officers.

5. The preparation of plans showing the whole of the taxable lands.

6. Abstracting from registered transfers in the Lands Titles Office, particulars of all sales of lands for the five years preceding the 1st January last, in addition to collecting a mass of evidence and information affecting land values for the same period.

7. The collating of 1,850 deposited plans of sub-divisions, so as to show the lands as at present sub-divided. This has been thoroughly done by experts, and will be a work of immense service, quite apart from taxation purposes.

8. Identifying and entering all the foregoing information in sheets, so that it could be used for assessing purposes. This has been the most troublesome of all branches.

9. The preparation of an alphabetical register of taxpayers, to take the place of a ledger, for book-keeping purposes. This book, which will not be open to the public, summarises all the lands under the owners' names. It comprises no less than 165 books of 250 pages each.

Each of the foregoing branches formed in itself a large undertaking, and, for the most part, had to be completed before the assessing could actually commence. Over 103,000 assessments were made, followed by as many notices, and necessary summaries, &c., covering 303 Hundreds, and 1,034 towns and townships, beside the city of Adelaide (including of course the 30 corporations, 115 District Councils, and the lands in the Northern Territory).

For the purpose of enabling taxpayers to test the evenness of the assessments, the Act provided that the Land Tax Assessment Book should be open to public inspection, free of charge. The effect of this provision doubtless gives an importance to the book, quite independent of the purpose for which it has been made, and has largely influenced the determination of its form. There were two ways of forming the Assessment Book. (1) By setting out each taxpayer's land under his name, and having another division of the book for land belonging to unknown owners; and (2) by arranging the whole of the lands in the order of locality. The first was the easier by far, but such a book would not have satisfied the objects of the Act.

How could taxpayers have judged whether the assessments were uniform or not? It would not have afforded a fair opportunity for comparison. Further, how could the land have been fairly assessed under such a form? On the other hand, the alternative course, which has been adopted, meets the requirements of the Act in the fullest possible manner, and will, besides, form one of the most valuable Public Records in the province. I predict for it a usefulness which would alone have warranted its preparation, and I regret that the Act does not allow some small inspection fee to be charged, which would have helped to recoup departmental costs of construction.

For public purposes the values of lands in any district, hundred, town, or township, will be ascertainable, and for private purposes it will form the readiest means of finding owners, descriptions of lands and their values.

The principle upon which it is intended to form the assessment is to exhaust the hundreds in alphabetical order, so that all lands, whether sections, sub-divisions of sections, towns, or townships, they will all appear in their proper places, under the name of the hundred in which they are situated. But the book for this year, so far as regards town and township allotments, and sub-divisions within Corporations and District Councils, will slightly depart from this order. The particulars for these are founded upon valuator's reports, based upon Corporation and District Council assessments, in which it will be found that the names of private townships are not so clearly stated as is desirable; for instance, in the corporation of St. Peter's no distinction is made between College Town and Hackney, and the same thing

occurs in some other instances, and will eventually be avoided. This portion of the work must only be regarded as a temporary expedient, pending the putting in order of the plans of the sub-divided lands of the province which are in the course of preparation. It may here be noted that applications have already been received for copies of the portions of the assessment-book for District Council purposes. I recommend Corporations and District Councils to defer obtaining copies until the re-arrangement is completed, when the information will be much more useful to them.

I regret that time will not allow of a clean copy of the assessment-book being completed by the 4th November next, upon which date the notices will go out. The copy will be made so soon as possible, and in the meantime the uncopied portions of the rough draft assessment will be used for public inspection.

LAND VALUES.

Taxpayers do not appear to have experienced much trouble in separately stating values for their lands and improvements, comparatively few inquiries being made upon this point. By their notices they will find that for the most part it was considered that too large an amount was attributed by taxpayers as the value of improvements, thereby depreciating the value of the land, and consequently the amount to be paid as taxes.

There has throughout been no straining after *high* values. Valuers have been instructed to give fair and uniform values, founded as far as possible on sales, and on values generally recognised in each particular locality. This is the principle that has been aimed at, and the fact that the assessment for the city of Adelaide comes out at £9,558,452, being £5,467,548, or *more than one-third less* than the latest Parliamentary estimate for it, may, I think, be taken as some evidence that, at all events, extreme values have not been resorted to.

Some values, as returned, were very high, doubtless based upon the high speculative prices which ranged during the "land mania," whilst many were absurdly low. The differences were very great, some lands being returned at ten times as much as others which were of equal value. Certainly no assessment, formed by accepting the returns, could have been maintained. The department has made its own assessment, based upon the values as returned, and the other independent sources of information previously indicated; and although our limited time for this assessment has not permitted of so careful a comparison of the materials available as could have been desired, I venture to hope that the assessing may be regarded as fair.

No part of the assessment has given the assessor more trouble, or had more care bestowed upon it, than the city. Its value far exceeds other lands in the province, and no portion has been so liable to rapid change in value, and nowhere does the value of improvements so seriously affect the actual value. A middle course has been taken with regard to Adelaide, rejecting the extreme rates that prevailed during the period of the "mania," and approximating the values that obtained prior to the great rise.

Although, to comply with the Act, it has been necessary to state *actual values* (land and improvements) in the assessment, the same degree of importance has not attached to ascertaining them as that for unimproved values, upon which the tax is levied. This should, therefore, be borne in mind by any person searching for particulars of actual values.

LAND TAX RETURNS.

An important result follows from the form in which the land tax assessment-book has been made—it is that all future land tax returns can be dispensed with.

It matters not how long the land tax is in existence, no other return is required from taxpayers, and when they remember the trouble that will thereby be saved it must be admitted that a great boon has been secured. The particulars of the land having been obtained, information of change of ownership is required by notice from the taxpayer, and the book will be altered accordingly. The change in values the department can in future undertake without the necessity of returns.

I forward, as an appendix, the results of the land assessment grouped in order of hundreds, separating the Northern Territory from South Australia proper, being the arrangement of lands as they will eventually appear in the assessment-book. It contains a mass of valuable and interesting information.

DISTRIBUTION AND CONTRIBUTION.

The preparation of rules and tables for fixing values in order to ascertain the amount of contribution to the land tax by lessees, &c., under clauses 22 and 23 of the Act, was found a very troublesome task. An arbitrary rule-of-thumb, easy of application, could have been provided by the Act, but it was found impossible to do this by the Regulations, within the lines laid down in clause 23. Parts VI. and VII. of the Regulations, dealing with the distribution and contribution to the tax were not accepted until after repeated conferences with skilled accountants and experts upon them. It may be observed that the provision for contribution is really outside the principle of the Act for making the *owner* bear the tax, and is intended as a relief to owners who have granted long leases of properties at rentals below the present values. Speaking in general terms, if the lessee has a beneficial lease, he will pay a portion of the tax, otherwise he will pay none of it.

A comparatively small number of persons will be affected by this part of the Act; but to assist those who may experience difficulty in determining the values of leases, &c., printed explanations have been prepared and will be obtainable.

* * * * *

RATES OF LAND TAX IN SOUTH AUSTRALIA FROM 1885-1906.

LAND TAX.

1885 to 1894.—One half-penny in £ on the unimproved value.

1895 to 1902.—One half-penny in £ on the unimproved value, and a further half-penny in £ on values above £5,000, with Absentee Tax 20 per cent. extra.

1903.—Three-farthings in £ on the unimproved value, and a further half-penny additional from £5,000, with Absentee as formerly.

1904.—One half-penny in £ on unimproved value, and one half-penny extra above £5,000 (the extra tax of 1903 not re-imposed). Absentee as formerly.

1905.—Three-farthings in £ on unimproved value, and three-farthings extra above £5,000, and the Absentee 20 per cent. on total.

1906.—One half-penny in £ on the unimproved value, and half-penny extra above £5,000. Absentee 20 per cent. on total.

No. 3.

NEW SOUTH WALES.

THE GOVERNOR to THE SECRETARY OF STATE.

(Received July 2, 1906.)

MY LORD,

State Government House, Sydney, May 28, 1906.

In compliance with the request contained in your Lordship's telegraphic despatch of the 5th April last, I have the honour to transmit the accompanying reports from the Local Government Advisory Board,* the Government Statistician, and the first Commissioner of Taxation with reference to the working of taxation of unimproved value of land both for municipal and State purposes in New South Wales.

I have, &c.,

HARRY H. RAWSON,

Governor.

The Right Honourable

The Earl of Elgin, K.G., P.C., G.C.S.I., G.C.I.E.,

&c.,

&c.,

&c.

Enclosure 1 in No. 3.

SIR,

Statistician's Office, Sydney, May 14, 1906.

IN reply to your communication of the 3rd instant asking for information *re* working of taxation of unimproved value of land, both for municipal and State purposes, in New South Wales, and also regarding the effects of land value taxation on building trade, rent, incidence of taxation on house property and vacant sites, and on land speculation, I have the honour to report as follows:—

Land Tax for Municipal Purposes.—Up to the present no System of land tax on land values has been resorted to for municipal purposes. It is proposed, however, to adopt this principle under the Shires Act and the Local Government Extension Bill, but the effect of it will not be known for at least 12 months after it has been in operation.

Land Tax for State Purposes.—The land tax of the State is levied on the unimproved value at the rate of 1d. in the £. A sum of £240 is allowed by way of exemption, and where the unimproved value is in excess of that sum a reduction equal to the exemption is made; but where several blocks of land within the State are held by a person or company, only one amount of £240 may be deducted from the aggregate unimproved value. In cases where land is mortgaged, the mortgagor is permitted to deduct from the tax payable a sum equal to the income tax paid by the mortgagee on the interest derived from the mortgage of the whole property, including improvements. The lands exempt from taxation comprise Crown Lands not subject to the right of purchase, or held under special or conditional lease, or as homestead selections; other lands vested in His Majesty, or his representative; lands vested in the Railway Commissioners; lands belonging to or vested in local authorities; public roads, reserves, parks, cemeteries, and commons; lands occupied as public pounds, or used exclusively for or in connection with public hospitals, benevolent institutions, and other public charities, churches, and chapels, the University and its affiliated colleges, the Sydney Grammar School, and mechanics' institutes and schools of art; and lands dedicated to and vested in trustees and used for zoological, agricultural, pastoral, or horticultural show purposes, or for other public or scientific purposes. In the event of the tax remaining unpaid for a period of two years after it has become due, on giving another year's notice, the Commissioners may lease the land for a period not exceeding three years, or, with the sanction of a Judge of the Supreme Court, sell so much of it as may be necessary to meet the payment of the tax, with fines, costs, and expenses in addition.

The revenue from land tax is shown hereunder:—

Year.	Land Tax.
	£
1897	139,079
1898	364,131
1899	253,901
1900	286,227
1901	288,369
1902	301,981
1903	314,104
1904	322,246
1905	323,267

The fluctuations shown in the first two years are due to the difficulties inseparable from the introduction of a system of direct taxation; the returns for 1899 and subsequent years, however, are under normal conditions.

Effects of Land Value Taxation on Building Trade.—It is difficult to state definitely how far the imposition of a land tax has benefited the building trade. That suburban building has considerably advanced during the past 10 years goes without question, but there is no doubt that much of the extension is due to the facilities for settling in the suburbs afforded by the excellent tramway system. There are, however, estates in the vicinity of Sydney, which, after having been locked up for years, have been placed on the market by purchasers, who may be considered as purely speculative builders, since they not only sell the land, but also contract to erect buildings for speculative purchasers.

On Rents.—It is true that rents for residential premises in the immediate vicinity of the metropolis have been greatly reduced of late years. The reduction is, however, due but slightly to the operation of the land tax, the chief cause being the opening up of newer and more select localities through the extension of the metropolitan tramway and railway systems. As regards the suburbs beyond the influence of the tramway system, experience shows that, in general, there has not been any material alteration in rents for ordinary tenements. In the larger class of houses, however, substantial reductions have been made, and these reductions may be said to be partly due to the operations of the land tax, but in far greater measure to the change in the circumstances of the people.

On House Property and Vacant Sites.—The operation of the tax has been to a certain extent to reduce the value of house property, and in a stronger sense has affected the value of land hitherto held for purely speculative purposes. It has had the effect of forcing large areas of country lands on to the market which otherwise might have been allowed to remain inactive, and in this way the producing interests of the country have been benefited.

Land Speculation.—It cannot be said that there is, at the present time, much *bonâ fide* land speculation in the city and suburbs, as purchasers in the main have a fixed object in view, and there is little buying for purely speculative purposes. In the country, however, as pointed out in the preceding paragraph, numbers of large estates have been broken up and sold at advanced prices. It may be remarked in this connection that the demand for good living areas in the country is just now considerably in excess of the supply.

Summary.—On the whole it may be said that the land tax has had no very appreciable effect on any of the conditions referred to, except perhaps as regards the sub-dividing of cumbersome estates in the country; and the fear lest the tax should be increased has possibly had a larger influence on operations than the mere imposition of the tax itself warranted. In any case, the subject is one in which it would be extremely difficult to make accurate statistical comparisons.

I have, &c.,
W. H. HALL,
Acting Statistician.

The Under Secretary for
Finance and Trade.

Enclosure 2 in No. 3.

NEW SOUTH WALES.

SIR, Department of Taxation, Sydney, May 24, 1906.

I HAVE to acknowledge the receipt of your letter of the 3rd instant, to which was subjoined the following terms of a cablegraphic despatch received from the Secretary of State for the Colonies:—

“ Please send home as soon as possible any reports or other information available as to working of taxation on unimproved value of land for municipal and State purposes in New South Wales.

"Information specially desired as to effects of land value taxation on building trade, on rent, on incidence of taxation, on house property, and vacant sites respectively, and on land speculation;"

and in which you asked to be furnished with a report on the matter for the information of Lord Elgin.

In reply, I have to refer you to the report forwarded by the Lieutenant-Governor to the Secretary of State for the Colonies on the 7th April, 1905, in connection with the operation of Land and Income Taxes in the State of New South Wales (ordered to be printed by the House of Commons on 20th June, 1905, under the title "Graduated Income Tax" (Colonies)), and to state that no other reports have been printed concerning the subject in this State.

With regard to taxation of land on an unimproved basis for municipal purposes, I have to state that up to the present no such system has been instituted, but the Local Government (Shires) Act, and the Local Government (Municipalities) Bill provide for a Municipal Land Tax on the basis mentioned.

As neither of the measures mentioned has yet come into really active operation, some time must elapse before any information can be afforded as to the working of a municipal land tax.

Regarding the effect of land taxation on the building trade, it may be mentioned that some considerable headway has been made in the suburbs, caused somewhat by the Land Tax forcing the sale of unoccupied lands, which in many cases have been purchased by a class of speculative builders who, on receiving a small deposit, build to order, on time payment, on an increased rental basis. The facilities for locomotion afforded by the electric tramway system have also proved a factor in this suburban development. Building trade.

This suburban development has affected the rentals in the metropolitan area of the small (more particularly terrace) properties, many people preferring to reside in small cottages in the suburbs (which are served with cheap and up-to-date electric tramway systems) rather than occupy terrace houses in the city area. Rents of large residences have declined considerably, but to what extent the Land Tax has been a lever it is difficult to say. It has certainly operated to some extent, but there have been other factors at work. Rents.

Values of residential properties have been reduced, principally in the city and immediate suburbs, by reason of the development of the more outlying areas. House property.

These have suffered a reduction in value in many districts. The tax has considerably affected land held solely for speculation, and has certainly compelled many owners to sell for a lower figure than previously required. Vacant sites.

In the city and suburbs very little land speculation has been in operation. Buyers now, in view of the Land Tax, mostly secure properties with the definite idea of speedily making a home, and not as heretofore, waiting for a rise in values. Land speculation.

In the country the effect has been to break up a number of land monopolies and secure improved conditions of larger and closer settlement, with considerable profit to the speculator, and advantage to the purchaser.

In conclusion, taking the operation of land tax as a whole, it is not considered that it has had any pronounced effect on the lands generally, save in the country, where the apprehension exists that the tax may be increased at any time. This apprehension has brought about the sale and settlement of holdings which would have otherwise remained in a less productive condition.

I have, &c.,
L. S. SPILLER,
First Commissioner of Taxation.

The Under-Secretary
for Finance and Trade,
The Treasury, Sydney.

No. 4.

NEW ZEALAND.

THE GOVERNOR to THE SECRETARY OF STATE.

(Received August 11, 1906.)

MY LORD,

Wellington, July 9, 1906.

IN compliance with the request contained in your Lordship's telegram of the 5th April, I have the honour to forward herewith a report and other details as to the working of taxation of unimproved values in New Zealand, which will, I trust, afford you the desired information.

I have, &c.,
PLUNKET,
 Governor.

The Right Honourable

The Earl of Elgin and Kincardine,
 K.G., G.C.S.I., G.C.I.E., P.C., &c., &c.,
 Secretary of State for the Colonies.

 Enclosure in No. 4.

MEMORANDUM for the Honourable the PREMIER, Wellington.

Land and Income Tax Department, Wellington, July 4, 1906.

In accordance with directions of the late Premier, I have the honour to make the following report as to the working of taxation on "unimproved value of land" (that is the total selling value less the value of all improvements) both for State and Municipal purposes in New Zealand, on the lines asked for by the Secretary of State for the Colonies:—

STATE TAXATION.

In 1891 "The Property Tax Act" then in force was repealed and replaced by "The Land and Income Assessment Act," under which a land tax was imposed on land and mortgages of land, and an income tax on all income other than income derived from land and mortgages of land. Improvements on land were exempted up to £3,000. In 1893 an Amending Act was passed, by which all improvements on land were entirely exempted, and in 1896 an Act was passed by which the principle of taxation on the "unimproved value" was extended to local rating by enabling local authorities to adopt the system on a poll of the ratepayers being taken, and a majority voting in favour of its adoption.

From the year 1893, the year when the system began to be initiated, to 1905, over £30,000,000 has been expended on improvements during that period of twelve years, and during the last three years of that period, since the extension of the system gradually to local rating, the expenditure on improvements has shown a greater rate of increase, the total for those three years being nearly £15,000,000. The increase during the first nine years of the period referred to was 20 per cent., and during the last three years, 30 per cent. There can be no doubt whatever that the total exemption of improvements on land from all rates and taxes has led to a very large increase in the outlay on improvements, which comprise materials and labour, and the beneficial effect of this on trade, and the demand for labour has been great. It is estimated that the expenditure on buildings since 1893 amounts to £17,000,000 free from all rates and taxes, except in those cases where local authorities have not yet adopted the rating on unimproved values.

In my opinion the exemption of all improvements (in conjunction with the lands for settlement and advances to settlers policy of the Government) has to a large extent contributed to the solid prosperity of the Colony.

The exemption of all improvements led to a very liberal outlay of capital on land, which has rapidly increased as the system was extended to local rating, and

thus increased the demand for labour. As already stated, the expenditure on improvements on land increased in a few years, so much so that the supply of labour and materials could scarcely keep pace with the demand, and has continued so to the present time. This increased expenditure on improvements conduced also to an increase in the unimproved value. The result is that expenditure on improvements not only enhances the unimproved value of the property on which the expenditure was effected, but the increase in one property increases the value of the adjacent properties, *e.g.*, the following case came recently under my notice: A man purchased an unimproved section, put up a large building on it, and before the building was completed, sold the property at a profit of £3,000. This increase was, of course, in the unimproved value, and the adjacent sections increased in value to an almost equal extent. The same occurs in the country—a man purchases 500 acres, expends £2 per acre in improving, sells for £3 per acre more than he purchased—this increases the unimproved value £1 per acre, and the adjoining sections are almost equally increased. This has also been the result in the case of the purchase and sub-division by the Government of large estates for closer settlement. For taxation purposes one sale in a locality does not necessarily involve an increased valuation on the adjacent properties to the full amount of that sale; discrimination is used by estimating how far sales can be generally effected at the same price. This explains how the exemption of improvements leads to increase of capital value, and increase of unimproved value as surely follows increase of capital value; there are very rare exceptions to this rule.

In like manner the closer settlement policy of the Government in the purchase and sub-division of large estates leads to immediate large expenditure on improvements, and an increase in the unimproved value necessarily follows the expenditure of capital on improvements, which are entirely exempt from rates and taxes, and the effect of these conduces largely to increased trade, which necessarily means increased profits for income tax. A study of the table of land tax and income tax revenue for each year from the commencement shows, first, the drop in land tax consequent upon total exemption of improvements, then increase consequent upon the increase in unimproved values, largely owing to increased expenditure of capital on improvements; then in 1896 the advent of "The Lands for Settlement Act" shows the loss of tax on resumption of large estates more than recouped by increase in unimproved values, while the income tax shows a large and continuous increase year by year.

LOCAL RATING.

To enable the system of rating on unimproved value to be adopted by any local authority, the Act provides that a petition signed by not less than 15 per cent. of ratepayers be presented to the local authority, asking that a poll of the ratepayers be taken; a poll must then be taken, and if the proposal is carried it comes into force. A rescinding proposal can be carried at a poll by the same means as one for adoption, but not until three years have elapsed, and *vice versa*, rejection of a proposal bars it being again brought forward for a similar period. Up to the 31st March, 1906, there were altogether 78 polls taken under the above provision. Of these 75 were for the purpose of adopting the system of rating on the unimproved value, the proposal being carried in 63 cases and rejected in 12. In two cases a poll was taken to revert to the old system and lost in each instance; in another case, where the proposal had previously been lost, a second poll was taken after a lapse of three years, and the new system of rating adopted.

There are 113 boroughs in New Zealand (in addition to other local authorities), and of these 18 rate on the "capital value," 52 on the "annual value," and 43 on the "unimproved value," the aggregate capital value of rateable property in each case being "capital value" £2,101,223, "annual value" £26,482,067, "unimproved value" £30,670,834. Of the four chief cities in New Zealand (Auckland, population 37,740; Wellington, population 58,552; Christchurch, population 49,808; and Dunedin, population 36,075), Wellington and Christchurch have adopted the system of rating on the "unimproved value." In no case where the system of rating on the "unimproved value" has been carried has the former system of rating been reverted to, and the ratepayers as a rule, with few exceptions, are decidedly in favour of the system, and the approval is strengthened as time goes on, and the effect of it is seen.

There are no published reports on the lines asked for by the Secretary of State, and I have, therefore, sent circulars to all local authorities where this system has been adopted asking for special reports. Replies have been received in most cases, and copies thereof are enclosed* with an index and digest of the reports attached. In the large majority of cases the system has only been a short time in force, and in these cases no opinion is expressed as to the merits or otherwise of the system. It is extending more rapidly as the effect is seen in the places where it is adopted, and it becomes better understood. The reports, as will be observed, show the results to have been beneficial. From the reports received, and the most reliable sources of information available based on personal observation and inquiry, I am of opinion that the effect of the system of rating on the unimproved value would be correctly summarised on the lines required as follows:—

Building Trade.—The effect has certainly been to greatly stimulate the building trade. The object and tendency of this system of taxation is to compel land being put to its best use, so that the greatest amount of income may be derived from it, and rendering it unprofitable to hold land for prospective increment in value. It has been the direct cause of much valuable suburban land being cut up and placed on the market, and thus rendered more easily available for residential purposes, and of the subdivision of large estates in the country, resulting in closer settlement.

The effect on urban and suburban land has been very marked. It has compelled owners of these to build or sell to those who would; it has thus caused a great impetus to the building trade. An owner of land occupied by buildings of little value finding that he has to pay the same rates and taxes as an owner having his land occupied by a valuable block of buildings must see that his interests lay in putting his land to its best use. The rebuilding of this City (Wellington) which for some years past has been rapidly going on is largely attributable to the taxation and rating on land values, so that the supply of building materials could not at times keep pace with the demand.

Rent.—The tendency of this system of taxation is not to increase rent but, on the contrary, as the tax becomes heavier it tends to bring into beneficial occupation land not put to its best use and so reduces rent, the improvements being entirely free from all rates and taxes. In some cases, where land suitable for building sites is limited, high rents have been maintained notwithstanding the tendency of the system.

Vacant Sites.—The effect has been to cause vacant sites being put to their best use by expenditure on improvements. On vacant sites the rates and taxes are increased and continue to increase as the adjacent sites which have been improved increase in value. It thus becomes unprofitable to continue to hold land unimproved.

Incidence of Taxation.—The taxation, on building property, where the improvements exceed the unimproved value, is decreased; where the unimproved value exceeds the improvements the taxation is increased.

Land Speculation.—The tendency is to discourage speculation as the tax partially or wholly discounts the rise in value, but land speculation has not ceased in some districts where the system has been adopted, because:—

- (1.) The tax has not been sufficient to render speculation unprofitable in the large cities, though it has been a factor to be reckoned with.
- (2.) The rapid increase in values has caused speculation in spite of the tax.

Land speculation in this Colony of late years has chiefly arisen in the purchase of estates which have not previously been put to their best use by the owners, principally consisting of suburban lands which, after being acquired and improved by subdivision into residential allotments and by roading, result in the extensive building of residences, also in country lands large blocks of land suitable for subdivision into small farms. The effect of this has been rather beneficial than otherwise, because, in addition to the land being put to its best use, it tends to reduce rents and values of residential sites by the large increase of these made available.

* Not printed.

The form of speculation in land unused and held for a prospective increment is rarely met with in recent years.

Copies of the Rating on Unimproved Value Act, with extracts from the New Zealand Year Book* of Articles *re* "Rating on Unimproved Value Act," Results of Polls taken, and *re* Valuation of Land, and explanatory Memorandum in reference to the Government Valuation of Land Act, are also sent, as giving further information which may be useful.

P. HEYES, F.S.A.A., Eng.
Commissioner of Taxes.

RATING ON UNIMPROVED VALUE.

Digest of Reports from Local Authorities re working of system, with copies reports attached.

In response to a circular addressed to all local authorities rating on the unimproved values, asking for a report on the lines required for the Secretary for the Colonies, 52 replies were received. The following is a digest of the reports received; the number opposite each is that of the report which is attached; the system came into force on the 1st of April in the year in parenthesis after each name. (*Figures in margin give population.*):—

1. *Akitio County Council* (1905).—Not long enough in force to form any opinion. 1,394.
2. *Avenal Borough* (1905).—Only in force one year, and cannot yet express any opinion. 424.
3. *Balclutha Borough* (1903).—Still on trial—on the whole satisfactory. 1,160. Holders of vacant sections opposed to system. At end of third year mild agitation to revert to rating on annual value, but resolutions to move in that direction lost at public meeting held to consider question.
4. *Blenheim Borough* (1904).—Recently introduced and not sufficient experience to state real results. Tendency seems to be to use vacant sites for building purposes and to compel speculators to sell their properties. 3,352.
5. *Buller County Council* (1905).—In operation for one year only, and too soon to judge of results. 5,456.
6. *Campbelltown Borough* (1905).—Only recently in force, and not yet in position to express opinion. 1,472.
7. *Christchurch City Council* (1903).—Council cannot express any opinion without full data. 49,808.
8. *Eketahuna County Council* (1900).—In force for five years, and so far no complaints. Unable to say what effect is, as success of the dairying industry overshadows the effect of taxation. 2,739.
9. *Feilding Borough Council* (1902).—System satisfactory—no desire to revert to old system. Has been the means of subdivision of large building sites in centre of town which were held purely for speculative purposes, and buildings erected. 2,972.
10. *Gore Borough* (1902).—Not long enough in force to enable Council to furnish information sought. 3,033.
11. *Grey Lynn Borough* (1901).—Does not affect building trade. Has not tended to reduce rents. Increases taxation on vacant land and reduces it where improvements are of greater value than the unimproved value. Affects land speculation to a certain extent. Not affected population in this borough to any extent. System popular. 5,888.
12. *Greymouth Borough* (1898).—Adopted in 1898, and no attempt made to revert to old system. Majority of Council of opinion that system should be extended. 4,569.

* Not printed here.

to all rates. Town has prospered under the system. Two periods of ten years contrasted. Since adoption 300 new houses erected and rents increased about 100 per cent. Speculators eager to sell, and person requiring cottage to live eager to acquire and build, as he knows rates not increased by addition of improvements.

- 2,146. 13. *Hamilton Borough* (1901).—Difficult to say what effect in present state of prosperity the introduction of this system has had—not long enough in force to express an opinion.
- 2,153. 14. *Hawera Borough Council* (1904).—In force two years, and seems to give, on the whole, satisfaction. Rates on house property lighter than before. Rates on business premises heavier, while owners of vacant sites complain of increased burden. Building trade, rent, land speculation, &c., not affected to any appreciable extent. Old system will not be reverted to.
- 2,525. 15. *Hokianga County Council* (1899).—Adopted in 1899 and, so far, given satisfaction. Principal defect in Act—rating power governed by aggregate of improved value of county, whereas, if a zone system was compulsory for the township, the taxation would be more uniform.
- 2,227. 16. *Hokitika Borough Council* (1902).—New buildings erected during four years of rating greatly in excess of those erected during previous four years, but this attributed to prosperity rather than change in rating. Do not think building trade materially affected. Rents apparently not affected. Samples showing change of incidence of taxation given. When system came into force numbers of owners of vacant sites sold, as they did not wish to improve and it paid them better to sell than pay the increased rates. Discourages purchase of land for speculation. Ratepayers satisfied and would reject any proposal to revert to previous system.
255. 17. *Hunua Road Board* (1900).—Caused holders of vacant sites to realise. Land values have increased greatly. People of district would not revert to old system.
- 4,638. 18. *Inangahua County Council* (1899).—Given satisfaction—no desire to revert to old system. Building trade very brisk in chief town of county.
- 7,299. 19. *Invercargill Borough* (1902).—Difficult to say how system works—depends on how it affects the individual. Presses heavily where a good business site occupied by a small dwelling. A poll on the proposal to revert to old system resulted in majority voting for continuance of present system.
- 3,681. 20. *Kairanga County Council* (1905).—Building trade not stimulated. Rents little affected. Vacants site unknown in county. County practically all improved. Incidence of taxation much more evenly and equitably distributed.
- 2,194. 21. *Karori Borough* (1899).—Do not think building trade or rents affected, but has caused subdivision of large areas and thrown a great quantity of land on the market.
- 3,404. 22. *Lower Hutt Borough Council* (1902).—Impossible to accurately gauge—river protective works and duplicating railway started at same time as system adopted. Numerous subdivisions of land and building very brisk—rents higher—prevents aggregation of large holdings.
- 1,887. 23. *Maori Hill Borough* (1904).—Not long enough in force to judge effect.
142. 24. *Maraetai Road Board* (1901).—No perceptible change in buildings or otherwise.
384. 25. *Normanby Town Board* (1898).—Township mostly agricultural land, and complaints made that rates fall heavily on these lands as compared with township residences, hotels, &c.
- 4,379. 26. *North-East Valley Borough* (1905).—Decreases rates on buildings. Increases rates payable on land. Encourages building operations. Attracts population. Does not materially reduce rents. Oppresses holders of land unsuitable for building. Discourages land speculations. Reduces number of vacant sites.
973. 27. *North Invercargill Borough* (1904).—Considered unsuitable for a borough so thinly populated—presses heavily on owners of vacant land.

28. *Ormondville Town Board* (1898).—Peculiar situation of township, having 413. village at each end and large holdings in between. System not as satisfactory as might be.
29. *Pahiatua Borough Council* (1898).—No effect on values of land. Building 1,371. trade brisk last two or three years, but considered due to natural causes—farming community prosperous. Discourages speculation in and holding of land in business part of town.
30. *Pahiatua County Council* (1902).—Ratepayers satisfied, no attempt to revert 3,674. to old system. No doubt but that system encourages far more permanent improvements. System considered a just one.
31. *Palmerston North Borough* (1897).—Immediately after adoption many 10,243. absentee owners cut up large areas for sale. Rates are decreased where value of improvements exceeds value of land held. Buildings have enormously increased last two or three years and change of incidence of taxation partly, if not wholly, the inducement—samples of rates payable under the two systems given. Rating can be more equally and fairly distributed than when improvements have to be taken into account. Since adopted, no suggestion has been made to revert to former system.
32. *Papakura Road Board* (1900).—System works satisfactorily, but being only 396. a farming district cannot give information on points asked.
33. *Pelorus Road Board* (1900).—In force since April, 1900, and no complaints 541. or objection received.
34. *Picton Borough* (1904).—Increases rates on vacant sections and presses 995. heavily on those holding for grazing purposes. Rates in cases of extensive improvements lessened. Only one year in force.
35. *Raglan County* (1902).—Cannot give particulars—a farming district and 2,285. seems to have given general satisfaction.
36. *South Invercargill Borough* (1902).—Principle believed in, but prefer not 2,273. to give an opinion on points mentioned until rating longer experienced. Consider there are drawbacks to present Act.
37. *Southland County Council* (1902).—Too premature to give any information 24,426. on subject.
38. *Spreydon Road Board* (1902).—It has forced land into the market and 2,333. induced erection of buildings thereon. It relieves owners of house property to disadvantage of owners of vacant sections. Its influence on land speculation has been that many bought up and subdivided at profit.
39. *Stratford Borough Council* (1903).—Reply unfavourable; system acts un- 2,127. fairly; tends to crowding of houses on small sections. Value of land reduced 10 to 15 per cent. Land speculation ceased. No remarkable increase in building trade. Rents lower.
40. *Stratford County Council* (1902).—System in force four years. Bears most 5,911. onerously upon owners who acquired for *bona fide* occupation purposes.
41. *Sumner Borough* (1902).—Council satisfied system better for the borough 1,182. from rating point of view—that is, has forwarded the sale of land which would otherwise have been unoccupied if the system of capital value had been kept up.
42. *Tauranga County Council* (1901).—Farming district and most properties 2,005. occupied by owners—questions of building trade and rent do not arise. Likely to press heavily on new settlers.
43. *Waimarino County Council* (1904).—Adopted over two years ago—working 2,748. satisfactorily. Ratepayers evinced no desire to return to rating on capital values. An incentive to improve and make properties valuable.
44. *Waipawa County Council* (1898).—Ratepayers appear satisfied. Act has 8,659. been in operation for nine years. Persons holding land for speculation have to pay equal share of rates notwithstanding that there are no improvements,—and has a

tendency to make speculators improve their properties. No difficulty in working of Act, and prefer it to rating on capital value.

761. 45. *Waipukurau Town Board* (1898).—Not able to report. Town Board just formed. No rate yet levied.
- 2,728. 46. *Wairarapa South County Council* (1903).—Adopted three years ago. No marked difference in building trade. Properties with buildings and improvements slightly relieved, and the deficiency made up from properties consisting mainly of land, but being distributed over a large area, no hardship expressed to be felt thereby.
- 58,552. 47. *Wellington City Council* (1902).—Extracts from annual reports for 1902/3 and 1903/4. Favourable and full. Encourages improvements, stimulates the use of land, secures the unearned increment to those who have added the value, mulcts all lands in their fair share of taxation, and paralyzes the old system under which rental values on lands could by simple manipulation reduce local taxation to a farce. Much, if not most, of the activity of building operations during past year due to influence of this healthy measure, and with necessary restrictions to prevent overcrowding of buildings, no untoward result need be apprehended. No combined serious objection. Cost of industrial ventures not increased, &c., &c.—see report.
- 1,514. 48. *West Harbour Borough* (1905).—Increase number of buildings. Holders of large areas anxious to sell. Dissatisfaction in rural portion of borough, which is more heavily rated under new system, but believe that with increased railway facilities result of rating would be a large increase in population and consequent activity in building trade.
- 3,645. 49. *Westport Borough* (1905).—Only one year's rates collected, consequently not able to give fullest information. Has worked fairly well and is a fair and just one as a whole. Certainly encourages the use and improvement of land and erection of buildings. Good for building trade. Rents not visibly affected, but think they are not increased. Benefit to house property and detrimental to vacant sites and land speculators. Works well in the farming and agricultural parts.
456. 50. *Winton Borough* (1902).—No known effect yet produced. Throws tax much heavier on unimproved sections, and appears to benefit those who crowd good buildings on small areas.
- 1,110. 51. *Woodville Borough Council* (1898).—Letter received—no report.
- 2,891. 52. *Woolston Borough* (1903).—A suburb of Christchurch; contains a good deal of land occupied as orchards, market gardening, dairying, &c., and tax presses heavily on these. Three properties cut up and sold, and several buildings erected. Building trade improving. Rentals not lower. Tendency unquestionably to induce owners to cut up into allotments for sale.

NEW ZEALAND.

ANALYSIS.

Title.

1. Short Title.
2. Interpretation.
3. Construction of "The Rating Act, 1894," for purposes of this Act.
4. Apportionment of rates.
5. Ratepayers may by vote adopt this Act. Act incorporated for poll.
6. Form of voting-papers.
7. Result of poll to be published.
8. If poll carried, rates to be on unimproved value.
9. How adoption to be rescinded.

10. If poll carried, rating on unimproved value to be discontinued.
11. Proposal not to be again submitted to ratepayers before three years.
12. Valuation-roll of district. Rates to be levied on unimproved value of land.
13. Objections to assessments under this Act.
14. How contributions of rates to be proportioned.
15. Adjustment of rating-power under Acts 1876 and 1882 to this Act.
Proviso where rate is security for a loan.
16. Recovery of rates.
17. Provision for valuation-roll in event of severance of any portion of a district.
18. References to capital value in "The Rating Act, 1894."
19. Rates on mining property.
20. Rates to which Act not to apply.

1896, No. 5.

AN ACT to authorise Rating on the Unimproved Value of Land.

Title.

[13th August, 1896.]

Be it enacted by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. The Short Title of this Act is "The Rating on Unimproved Value Act, 1896." Subject to the special provisions hereof, this Act shall be read and construed together with "The Rating Act, 1894."

Short title.

2. In this Act, if not inconsistent with the context,—

Interpre-
tation.

"Chairman" means the Chairman of any County Council, Town or Road Board, or other authority having power to levy rates, and includes the Mayor of a borough:

"District" means any borough or county, and includes any town district or road district within any county wherein "The Counties Act, 1886," is suspended, or the County Council does not levy a general rate:

"District" also includes any town district for the purpose of making and levying Town Board rates:

"Gross value" means the capital value of land with all improvements thereon, as assessed by the local authority of the district, the unimproved value of which is rateable under this Act:

"Rateable value" means the unimproved value of land, as herein defined:

"Unimproved value" means the gross value of land, as herein defined, less the value of all improvements thereon:

"Improvements" includes water-races, whether constructed by loan or otherwise, houses and buildings, fencing, planting, draining, clearing from timber, scrub, or fern, laying down in grass or pasture, and any other improvements whatsoever on land, in so far as the benefit thereof is unexhausted at the time of valuation; but does not include reclaiming of land from the sea.

3. For the purposes of this Act, section two of "The Rating Act, 1894," shall be read subject to the amendments following, that is to say:—

Construc-
tion of
"The
Rating Act,
1894," for
purposes of
this Act.

(1.) The definition of the words "rateable property" shall be construed as if the words "without the buildings and improvements thereon" had been enacted therein, in lieu of the words "with the buildings and improvements thereon," where the latter occur in the said section; and

(2.) The definition of "rateable value," except paragraph three thereof, shall be deemed to be repealed.

(3.) No buildings or improvements on lands held under lease or license for mining purposes or residence or business sites shall be rateable.

Apportionment of rates.

4. In all cases where there is more than one occupier of a building, and it is necessary to apportion the amount of rates payable by each occupier, the same shall be determined as follows, that is to say:—

- (1.) The rateable value of the land, and also the annual letting-value of the whole building with the land occupied thereby, shall be first determined;
- (2.) Next, the annual letting-value of each portion of the building which is separately occupied shall be determined; and
- (3.) Then the proportion of the rateable value upon which each occupier shall be rated shall be the sum which bears the same proportion to the rateable value of the land as the annual letting-value of the portion of the building so separately occupied bears to the annual letting-value of the whole building and land.

Ratepayers may by vote adopt this Act.

5.—(1.) The following proportion of the ratepayers on the roll, that is to say,—

- (a.) Twenty-five per centum of the ratepayers on the roll where the total number on the roll does not exceed one hundred,
- (b.) Twenty per centum where such total number exceeds one hundred but does not exceed three hundred,
- (c.) Fifteen per centum where such total number exceeds three hundred,—

may, by writing under their hands delivered to the Chairman of the district, demand that a proposal to adopt this Act and thereby to rate property upon the basis of the unimproved value be submitted to the ratepayers' vote.

(2.) Thereupon the votes of the ratepayers shall be taken upon such proposal on a day to be fixed by the Chairman, being not less than twenty-one nor more than twenty-eight clear days after the delivery of such demand, and such day shall be forthwith notified in a newspaper published or circulating in the district: Provided,—

- (a.) That such demand shall be deemed to be duly made on the Chairman if the notice containing the same is delivered at the Town Hall or other principal office of the local authority of the district; and,
- (b.) That if, within seven days after the delivery of such demand, the Chairman fails to duly fix and notify the day on which the votes of the ratepayers are to be taken, then the votes shall be taken on the twenty-eighth day after the delivery of such demand; and the Clerk of the local authority shall notify the same in manner aforesaid.

(3.) On such day a poll shall be taken in the same manner as is prescribed by "The Local Bodies' Loans Act, 1886," in the case of a proposal to raise a loan in the district.

Act incorporated for poll.

(4.) Such of the provisions of the aforesaid Act as are necessary for the poll under this Act are hereby incorporated, *mutatis mutandis*, with this Act.

Form of voting-papers.

6. The voting-papers for the purposes of such poll shall be printed in the following form:—

"PROPOSAL that 'The Rating on Unimproved Value Act, 1896,' be adopted in the [*Name of the district*], and that henceforth property be rated upon the basis of the unimproved value thereof.

"1. I vote *for* the above proposal.

"2. I vote *against* the above proposal."

And no such proposal shall be deemed to be carried unless affirmed by a majority of the valid votes recorded, and at least one-third of the ratepayers on the roll record their votes.

7. Within twenty-one days after the result of the poll has been ascertained, the Chairman of the local authority shall cause a notice of the number of votes recorded for and against the proposal, as hereinbefore provided, to be published in the "Gazette," and also in one or more newspapers circulating in the district; and in such notice he shall declare the proposal to be carried or rejected, as the case may be.

Result of poll to be published.

8. If such adopting proposal is carried, then, from and after the thirty-first day of March succeeding the date of the gazetting of the Chairman's notice of the result of the poll, all rates made and levied by the local authority of the district, or by any other local authority therein, shall be made and levied on the unimproved value under this Act.

If poll carried, rates to be on unimproved value.

9. The adopting proposal may be rescinded in the manner and subject to the conditions, *mutatis mutandis*, by this Act prescribed for the carrying thereof, and for the purposes of the poll the voting-papers shall be printed in the following form:—

How adoption to be rescinded.

"PROPOSAL that the adoption of 'The Rating on Unimproved Value Act, 1896,' in the [*Name of the district*] be rescinded.

"1. I vote *for* the above proposal.

"2. I vote *against* the above proposal."

And the Chairman shall gazette the result of the poll within the time and in the manner hereinbefore prescribed in the case of an adopting proposal.

10. If such rescinding proposal is carried in any district, then, from and after the thirty-first day of March succeeding the date of the gazetting of the Chairman's notice of the result of the poll, rates shall cease to be made and levied on the unimproved value, and shall be made and levied in like manner in all respects as if this Act had not been passed.

If poll carried, rating on unimproved value to be discontinued.

11. With respect to every such proposal as aforesaid, the following provisions shall apply:—

Proposal not to be again submitted to ratepayers before three years.

(1.) If an adopting proposal is carried in any district, no rescinding proposal shall be submitted to the ratepayers therein until the expiration of at least three years from the day when this Act was deemed to be adopted pursuant to such adopting proposal.

(2.) If a rescinding proposal is carried in any district, no adopting proposal shall be submitted to the ratepayers therein until the expiration of at least three years from the day on which this Act ceased to be adopted pursuant to such rescinding proposal.

(3.) If either proposal is rejected in any district, such proposal shall not be again submitted to the ratepayers therein until the expiration of at least three years from the date of such rejection.

12. As soon as conveniently may be after an adopting proposal is carried in any district, a valuation-roll of the rateable property in the district shall, for the purposes of rating on the unimproved value, be prepared by the local authority in manner provided by "The Rating Act, 1894," in respect of local authorities rating on the capital value:

Valuation-roll of district.

Provided that, instead of setting forth the capital value, the roll and all notices of assessment shall set forth the gross value, the value of improvements, and the unimproved value of all rateable property in the district; and the rates when made and levied shall be made and levied on the unimproved value, in accordance with "The Rating Act, 1894," as amended by this Act.

Rates to be levied on unimproved value of land.

13. Any person authorised by "The Rating Act, 1894," to object to the assessment of the capital value may object in a like manner, *mutatis mutandis*, to the assessment of the gross value, or the value of improvements, or the unimproved value, or all or any of them; and such objection shall be heard, *mutatis mutandis*, in the manner provided by "The Rating Act, 1894," for hearing objections to assessments under that Act:

Objections to assessments under this Act.

Provided that, if on objection as aforesaid any assessment is reduced, the gross value of the reduced assessment shall be adjusted to equal the value of improvements *plus* the unimproved value.

How contributions of rates to be proportioned.

14. Whenever under any Act any contribution is authorised to be levied upon any local authority in whose district this Act is adopted, and such contribution is to be proportioned to the rateable value of property as defined by "The Rating Act, 1894," then such contribution shall be proportioned to the gross value of the said rateable property as defined by this Act.

Adjustment of rating-power under Acts 1876 and 1882 to this Act.

15. In all cases where by any Act a limit of rating-power is imposed upon any local authority, and in all cases of special and annually-recurring rates, or of any rates the amount of which is fixed for any definite period of time, the following provisions shall apply for the purposes of rating on the unimproved value under this Act:—

- (1.) When such rating-power or rate has reference to the annual value, a rating-power or rate of one shilling in the pound on the annual value shall be deemed to be equivalent to a rating-power or rate of three-farthings in the pound on the gross value, and so on a greater or smaller sum in the like proportion for a greater or smaller rating-power or rate than one shilling in the pound on the annual value.
- (2.) When such rating-power or rate has reference to the capital value, such rating-power or rate shall be deemed to have reference to a rating-power or rate on the gross value.
- (3.) The rates made and levied on the unimproved value under this Act shall be so adjusted as to equal, as nearly as may be, but not to exceed, in their producing-capacity, the rates made and levied on the annual or capital value, as the case may be, under "The Rating Act, 1894."

Proviso where rate is security for a loan.

Provided always that in the case of any fixed rate which forms the whole or any portion of the security of any loan, the following provisions shall apply:—

- (a.) If the Controller and Auditor-General is at any time satisfied that the above-mentioned change in the mode of levying rates will have the effect of diminishing the security for such loan, he may, by order published in the "Gazette," fix such a rate in accordance with this Act (but irrespective of the aforesaid limit of rating-power) as will, as nearly as may be, produce the same amount as the rate levied before the above-mentioned change was made.
- (b.) The rate fixed by such order shall for all purposes whatsoever be the rate which shall be levied in lieu of the rate which would otherwise be leviable as hereinbefore prescribed.

Recovery of rates.

16. All rates levied on the unimproved value under this Act shall be recoverable under "The Rating Act, 1894," and shall for the purpose of such recovery be deemed to be charged on the gross value, and not on the unimproved value only.

Provision for valuation-roll in event of severance of any portion of a district.

17. If at any time a part of any district wherein rates are levied on the unimproved value is severed from such district, whether for the purpose of forming another local-governing area or of joining one that already exists, it shall be the duty of the local authority of such district to deliver a copy of the valuation-roll of such severed part to the local authority of such new or already existing local-governing area, as the case may be.

References to capital value in "The Rating Act, 1894."

18. Subject to the foregoing provisions of this Act, wherever in "The Rating Act, 1894," reference is made to the capital value, such reference shall, in respect of all districts wherein rates are levied on the unimproved value, be construed as referring to the gross value under this Act.

Rates on mining property.

19. In every district in which rates are levied on the unimproved value, this Act shall apply to mining property rateable under "The Gold Duties Abolition and Mining Property Rating Act, 1890," and for such purpose all reference to rateable value as defined by that Act shall have reference to the gross value, and the valuation-

roll and assessments shall be prepared accordingly, in manner provided by that Act as amended by this Act.

20. This Act shall not apply to water rates, gas rates, electric-light rates, sewage rates, or hospital and charitable-aid rates.

Rates to which Act not to apply.

NEW ZEALAND.

ANALYSIS.

Title.

Preamble.

1. Short Title.
2. Restriction as to poll in certain cases removed.

1900, No. 18.

AN ACT to amend "The Rating on Unimproved Value Act, 1896."

Title.

[25th September, 1900.

Whereas prior to the passing of "The Local Government Voting Reform Act, 1899," proposals for the adoption of "The Rating on Unimproved Value Act, 1896," have been defeated in certain localities because of the restriction as to the required majority which by the said first-recited Act has been repealed: And whereas it is expedient to enable a fresh poll to be taken in such localities without the delay at present by law prescribed:

Preamble.

Be it therefore enacted by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. The Short Title of this Act is "The Rating on Unimproved Value Act Amendment Act, 1900."

Short title.

2. Notwithstanding anything contained in "The Rating on Unimproved Value Act, 1896," in any locality where prior to the passing of this Act a poll has been taken on the proposal for the adoption of the said first-mentioned Act, and such proposal has been affirmed by a majority but has been declared rejected because such majority was not such as was then by law required, the like proposal may again be submitted to the votes of the ratepayers at any time after the passing of this Act, and subject to the provisions of "The Local Government Voting Reform Act, 1899," and of section eleven of "The Rating on Unimproved Value Act, 1896."

Restriction as to poll in certain cases removed.

NEW ZEALAND.

ANALYSIS.

Title.

1. Short Title.
2. Amendments of principal Act.
3. Rating changed from unimproved value to capital or annual value.
4. Mode of levying rates excepted from Act.

1903, No. 56.

AN ACT to extend "The Rating on Unimproved Value Act, 1896."

Title.

[20th November, 1903.

Be it enacted by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. The Short Title of this Act is "The Rating on Unimproved Value Amendment Act, 1903"; and it shall form part of and be read together with "The Rating on Unimproved Value Act, 1896" (hereinafter called "the principal Act").

Short title

Amend-
ments of
principal
Act.

2. The principal Act is hereby amended as follows:—

(a.) As to section three thereof: By repealing subsection one.

(b.) As to section fifteen thereof: By repealing subsection three, and substituting in lieu thereof the following:—

“The rate made and levied by any local authority under this Act shall be so adjusted as not to exceed in its producing-capacity the limit of rating-power on the gross value possessed by that local authority as aforesaid.”

(c.) As to section nineteen thereof: By repealing the word “gross,” and substituting in lieu thereof the word “unimproved.”

Rating
changed
from un-
improved
value to
capital or
annual
value.

3. Where under the provisions of the principal Act the system of rating is changed from the unimproved value to the capital or annual value, as the case may be, every continuing rate levied on the capital or annual value shall be so adjusted as to equal as nearly as may be, but not to exceed, in its producing-capacity the rate that would be made and levied under the principal Act, and the proviso to section fifteen of the principal Act shall apply to every such adjustment.

Mode of
levying
rates
excepted
from Act.

4. Where any of the rates referred to in section twenty of the principal Act are required to be levied on the capital value, such rates shall, for the purposes of the principal Act, be levied on the capital value as appearing on the valuation roll; and where such rates are required to be levied on the annual value, such annual value shall be deemed to be a sum equal to six per centum of such capital value.

EXPLANATORY MEMORANDUM in reference to “The Government Valuation of Land Act, 1896,” and Amendments of 1900 and 1903.

Prior to the passing of “The Government Valuation of Land Act, 1896,” there was an entire absence of uniformity in the system of making valuations of land within the Colony for Governmental purposes. Each lending Department employed a separate set of local valuers for valuing mortgage securities. The Land Tax Department periodically employed a small army of temporary valuers when it required a new valuation of the land of the Colony for taxation purposes, and each Local Authority had its own particular method of making up its roll for the levying of rates. With such a diversity of methods employed it is not to be wondered at that values were uneven, and in many cases unreliable. Some valuers possessed sufficient independence to act fearlessly, others did not. Some had a system of their own which was different from that adopted by others, and some did not thoroughly understand the principles affecting land-valuation.

The advent of the Government Valuation of Land Act, however, introduced a new system, under which the defects of the former system were, if possible, to be overcome.

All values required by the Government Departments mentioned below and by Local Bodies, whether for loan, taxation, or other purposes, are now made by valuers employed by the State. These valuers work upon the one system which is laid down by the above-named Acts, and are responsible to the Government alone. They receive a regular salary, and when valuing for loan purposes are not dependent for their remuneration upon the goodwill of the person whose property they are valuing. When it is remembered that the values which are fixed by the Valuation Department are used, amongst other things, for local rating and taxation purposes, it is not to be expected that the District Valuers will escape a certain amount of adverse criticism at the hands of those who pay rates and taxes. I feel certain, however, that a great deal of this criticism is due to imperfect knowledge respecting the law on the part of the landowner, and it is largely with the object of endeavouring to remove wrong impressions from the minds of landowners that I issue the following comments and explanations regarding the system of making land-valuations in the Colony.

Landowners should recognise at the outset that neither the Valuer-General nor any of the officials or valuers of the Department are personally interested in valuing

the land high any more than they are in valuing it low. The Department's duties begin and end with estimating the *fair selling-values* of land and of improvements; it is for other Departments and the Local Bodies as well as the public to make use of these values.

Under the above-mentioned Act the Valuer-General is required to prepare valuation rolls, showing the fair selling-value of all land in the Colony.

Briefly stated, the following are the chief purposes for which the roll values may be used:—

- (1.) As a basis on which loans may be granted by—
 - (a.) The Advances to Settlers Office.
 - (b.) The Public Trust Office.
 - (c.) The Government Insurance Office.
 - (d.) The Post Office.
 - (e.) The Commissioners of Public Debts Sinking Funds.
 - (f.) Such other public offices as the Governor from time to time directs.
 - (g.) Trustees and investors.
- (2.) As a basis for the advancement of loans to local bodies by the Treasury under "The Local Bodies' Loans Act, 1901."
- (3.) As a basis for the levying of land tax and local rates.
- (4.) As a basis on which to assess stamp duty and duty on deceased persons' estates.
- (5.) For the guidance of the Land Purchase Board when acquiring land under the Land for Settlements Act or the Public Works Act on behalf of the Government.
- (6.) For the guidance of all who may desire to ascertain the fair selling-value of any piece of land for investment, mortgage, or other purpose.

In view of the many and diverse purposes for which the roll values may be used, it is of the utmost importance that these values should be neither above nor below the fair market price, and it is as much to the interest of the owner as it is to that of the Department that the "unimproved value," "value of the improvements," and "capital value" of every property should be accurately entered in the roll.

UNIMPROVED VALUE.

The Act defines "unimproved value" as follows:—

"'Unimproved value' of any piece of land means the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charge thereon, and if no improvements existed on that particular piece of land, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a *bonâ fide* seller might be expected to require."

There are few terms used in connection with land-valuation which are more imperfectly understood than the term "unimproved value." Some interpret the word to mean the *original* value of the land at the time when it was in its unimproved state, while others understand it to mean the *present* value assuming all the land in the district to be unimproved. Neither of these interpretations is correct. The increased value attaching to any piece of land due to the successful working of other lands in the district, or to progressive works effected by the State, the general prosperity of the country, high markets for produce, &c., form portion of the unimproved value under the New Zealand law. Any increased value, however, which is represented by the improvements effected by the individual possessor, either past or present, does not form part of the unimproved value.

It will be seen from the definition quoted that each particular piece of land must be considered by the valuer when estimating its unimproved value as if *it alone* had not been improved at the time of valuation. It is necessary for the valuer first to consider what would be the probable present condition of any piece of land which he is about to value, supposing that no capital or labour had been expended upon it. Having satisfied himself on this question, he would then require to ask himself what price the land in such condition would sell for in the open market at the date of valuation, assuming, of course, that everything else in the country which affects selling-values was actually in its present condition—the Colony progressive or otherwise; stock high or low; roads, railways, and bridges constructed; telegraphs, telephones, schools, &c., built, and improvements on all other lands duly effected and in their present condition.

The answer to this question will be the valuer's estimate of the unimproved value. It may be said that such an estimate must to a certain extent be guess-work, as it relies for its accuracy largely upon assumption. The valuer has, however, several guides by which to check his estimate. In the first place, it must not be supposed that the practice of estimating unimproved values of land is of recent date only. The unimproved value of the land of the Colony has been estimated from time to time ever since the Land Tax Act of 1878 came into force. A considerable portion of the Colony was then in its unimproved state, and large numbers of sales of unimproved land have taken place since. These sales have really formed the basis on which the present unimproved values have been built up. As the Colony has increased in prosperity so have these values been increased, and when the flow of prosperity has receded so have the unimproved values receded. After having estimated the unimproved value and the value of the improvements, the valuer is able to apply a check on his estimates, as these two values combined must represent the fair selling-value of the whole. If they exceed it, then his estimate of the unimproved value, or of the improvements, or of both, is too high, and he must reduce accordingly. If his estimates combined do not reach the total selling-value, then he is too low either in the unimproved value, or in the improvements, or in both, and he must increase his estimates accordingly. In many districts sales have been recently effected of land actually in its unimproved state, or perhaps with very little improvement upon it, and these sales supply still another guide to the valuer in making his estimate of the unimproved value. Under these circumstances it is not a difficult matter for the valuer to arrive at a standard unimproved valuation for the district he is about to deal with. Having arrived at such a standard, it then becomes necessary for him to adjust his values according to the quality of soil, situation, configuration, or other natural peculiarities of each particular holding so as to insure uniformity of unimproved values.

Land tax is levied on the unimproved value, and so also are the local rates in districts where the Rating on Unimproved Values Act is in force. It is, therefore, particularly necessary that uniformity of unimproved values should be studied by the valuer, otherwise one owner would be rated unfairly in comparison with his neighbour.

IMPROVEMENTS.

The Act defines "Improvements" and "Value of improvements" as follows:—

"Improvements' on land means all work actually done or material used thereon by the expenditure of capital or labour by any owner or occupier of the land, nevertheless in so far only as the effect of such work or material used is to increase the value of the land, and the benefit thereof is unexhausted at the time of valuation, but shall not include work done or material used on or for the benefit of land by the Crown or by any statutory public body, unless such work has been paid for by the contribution of the owner or occupier for that purpose: Provided that the payment of rates or taxes shall not be deemed to be a contribution within the meaning of this definition."

"Value of improvements' means the sum by which the improvements upon an owner's land increase its value: Provided that the value of improvements shall in no case be deemed to be more than the cost of such

improvements estimated at the time of valuation, exclusive of the cost of repairs and maintenance."

Subject to the limitations contained in the above definition, all buildings, fences, planting, draining, private roads and water-races, clearing, permanent grassing, and other work of a permanent nature effected upon land are improvements. It has been frequently urged that the Department should fix a standard value for each class of improvement for the guidance of valuers so as to insure uniformity of value. Beyond issuing instructions that improvements are to be valued at their full market value no restrictions have ever been placed by the Department upon District Valuers in this matter. It would be impossible to fix a maximum or a minimum value for any class of improvement which would be general in application, as the value differs in different parts of the Colony and must also vary according to the condition of the improvements and their degree of usefulness at the date of valuation. Great diversity of opinion moreover exists amongst owners themselves regarding the value of their improvements. This would make it difficult to fix a standard which would give general satisfaction. Take, for instance, the question of clearing. Some owners who have spent money liberally on improvements have been known to claim from £3 to £5 per acre for clearing rich open fern country, while others have complained that an allowance of £2 per acre for clearing and surface-sowing heavy bush land was very excessive.

The valuer must be guided, when valuing details of improvements, by the terms of the above definitions, and it is necessary, therefore, that the limitations referred to should be considered in detail. Anything which can be valued as an improvement must, in the first place, be effected *upon* the land which is benefited by that improvement. A public road may have the effect of increasing the value of the land in the vicinity. This road would not be valued as an improvement, as it is not on the land and is not included in the area which is valued. Were the road a private one, however, such as a farmer would make through his farm for the convenient working of his holding, it would be included in the total area valued, and would then be also valued as an improvement. Improvements can only be valued *to the extent to which they increase the selling-value of the land*. This fact should not be forgotten: the valuer must therefore value an improvement at the proportionate sum which it represents in the selling-value of the whole property. We sometimes find a large house built on a small area of farming land. The ordinary farmer who would purchase such a property would not be likely to pay for the house anything approaching its cost—he would only pay the price of a house which suits the requirements of the farm. The selling-value of the house must therefore be valued at what the ordinary purchaser would be likely to give for it, or, in other words, at the sum by which it increases the selling-value of the property. Sometimes an owner will expend his capital and labour injudiciously, and the result will prove detrimental to the land instead of being an improvement. Some lands hold grass better without being first ploughed than they do after the plough. The effect of ploughing in such cases would not be to improve the selling-value. Some improvements, such as ornamental shrubbery, orchards, lawns, vineries, &c., rarely increase the selling-value to the full extent of their cost, and should, therefore, be valued accordingly.

The definition also tells us that no work can be considered an improvement if the benefit is exhausted at the time of valuation. The Government lends money on the security of improvements, and it is obvious that if exhausted improvements were included in the valuation the security would be a very poor one. English grass may take well and improve by time on some farms, in which case it would be valued at full value. It may, however, on other lands, become choked with noxious weeds, or native grass may take its place, in which case it becomes more or less exhausted, and must be valued accordingly. Gorse, if allowed to spread, may exhaust the grassing, and in some parts of the Colony fern will act similarly if not kept under. Bush clearing will become more or less exhausted if the under-scrub is allowed to grow up.

In many parts of the Colony the land has been cleared for so many years that it is impossible at the present day to say with certainty by what process it was cleared. With regard to land which is known to have been in bush very many years ago but upon which there is no vestige of its former condition now apparent,

it becomes a question for the valuer to determine as to whether the land would not sell at the present day at a higher price with the timber on it than it would without the timber. Stumping and logging-up are sometimes carried out by the owner at a considerable outlay of capital or labour, in which case full value is allowed; in other cases, little or no labour or capital is employed, the stumps and logs becoming decayed by ordinary process of time.

Clearing of open country is often accomplished by burning and by stock running on the land, in which case comparatively little labour or capital may have been expended.

Noxious weeds, if allowed to spread, not only exhaust improvements, but they depreciate the unimproved value as well.

Draining and orchards are improvements which frequently become exhausted. As long as a drain is effective and acts as a drain it necessarily adds to the selling-value and is an improvement; but an open drain which was cut many years ago and has become filled in and grassed over, owing to the necessity for it having passed away, would be considered as exhausted.

Any improvement which has become exhausted and has been renewed, such as is frequently the case with grassing, is valued at the amount by which the then state of the improvement increases the selling-value—not at the accumulated values of the repeated renewals. It would be manifestly improper to lend money on grassing which had been ploughed in.

From the foregoing it will be seen that it devolves upon a valuer to ascertain carefully the *condition* of an improvement before estimating its value. It also devolves upon the owner to afford the valuer all the information in his power, so as to insure a fair and accurate value being placed on his improvements.

Work done by the Crown or a public body is not, the Act says, to be considered an improvement unless it is paid for by the individual, but expenditure by way of rates and taxes is not to be deemed to be payment for the work.

The expenditure of loan-moneys by the Crown or by public bodies is for the benefit of the community or district, and not for the exclusive benefit of any individual or holding.

It would be beyond the powers of any valuer to apportion the value of a public street, railway, telegraph-line, or, in fact, any public work amongst the different holdings which derived benefit from that work.

It has been argued that public works done by small communities, and for which those communities agree to rate themselves, should be valued as an improvement. This, however, is a question which could not in fairness admit of differential treatment. The principle which enables a small community to borrow money for making a water-race on the understanding that it rates itself for the purpose, is the same as that which enables a larger community to borrow money for making a harbour, water-supply, or drainage system on a similar understanding. The only difference is one of degree; the principle is the same in each case.

There is, however, another phase of this question which is of importance. The existence of heavy rates in a district will affect selling-values there. A property outside the boundary will sell, other things being equal, more readily than a property inside such a district. The assessed value will consequently be correspondingly lower where rates are unusually heavy, and relief will thus be obtained in the ordinary process of valuation. The question of liability to excessive rates is one which all valuers have to take into consideration when valuing.

The amount at which improvements are to be valued is defined by the Act as the sum by which they increase the selling value of the land, *provided that the value must not exceed the cost*, although it may be below the cost if their condition warrants it. The cost of an improvement is not necessarily its selling-value, as its suitability and condition must be taken into consideration.

It is the actual improvement which is valued, not the effect of that improvement. For instance, supposing that the expenditure of a small sum in cutting an

outlet for water has converted a swamp into first-class agricultural land. The fact that the swamp was capable of easy drainage would enhance its unimproved value, and the cost only of cutting the drain would be valued as the improvement.

Machinery, whether fixed to the soil or not, is not an improvement, and it is not included in the capital value. The buildings containing the machinery would, however, be valued as an improvement.

The foregoing describes briefly the limitations imposed by the Act upon the valuer with regard to the valuation of improvements. Were it not for such limitations it would be quite possible—especially in the case of many of the older holdings where money has been spent injudiciously, and where improvements have been renewed again and again—for the valuer to find that in the aggregate the work done by way of improvement exceeded in value the total selling-price of the property.

CAPITAL VALUE.

This is defined as follows:—

“ ‘Capital value’ of land means the sum which the owner’s estate or interest therein, if unencumbered by any mortgage or other charge thereon, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a *bonâ fide* seller might be expected to require.”

The capital value is the fair selling-value in the open market, but not the auction value or value derivable at a forced sale. Valuers are cautioned against taking temporary speculative values as their guide in estimating ordinary selling-values. To arrive at the ordinary selling-value in a district, all the sales which have taken place in that district of recent date are tabulated, and it is not as a rule a difficult matter to ascertain from the prices actually realised—covering an extended period—what is the ordinary selling-value, and whether the tendency is to increase or diminish. The valuer is required to exercise special care in fixing the capital value at such a sum as will be fair to both the borrower and the lender should the property be offered as a security.

It has been frequently contended that there should be one value for loan purposes, and a lower value for rating purposes. Such a contention is quite unsound. If such a system were in force, it would be found that a high value would no more insure a high loan being granted than a low value would insure a low rate being struck. Land can have but one value.

It has been argued that the selling-value does not always represent the true value, as owners, when selling, are frequently satisfied with a small deposit, allowing a large proportion of the purchase-money to remain on mortgage. It must, however, be remembered that so long as a sale is a *bonâ fide* one the purchaser has to pay interest on any sum outstanding; and with a flourishing land-market the security of the land for the unpaid balance should be as good as cash for the owner, and the delay attending the investment of the proceeds is obviated. The valuer must judge as to what constitutes “reasonable terms and conditions of sale,” and is especially cautioned against accepting isolated “boom” prices realised as the standard on which to fix the values of a whole district.

It is also frequently argued that the Act should not make the selling-price the basis of valuation at all, but that all land should be valued on its producing-capacity. As a matter of fact, the producing-power of land must more or less regulate the selling-price. Indirectly, therefore, the producing-power is already a factor in determining the capital value under the present law. But the impossibility of adopting the producing-power as the sole basis of valuation is at once apparent when the subject is fully considered. For instance, how could a valuer estimate the producing-power of a piece of vacant town land which is not producing anything? It might be capable of producing a great deal in the hands of one man, and a very little in the hands of another. Much would depend upon the use it was put to.

The good farmer would be valued higher than the bad farmer, although he might have no better farm. Intricate questions would arise as to what was the producing-power of a farm and as to how the income should be ascertained, and the duties of a valuer would largely resolve themselves into a question of accountancy. All owners would require to keep books to show what their land produced. The farm owned by the good farmer would pay higher rates than that of the bad farmer, and good farming would thus be discouraged. These and other objections present themselves to any system of valuation based solely on the assumed productive capacity of the land.

Uniformity of capital values is of the utmost importance. Land of similar quality and position should be valued uniformly, whether in a large or a small holding.

Ratepayers frequently complain that their rates will be unduly increased when values are raised. This is not a matter which the Department has any right to consider, however much it may sympathize. Its duties under the Act are to make a roll of selling-values for various purposes. The responsibility of fixing the rate for local rating purposes rests entirely with the local body, and if the selling-values in a district are high, it is within the power of the ratepayers themselves to see that a moderate rate is struck.

Relief from excessive rates should be sought by an appeal to the local body rather than in contesting roll values at an Assessment Court, unless, of course, the latter are in excess of ordinary market prices.

It may not be out of place to mention the relative numbers of the land-tax and local ratepayers within the colony, from which it will be seen that the number of persons who are interested in the amount of rate annually struck by the local body far exceeds the number who are interested in the amount of land-tax annually fixed by Parliament. There are, roughly, 145,000 holders of land in the colony. The total number of land-tax payers is only, roughly, 23,000, while practically every holder pays local rates.

VALUATION OF LEASEHOLD INTERESTS.

The foregoing remarks apply when valuing land, whether it is leased or not; but in the case of lands which are leased on terms favourable to the lessee, the valuer has, in addition, the important duty of determining what proportion of the value belongs to the owner and what proportion to the lessee.

The principle on which lessees' and sub-lessees' interests are to be determined is contained in "The Government Valuation of Land Act Amendment Act, 1903."

In any case where the rental paid by a lessee is equal to or exceeds the market rental of the property leased, the lessee can have no saleable interest, and the whole value is assessable to the owner; but in cases where the lessee pays a rent lower than the market rental at date of valuation, then the difference must be capitalised, and this forms the basis on which the selling-value of his interest is calculated.

Suppose A leased to B, ten years ago, a property the present value of which is £5,000 at a rental which was then fixed at £150 per annum for twenty-one years. The Act treats the present market rental as being a sum equal to 5 per cent. of the capital value of the property. In this case 5 per cent. of £5,000 is £250, and it will be seen, therefore, that B for eleven years to come would pay £100 per annum less than the present market rental.

What price, then, could any purchaser afford to pay B for such an interest?

Answer: Such a price as will enable the purchaser, out of the £100 per annum,—

- (a.) To receive 5 per cent. per annum interest on the price he pays, and
- (b.) To invest as sinking fund an annual sum which, at 5 per cent. compound interest, will at the end of eleven years equal the price paid.

This price is ascertained by mathematical calculation to be £830, and this represents the selling-value of B's interest.

In other words, out of £100 per annum the purchaser can derive					
5 per cent. interest on £830, equalling	...	...	...	...	£41 10 0
and can invest as sinking fund annually	...	...	...	...	58 10 0
					£100 0 0

£58 10s. invested annually at 5 per cent. compound interest will, in eleven years, equal the £830 outlay. £830 is then entered in the roll to B, and the balance of the total value (£4,170) to A, the owner.

We can, if we wish, calculate A's interest first, and leave the balance to the lessee—the result will, however, be the same, as will be seen:—

A is entitled to receive—

- (1.) £150 per annum for eleven years, and
- (2.) The reversion of £5,000 at the end of eleven years.

What price could a purchaser afford to pay him for (1) and (2)?

Answer in respect to (1): This will be ascertained in the same way as in the previous case, the only difference being that in this case a purchaser would be buying £150 per annum instead of £100 per annum for eleven years. By the same process of calculation as before this price is found to be £1,245, that being the present value of £150 per annum for eleven years.

Answer in respect to (2): Such a price as, if invested at 5 per cent. compound interest, would at the end of eleven years equal £5,000.

By computation this sum is found to be £2,925, that being the present value of £5,000 payable at the end of eleven years.

A's interest is thus £1,245 plus £2,925=	...	...	£4,170
B's interest is the balance of the £5,000=	...	...	830
			£5,000

This is the same result as was arrived at when calculating B's interest first.

Suppose a case, where an owner has leased a property with a purchasing clause, and during the period of the lease the value has gone up considerably. The price stated in the purchasing clause is much below the market value at date of valuation. The lessee here will have a considerable interest, as the owner cannot have a greater selling interest than the present value of the rental plus the present value of the reversion *of the amount of purchase-money*. The balance of the capital value must go to the lessee.

If at the date of valuation the property had gone back in value and was below the price stated in the purchasing clause, and the rental was not a low rental, it would probably prove a bad bargain for the lessee. The owner's interest would then be represented by the *full selling-value, but not more even if that value were below the purchase price stated in the lease*. The lessee, would, however, have no saleable interest.

In the case of a lessee occupying land at a ground rent *in excess* of the market rental, and himself effecting improvements upon it for which he is entitled to compensation, his interest in the improvements will be reduced by the excess rental capitalised.

In all these calculations the selling-value of the property at the date of valuation must be taken as the foundation.

The principle affecting the valuation of Crown lessees' interests is the same as that affecting other lessees' interests, except that in the case of the leases in perpetuity the lessees' rent is fixed for all time, consequently the calculation is much simpler. Suppose a lessee pays £50 per annum ground rent for a lease in perpetuity when the market ground rental at the date of valuation is, say, £90 per annum, he would have an interest of the difference (£40) capitalised at £5 per cent. = £800. In addition to this he would own the improvements which he had effected.

The foregoing explains the principle upon which leasehold interests are calculated. In practice it is found that special circumstances, such as the existence of a sub-lessee, compensation for improvements, progressive rental, or other conditions in the lease serve to complicate matters, but having explained the principle of assessment it is unnecessary to go further into the method of dealing with these details here.

It will be seen that it is only possible to value the respective interests of owner and leaseholder when the rent, length of lease, and other conditions affecting value are fully stated. It is, therefore, of the utmost importance that valuers should obtain full particulars when valuing properties held on lease, and that owners should afford them all the information they require.

Special provision is contained in the Act for adjusting the relative interests of owner and lessee year by year, and this adjustment will always be made by the Valuer-General when applied to.

Crown leaseholders should bear in mind the distinction between a valuation of improvements made by a Ranger of the Crown Lands Department and a valuation made by a District Valuer of the Valuation Department. In the former case the value is for the purposes of the Lands Department only, and is entirely separate and distinct from the value made by a District Valuer for roll purposes.

ALTERATION OF ROLL VALUES.

When the values appearing on a roll become out of date a revision takes place, but before any revised values can take effect the district must be gazetted for revision by Order in Council. There is no fixed period between one revision and another. The necessity for revision depends upon whether or not the roll values are correct.

When a revision of a district is ordered, the valuer makes a thorough overhaul of the unimproved values as well as the values of improvements and capital values. During the period intervening between revisions the Valuer-General cannot alter *the unimproved values* of the roll entries unless the owner pays a fee to cover the cost, and demands a revaluation of his property, or in case of an admitted error having taken place. During this intervening period, however, the Valuer-General may add the value of improvements which have been put on since the revision, or deduct the value of those taken away.

If additional improvements have been effected to a property prior to the 31st March in any year, they can be rated for the then ensuing year commencing on the 1st April. If they have been effected after the 31st March, however, they cannot be rated until the 1st April of the following year. The person who is occupier on the 31st March is placed on the roll for the rates for the ensuing year, but if a person becomes occupier after the 31st March his name is not entered up until the 1st April following the occupancy. Rolls are thus corrected in respect to occupancy and improvements as at the 31st March in each year, but the unimproved values must remain until a complete revision is ordered by the Governor in Council. The local authority is empowered by the Act to amend its rating roll in respect to the occupancy of land, but cannot amend values without the authority of the Valuer-General. When a property becomes subdivided the Valuer-General divides the existing value on the roll proportionately. No alteration is made in any entry on the roll without giving the owner and occupier due notice, in order that they may

object, if necessary, but the omission to give such notice does not invalidate an assessment.

ROLL VALUES AS A GUIDE FOR GRANTING LOANS.

It has been said that roll values are used as a guide to Government Departments when lending money. On receipt of an application for a loan the lending Department is supplied with a copy of the existing roll value of the security. The lending Boards, however, usually require that the security should be again inspected by the valuer before they grant the loan. This necessitates a revaluation of the property, but such revaluation is not used for either taxation or rating purposes. Since the present Act came into force these revaluations for loan purposes have, in almost every case, exceeded the values entered on the roll.

Complaints are frequently made, when applicants have not obtained an advance up to the full two-thirds of these revaluations, that the *roll values* must be excessive, and consequently that the owners are being overcharged rates and taxes. This complaint is based on an entire misunderstanding. It may be true that the Government Departments do not at times lend up to the full two-thirds of the *revaluation*, but the revaluation is not the *roll value*, but is a special value which has nothing to do with the levying of rates and taxes.

OBJECTIONS AND PROVISIONS IN THE ACT TO PREVENT OVERVALUATIONS.

When the values in a district are revised the new roll is lodged for inspection at some public office, and an advertisement in the papers calls the attention of the public to the fact, so that every person interested may inspect the values. At the same time every owner and occupier receives a notice showing at what value his property is entered. The omission to give notice, however, does not, as has been said, invalidate the assessment. The Department invites the fullest scrutiny of its rolls before submitting them to the Assessment Court. Persons whose names appear on the roll are invited to object if they are of opinion that the valuer has exceeded the selling price, or for other sufficient cause. The fact that the new valuation will cause an increase in the amount of local rates or land-tax payable is not considered a sufficient cause. This Department does not fix the rate in either case, and any such objection can only be based on an assumption that the rate to be levied will be the same as previously. Neither is the fact that the new valuation shows an increase or decrease on the last valuation considered a sufficient ground of objection, as the selling-value may have increased or decreased since the last valuation was made, or the previous valuation may have been erroneous.

Objections to value can only be on the ground that the valuation does not represent the true selling-value, as that is the guide imposed by the Act. Of course there are legitimate reasons for objection on other questions besides the question of value, such as errors in ownership, occupancy, area, or description, &c., which matters are always attended to and corrected without reference to the Assessment Court.

A frequent source of objection is that improvements are valued too high or too low. Before such an objection can be maintained it must be ascertained whether the capital value represents the fair and full selling-value. If, for instance, the capital value of a property is set below the true selling-value, the improvements will necessarily be valued in proportion. In such cases as this an increase in the value of improvements would only serve to increase the capital value, and would not reduce the unimproved value.

Objections to values are invariably referred to the valuer to enable him to review his valuation before the sitting of the Assessment Court, and the objector receives in due course a reply. If the objection has been allowed there is no necessity for the objector to appear at the Court. Should it be disallowed, he may carry it before the Court for consideration. Due notice of the sitting of the Court is given by advertisement, as required by the Act.

If on appeal to the Court the objection is allowed, the reduction is immediately carried into the roll. If, however, the owner is not satisfied with the Court's decision he may, under section 31 of the 1900 Act, *within fourteen days of the hearing*, require the Valuer-General either to reduce to the value which he considers to be the fair selling-value, or else to purchase the property *at that value*.

On the other hand, section 30 of the 1900 Act provides that if the Valuer-General is of opinion that a Court has made an unfair reduction in a valuation, he may, also within fourteen days of the hearing, require the owner to consent to what he considers is the fair selling-value, or else he will acquire the property *at that value* on behalf of the Government.

Power is also given by section 18 of the same Act to an owner to appeal to the Supreme Court on questions of law. On all other questions the decision of the Assessment Court is, however, final.

There is still another course open to an owner who is dissatisfied with his value, and he may adopt it at any time without reference to the date of sitting of the Court. Section 7, subsection (5), of "The Government Valuation of Land Act, 1896." provides that an owner, by paying the fee prescribed by regulation to cover the cost, may obtain a revaluation of his property. Such revaluation is subject to the same right of objection and review as it would be in the case of the revision of the district.

The following figures may be of interest to those who study the question of land-valuation:—

TABLE SHOWING CAPITAL VALUES OF LAND IN THE COLONY.

Year of Valuation.	Total Capital Values.	Total Unimproved Values.
	£	£
1878	99,566,679	62,573,868
1882	101,000,000	—
1885	113,270,649	—
1888	111,137,714	75,497,379
1891	122,225,029	75,787,895
1897	138,591,347	84,401,244
1902	154,816,132	94,847,727
1904	182,796,241	112,629,412

TABLE SHOWING NUMBERS OF FREEHOLDERS OF LAND, OUTSIDE OF BOROUGH AND TOWN DISTRICTS, CLASSIFIED ACCORDING TO AREA HELD BY THEM.

Year.	Holders of 5 Acres and under 100 Acres.	Holders of 100 Acres and under 1,000 Acres.	Holders of 1,000 Acres and under 5,000 Acres.	Holders of 5,000 Acres and under 10,000 Acres.	Holders of 10,000 Acres and under 20,000 Acres.	Holders of 20,000 Acres and under 50,000 Acres.	Holders of 50,000 Acres and over.	Total Numbers of Holders.
1882	14,766	14,267	1,281	203	141	83	23	30,764
1885	17,075	15,471	1,425	220	151	79	29	34,450
1888	18,805	16,743	1,413	221	134	89	27	37,432
1891	19,369	17,538	1,558	308	148	84	30	38,935
1902	20,799	20,316	2,144	260	123	70	23	43,735

The total numbers of freeholders in the colony including owners of township lands were as follows:—

In year 1882	...	...	...	...	...	...	71,240
„ 1885	...	...	...	...	...	...	80,527
„ 1888	...	...	...	...	...	...	84,547
„ 1891	...	...	...	...	...	...	91,501
„ 1902	...	...	...	...	...	...	115,713

N.B.—It should be noted that no leaseholders, Crown or otherwise, are included in the above numbers.

G. F. C. CAMPBELL,
Valuer-General.

Valuation Department,
February 15, 1905.



CANADA.

PAPERS

S2029

RELATIVE TO THE

WORKING OF TAXATION OF
THE UNIMPROVED VALUE
OF LAND IN CANADA.

(*In continuation of [Cd. 3191] November, 1906.*)

Presented to both Houses of Parliament by Command of His Majesty.
September, 1907.



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CANADA.

PAPERS

RELATIVE TO THE

WORKING OF TAXATION OF THE UNIMPROVED
VALUE OF LAND IN CANADA.

THE ACTING GOVERNOR-GENERAL to THE SECRETARY OF STATE.

(Received July 29, 1907.)

MY LORD,

Government House, Ottawa, July 13, 1907.

IN reply to your Lordship's despatch of the 7th March last, asking for certain information in regard to the taxation of land values in Canada, I have the honour to enclose copy of an approved Minute of the Privy Council submitting the desired information.

I have, &c.,

C. FITZPATRICK,
Deputy Governor-General.

Enclosure.

EXTRACT from a Report of the Committee of the Privy Council, approved by the Governor-General on the 10th day of July, 1907.

The Committee of the Privy Council have had under consideration a despatch, herewith dated 7th March, 1907, from the Secretary of State for the Colonies, asking information in answer to a question by Mr. Trevelyan, M.P., in the Imperial House of Commons, with regard to separate valuation and taxation of land in the Dominion.

The Secretary of State, to whom the said despatch was referred, submits the replies received from the various Governments of the Provinces of Canada upon the subject.

The Committee advise that His Excellency be moved to forward a copy of this Minute and the replies above mentioned to the Right Honourable the Secretary of State for the Colonies.

All which is respectfully submitted for His Excellency's approval.

JAMES G. FOLEY,
For Clerk of the Privy Council.

BRITISH COLUMBIA.

At Government House, Victoria, British Columbia,

SIR,

June 19, 1907.

REFERRING to your despatch of the 5th instant, inviting my attention to Mr. Pope's letter of the 25th March last, with its enclosure, in reference to a question asked in the Imperial House of Commons as to taxation of land values in Canada, I have the honour to forward a Memorandum prepared by the Surveyor of Taxes with regard to the working of taxation of the unimproved land both for provincial and municipal purposes, with information as to the effect of land value taxation on the building trade, &c., together with exhibits and appendices.

In transmitting the aforesaid, the Minister of Finance remarks that the delay in making the return was owing to its being necessary to apply to the municipalities for information which was not otherwise available.

I have, &c.,
JAMES DUNSMUIR,
 Lieutenant-Governor

The Under Secretary of State,
 Ottawa.

MEMORANDUM as to the working of taxation on unimproved land, both for municipal and State purposes, in the Province of British Columbia, Dominion of Canada, with information as to the effects of land value taxation on building trade, on rent, on incidence of taxation on house property and vacant sites, respectively, and on land speculation.

This Memorandum is prepared in response to a request of the Lieutenant-Governor of the Province of British Columbia, for the information of the Secretary of State for Canada in answer to the following question asked in the Imperial House of Commons as to the taxation of land values in Canada.

Question.

“ Mr. Trevelyan. To ask the Under Secretary of State for the Colonies, whether he will ask the Canadian Government for information similar to that obtained from Australia and New Zealand, and published in Cd. 3191 of 1906, with regard to the separate valuation and taxation of land in Vancouver, and any other part of the Dominion where such legislation is in force (Wednesday 6th March).”

Accompanying the request of the Lieutenant-Governor of British Columbia, there was submitted a printed copy of Cd. 3191, being the papers relative to the working of taxation on the unimproved value of land in New Zealand, New South Wales, and South Australia.

Preliminary.

There are two distinct authorities or jurisdictions in British Columbia which assess and collect taxes on real property, namely, the Government of the Province and the municipalities. The Provincial Government has the right to assess and collect taxes on real property outside the boundaries of any incorporated municipalities and the municipalities have the right to assess and collect taxes on the real property within their incorporated boundaries. The Provincial Government has reserved the right to assess and collect taxes on the personal property and on the incomes of all persons in the province both outside and inside of the municipalities, and the taxes so collected form part of the consolidated revenues of the Province.

The taxes assessed and collected by the municipalities on real property within their boundaries are part of the revenues of the municipalities, and each municipality has separate and exclusive jurisdiction over its own revenue, and no returns are made to the Provincial Government as to the revenue or expenditure of the municipalities.

The papers* which accompany this Memorandum, and to which reference is made, are as follows:—

First.—Relating to taxation by the Province for provincial (or State) purposes—

1. Copy of the Assessment Act, consolidated for convenience to the end of 1906.
2. Amendment to the Assessment Act passed at 1907 Session of the Legislative Assembly.
3. Memorandum by Surveyor of Taxes, relating to the taxation of mines and minerals.
4. The Railway Assessment Act.
5. Coal and Coke Tax Act, 1900, and Amendment thereto.

* Not printed.

Second.—Relating to municipal taxation.

1. Municipal Clauses Act, consolidated for convenience to end of 1906.
2. Amendment to Municipal Act passed at 1907 Session of the Legislative Assembly.

Third.—Relating to both provincial and municipal taxation.

1. Public Schools Act, consolidated for convenience to end of 1906.

Fourth.—General.

1. Provincial public accounts for the year ended 30th June, 1906, containing a summary of the revenues of the Province from 1st July, 1886, to 30th June, 1906 (*see* Tables Nos. 2 and 3 thereof for revenue from taxation).
2. List of municipalities with dates of incorporation and names and addresses of clerks.
3. List of assessment districts of the Province with names and addresses of the Assessors and Collectors.
4. Report of Commission on the Assessment Act, 16th February, 1905.
5. Land Act, consolidated for convenience to end of 1906.
6. Amendment thereto passed at 1907 Session of the Legislative Assembly.

Appendices are added containing statistics of Wild Land Tax collected, and other taxes collected by the Province for convenient reference.

First.—Provincial taxation, Wild Land Tax.—Since the 21st February, 1873, there has been a Wild Land Tax, assessed and collected by the Province. The rates of the tax have varied from one per cent. to five per cent. on the assessed value of the land. Previous to the year 1903 "Wild Land" included timber land and coal land, but the Assessment Act of 1903 made a separate classification of timber land and coal land.

Reference is made to the Interpretation Clause of the accompanying Assessment Act, Section 2, sub-sections 12, 12a, and 12b, for the full meaning of the terms "Wild Land," "Timber Land," and "Coal Land." These three classifications of land together with "unworked Crown granted mineral claims" described in Section 9 of the Assessment Act are the only unimproved lands which are taxed by the Province. The present rates of taxation on unimproved land are as follows:—On wild land four per cent., on coal land, Class "A," one per cent., on coal land, Class "B," two per cent., and on timber land two per cent., on unworked Crown granted mineral claims 25 cents per acre.

It will be observed from Section 4 of the Assessment Act that there are liberal exemptions from taxation on land, personal property, and income, and the chief exemptions relating to unimproved land are homesteads under the Dominion Land Act and pre-emptions under the Provincial Land Act, which are exempt for two years from the date of record and five hundred dollars of the value for a period of four years thereafter, and also all timber and coal lands held under lease or licence from the Crown, in virtue of the Land Act or Coal Mines Act, under which a royalty and rental is reserved, or under which a licence fee is reserved for the use of His Majesty, are exempted from taxation.

For the purposes of provincial taxation, real property is divided into two general classifications, namely, real property (or improved property), and wild land (or unimproved property).

When assessing improved property the assessor is not required, and does not show upon his assessment roll a separate value for the land and a separate value for the improvements, both are included in the one value, and the present rate of tax thereon is three-fifths of one per cent. on the assessed value. The assessed value is the actual present cash value. Wild land, or unimproved land, is also assessed at its present cash value, which value varies, according to locality and the nature of the land, from one dollar per acre upwards. Timber lands and coal lands vary in value from ten dollars to twenty-five dollars per acre.

Since the first introduction in 1873, the Wild Land Tax has proved beneficial to the Province, and there has been no serious objections raised against its collection. The tax has prevented to some extent land being acquired in large tracts for speculative purposes, and the Province is practically free from large individual holdings.

There are, however, large tracts of land still held by railway companies, which were granted to the companies by way of subsidy for the building of the railways, and these tracts are free from all taxation for ten years or until alienated. Until

the completion, to the Pacific Coast, of the Trans-Continental Railway line, the Canadian Pacific Railway, in July, 1887, there was not much speculation in land in British Columbia.

Prior to that time there was a good deal of the land occupied for agricultural purposes, cattle ranching, grazing, &c. Soon after 1895, owing to the opening up of the Province by railway enterprise, land was acquired from the Crown and others by the immigrants who came from the older Provinces, and mining and other enterprises brought in large numbers of people.

During those eight years a good deal of land was taken up for speculative purposes, and some of it was held until within a few years ago.

The Wild Land Tax and the remedies employed for its collection has proved beneficial in preventing these speculative lands from being held too long. As a consequence of the land speculation between 1887 and 1895, a large amount of arrears of taxes on these lands had accumulated, and the Government, in 1902, exercised the right to advertise for sale by public auction all lands upon which the taxes were delinquent. At that sale a quantity of land was sold, but for a large proportion thereof no purchasers made an offer. The Government then wisely at the next Session passed the 1903 Assessment Act, which gave the Province power to forfeit for the use of the Crown all lands which were not purchased at the tax sales, and such tax sales for delinquent taxes must be made annually.

In 1903, at the annual tax sale, the lands which were not sold were forfeited to the Crown. Ample opportunity is, however, given to delinquent taxpayers to redeem or repurchase these lands. The taxes on the land are due on the 2nd day of January, and are payable in advance for the year, and if not paid at 31st December following become delinquent, and bear interest at six per cent. until paid.

If the delinquent taxes are not paid by the middle of October following the delinquent date, the property is then advertised for sale.

If the land is sold at the tax sale, the delinquent taxpayer has two years from the date of the auction sale to redeem the property, or, if not sold, the land becomes forfeited absolutely to the Crown at the expiration of twelve months from the day of sale. During the 12 months from the date of the public auction until the date of forfeiture, the delinquent taxpayer may pay up the taxes and interest.

The provisions of the Assessment Act are, however, so full and complete regarding the methods of assessment and taxation, and the procedure for recovery that reference may be made to the Act itself.

With regard to the effect of the Wild Land Tax upon the points upon which information is desired, namely:—

- (1) On building trade,
- (2) On rent,
- (3) On incidence of taxation on house property and vacant sites respectively,
- (4) On land speculation,

there are no data or reports extant which deal specifically on such subjects, but from general observations it may be briefly summarised as follows:—

(1) *On Building Trade.*—Since the opening up of the Province by railways and other enterprises arising therefrom, that is, for a period of twenty years (1887-1907), the land tax has had a beneficial effect on the building trade especially during the later five years, and more particularly near the larger centres of population.

Owners of land do not care to hold property too long upon which they have to pay four per cent. of the assessed value, when by improving it, and bringing it under the classification of improved land, they will only have to pay three-fifths of one per cent.

The effect on the building trade is more marked in municipalities, which will be dealt with under the heading of municipal taxation.

(2) *Rent.*—Provincial lands, or lands over which provincial taxation extends, are not to any great extent held under lease, and therefore few people pay rent. The lands are chiefly occupied by the owners of the land, or are under their immediate control. Very little of the unimproved land of the Province is actually occupied, but in some cases adjoins other land occupied by the owner, and in nearly all cases the land is owned by residents of the Province. Within the past few years non-residents have acquired land, timber land, coal land, &c., for speculative purposes or future development, but these lands are not rented. The tax at four per cent. would naturally decrease the rent receivable by the owner if the tenant had to pay the tax.

(3) The incidence of taxation on house property and vacant sites respectively, appertains more particularly to land within municipalities. Where there is land adjoining large centres of population or near growing towns along the lines of railway and mining centres, the Wild Land Tax encourages the conversion of the land into improved land, and when improved, the low rate of tax on improved land falls very lightly upon house property.

(4) *Land Speculation.*—The Wild Land Tax has prevented extreme speculation in land in this Province, and the low rate upon improved property has proved an incentive to improving, especially near to centres of population. There has been a gradual and healthy increase in land values throughout the Province; from 1873 to 1887 the values were comparatively low, but since 1887, and more particularly during the past ten years, the values have been gradually increasing. A reference to the public accounts of the Province, a copy of which is herewith submitted, and to the liberal land laws, copy of which is also submitted, will explain this condition. There is also added an Appendix (No. 1) showing the valuation of the lands taxed by the Province for a number of years, and an Appendix (No. 2), showing the amounts collected for Wild Land Tax.

Tables 2 and 3 of the Public Accounts will be useful to prove the gradual increase in the taxes collected on land both improved and unimproved.

Second.—Relating to taxation by municipalities for municipal purposes.

Reference is made to the Interpretation Clause of the "Municipal Clauses Act," Section 2, for the meaning of "Real Property" and "Wild Land."

It will be observed that wild land for municipal purposes has a slightly different meaning from that in the Provincial Assessment Act. The methods of assessment, the rates of taxation, the procedure of recovery, &c., are also different. When the assessment roll is prepared the assessor must show in separate columns, the value of the improvement, and of the land; the improvements have to be valued at the actual cost. The rates levied have to be fixed by by-law annually, and separate rates are fixed for improvements and for the land. See Section 139.

The rate on improvements shall not be levied on more, and may, in the discretion of the Council, be on less than fifty per cent. of the assessed value thereof, or such improvements may be exempted altogether. The rate so levied shall not exceed one and one-half cents on the dollar, in addition to what is required for Board of Health and hospital purposes, and for school purposes, and for the payment of interest and sinking fund on any debt of the municipality.

Wild Land (or unimproved land) may be taxed at a rate not to exceed four per cent. of its assessed value.

It will be inferred from the Act that the rates and methods dealing with the assessed value of land, of improvements, and of wild land, vary in each municipality, or, at any rate, are not uniform.

As no returns are made to the Government of the Province by municipalities it is somewhat difficult to obtain accurate information. The delay in preparing this Memorandum has been caused by an effort to obtain some information from each municipality, and in Appendix No. 3 will be found the result of these investigations.

With regard to the effect of the Wild Land Tax and the Land Tax upon the points before referred to, namely:—

- (1) On building trade,
- (2) On rent,
- (3) Incidence of taxation on house property and vacant sites respectively,
- (4) On land speculation,

it may be explained that having no data, reports, or statistics to refer to, it can only be from general observation that any attempt can be made to give a general idea of the effects.

(1) *Building Trade.*—The Wild Land Tax, where imposed in municipalities, has certainly tended to benefit the building trade by preventing land being held too long in an unimproved state. The lower rate on improved property, and the exemption of

improvements in some cases, and the proportional assessment in other cases of the improvements has, to a very great degree, benefited the building trade in municipalities.

(2) *Rent.*—The Wild Land Tax, where imposed, has decreased the rents of wild land to the owner and the lower rate on improved property, and the total or partial exemption of improvements from taxation has increased the rents to the owner. Owing, however, to the rates of taxation on improved property being limited to one and a half per cent. by statute, the rents of improved property in municipalities are not very high. Except where there has been a large influx of population in excess of the house accommodation, such as in Vancouver, and to a less extent in Victoria, the rents are higher than in other municipalities.

(3) *Incidence of Taxation on House Property and Vacant Sites respectively.*—Upon land suitable for house property and vacant sites for other purposes in municipalities, the Wild Land Tax, where imposed, has prevented the land from being held too long for speculative values, but this applies chiefly to large tracts of unsubdivided lands near cities, the tax on land falls equitably upon land fit for house property, and vacant sites for other purposes, and within the past few years, as the population is growing by immigration and other causes, these large tracts are being subdivided, and the vacant lands improved notwithstanding the taxation. The taxes on the land when leased are not usually borne directly by the tenant, but are paid by the landlord. Indirectly the tenant has to pay a higher rent where the rate of taxation on the land increases.

(4) *Land Speculation.*—There has, of course, been considerable land speculation in some of the larger cities and towns during the past few years, owing to the opening up of the Province generally by railway and mining and other enterprises. The taxes, however, have not been so high as to prevent this speculation. The speculation has not been extreme, and has never reached what is generally known as a "land boom." The potential resources of the Province are such that they invite the prospector and business men, and the profits made in land speculation in Manitoba, Alberta, Saskatchewan, and other portions of the Dominion are drawing many capitalists to this Province. The provincial and municipal authorities have by wise legislation and otherwise tried to prevent undue speculation. The willing investor is always in evidence, and if he has an opinion of his own, and prides himself on having it, he will find that he has not always been wise in his speculation when following that opinion. The advice of local business men should not be ignored. A steady growth in values is taking place in all parts of the Province, and ordinary cautious persons will find ample justification in the present kind of land speculation in this Province to invest his capital. Extremely wild speculation at any time and in any place ought to be carefully avoided both by the landowner and the prospective purchasers—it hurts in both instances.

It may be observed from Appendix No. 3 that very few municipalities adopt the Wild Land Tax, only thirteen out of forty doing so.

The reason for this is, that where vacant land in municipalities is subdivided into small lots, the assessor assesses that as real property, which is a lower rate than the Wild Land Rate.

The Wild Land Rate heretofore in force in those municipalities having served its purpose is no longer necessary.

The vacant land is generally assessed at the same value as the land upon which there are improvements (exclusive of the improvements), and this has much the same effect as when the assessed value was lower and the tax higher.

JOHN B. MCKILLIGAN,
Surveyor of Taxes and Inspector of Revenue.

Victoria,
June 18, 1907.

APPENDIX No. 1.

SHOWING the ASSESSED VALUES and TAXES on LAND ASSESSED and TAXED by the PROVINCE for YEARS 1900 to 1907, both inclusive.

	Assessed Values.	Taxes.
1900.		
Real Property	\$ 21,874,648-00	\$ 131,247-90
Wild Land (2½ per cent.)	2,646,701-00	66,167-53
Personal Property	14,670,331-00	73,351-67
Income Tax	1,821,165-00	20,643-67
	41,012,845-00	291,410-77
1901.		
Real Property	21,992,273-00	131,953-65
Wild Land (2½ per cent.)	2,943,923-00	73,358-07
Personal Property	15,738,943-00	78,694-71
Income Tax	2,008,462-00	32,323-06
Income Tax (Corporations)	—	8,070-87
	42,683,601-00	324,400-36
1902.		
Real Property	23,871,915-00	143,323-49
Wild Land (2½ per cent.)	2,624,477-00	65,612-32
Personal Property	17,670,494-00	88,352-47
Income Tax	1,893,377-00	29,735-33
Income Tax (Corporations)	—	8,126-14
	46,060,263-00	335,149-75
1903.		
Real Property	24,769,119-00	148,614-70
Wild Land (3 per cent.)	2,580,677-00	64,516-92
Personal Property	18,076,926-00	90,384-63
Income Tax	2,049,138-00	30,930-62
Income Tax (Corporations)	511,985-00	9,199-98
	47,987,845-00	343,646-85
1904.		
Real Property	31,809,577-00	318,095-77
Wild Land (5 per cent.)	2,543,365-00	127,168-25
Personal Property	21,899,129-00	218,991-29
Income Tax	2,493,892-00	50,710-00
Income Tax (Corporations)	3,410,615-00	42,531-08
	62,156,578-00	757,496-39
Less discount at 10 per cent. (if paid before 30th June)		75,749-63
		681,746-76
1905.		
Real Property	33,145,087-00	331,450-87
Wild Land (5 per cent.)	2,445,717-00	122,278-95
Personal Property	21,987,973-00	219,879-73
Income Tax	2,086,369-07	35,689-12
Income Tax (Corporations)	3,470,814-58	39,039-01
	63,135,960-65	748,337-68
Less discount at 10 per cent. (if paid by 30th June)		74,833-76
		673,503-92
1906.		
Real Property	36,019,107-00	336,503-58
Wild Land (4 per cent.)	1,836,393-00	73,456-41
Coal Land Class "A"	143,940-00	1,434-40
Coal Land Class "B"	1,001,931-00	20,038-62
Timber Land	1,907,346-00	38,150-93
Personal Property	21,922,693-00	146,163-39
Income Tax	2,424,393-00	53,047-25
Income Tax (Corporations)	4,712,424-00	45,686-55
	69,968,427-00	714,486-13
Less discount at 10 per cent. (if paid by 30th June)		71,448-61
		643,037-52

	Assessed Values.	Taxes.
1907.	\$	\$
Real Property (at 1 per cent. partly)	39,742,593.20	360,776.96
Wild Land... ..	2,288,416.27	91,098.34
Coal Land Class "A"	2,463,000.00	2,463.00
Coal Land Class "B"	1,076,800.00	21,536.00
Timber Land	2,316,298.00	46,325.97
Personal Property	23,053,440.00	153,692.21
Income	3,127,187.00	71,537.88
Income (Corporations)	5,334,379.00	52,760.25
	79,402,113.47	800,190.61
Less discount 10 per cent. (if paid by 30th June)... ..		80,019.06
		720,171.55
Real Property tax and Personal Property tax for 1907 were reduced by Amending Act to $\frac{2}{3}$ of 1 per cent—deduct from taxes therefore, approximately		134,824.85
Total Taxes for 1907		585,346.70

APPENDIX No. 2.

STATEMENT showing amount of Wild Land Tax collected by the Province of British Columbia from 1st January, 1873, to 30th June, 1906.

12 months ending 31st December:

1873	950.79
1874	2,558.42
1875	1,478.01
1876	2,118.51
1877	7,641.20
1878	9,530.93
6 months ending 30th June:	
1879	6,883.28
12 months ending 30th June:	
1880	5,218.45
1881	6,491.46
1882	5,604.75
1883	5,162.92
1884	5,402.01
1885	7,657.27
1886	8,418.58
1887	9,154.78
1888	13,832.00
1889	15,964.00
1890	21,221.93
1891	25,695.78
1892	53,301.34
1893	38,113.11
1894	35,947.22
1895	34,566.06
1896	36,123.46
1897	41,511.83
1898	61,575.07
1899	47,309.08
1900	49,241.89
1902	50,938.87
1903	71,340.50
1904	112,233.35
1905	101,607.29
1906	101,308.02

APPENDIX No. 3.

STATEMENT showing the ASSESSED VALUES of REAL PROPERTY and of IMPROVEMENTS, also of WILD LAND, with the RATES of TAXATION thereon within the various MUNICIPALITIES of the PROVINCE of BRITISH COLUMBIA.*

No.	Municipality.	Assessed Value of Real Property exclusive of Improvements.	Assessed Value of Improvements.	Taxable Value of Improvements.	Rate of Tax on Real Property and Improvements.	Assessed Value of Wild Land.	Rate of Tax on Wild Land.	Number of Rate-payers.
1	New Westminster	3,593,925	2,829,340	1,414,920	24 mills	nil	nil	1,420
2	Victoria	10,692,845	7,877,290	3,938,645	24 "	"	"	3,533
3	Langley	No information.						
4	North Cowichan	632,084	1,103,172	551,586	$\frac{1}{8}$ of 1%	43,543	2%	375
5	Nanaimo	1,368,850	nil	nil	16 mills	nil	nil	817
6	Surrey	841,350	358,805	"	12 "	64,698	2½%	885
7	Chilliwack	No information.						
8	Vancouver	88,346,335	16,169,525	4,045,170	22 $\frac{3}{8}$ "	nil	nil	12,000
9	Delta	No information.						
10	North Vancouver	2,482,367	247,360	nil	16 $\frac{1}{2}$ "	nil	nil	1,913
11	Sumas	170,490	81,948	"	2 $\frac{1}{2}$ "	44,445	2½%	134
12	Richmond	2,029,525	468,240	229,120	9 $\frac{1}{2}$ "	4,100	2½%	394
13	Dewdney	Disincorporated.						
14	South Vancouver	1,442,338	473,049	nil	16 "	64,059	26 mills	2,714
15	Spallumcheen	856,187	174,595	"	6 "	9,710	2½%	343
16	Vernon	440,578	364,011	182,005	28 "	nil	nil	436
17	Matsqui	619,906	225,500	nil	$\frac{1}{10}$ of 1%	85,600	2½%	484
18	Burnaby	466,284	379,080	"	8 mills	811,019	20 mills	785
19	Mission	264,203	33,674	33,674	10 "	9,189	2½%	208
20	Kamloops	1,066,780	669,550	292,300	17 $\frac{1}{8}$ "	nil	nil	430
21	Kaslo	No information.						
22	Coquitlam	250,000	not taxed	nil	1%	27,000	2½%	243
23	Maple Ridge	183,071	"	"	1 $\frac{1}{2}$ %	32,373	2½%	250
24	Kent	190,623	"	"	11 mills	960	2½%	150
25	Wellington	Disincorporated.						
26	Rossland	694,470	660,220	330,110	28 mills	2,000	28 mills	1,013
27	Rossland	1,263,840	1,234,850	617,425	28 "	nil	nil	754
28	Grand Forks	626,875	462,840	231,420	20 "	"	"	680
29	Greenwood	610,595	444,105	136,183	17 "	"	"	441
30	Cumberland	58,950	116,575	116,575	10 "	"	"	121
31	Sandon	65,390	118,585	59,292	50 25 $\frac{1}{100}$ "	"	"	187
32	Revelstoke	358,320	538,920	269,460	29 "	"	"	489
33	Columbia	See Grand Forks.						
34	Phoenix	159,950	69,425	69,425	22 "	"	"	222
35	Slocan	137,666	128,276	68,025	20 "	"	"	1,057
36	Trail	No information.						
37	Grand Forks	See number 28.						
38	Ladysmith	209,570	238,425	119,212	50 15 "	"	"	467
39	Fernie	No information.						
40	Enderby	94,176	155,950	77,975	10 13 "	"	"	107
41	Kelowna	331,315	198,650	99,325	11 "	"	"	230
42	Salmon arm	320,000	130,000	90,000	8 "	"	"	300
43	Cranbrook	333,032	472,100	236,050	18 "	"	"	645
44	Saanich							
45	North Saanich							
46	City of N. Vancouver	No Return	Only incorporated in 1906.					
47	Oak Bay							
48	Summerland							
49	Coldstream							

NOTES.

The rates in the above Statement are given in mills on the dollar, except where stated to be so much per cent., when the rate is per cent. on the \$100.

In addition to the rates given above, which are for general municipal purposes only, there are rates levied for schools, for Debt of Municipality, for Board of Health and Hospitals, and other specific purposes.

NOVA SCOTIA.

SIR, Government House, Halifax, Nova Scotia, May 7, 1907.

I AM instructed by His Honor the Lieutenant-Governor to refer to your despatch of the 26th ultimo, with reference to the question recently put in the Imperial House of Commons with reference to the taxation of land values in Canada.

I am instructed to enclose a copy of a communication received from the Deputy Provincial Secretary containing the information required.

I have, &c.,
ALISTER FRASER,
Private Secretary.

The Under Secretary of State,
Ottawa.

SIR, Halifax, May 4, 1907.

REFERRING to the despatch of the 26th ultimo from the Under Secretary of State to His Honour the Lieutenant-Governor, asking for information respecting the question of taxation of the unimproved value of land in this Province, I am directed by the Provincial Secretary to inform His Honour that no such system of taxation prevails in Nova Scotia. With the exception of Succession duties and a small annual registration fee payable by incorporated companies, there are no taxes whatever levied by this Province, its revenue being derived chiefly from mine royalties and a Dominion subsidy. The towns and municipalities, however, tax land, but not on the basis of its unimproved value. Under the provisions of Chapter 73, Section 3, of the Revised Statutes of Nova Scotia, 1900, all real and personal property and income shall, subject to certain exemptions, be liable to taxes for all purposes for which municipal, town, local, or direct taxes, and rates are levied by authority of law; and by Section 15, Rule 2, of the same Act, it is provided that all property liable to taxes shall be assessed at its actual cash value, such value being the amount which, in the opinion of the assessors, it would realize in cash if offered at auction after reasonable notice. This system of taxation for municipal purposes has been in operation for very many years.

I have, &c.,
FRED. F. MATHERS,
Deputy Provincial Secretary.

His Honour
The Lieutenant-Governor,
Government House.

QUEBEC.

SIR, Government House, Quebec, April 8, 1907.

REFERRING to your letter of the 25th March last, I have the honour to send you herewith copy of a report of my Attorney-General, in reference to the taxation of the unimproved value of land in this Province.

I have, &c.,
L. A. JETTÉ,
Lieutenant-Governor.

The Hon. the Secretary of State,
Ottawa.

Quebec, April 3, 1907.

Report upon a reference of the Honourable the Provincial Secretary of a question recently put in the Imperial House of Commons as to the taxation of the unimproved value of land in the Province of Quebec.

The undersigned has the honour to report as follows:—

No land tax is imposed in this Province for provincial purposes; consequently, there is no differential tax on unimproved value of land.

With regard to the land tax for municipal purposes, the Act concerning cities and towns (3 Ed. VII., c. 38) contains the following clauses concerning the taxation of immovables:—

474. The Council may impose and levy, annually, on every immovable in the municipality, a tax not exceeding two per cent. of the real value as shown on the valuation roll.

475. All land under cultivation, or farmed, or used as pasture for cattle, as well as all uncleared land or wood lots within the limits of the municipality, shall be taxed for an amount not exceeding three-quarters of one per cent.

The Council may cause to be added to the valuation roll, from time to time, by the assessors in office on the valuation by them made, any portion of such land or immovable, which has been detached therefrom as a building lot, and shall thus have become liable to taxation after the closing of the valuation roll, and to exact the said tax as upon all other lots entered on the said roll.

The different special charters contain, in some cases, clauses making a distinction similar to that made in Sections 474 and 475 of the City and Towns Act.

Under the Municipal Code, Article 709, all lands or real estate situated in a local municipality, are taxable property, no distinction being made between improved and unimproved land value.

CHARLES LANCTOT,
Assistant Attorney-General.

ONTARIO.

SIR,

Government House, Toronto, April 5, 1907.

I HAVE the honour to acknowledge the receipt of your despatch of the 25th ultimo, covering a copy of a question recently put in the Imperial House of Commons relating to taxation of land values in Canada, also a copy of the Imperial Parliamentary Paper, Cd. 3191, upon the subject of the working of taxation of the unimproved value of land in Australasia, and to enclose to you, for the use of His Majesty's Government, in compliance with your request, the following papers:—

The Assessment Act.*

The Supplementary Revenue Act.†

Bill No. 27, 1906, to amend the Supplementary Revenue Act, 1899.†

R.S.O., cap. 26, an Act respecting the Taxation of Patented Lands in Algoma, Manitoulin, Thunder Bay, and Rainy River.‡

I have, &c.,

WM. MORTIMER CLARK,
Lieutenant-Governor.

The Honourable

The Secretary of State,
Ottawa, Ontario.

NEW BRUNSWICK.

SIR,

Government House, Chatham, New Brunswick, May 22, 1907.

In further answer to your despatch of 26th ultimo relative to the working of taxation of the unimproved value of land as regards the Province of New Brunswick, I beg to enclose you herewith communication from Honourable William Pugsley, Premier of New Brunswick.

I have, &c.,

L. J. TWEEDIE,
Lieutenant-Governor of New Brunswick.

To the Honourable

The Secretary of State for Canada,
Ottawa.

* See Appendix II.

† Not reprinted.

‡ Appendix I.

SIR, Saint John, New Brunswick, May 21, 1907.

I HAVE the honour to acknowledge receipt of your communication of the 1st instant, with copy of despatch from the Secretary of State, enclosing copy of a question recently put in the Imperial House of Commons as to the taxation of land values in Canada; also copy of the Imperial Parliamentary Paper, Cd. 3191, relative to the working of taxation of the unimproved value of land in Australasia, and requesting me to furnish your Honour with the desired information as regards the Province of New Brunswick for the information of His Majesty's Government.

In reply I beg to direct the attention of Your Honour to the fact that there is no legislation in this Province providing for taxation of unimproved value of land.

I have, &c.,

WILLIAM PUGSLEY,
Prime Minister, New Brunswick.

To His Honour

The Honourable Lemuel J. Tweedie,
Lieutenant-Governor, Chatham, New Brunswick.

MANITOBA.

SIR, Government House, Winnipeg, May 8, 1907.

WITH further reference to departmental letter, bearing date 26th April, 1907, I have the honour to state that I am in receipt of a letter informing me that there is no special taxation of unimproved lands in Manitoba. All lands are assessed under the provisions of the Municipal Assessment Act, copies of which I enclose herewith.*

I have, &c.,

D. H. McMILLAN,
Lieutenant-Governor.

The Honourable

The Secretary of State,
Ottawa, Ontario.

PRINCE EDWARD ISLAND.

SIR, Government House, Charlottetown, May 27, 1907.

IN reply to despatch of 26th ultimo as to taxation of land values, I have the honour to inform you that the tax for provincial and municipal purposes in Prince Edward Island is calculated on the value of the land, including the improvements and buildings. By reference to the Assessment Act of 1894 of Prince Edward Island the details can be observed.

I have, &c.,

D. A. MACKINNON,
Lieutenant-Governor.

The Honourable

The Secretary of State,
Ottawa.

SASKATCHEWAN.

SIR, Government House, Regina, Saskatchewan, June 27, 1907.

I HAVE the honour to acknowledge receipt of your letter of the 5th instant, referring to your despatch, dated the 26th of April last, respecting taxation on the value of unimproved land, and, to say, in reply, that I am informed that there is, in this Province, no taxation of land in the manner indicated in your communication.

I have, &c.,

A. E. FORGET,
Lieutenant-Governor of Saskatchewan.

The Honourable

The Secretary of State,
Ottawa, Ontario.

ALBERTA.

SIR, Government House, Edmonton, Alta., May 7, 1907.
 WITH further reference to your letter of the 26th ultimo I beg to enclose, for your information, memorandum *re* taxation of land values in the Province of Alberta.

I have, &c.,
 G. H. V. BULYEA,
 Lieutenant-Governor.

Honourable R. W. Scott,
 Secretary of State,
 Ottawa.

SIR, Edmonton, May 7, 1907.
 I HAVE the honour by direction to acknowledge receipt of your letter of the 2nd instant, covering a despatch from the Under-Secretary of State, Ottawa, and its enclosures respecting the taxation of land values in Canada.

On receipt of Your Honour's communication in this regard, the matter was placed in the hands of Mr. John Perrie, the Provincial Tax Commissioner, with the request that a memorandum containing the information asked for be prepared.

I now have the honour to hand you herewith the memorandum as compiled by the Tax Commissioner.

I have, &c.,
 HAROLD W. RILEY,
 Deputy Provincial Secretary.

Honourable G. H. V. Bulyea,
 Lieutenant-Governor of Alberta,
 Edmonton, Alta.

MEMORANDUM FOR THE DEPUTY PROVINCIAL SECRETARY.

Edmonton, May 6, 1907.

Referring to your request for information in regard to the system of taxation in force in this Province, I may say that all lands in the Province are liable to taxation for both local improvement and educational purposes, except lands held by the Dominion Government and a few minor exceptions. For the purpose of levying local improvement taxes the Province is divided into what we call local improvement districts. These districts are of two classes—large local improvement districts and small local improvement districts. The small local improvement districts are made up of the lands which are most thickly settled—the balance of the Province being in the large local improvement districts. All local improvement taxes are levied at a certain rate per acre, without any regard to the value or improvement of the land. In small local improvement districts this rate of taxation varies according to the needs of the district—the maximum rate of taxation being 5 cents per acre and the minimum rate $1\frac{1}{4}$ cents. In large local improvement districts the rate of taxation is $1\frac{1}{4}$ cents per acre.

The tax levied for educational purposes on country property is also levied at a rate of so much per acre—the rate on land in organised school districts being determined by the needs of the district, but such rate cannot exceed 10 cents per acre.

The education tax levied on lands outside the school districts is levied at the rate of $1\frac{1}{4}$ cents per acre.

In villages local improvement taxes are levied at a certain rate on the dollar of the value of the land and improvements thereon, but if two-thirds of the total number of ratepayers so desire the system of taxation may be changed to taxation according to the value of the land without regard to the improvements. I may say that the latter method of taxation is quickly becoming more popular and seems,

in many cases, better adapted to the making of a fair assessment, especially in communities where much of the land is held for speculative purposes. It is provided under the Village Ordinance that the rate of taxation shall not exceed 10 mills on the dollar if the first-mentioned system is adhered to, or 2 cents on the dollar if the single tax system is used. In villages school district taxes are levied according to the value of the real and personal property within such district. The limit of the rate of taxation in village school districts is 12 mills on the dollar for ordinary school purposes, with such additional rate per dollar as may be necessary to meet any debenture indebtedness that may have been incurred by the district.

In the towns and cities the system of taxation differs—the rate in some cases being levied according to the value of the land, without respect to the improvements thereon, and in other cases according to value of both real and personal property. In order to get full particulars in regard to this matter, the system of taxation of each town and city would need to be gone into and statement prepared in regard to each one.

JNO. PERRIE,
Tax Commissioner.

APPENDIX I.

CHAPTER 26.

AN ACT respecting the Taxation of Patented Lands in Algoma, Manitoulin, Thunder Bay, and Rainy River.

- Tax of one cent imposed—Exemptions, s. 1.
 School Tax on Unoccupied Lands, s. 2.
 Treasurer may cancel taxes in certain cases, s. 3.
 Lists of lands liable to tax to be furnished by Commissioner of Crown Lands, ss. 4, 5.
 Account of taxes to be kept by Treasurer, ss. 6, 7.
 Provision where owners of different parcels, ss. 8, 9.
 Land to be sold when taxes three years in arrear, s. 10.
 Proceedings by Treasurer to sell lands, ss. 11-19.
 When Treasurer may buy, s. 20.
 Record of purchases, s. 21.
 Pine timber not to pass by deed, s. 22.
 Rights of purchaser before time for redemption has expired, ss. 23-25.
 Fee for search in Registry Office, s. 26.
 Owner of a sub-division may pay taxes on his portion, s. 27.
 Redemption by owner within a year, s. 28.
 Purchaser entitled to deed if land not redeemed, s. 29.
 Deed may be executed by successor of Treasurer, s. 30.
 Registration of deed, s. 31.
 Record of sales to be kept by Treasurer, s. 32.
 Registration of deed, s. 31.
 Record of sales to be kept by Treasurer, s. 32.
 Where taxes to be paid, s. 33.
 Certain sections of Assessment Act to apply, s. 34.
 Notice of formation of school sections, s. 35.

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

- 1.—(1) Except as in this section provided, an annual tax of one cent per acre to and for the public uses of this Province is hereby imposed on all lands granted or hereafter to be granted by the Crown, situate in the Territorial Districts of Algoma, Manitoulin, Thunder Bay or Rainy River. An annual tax of one cent per acre imposed upon all lands granted.
- (2) The lands situate in the Municipality of Shuniah or in any other Municipality now existing in any of the said Districts, shall not be liable to the said tax. Provided that lands in municipalities which have been formed since the 31st day of December, 1887, shall remain subject to all arrears of the said taxes which were, or shall be, owing thereon at the time notice of the formation was, or shall be, given to the Treasurer of the Province. Exemption from tax in existing municipalities.
- (3) No lands situate in any Municipality which may hereafter be formed within the said Districts shall, after notice of the formation of the Municipality has been given to the Treasurer of the Province, be liable to the said tax, but the lands shall remain subject to all arrears then owing on account thereof; and the arrears when collected shall be the property of the Province. Exemption from tax in future municipalities.
- (4) All lands within the said Districts, which are occupied as farming lands and *bona fide* used for farm purposes, shall be exempt from the said tax. Arrears. Exemptions of farming lands.
- (5) No lands shall be entitled to the exemption provided for in the preceding subsection, until the owner or other person claiming exemption, shall have furnished to the Treasurer proof by affidavit or otherwise, that the lands in respect of which the exemption is claimed, are occupied for farming purposes as aforesaid, and shall have obtained the decision in writing of the Provincial Treasurer or Assistant Treasurer to the effect, that such lands are entitled to exemption under the said subsection. Proof on claim of exemption.
- (6) The proof so furnished, shall be filed by the Treasurer in his office with a memorandum of his decision. Proof to be filed.
- (7) No greater quantity of land than three hundred and twenty acres in the occupation of any one resident, shall be exempt unless a larger quantity is in actual cultivation, in which case so much as is in actual cultivation shall be exempt. Limit of exemption.
- (8) In the case of patented lands in school sections formed under The Public Schools Act, the said tax shall, when collected, be paid over to by the Provincial Treasurer yearly to the trustees of the respective school section entitled thereto. R. S. O. 1887, c. 23, s. 1. Appropriation of tax for school purposes. Rev. Stat. c. 292.
- 2.—(1) In addition to the tax provided by section 1 of this Act, a further tax of one cent an acre shall be imposed upon all unoccupied lands embraced in any school section formed under the authority or section 41 of The Public Schools Act, and for the information of the Treasurer in charging such tax upon the lands liable therefor, the secretary or secretary-treasurer of the school board shall, on the formation of a school section in any unorganized township, give written notice thereof to the Provincial Treasurer, and shall yearly, on or before the first day of August, furnish him with a list of all the lands embraced in the said school section, distinguishing such as are occupied from those that are unoccupied, and the said additional tax shall when collected be paid over annually to the trustees of the respective school sections in which such land is situate. No land so returned as unoccupied

by the secretary-treasurer of the school board shall be subject to any school rates imposed by the trustees in the year in which they are so returned.

(2) The said additional tax hereby imposed shall be subject to all the conditions as to penalty for default and provisions for collection as the tax imposed by section 1 of this Act. R. S. O. 1887, c. 23, s. 2.

3. The Treasurer may cancel the taxes charged on any land, on proof being made to his satisfaction in manner aforesaid, that the land was, during the time for which the tax was imposed, occupied as farming land, and *bona fide* used by the person claiming the benefit of this provision. R. S. O. 1887, c. 23, s. 3.

4. The Commissioner of Crown Lands shall, on or before the first day of April in each year, transmit to the Treasurer of the Province a list of all lands granted in the said Districts during the year ending on the thirty-first day of December then last past, specifying in the list the number or letter by which each lot or parcel of land is designated in the patent therefor, and when the lot or parcel of land is not designated in the patent therefor, by a number or letter, then defining the same by some general designation or description, indicating the locality thereof, and referring for a more particular description thereof to the patent therefor, and stating the date of the patent and the name of the grantee therein. R. S. O. 1887, c. 23, s. 4.

5. Every such list shall be certified under the hand of the Commissioner of Crown Lands for the time being, or the Assistant-Commissioner, and shall contain a statement of the quantity of land contained in each lot or parcel of land so granted within the said Districts, and, for the purposes of this Act, the quantity specified in such list shall be held and regarded as the true and actual quantity or measurement of land contained in each such lot or parcel, and shall form the basis upon which the said tax or rate shall be computed. R. S. O. 1887, c. 23, s. 5.

6. The Treasurer of the Province shall provide a book or books to be kept in his office, in which he shall after the receipt by him of the said annual list, and between the first day of October and the thirty-first day of December in each year, enter and set down all the lands mentioned and specified in such list, and granted by the Crown during the year ending on the thirty-first day of December then last past, and shall enter opposite each lot or parcel the quantity of land contained in such lot or parcel, and also the amount of the tax against such lot or parcel for one year, computed at the rate of two cents per acre, which shall be, and shall be regarded as the tax imposed upon each such lot or parcel, for one year, ending on the thirty-first day of December then next; and each such lot or parcel shall thereupon be and become subject to the payment of the amount so set down against the same. R. S. O. 1887, c. 23, s. 6.

7. The Treasurer of the Province shall also, between the first day of January and the first day of April in every year, make up and ascertain, as against every lot or parcel of land so set down in his said book or books, the arrears of taxes, if any, owing thereon, on the thirty-first day of December in the preceding year, and still unpaid, and shall bring forward the same with ten per cent. added thereto; and he shall between the first day of October and the thirtieth day of December also ascertain and enter against the said lots or parcels respectively, the taxes payable for the year ending on the thirty-first day of December then next, and he shall add the said arrears, if any, and the said ten per cent. thereon, and the amount of the taxes for the said then current year together, and bring forward the total amount thereof in another column; which said last-mentioned amount shall constitute the taxes then owing under the authority of this Act upon every such lot or parcel of land. R. S. O. 1887, c. 23, s. 7.

8. Where several lots or parcels of land are granted in one patent, it shall not be necessary, and shall not be held to have been necessary, to keep the amount owing in respect of each lot or parcel separately in the books of the Treasurer of Ontario, but each such lot or parcel shall be sold separately in case of a sale for arrears, and any owner shall be at liberty at any time to pay the taxes owing in respect of any of the lots or parcels mentioned in the patent, or in case he only owns portion of a lot or parcel he may pay the taxes owing in respect of such portion. R. S. O. 1887, c. 23, s. 8; 60 V. c. 15, Sched. A. (6).

9. In case any person claims to have bought a particular portion of a lot or parcel mentioned in the patent, he shall, upon producing, properly verified by affidavit or statutory declaration, the deeds, showing him to be entitled to the lands, and the quantity contained in such portion, for the inspection of the Treasurer, and paying up all arrears upon the lot or parcel, and not otherwise, be entitled to have such portion entered in the Treasurer's books separate from the rest of the lot or parcel, and the taxes in respect of such portion shall thereafter be kept separate from the taxes for the rest of the lot, and the same rule shall be observed in case of a further division of the lot, parcel or portion. R. S. O. 1887, c. 23, s. 9.

10. Whenever a portion of the taxes so ascertained, made up and entered as aforesaid, has been due for three years, the Treasurer of the Province may sell the land for the arrears of taxes then due thereon with costs. R. S. O. 1887, c. 23, s. 10.

11. Whenever a portion of the tax on any land has been due for three years, the Treasurer shall prepare a list of the lands on which taxes are so in arrear, showing the amount of arrears due on each lot or parcel, and shall cause the list to be published twelve consecutive times in the "Ontario Gazette," and for a like period in some newspaper published in the district in which the land lies, if any such there be. The Lieutenant-Governor in Council shall have power from time to time to extend beyond the term of three years, the time for the enforced collection by sale of the said taxes. R. S. O. 1887, c. 23, s. 11.

12. The advertisement shall contain a notification that unless said arrears are sooner paid, the Treasurer will proceed to sell the land for taxes, on a day to be named in the advertisement. R. S. O. 1887, c. 23, s. 12.

Collection of additional tax.

Treasurer empowered to cancel taxes in certain cases.

List of patented lands to be furnished annually by the Commissioner of Crown Lands to Treasurer.

List to be certified.

Treasurer to keep books in which lands and taxes to be entered.

Annual account to be kept against each lot and ten per cent. added to arrears.

Payment, &c., where several lots included in one patent.

Provisions enabling owner of any parcel included in patent with others to have a separate account of taxes kept for such parcel.

Land to be sold when taxes in arrears for three years.

Treasurer to publish list showing arrears.

Lieut.-Governor may extend time for payment.

What advertisement to contain.

13. The day of sale shall not be less than three months, nor more than six months, after the first publication of the list in the "Ontario Gazette." R. S. O. 1887, c. 23, s. 13. Day of sale.
14. The Treasurer shall also post a notice similar to the advertisement on some convenient place, at the Court House of the District, at least three weeks before the time of the sale. R. S. O. 1887, c. 23, s. 14. Notice in Court House.
15. If, at the time appointed for the sale, no bidders appear, the Treasurer may adjourn the sale from time to time. R. S. O. 1887, c. 23, s. 15. If no bidders, sale may be adjourned.
16. The Treasurer shall in every case add to the arrears so published a proportionate share of the cost of publication, according to their amounts respectively. R. S. O. 1887, c. 23, s. 16. Cost of publication.
17. If the taxes are not previously paid or tendered, the Treasurer shall sell by public auction, on the day appointed for the sale, so much of the land as may be necessary and sufficient to discharge the taxes, and all lawful charges incurred in and about the sale and collection of the taxes, selling in preference such part as he considers it most to the advantage of the owner to sell first. R. S. O. 1887, c. 23, s. 17. If taxes not previously paid, lands to be sold.
18. Where, at a sale of lands for arrears of taxes under this Act, the Treasurer fails to sell any land for the full amount of arrears due thereon, he shall at the sale adjourn the sale of the land until a day then to be publicly named by him not being earlier than one month nor later than three months thereafter, of which adjourned sale he shall give notice by public advertisement in the newspapers in which the original sale was advertised; and on such day he may (unless he thinks proper to exercise the power conferred by section 20) sell the lands for any sum he can realize, and such sum shall be accepted as full payment of the arrears of taxes, but the owner of any land so sold shall not be at liberty to redeem the same except upon payment of the full amount of taxes due, together with the expenses of sale. R. S. O. 1887, c. 23, s. 18. Proceedings when land does not sell for full amount of taxes.
19. If the purchaser of a parcel of land fails, on demand, to pay the Treasurer the amount of the purchase money, the Treasurer may forthwith again put up the property for sale, and sell the same. R. S. O. 1887, c. 23, s. 19. If purchase money not paid, lands to be put up again for sale.
- 20.—(1) Where lands are offered for sale under this Act for arrears of taxes, and no sale is made to another person for a sum sufficient to pay the taxes due and costs, the Treasurer of the Province or some officer or person duly authorized by him may purchase for the amount of such taxes and costs, any such lands which cannot be so sold; and any such lands so purchased shall become the property of and become vested in Her Majesty for the uses of the Province, and shall again become public or Crown lands of the Province and subject to the provisions of The Public Lands Act, but this shall not deprive the owner of land so purchased of the right to redeem the same within one year under the provisions of this Act. Treasurer may buy in lands remaining unsold after a tax sale.
- (2) Such purchase may be made for or on behalf of the Province either when the lands are first offered for sale at auction or at the adjourned sale. Rev. Stat. c. 23.
- (3) Such purchases on behalf of the Province shall have the effect of cancelling the claim of the Province for all taxes due or imposed upon lands so purchased. 55 V., c. 7, ss. 1, 3. Purchase to cancel claim of Crown for taxes.
21. The Treasurer shall duly enter the lands so purchased in a book to be kept for that purpose, and shall also give a certificate thereof in duplicate to the Commissioner of Crown Lands, who shall keep one copy thereof of record in the Crown Lands Department and the other shall be duly recorded in the proper Registry or Land Titles Office as the case may be. A book shall also be kept in the Crown Lands Department in which a list of all such lands shall be duly entered. 55 V. c. 7, s. 2. Record of lands purchased.
22. Neither the sale nor the certificate thereof of the Provincial Treasurer nor the deed of conveyance by such Treasurer of lands sold for taxes under this Act shall convey or transfer to the purchaser or his assigns the pine trees or pine timber thereon, where by the patent of such lands the same have been reserved to Her Majesty. This section shall apply to all past sales and the certificates and deeds given in pursuance thereof as well as to future sales and the certificates and deeds which may be hereafter given. 55 V., c. 7, s. 4. Reservation of pine timber on lands sold for taxes.
23. The Treasurer, after selling any land for taxes, shall give a certificate under his hand to the purchaser, stating distinctly what part of the land has been sold, and describing the same, and also stating the quantity of land sold, the sum for which it has been sold, and the expenses of the sale, and further stating that a deed conveying the same to the purchaser or his assigns will be executed by the Treasurer on his or their demand, at any time after the expiration of one year from the date of the certificate, if the land be not previously redeemed. R. S. O. 1887, c. 23, s. 20. Treasurer to give purchaser a certificate of the land sold.
24. The purchaser shall, on receiving the Treasurer's certificate of sale, become the owner of the land, so far as to have all necessary rights of action and powers for protecting the same, from spoliation or waste, until the expiration of the term during which the land may be redeemed; but he shall not knowingly permit any person to cut timber growing on the land or otherwise injure the land, nor shall he do so himself, but he may use the land in such a manner as will not deteriorate its value. R. S. O. 1887, c. 23, s. 21. Purchaser to be deemed the owner for certain purposes.
25. From the time of payment to the Treasurer of the full amount of the redemption money, required by this Act, the purchaser shall cease to have any further right in, or to use the land in question. R. S. O. 1887, c. 23, s. 22. On payment by owner of taxes purchaser's rights to cease.
26. If the Treasurer cannot give a sufficient description of any lands sold by him without a search in the Registry Office of the District, he shall, in addition to the charge hereinbefore authorized, be entitled to charge the fee for the necessary search. R. S. O. 1887, c. 23, s. 23. The Treasurer may add fee for searching Registry Office.

Owner of any subdivision may pay taxes on his portion, and such portion shall not be sold.

Owner may redeem within one year.

If not redeemed, purchaser entitled to a deed.

In case of death, &c., of Treasurer, his successor may execute deed.

Certificate to be given for registry, its effect, &c. Rev. Stat. c. 136.

Treasurer to keep a record of all sales.

Taxes payable at Treasurer's office in Toronto, on 1st Oct., but agents may be appointed in Districts to receive the same.

Certain sections of Rev. Stat. c. 224 to apply to this Act.

Notice of formation of school sections.

27. Where lands in either of the said Districts for which a patent has been or may hereafter be issued, have been subdivided, the owner of any portion thereof may tender and pay the Treasurer the arrears of taxes upon the portion of which he is owner, and the costs incurred in respect thereof, and thereupon such portion shall be exempted and withdrawn from sale. R. S. O. 1887, c. 23, s. 24.

28. The owner of land which may be sold for taxes under the provisions of this Act, for non-payment of taxes thereon, or his heirs, executors, administrators or assigns, may at any time within one year from the day of sale (exclusive of that day) redeem the land sold by paying to the Treasurer, for the use and benefit of the purchaser or his legal representatives, the sum paid by him, together with ten per cent. thereon, and the Treasurer shall give the party paying such redemption money, a receipt stating the sum paid, and the object of payment, and the receipt shall be evidence of redemption. R. S. O. 1887, c. 23, s. 25.

29. If the land be not redeemed within the period so allowed for its redemption, being one year exclusive of the day of sale, as aforesaid, then on the demand of the purchaser or his assigns, or other legal representatives, at any time afterwards, and on payment of \$1, the Treasurer shall execute and deliver to him or them a deed of conveyance, in duplicate, of the land sold. R. S. O. 1887, c. 23, s. 26.

30. If, after a sale for arrears of taxes is made under this Act, and before the execution of a deed of conveyance to the purchaser, the Treasurer by whom the sale was conducted dies, or ceases to hold office, such deed may be executed by the successor of such Treasurer. R. S. O. 1887, c. 23, s. 27.

31. The Registrar or Deputy Registrar of the Registry Division in which the land lies, upon production of the duplicate deed, shall enter the same in the Registry Book, and give a certificate of such entry and registration, in accordance with The Registry Act, but all deeds executed on or before the 31st day of December, 1877, may be registered in the manner theretofore in force. R. S. O. 1887, c. 23, s. 28.

32. The Treasurer shall enter in a book, to be kept by him as Treasurer, a full description by metes and bounds of every parcel of land conveyed by him to purchasers for arrears of taxes, with an index thereto, and such book, after such entries therein have been made by him, shall be kept by him amongst the records of his office. R. S. O. 1887, c. 23, s. 29.

33. The taxes imposed by this Act shall be payable at the office of the Treasurer of the Province, in the City of Toronto; and for the purpose of this Act shall be considered to be due and payable on the first day of October in every year; but the Treasurer may appoint one or more agents, resident in the said Districts, to receive the taxes, or any part or portion thereof, and payment to the agent or agents so authorized shall be considered payment to the said Treasurer. R. S. O. 1887, c. 23, s. 30.

34. Unless where inconsistent with this Act, sections 184, 198, 203, 204, and 208 to 222 inclusive of The Assessment Act shall apply to sales by the Provincial Treasurer under this Act, and to the lands sold. R. S. O. 1887, c. 23, s. 31.

[As to sales made before 25th March, 1886, see R. S. O. 1877, c. 22; 45 V., c. 2, s. 6; 46 V., c. 4, s. 1, and 49 V., c. 5.]

35. On the formation of a school section in any unorganized Township, the secretary of the school board shall give written notice thereof to the Provincial Treasurer, and shall also furnish him with a list of all the lands embraced in the said school section, distinguishing such as are occupied as farming lands from those that are unoccupied. R. S. O. 1887, c. 23, s. 32.

APPENDIX II.

THE ASSESSMENT ACT, 4 EDW. VII., C. 23.

AN ACT RESPECTING AMENDMENTS OF THE LAW IN CONNECTION WITH THE REVISION OF THE
ASSESSMENT ACT, 4 EDW. VII., C. 24.

AN ACT RESPECTING STATUTE LABOUR, 4 EDW. VII., C. 25.

AN ACT respecting Municipal Taxation, 4 Edw. VII., c. 23.

Assented to 26th April, 1904.

Preliminary :

- Short title, s. 1.
- Interpretation, s. 2.
- Property Liabile, ss. 3, 4.
- Exemptions from Taxation, ss. 5-9.
- Business Assessment, s. 10.
- Income Tax, ss. 11-13.
- Telegraph and Telephone Companies, ss. 14, 15
- Assessment Returns, ss. 16, 21.
- Duties of Assessors.
 - Assessment rolls, ss. 22-28.
 - School census, ss. 29-30.
 - Information from Crown Lands Department, s. 31.
 - Mode of assessing land, ss. 32, 35.
 - Valuation of land, ss. 36-42.
 - International and intermunicipal bridges, s. 43.
 - Railways, ss. 44-45.
 - Notice of assessment, s. 46.
 - Time for completion of Roll, s. 47.
 - Correction of errors, ss. 48-51.
 - Inquiries to prevent false votes, s. 52.
 - Special provisions for cities, ss. 53-56.
- Court of Revision, ss. 57-67.
- Appeals, ss. 68-79.
- Equalization, ss. 80-88.
- Collection of Taxes, ss. 89-115.
 - Persons liable for Taxes, ss. 89-92.
 - Provincial taxes, s. 93.
 - Collectors' rolls, preparation of, ss. 94-97.
 - Duties of collectors, ss. 98-115.
 - Notice of taxes, ss. 90-101.
 - Special provisions under bylaws, s. 102.
 - Distress, ss. 103-108.
 - Taxes on land, s. 103 (1), (3).
 - Taxes not charged on land, s. 103 (2), (3).
 - Exemptions, s. 103 (4), (5).
 - Procedure in making distress, ss. 103 (6), 108.
 - Return of roll, ss. 109-115.
- Arrears of Taxes: 116-187.
 - Duties of Treasurers, &c., ss. 116-134.
 - Sale of lands for taxes, ss. 135-156.
 - Certificate of sale, redemption and deed, ss. 157-172.
 - Deed binding unless questioned within two years, s. 173.
 - Deed to be valid if sale valid though statute authorizing it be repealed, s. 174.
 - Right of entry adverse to purchaser in possession not to be conveyed, s. 175.
 - Right to improvements, when sale void, s. 176 (1).
 - Option of purchaser to retain land on paying its value, s. 176 (2).
 - Payment into Court, ss. 177-180.
 - Costs when value of land and improvements alone in question, s. 181.
 - Lien of tax purchaser for purchase money when title invalid, s. 182.
 - Contracts between tax purchaser and original owner continued, s. 183.
 - Application of ss. 175-183 limited, s. 184.
 - Interpretation of ss. 174-184, s. 185.
 - Special provisions as to cities and towns and certain townships, ss. 186, 187.
 - Deficiency from non-payment to be made up by Municipality in certain cases, s. 188.
 - Debentures of credit of arrears of taxes, s. 189.
 - Arrears in new Municipalities, ss. 190-193.
 - Arrears of lands added to a city or town, s. 194.
 - Responsibility of officers, ss. 195-221.
 - Miscellaneous, ss. 222-227.
 - Repealing clause, s. 228.
 - Commencement of Act, 229.

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

PRELIMINARY PROVISIONS.

- Short title. 1. This Act may be cited as "The Assessment Act." See R. S. O. 1897, c. 224, s. 1.
- Interpretation clause. 2. Where the words following occur in this Act or the Schedules hereto, they shall be construed in the manner hereinafter mentioned, unless a contrary intention appears:—
- "Gazette." (1) "Gazette" shall mean "The Ontario Gazette";
- "Township." (2) "Township" shall include a union of townships;
- "County Council." (3) "County Council" shall include provisional county council;
- "Town." (4) "Town" and "Village" shall mean respectively incorporated town and village;
- "Village." (5) "Municipality" shall mean and include a city, town, incorporated village or township, but not a county. R. S. O. 1897, c. 224, s. 2, par. 6, *amended*.
- "Municipality." (6) "Tenant" shall include occupant and the person in possession other than the owner. *New*.
- "Tenant." (7) "Land," "Real Property," and "Real Estate" shall include:—
- "Land." (a) Land covered with water;
- (b) All trees and underwood growing upon land;
- (c) All mines, minerals, gas, oil, salt, quarries and fossils in and under land;
- (d) All buildings, or any part of any building and all structures, machinery, and fixtures, erected or placed upon, in, over, under, or affixed to, land;
- (e) All structures and fixtures erected or placed upon, in, over, under, or affixed to any highway, road, street, lane, or public place or water; but not the rolling stock of any railway, electric railway, tramway or street railway. See R. S. O. 1897, c. 224, s. 2, par. 9; 3 Edw. VII., c. 21, s. 7 (1).
- "Income." (8) "Income" shall mean the annual profit or gain or gratuity (whether ascertained and capable of computation as being wages, salary or other fixed amount or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling) directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be; and shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, and also profit or gain from any other source whatever. *New*.
- "Insurance Company." Rev. Stat., c. 203. (9) "Insurance Company" shall mean any company or friendly society or other corporation transacting within Ontario any class of insurance to which The Ontario Insurance Act applies or may hereafter be made applicable by any general or special Act of this Legislature. *New*.
- "Loan Company." Rev. Stat., c. 205. (10) "Loan Company" shall mean a "Loan Corporation" within the meaning of The Loan Corporations Act. *New*.
- "Trust Company." Rev. Stat., c. 206. (11) A "Trust Company" shall mean a trust company within the meaning of The Ontario Trust Companies Act. *New*.
- "Last revised assessment roll." (12) "Last revised assessment roll" shall mean the last revised assessment roll of a municipality; and an assessment roll shall be understood to be finally revised and corrected when it has been so revised and corrected by the Court of Revision for the municipality, or by the Judge of the County Court on appeal as by this Act provided, or when the time within which appeal may be made has elapsed.
- "List of voters." Rev. Stat., c. 7. (13) "List of voters" shall mean the alphabetical list referred to in The Ontario Voters' Lists Act. R. S. O., c. 224, s. 2, pars. 11, 12.
- [See also R. S. O. 1897, c. 1, s. 10.]
3. All municipal, local or direct taxes or rates shall where no other express provision is made be levied upon the whole of the assessment for real property, income and business or other assessments made under this Act, according to the amounts assessed in respect thereof, and not upon any one or more kinds of property or assessment or in different proportions. R. S. O. 1897, c. 224, s. 6, *amended*.
4. Wherever in The Consolidated Municipal Act, 1903, or in any other general or special Act of this Legislature heretofore or hereafter in force or in any by-law heretofore or hereafter passed under any such Act, the yearly rates or any special rate are expressly or in effect directed or authorized to be levied upon all the rateable property of the municipality for any municipal or school purposes, such rates shall hereafter be calculated at so much in the dollar upon the total assessment of the municipality and shall be calculated and levied upon the whole of the assessment for real property, income and business or other assessments made under this Act. *New*.
5. All real property in this Province and all income derived either within or out of this Province by any person resident therein, or received in this Province by or on behalf of any person resident out of the same shall be liable to taxation, subject to the following exemptions, that is to say:—
- (1) The interest of the Crown in any property, including property held by any person in trust for the Crown, or in trust for any tribe or body of Indians. R. S. O. 1897, c. 224, s. 7 par. 1, *amended*.
- All taxes to be levied equally upon all assessments, where no other provision made. Rateable property, what to include. 3 Edw. VII., c. 19.
- Taxable property and exemptions.

- (2) Every place of worship and land used in connection therewith, churchyard or burying ground. R. S. O. 1897, c. 224, s. 7, par. 3. 3 Edw. VII., c. 21, s. 1 (2). See also 3 Edw. VII., c. 19, s. 683. Churches, &c.
- (3) The buildings and grounds of and attached to or otherwise *bona fide* used in connection with and for the purposes of every university, every college, every high school, public or separate school, or any incorporated seminary of learning, whether vested in a trustee or otherwise, so long as such buildings and grounds are actually used and occupied by such institution, but not if otherwise occupied. 3 Edw. VII., c. 21, s. 1 (1), *amended*. Public educational institutions.
- (4) Every city or town or township hall, or any hall by by-law of a township council declared to be a public hall, and every court house, gaol, house of correction, lock-up house and public hospital, receiving aid under The Charity Aid Act with the land attached thereto respectively. R. S. O. 1897, c. 224, s. 7, par. 5, *amended*. City and town halls, &c.
Rev. Stat., c. 320.
- (5) Every public road and way or public square. Public roads, &c.
- (6) The property belonging to any county or municipality, whether occupied for the purposes thereof or unoccupied; but not when occupied by any person as tenant or lessee. R. S. O. 1897, c. 224, s. 7, par. 7, *amended*. Municipal property.
- (7) The property belonging to any municipality, and in use as a public park, whether situate within the municipality owning the same or in another municipality or municipalities. Public parks.
- (8) The Provincial Penitentiary, the Central Prison and the Provincial Reformatory, and the land attached thereto. R. S. O. 1897, c. 224, s. 7, pars. 8, 9. Provincial Penitentiary, &c.
- (9) Every industrial farm, poor-house, alms-house, orphan asylum, and every boys' or girls' or infants' home or other charitable institution conducted on philanthropic principles and not for the purpose of profit or gain, house of industry, house of refuge, and public lunatic asylum, and every house belonging to a company for the reformation of offenders, and the real property belonging to or connected with the same. R. S. O. 1897, c. 224, s. 7, par. 10, *amended*. Poor houses, &c.
- (10) The property of any incorporated society operating in Ontario under Chapter 262 of the Revised Statutes of Ontario, intituled An Act to Regulate the Immigration into Ontario of Certain Classes of Children, or of any children's aid society incorporated under The Children's Protection Act of Ontario, whether held in the name of such society or in the name of a trustee or otherwise, being only property used exclusively for the purposes of and in connection with such society. 63 V., c. 34, s. 2; 1 Edw. VII., c. 29, s. 1. Immigration Aid Societies,
Rev. Stat., c. 262.
Rev. Stat., c. 259.
- (11) The income of any nature or kind whatsoever arising from the surplus funds of any registered friendly society. *New*. Income from surplus funds of Friendly Societies.
- (12) The property of every public library, mechanics' institute and other public institution, literary or scientific, and of every agricultural or horticultural society, to the extent of the actual occupation of such property for the purposes of any of such institutions or societies; and the lands and buildings of every company formed under the provisions of The Act respecting Joint Stock Companies for the Erection of Exhibition Buildings, to the extent to which the council of the municipality in which such lands and buildings are situated consents that such property shall be exempt. R. S. O. 1897, c. 224, s. 7, par. 11, *amended*. Scientific or literary institutions, &c.
Rev. Stat. c. 196.
- (13) The official income of the Governor-General of the Dominion of Canada, and the official income of the Lieutenant-Governor of this Province. R. S. O. 1897, c. 224, s. 7, par. 12, *amended*. Official income of Governors.
- (14) The full or half-pay of any officer, non-commissioned officer or private of His Majesty's regular Army or Navy; and any pension, salary, gratuity or stipend derived by any person from His Majesty's Imperial Treasury, and the income of any person in such Naval or Military services, on full pay, or otherwise in actual service. 3 Edw. VII., c. 21, s. 2, *amended*. Income of officers, &c., on full pay.
- (15) The income of a farmer derived from his farm. R. S. O. 1897, c. 224, s. 7, par. 17, *part*. Income from farms.
- (16) All fixed machinery used for manufacturing or farming purposes; but this shall not apply to fixed machinery used, intended or required for the production or supply of motive power including gas, electric and other motors, nor to machinery owned, operated or used by a railway company or by a person having right, authority or permission to construct, maintain or operate within Ontario in, under, above, on or through any highway, road, street, lane, public place or public water, any structures or other things, for the purposes of bridges, tramways or street railways, or for the purpose of conducting steam, heat, water, gas, oil, electricity, or any property, substance, or product capable of transportation, transmission or conveyance, for the supply of water, light, heat, power, transportation, or other service. *New*. Machinery.
- (17) The dividends or income from stock held by any person in any incorporated company, the income of which is liable to assessment in this Province. R. S. O. 1897, c. 224, s. 7, par. 20, *amended*. Income from stock in companies.
- (18) The dividends or income derived from the stocks or shares held by any person in any toll road. R. S. O. 1887, c. 224, s. 7, par. 22, *amended*. Toll road stock.
- (19) The annual income derived from personal earnings or from any pension, gratuity or retiring allowance in respect of personal services by any person assessable directly in respect of income under this Act to the amount of \$1,000 where such Income from personal earnings, &c.

person is resident in a city or town having a population of 10,000 or over, or to the amount of \$700 where such person is resident in any other municipality, provided that such person is a householder in the city, town or other municipality and is assessed as a householder therein, and the annual income, derived from personal earnings or from any pension, gratuity or retiring allowance in respect of personal services, of every person, not being a householder and assessed as such as aforesaid, to the amount of \$400. *New.* See 3 Edw. VII., c. 21, s. 3.

(20) Rent or other income derived from real estate, except interest on mortgages. R. S. O. 1897, c. 224, s. 7, par. 27.

6. The exemptions provided for by section 5 of this Act shall be subject to the provisions of The Consolidated Municipal Act, 1903, providing for the assessment of property for local improvements, which would otherwise be exempt from such assessment under the said section 4. 3 Edw. VII., c. 21, s. 5, *amended*.

7. The exemption to which certain officers connected with the Superior Courts were, at the time of their appointment, and on the 5th day of March, 1880, entitled by Statute, in respect of their salaries, is abolished as respects all persons appointed by the Lieutenant-Governor to such offices after the said 5th day of March, 1880, and shall continue in respect of such officers only as were appointed before that date. R. S. O. 1897, c. 224, s. 12.

8.—(1) Where any person is entitled by law to exemption from assessment in respect of income, he may, upon making an affidavit stating the amount of his income and according to the form given in Schedule A. to this Act, require his name to be entered upon the assessment roll for such income, for the purpose of being entitled to vote at elections for municipal councils; and upon such affidavit being delivered to the assessor at any time before the day fixed for the return of his roll, it shall be the duty of the assessor to enter the name of such person in the assessment roll; and such income shall in such case be liable to taxation like other assessable income. R. S. O. 1897, c. 224, s. 9, *amended*.

(2) Such affidavit may be made before the assessor or as provided in section 222 of this Act. *New.*

9.—(1) Whenever a transfer is made of any property theretofore exempt from taxation under section 5 of this Act, to some person not thereafter entitled to such exemption, or whenever property used for some purpose which would entitle it to exemption under the said section ceases to be so used, or whenever the period for which any property is declared to be exempt from taxation under any statute or by-law expires, such property shall immediately be liable to taxation for so much of the taxes as such property would have been liable for after such transfer, if it had not been exempt; and the taxes levied and collected in respect thereof shall form part of the general taxes of the municipality.

(2) If the assessment for such municipality or the ward or part thereof where such property is situated has been completed before such transfer, or so far completed that the same cannot be assessed in the usual manner, then the assessor or assessment commissioner of the municipality shall assess the said property as though the assessment rolls were not completed, and the person assessed therefor shall have the right to appeal against such assessment within four days after receiving notice thereof; and, if he appeals therefrom, all the provisions of this Act as to appeals to or from the Court of Revision shall apply thereto; and thereafter such owner and occupant shall be liable for the taxes thereon at the rate fixed for such year as though the name of the owner and the description of the property and the value thereof and other particulars were inserted in the usual way.

(3) All remedies for collecting such taxes shall be applicable to such owner and property.

(4) These provisions shall not apply to enable any taxes for the current year to be collected upon any property transferred after the by-law fixing the rate of taxation for such year has been passed. 3 Edw. VII., c. 21, s. 4.

10.—(1) Irrespective of any assessment of land under this Act, every person occupying or using land in the municipality for the purpose of any business mentioned or described in this section shall be assessed for a sum to be called "Business Assessment" to be computed by reference to the assessed value of the land so occupied or used by him, as follows:—

- (a) Every person carrying on the business of a distiller for a sum equal to 150 per cent. of the said assessed value.
- (b) Every person carrying on the business of a brewer for a sum equal to 75 per cent. of the said assessed value of the land occupied or used by him for such business exclusive of any portion of such land occupied and used by him as a malting house and for a sum equal to 60 per cent. of the assessed value as to such last mentioned portion.
- (c) Every person carrying on the business of a wholesale merchant, of an insurance company, a loan company or a trust company, as defined by this Act, or of an express company carrying on business on or in connection with a railway or steamboats or sailing or other vessels where such land is occupied or used mainly for the purpose of its business, or of a land company, or of a bank or a banker, or of any other financial business for a sum equal to 75 per cent. of the said assessed value.
- (d) Every person carrying on the business of a manufacturer for a sum equal to 60 per cent. of the said assessed value; and a manufacturer shall not be liable to business assessment as a wholesale merchant by reason of his carrying on the business of selling by wholesale the goods of his own manufacture on such premises.
- (e) Every person carrying on the business of what is known as a departmental store or of a retail merchant dealing in more than five branches of retail trade or business in the same premises or in separate departments of premises under one

Rental of real estate, &c.

Assessments for local improvements.

Exemption of certain officers of Superior Courts abolished as to future appointments.

Assessment of persons for exempted income at request.

Transfer of property theretofore exempt to a person not entitled to exemption.

General taxes.

Remedies for collection. Not to apply after rate of taxation for year fixed.

Business assessment.

roof, or in connected premises, where the assessed value of the premises exceeds \$20,000, or of a coal or wood or lumber dealer, lithographer, printer or publisher, or of a club, in which meals or spirituous or fermented liquors are sold or furnished or the business of selling, bartering, or trafficking in fermented, spirituous or other liquors in any premises in respect of which a shop licence has been granted, for a sum equal to 50 per cent. of the said assessed value; but in cities having over 100,000 population coal dealers shall be assessed for a sum equal to 30 per cent. of the said assessed value.

- (f) Every person practising or carrying on business as a barrister, solicitor, notary public, conveyancer, physician, surgeon oculist, aurist, medical electrician, dentist, veterinarian, civil or mining or consulting or mechanical or electrical engineer, surveyor or architect and, subject to subsection 5 of this section, every person carrying on a financial or commercial business as agent only, for a sum equal to 50 per cent. of the said assessed value. Provided that where a person belonging to any class mentioned in this clause occupies or uses land partly for the purposes of his business and partly as a residence 50 per cent. of the assessed value of the land occupied or used by him shall for the purpose of the business assessment be taken as and construed to be the full assessed value of the land so occupied or used.
- (g) Every person carrying on the business of a retail merchant in cities having a population of over 50,000 for a sum equal to 25 per cent. of the said assessed value; in other cities and towns having a population of 10,000 or over for a sum equal to 30 per cent. of the said assessed value; and in all other municipalities for a sum equal to 35 per cent. of the said assessed value.
- (h) Every person carrying on the business of a photographer, or of a theatre, concert hall, or skating rink, or other place of amusement, or of a boarding stable, or a livery, or the letting of vehicles or other property for hire, or of a restaurant, eating house, or other house of public entertainment, or a hotel in respect of which a tavern licence has been granted or any trade or commercial business not before in this section or in clause (i) specially mentioned, for a sum equal to 25 per cent. of the said assessed value.
- (i) Every person carrying on the business of a telegraph or telephone company, or of an electric railway, tramway or street railway, or of the transmission of oil or water, or of steam, heat, gas, or electricity for the purposes of light, heat, or power, for a sum equal to 25 per cent. of the assessed value of the land (not being a highway, road, street, lane, or public place or water or private right of way), occupied or used by such person, exclusive of the value of any machinery, plant or appliances erected or placed upon, in, over, under or affixed to such land.

(2) No person shall be assessed in respect of the same premises under more than one of the clauses of subsection 1, and where any person carries on more than one of the kinds of business mentioned in that subsection on the same premises, he shall be assessed by reference to the assessed value of the whole of the premises under that one of the said clauses in which is included the kind of business which is the chief or preponderating business of those so carried on by him in or upon such premises.

Persons carrying on more than one class of business.

(3) Where the amount of the assessment of any person assessable under this section, would under the foregoing provisions be less than \$250, he shall be assessed for the sum of \$250.

Minimum Assessment.

(4) Where any person mentioned in subsection 1 occupies or uses land partly for the purpose of his business and partly for the purpose of a residence, he shall be assessed in respect of the part occupied for the purpose of his business only; but this provision shall not apply to person assessed under clause (f) of subsection 1.

Where land used partly for business and partly for residence.

(5) A financial or commercial business, in subsection 1 mentioned, shall not include a business carried on by operating vessel property of the following description, namely, steamboats, sailing or other vessels, tow barges or tugs; nor the business of a steam railway; nor the business of a broker or financial agent, or of a manufacturer's agent, or other agent or intermediary in the business of the sale of goods who has not the actual custody of the goods, or has the custody of samples only.

Certain businesses not included.

(6) No person occupying or using land as a farm, market-garden or nursery shall be liable to business assessment in respect of such land.

Farmers, market gardeners and nurserymen.

(7) Except as provided in clause (c) of subsection 1 of section 11 of this Act every person liable to assessment in respect of a business under subsection 1 shall not be subject to assessment in respect of income derived from such business, nor shall any person be subject to assessment in respect of dividends derived by him from shares in the stock of a corporation carrying on a mercantile or manufacturing business and which corporation is subject to assessment under subsection 1; nor shall the premiums or assessments of an insurance company be assessable by any municipality.

Income from business not assessable.

(8) Every person assessed for business assessment shall be liable for the payment of the tax thereon and the same shall not constitute a charge upon the land occupied or used.

Tax not a charge on land.

New.

Taxation on income directly.

11.—(1) Subject to the exemptions provided for in section 5 and 10 of this Act the following persons shall be assessed and taxed in respect of income:—

Taxable income.

(a) Every person not liable to business assessment under section 10, and

(b) Every person although liable to business assessment under section 10 shall also be liable in respect of any income not derived from the business in respect of which he is assessable under that section.

(c) Every person liable to business assessment under clause (f) of subsection 1 of section 10 in respect of the income derived by him from his business, profession or calling, to the extent to which such income exceeds the amount of such business assessment. *New.*

(2) Where such income is not a salary or other fixed amount capable of being estimated for the current year, the income of such person for the purposes of assessment shall be taken to be not less than the amount of his income during the year ending on the 31st day of December then last past. *New. See R. S. O. 1897, c. 224, s. 35.*

Place of assessment for income.

12.—(1) Every person assessable in respect of income under section 11 shall be so assessed in the municipality in which he resides but may be so assessed in such municipality either at his place of residence or at his office or place of business. *New. See R. S. O. 1897, c. 224, s. 42.*

Partnerships.

(2) The income of a partnership, or of an incorporated company, if assessable, shall be assessed against the partners at their chief place of business, and against the company at its head office, or if the company has no head office in Ontario, at its chief place of business in the municipality. *New. See R. S. O. 1897, c. 224, ss. 39, 40.*

Income in control of agent, etc., of non-resident, assessable against agent.

13. (1) Every agent, trustee or person who collects or receives, or is in any way in the possession or control of income for, or on behalf of, a person who is resident out of the Province, shall be assessed in respect of such income.

(2) Every person assessed under this section shall be so assessed at his place of business, if any, or if he has no place of business, at his residence. *New. See R. S. O. 1897, c. 224, ss. 11, 38, 44, 46; 63 V., c. 34, s. 4.*

Telegraph and Telephone Companies.

Assessment of telephone companies, on income in cities, towns, villages and police villages.

14.—(1) Every telephone company carrying on business in a city, town, village, or police village, shall in addition to any other assessment to which it may be liable under this Act, be assessed for 60 per cent. of the amount of the gross receipts belonging to the company in the city, town, village, or police village, from the business of the company for the year ending on the 31st day of December next preceding the assessment. Provided that in cities having a population of over 100,000 inhabitants such company shall be assessed for 75 per cent. of such gross receipts.

Assessment of telephone companies on mileage in townships.

(2) Every telephone company shall be assessed in every township for one ground circuit (being a single wire for carrying a message) or metallic circuit (being two wires for carrying a message), as the case may be, placed or strung on the poles or other structures operated or used by the company in the township and in use on the 31st day of December next preceding the assessment at the rate of \$135 per mile and in case any line of poles or other structures carries more than one ground circuit or metallic circuit at the rate of \$7.50 per mile for each additional ground circuit or metallic circuit, as the case may be, placed or strung on the 31st day of December next preceding the assessment.

Wires in police villages and branch lines included.

(3) In the computation of the length of said telephone wires and additional wires for assessment in a township as aforesaid, the wires placed or strung within the area of any police village, and the wires of all branch and party lines, which do not exceed 25 miles in length, shall not be included.

Telegraph companies. Assessment on income in cities, towns, villages and police villages.

(4) Every telegraph company carrying on business in a city, town, village or police village shall in addition to any other assessment to which it may be liable under this Act be assessed for 50 per cent. of the amount of the gross receipts belonging to the company in such city, town, village, or police village from the business of the company for the year ending on the 31st day of December next preceding the assessment.

Assessment on mileage in townships.

(5) In every township there shall be assessed against every such telegraph company a sum equal to \$40 for every mile of the length of one wire placed or strung on the poles or other structures operated or used by the company in the township and in use on the 31st day of December next preceding the assessment and a sum equal to \$5 per mile for each additional wire so placed or strung on the 31st day of December next preceding the assessment.

Wires in police villages and branch and loop lines excluded.

(6) In the computation of the length of said telegraph wires and additional wires for assessment in a township as aforesaid the wires placed or strung within the area of any police village and the wires of all branch and loop lines which do not exceed twenty-five miles in length shall not be included.

What to be measured as separate wires.

(7) In the measurement of such additional wires, the length of every telegraph wire and of every telephone wire forming a ground circuit or pair of telephone wires forming a metallic circuit, as the case may be, placed or strung in cables or other combinations, and used or capable of being used as an independent means of conveying messages shall be computed.

Exemption from other assessments.

(8) Every company assessed as provided in this section shall in townships, be exempt from assessment in any other manner or on any other property for municipal purposes, and shall, in cities, towns, villages and police villages be exempt from assessment in respect of all plant, appliances and machinery wherever situated and in respect of all structures placed on, over, under, or affixed to any highway, road, street, lane, or public place or water.

Poles and wires on township boundaries.

(9) Where the poles or wires of a telegraph or telephone company are placed on the boundary line between two townships or so near thereto that the poles or wires are in some places on one side and in other places on the other side of the boundary line or are placed on a road which lies between two townships, although it may deviate so as in some places to be wholly or partly within either of them, the company shall be assessed in each township for one-half of the amount assessable against it under subsection 2 or subsection 5, as the case may be, in both the townships taken together.

(10) The taxes payable by a company in any municipality under this section shall be a lien on all the lands of the company in the municipality. *New.*

Tax to be a lien on lands of company.

15.—(1) Every telegraph and telephone company doing business in Ontario shall on or before the 1st day of February in each year:

Returns by telegraph and telephone companies.

1. Deliver to the Provincial Secretary a statement in writing showing:—

(a) The gross receipts of the company in the Province and the gross receipts of the company in each city, town, village and police village in the Province, from its business for the year ending on the 31st day of December then last past;

(b) The length in miles of one wire or of a pair of wires forming a metallic circuit placed or strung on all the poles or other structures operated or used by the company in each township in Ontario;

(c) The number of miles in length of one wire or of one pair of wires, as the case may be, forming a metallic circuit operated or used by the company in each township in Ontario, including in the measurement the length in each township of every wire or pair of wires, as the case may be, placed or strung in cables or other combinations, and used or capable of being used as an independent means of conveying messages.

2. Deliver or mail to the assessment commissioner, or if there be no assessment commissioner, to the clerk, of every city, town and village, and to the clerk of the township in the case of a police village in which the company does business, a statement in writing of the amount of the gross receipts of the company in such city, town, village, or police village for the year ending on the 31st day of December then last past.

(2) Every such statement shall be signed by or on behalf of the company and shall be verified in the same manner as assessment returns are required by section 19 to be verified. *New.*

ASSESSMENT RETURNS BY TAX-PAYERS.

16. It shall be the duty of every person assessable in any municipality to give all necessary information to the assessors, if required by them, for the purposes of enabling the assessors to properly assess him. *New. See R. S. O. 1897, c. 224 s. 47.*

Information to assessors generally.

17. It shall be the duty of every person employing any other person in his trade, manufacture, business or calling within 10 days after demand therefor to furnish or cause to be furnished to the assessors information concerning the names, places of residence, and wages, salary or other remuneration, of all persons employed by him whose wages, salary or other remuneration exceed \$1,000 per annum in cities and towns having a population of 10,000 or over and \$700 in other municipalities in the case of householders and in all municipalities \$400 in the case of non-householders. *New.*

Information by employers as to employees.

18.—(1) Any assessor requiring information from any person pursuant to section 16, shall cause to be delivered or mailed to the address of such person a notice according to the form given in Schedule E to this Act, accompanied, by such blank forms of the assessment return to be made by such person as may be necessary; and such person shall, within ten days thereafter, enter in the said forms all the particulars required by the notice to be given, in the proper blanks and columns, and deliver or mail such assessment return to the assessor.

Requisitions by assessor for information.

(2) Before delivering or mailing the said assessment return to the assessor the same shall be signed by or on behalf of such person, and shall be verified by a statutory declaration in writing attached thereto.

(3) Such declaration may be made before the assessor or as provided in section 222. *New.*

19.—(1) Every corporation whose dividends are liable to taxation against the shareholders as income upon the receipt of a notice from the assessor or assessment commissioner (such notice to be given by delivering or mailing the same by registered letter prepaid to the principal officer of the corporation in this Province or to the manager cashier or other chief officer of any branch or agency of such corporation in any municipality in the Province or by leaving the same at such principal office, or the office of such manager, cashier or other chief officer), shall within thirty days after the delivering, mailing or leaving of such notice, deliver or mail, to the assessor or assessment commissioner a statement, in writing setting forth the names of shareholders who are resident in the municipality or who ought to be assessed for their income by the municipality, the amount of stock held by every such shareholder on the day named for that purpose by the assessor or assessment commissioner in his said written notice, and the amount of dividends and bonuses declared during the twelve months next preceding. *R. S. O. 1897, c. 224, s. 48, amended.*

Return by corporation to Provincial Board.

(2) Every such statement shall be verified by a statutory declaration in writing attached thereto, made by some officer of the corporation having a knowledge of the facts. *New.*

(3) Such declaration may be according to the form given in Schedule E to this Act with such variations as may be necessary. *New.*

20.—(1) The assessor shall not be bound by any statement delivered under the next four preceding sections, nor shall the same excuse him from making due inquiry to ascertain its correctness; and, notwithstanding any such statement, the assessor may assess every person for such amount as he believes to be just and correct, and may omit his name or any property which he claims to own or occupy, if the assessor has reason to believe that he is not entitled to be placed on the roll or to be assessed for such property. *R. S. O. 1897, c. 224, s. 49, amended.*

Assessor not bound by returns.

(2) Except when examined as a witness before any Court no assessor, assessment commissioner, assistant or other person employed by the municipality shall communicate or allow to be communicated to any person except to the solicitor of the municipality in the discharge of his duty any information obtained under the provisions of sections 16 to 19 inclusive or

Information to be confidential.

allow any person to inspect or have access to any written statement furnished under the provisions of sections 18 or 19 and no person other than the assessor or assessment commissioner and their assistants shall be entitled to any information respecting the assessment of any person other than as provided in section 47. *New.*

Penalty.

(3) Any person who contravenes subsection 2 of this section shall upon conviction thereof before a court of competent jurisdiction be liable to a fine not exceeding \$200 and to imprisonment until the fine is paid, in the common gaol of the county or city for a period not exceeding six months, or to both such fine and imprisonment in the discretion of the court. *New.*

Penalty for neglect to give information.

21.—(1) Any person who, having been duly required to deliver or furnish any written statement or information mentioned in the next preceding five sections, makes default in delivering or furnishing the same and any company which makes default in delivering the statement in writing in section 15 mentioned, shall incur a penalty of \$100 and an additional penalty of \$10 for each day during which default continues.

For making false statements.

(2) Any person knowingly stating anything falsely in any such statement or in furnishing such information shall incur a penalty of \$200.

Recovery of penalties.

(3) The penalties imposed by this section may be recovered on summary conviction before any justice of the peace having jurisdiction within the municipality in which is the address of the assessor or other person to whom the statement is required to be delivered or mailed, and shall be paid over to the municipality. *New. See R. S. O. 1897, c. 224, s. 50.*

DUTIES OF ASSESSORS.

As to the Appointment of Assessors, see section 295 of The Consolidated Municipal Act, 1903.

PREPARATION OF ASSESSMENT ROLLS.

Assessment rolls, form and contents.

22.—(1) Every assessor shall prepare an assessment roll in which after diligent inquiry he shall set down according to the best information to be had, the particulars hereinafter mentioned, and in doing so he shall observe the following provisions:—

Names of persons assessed.

(a) He shall set down the names and surnames, in full, if the same can be ascertained, of all persons, whether they are or are not resident in the municipality ward, or district for which the assessor has been appointed, who are taxable therein.

Amount assessed against them. Sub-divisions to be designated.

(b) He shall set down the amounts assessable against each person, opposite his name in the proper columns for that purpose. *R. S. O. 1897, c. 224, s. 13, (1), amended.*

Each lot to be assessed.

(c) Land known to be subdivided shall be designated in the roll by the numbers or other designation of the subdivisions, with reference where necessary to the plan or survey thereof; land not subdivided into lots shall be designated by its boundaries or other intelligible description.

Assessment of both owner and tenant.

(d) Each subdivision shall be assessed separately, and every parcel of land, (whether a whole subdivision or a portion thereof, or the whole or a portion of any building thereon) in the separate occupation of any person, shall be separately assessed. *New. See R. S. O. 1897, c. 224, s. 34.*

Deceased persons.

(e) Subject to the provisions of subsection 5 of this section, where land is assessed against both owner and tenant, both names shall be placed on the roll and shall be bracketed opposite the land, and both names shall be numbered on the roll. *R. S. O. 1897, c. 224, s. 24 (1), amended.*

Non-residents.

(f) No assessment shall be made against the name of any deceased person, but when the assessor is unable to ascertain the names of the persons who should be assessed in lieu of the deceased person, he may insert, instead of such names, the words "Representatives of A. B., deceased," (*giving the name of such deceased person*). *R. S. O. 1897, c. 224, s. 13 (2), amended.*

Inquiry as to births and deaths.

(g) In assessing lands of non-residents in municipalities to which subsection 6 of section 33, is applicable, the assessor shall enter such lands at the end of the ordinary assessment roll, separated from the other assessments and placed under the heading "Land of Non-residents," and shall fill in as far as is possible under such heading with regard to such lands, the particulars mentioned in columns 1, 2, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 23 of the roll. *New. See R. S. O. 1897, c. 224, s. 34.*

(2) The assessor when making the annual assessment, shall inquire of every resident taxable person whether there have been any births or deaths in the family within the previous twelve months, ending on the 31st day of December then last past, and the respective dates thereof and shall enter the number and respective dates of the same opposite the name of the person assessed, in the column headed "Birth" or "Death," as the case may be. *R. S. O. 1897, c. 224, s. 13 (3), amended.*

Further particulars.

(3) The assessor shall set down the particulars in separate columns as follows:

Column 1.—The successive number on the roll.

Column 2.—Name (surname first) and post office address of taxable person (including both the owner and tenant in regard to each parcel of land, and persons otherwise taxable) or person entitled to be entered on the roll as a farmer's son.

Column 3.—The age of the taxable person.

Column 4.—Statement whether the person is a freeholder, or tenant, by inserting opposite his name the letter "F." or "T." as the case may be; and where, in any municipality in which *The Manhood Suffrage Registration Act* is not in force, the person is entitled to be entered upon the roll as qualified to vote under *The Ontario Election Act*, and, where in any municipality in which the first mentioned Act is in force the person is qualified to vote at municipal elections therein as well as at elections for the Legislative Assembly, there shall also be inserted opposite his name in said column, in capitals, the letters "M.F.," meaning thereby

Rev. Stat. c. 8.
Rev. Stat. c. 9.

"Manhood Franchise;" and where the person is, within the meaning of section 86 of *The Consolidated Municipal Act, 1903*, a "farmer's son," there shall also be similarly inserted the letters "F.S."; and all such names shall be numbered on the roll. 3 Edw. VII. c. 19, s. 86.

[For enactment prohibiting the assessor, in municipalities where *The Manhood Suffrage Registration Act* is in force, from placing on the roll the name of any person not liable to assessment for taxes, see *R. S. O. 1897, Cap. 8, sec. 2.*]

Column 5.—Occupation, and in the case of females, a statement whether the person is a spinster, married woman, or widow, by inserting opposite the name of the person the letter "S," "M," or "W," as the case may be, and in the case of any non-resident owner the letters "N.R." See as to Trustees, etc., sec. 32, (12).

Column 6.—Number of concession, name of street, or other designation of the local division in which the real property lies; residence, in the case of manhood suffrage voters and other persons not assessed for land.

Column 7.—Number of lot, house, etc., in such division. (See also subsection 4.)

Column 8.—Number of acres, or other measure shewing the extent of the property.

Column 9.—Number of acres cleared, (or, in cities, towns, or villages, whether vacant or built upon), including, as cleared land, all land cleared of trees, arable or otherwise fit for cultivation, or suitable for pasture.

Column 10.—Number of acres of woodland.

Column 11.—Number of acres of slash land.

Column 12.—Number of acres of swamp, marsh or waste land.

Column 13.—Actual value of the parcel of real property, exclusive of the buildings thereon.

Column 14.—Value of buildings.

Column 15.—Total actual value of the parcel of real property.

Column 16.—Total amount of taxable real property.

Column 17.—Total value of the parcel if liable for school rates only.

Column 18.—Total value of property exempt from taxation or liable for local improvements only.

Column 19.—Business Assessment under section 10.

Column 20.—Amount of income taxable under sections 11 to 13.

Column 21.—Total Assessment.

Column 22.—Religion.

Column 23.—School section, and whether a public, or separate school supporter by inserting the letters "P" or "S" as the case may be.

Column 24.—Number of children between the age of 5 and 21. See 1 Edw. VII., c. 39, s. 12 (3).

Column 25.—Number of children between the ages of 5 and 16. See 1 Edw. VII., c. 39, s. 12 (3).

Column 26.—Number of persons in the family of each person assessed as a resident, including such person and all other persons residing on the premises.

Column 27.—Statute labour (stating the number of male persons from twenty-one to sixty years of age and the number of days' labour).

Column 28.—Births.

Column 29.—Deaths.

Column 30.—Dog tax—Number of dogs and number of bitches.

Column 31.—Date of delivery of notice under section 46.

Column 32.—Remarks. *R. S. O. 1897, c. 224, s. 13 (4), amended.*

(4) Opposite the name of every person entitled to be entered on the assessment roll but not assessed for land the assessor shall, in columns 6 and 7 mentioned in subsection 3 of this section enter:

When residence of person assessed to be entered.

(a) In the assessment roll of a city, town or village, the residence of such person by the number thereof (if any) and the street or locality whereon or wherein the same is situate;

(b) In the assessment roll of a township, the concession wherein and the lot or part of a lot whereon such person resides,

and in all cases any additional description, as to locality or otherwise, which may be reasonably necessary to enable such residence to be ascertained and verified. *R. S. O. 1897, c. 224, s. 13 (6), amended.*

(5) In cities and towns the Assessment Commissioner or the assessor as the case may be, may vary the form of the assessment roll so as to shew in columns 1, 2, 3, 4 and 5 the name and other particulars relating to occupants of land or if no occupant by inserting in column 2 the words "vacant lot"), and in an additional set of columns numbered 1a, 2a, 3a, 4a and 5a similar particulars relating to the owner or lessee, if such lessee holds a lease extending over twenty-one or more years, and by inserting in column 4a the letters "O" or "L", as the case may require, opposite the name of the owner or lessee. *62 V. (2), c. 27, s. 2, amended.*

Special columns in cities and towns.

(6) In any city or town the form of the assessment roll may be varied so as to give any additional information required owing to changes in the boundaries of the municipality or other like causes, and columns may be omitted which are inapplicable to a city or town. *New.*

Variations of roll in cities and towns.

Farmers' Sons.

23.—(1) In this section the words and expressions "Farm," "Son," "Sons," "Farmer's Son," "Father," "Election," "To Vote," and "Owner," shall respectively have the meaning given thereto by section 86 of *The Consolidated Municipal Act, 1903*. *R. S. O. 1897, c. 224, s. 14 (1), amended.*

Interpretation. 3 Edw. VII., c. 19.

- Farmer's son. (2) Every farmer's son *bona fide* resident on the farm of his father or mother, at the date of the assessment, shall be entitled to be, and may be, entered on the roll, in the cases following:
- (a) If the father is living, and either the father or mother is the owner of the farm, or if the father is dead, and the mother is the owner of the farm, and is a widow, and the farm is assessed at an amount sufficient, if equally divided between the father and the sons or the mother and the sons, to give to each a qualification to vote at a municipal election.
 - (b) Occasional or temporary absence from the farm for a time or times, not exceeding in the whole six months of the twelve months next prior to the date of the assessment by the assessor, shall not operate to disentitle a son to be considered *bona fide* resident as aforesaid.
 - (c) If there are more sons than one so resident, and if the farm is not assessed at an amount sufficient, if equally divided between them, to give a qualification to vote at a municipal election, to the father and all the sons, where the father is living, or to the mother and all the sons where the father is dead and the mother is the owner of the farm and is a widow, then the father or the mother, as the case may be, shall be assessed in respect of the farm, and the right to be entered on the roll as a farmer's son shall belong to and be the right only of the eldest or such of the elder of said sons to whom the amount at which the farm is assessed will, when equally divided between them and the father, or between them and the mother, as the case may be, give a qualification so to vote.
 - (d) If the amount at which the farm is assessed is not sufficient, if equally divided between the father, if living, and one son, or, where the father is dead and the mother is the owner of the farm and is a widow, between the mother and one son, to give to each a qualification so to vote, then the father or the mother, as the case may be, shall be assessed in respect of the farm, and no son shall be entitled to be entered on the roll as a farmer's son. R. S. O. 1897, c. 224, s. 14 (2) *a-e*, amended.
 - (e) When a farmer's son is entered on the roll, under any of the above provisions, the letters "F.S." shall be inserted after his name in the proper column of the roll. See R. S. O. 1897, c. 224, s. 14 (2) f.

Manhood Suffrage Voters.

- Persons to be entered on roll as M.F. voters. Rev. Stat. c. 8. Rev. Stat. c. 9.
- 24.—(1) In municipalities in which *The Manhood Suffrage Registration Act* is not in force the assessor shall place on the assessment roll, as qualified to be a voter under *The Ontario Election Act* the name of every male person of the full age of twenty-one years not disqualified from voting at elections for the Legislative Assembly of Ontario, and a subject of His Majesty by birth or naturalization, who delivers or causes to be delivered to the assessor, an affidavit signed by such person in one of the forms in Schedule B appended hereto, or to the effect therein set forth, if the facts stated are such as entitle such person to be placed thereon, and the affidavit may be made before any assessor, Justice of the Peace, commissioner for taking affidavits, or notary public; and every such officer shall, upon request, administer an oath to any person wishing to make the affidavit;
- Provido. Provided that such person had resided within the Province for the nine months next preceding the time fixed by statute (or by a by-law authorized by statute) for beginning to make the assessment roll in which he is entitled to be entered as a person qualified to vote;
- Provido. And provided that such person was in good faith at the time fixed, as aforesaid, for beginning to make said roll, and still is a resident of, and domiciled in, the municipality on the roll of which he desires to be entered, and has resided in the said municipality continuously from the time fixed as aforesaid for beginning to make said roll.
- Temporary absence not to disqualify. (2) A person may be resident in the municipality within the meaning of this section, notwithstanding occasional or temporary absence in the prosecution of his occupation as a lumberman, or of his attendance as a student in an institution of learning in the Dominion of Canada; and such occasional or temporary absence shall not disentitle such person to be entered on the assessment roll as a qualified voter.
- Inquiries by assessors. (3) The assessor shall also make reasonable inquiries in order to ascertain what persons resident in his municipality, or in the section of the municipality in respect of which the assessor is acting, are entitled to be placed on the assessment roll as qualified to be voters under *The Ontario Election Act*, and shall place such persons on the roll as qualified to be voters without the affidavit referred to in subsection 1. R. S. O. 1897, c. 224, s. 15. See also R. S. O. 1897, c. 9, s. 8.
- Students at college, &c. Rev. Stat. c. 9. 25.—(1) No person shall be entitled to be marked or entered by the assessor in the assessment roll as a qualified voter under *The Ontario Election Act*, in respect of residence in a municipality where he is in attendance as a scholar or student at any school, university or other institution of learning, unless he has no other place of residence entitling him to vote under said Act.
- Other person. Rev. Stat. c. 9. (2) No person shall be entitled to be marked or entered by the assessor in the assessment roll as qualified to vote under *The Ontario Election Act*, who at the time of marking or entering is a prisoner undergoing punishment for a criminal offence in a gaol or prison; or is a patient in a lunatic asylum; or is maintained, in whole or in part, as an inmate receiving charitable support or care in a municipal poor-house or house of industry, or as an inmate receiving charitable support or care in a charitable institution receiving aid from the Province under any statute in that behalf.
- Complaints respecting roll. Rev. Stat. c. 9. (3) Complaints of persons having been wrongly entered in the assessment roll as qualified to be voters under *The Ontario Election Act*, or of persons not having been entered thereon as qualified to be voters under said Act, who should have been so entered, may, by any person

entitled to be a voter under said Act, or to be entered on the voters' list in the municipality or in the electoral district in which the municipality is situate, be made to the Court of Revision as in the case of assessments; or the complaints may be made to the County Judge under *The Ontario Voters' Lists Act*. R. S. O. 1897, c. 224, s. 16.

Rev. Stat.
c. 7.

Entry of School Supporters on Roll.

26. Where the index book required by section 48 of *The Separate Schools Act* is prepared, the assessor shall be guided thereby in ascertaining who have given the notices which are by law necessary in order to entitle supporters of Roman Catholic separate schools to exemption from the public school tax. R. S. O. 1897, c. 224, s. 54.

Assessor to be guided by index book.
Rev. Stat.
c. 294.

27. In any case where the trustees of any Roman Catholic separate school avail themselves of the provisions contained in section 49 of *The Separate Schools Act*, for the purpose (amongst others) of ascertaining, through the assessors of the municipality, the persons who are the supporters of separate schools in such municipality, the assessor (where the entry in the index book mentioned in section 26 does not shew a ratepayer to be a supporter of separate schools) shall accept the statement of the ratepayer, or a statement made on his behalf and by his authority, and not otherwise, that he is a Roman Catholic, as sufficient *prima facie* evidence for placing such person in the proper column of the assessment roll for separate school supporters, or if the assessor knows personally any ratepayer to be a Roman Catholic this shall also be sufficient for placing him in such last mentioned column. R. S. O. 1897, c. 224, s. 13 (5). See also R. S. O. 1897, c. 294, s. 49.

Evidence on which assessor to enter persons as separate school supporters.
Rev. Stat.,
c. 294.

28.—(1) In the case of a municipality in which there are supporters of a Roman Catholic separate school therein, or contiguous thereto, there shall be printed in conspicuous characters, or written across or on the assessor's notice to every ratepayer provided for by section 46 of this Act, and set forth in Schedule F hereto, in addition to the proper entry heretofore required to be made in the column respecting the school tax, the following words: "*You are assessed as a Separate School supporter,*" or "*You are assessed as a Public School supporter,*" as the case may be; or these words may be added to the notice to the ratepayer set forth in the said Schedule.

Notice to be given of assessment as public or separate school supporter.

(2) Where a ratepayer, who was in the next preceding year assessed as a public school supporter, is being assessed as a separate school supporter, or where a ratepayer, who was in the next preceding year assessed as a separate school supporter, is being assessed as a public school supporter, it shall be the duty of the assessor to give, in addition to all other notices, a written or printed notice to such ratepayer that such change is being made. R. S. O. 1897, c. 224, s. 53.

Notice to be given of change in assessment as public or separate school supporter.

School Census.

29. The assessors of every municipality shall, upon request being made to the clerk of the municipality, by the board of education or school trustees or by the trustees of school sections before the date at which the assessors are by law required to commence the preparation of their assessment rolls when making their assessment, enter in a book, to be provided by the clerk of the municipality, in the form set forth in Schedule C to this Act, the name, age and residence of every child between the ages of eight and fourteen years, resident in the municipality, and the name and residence of such child's parent or guardian, and shall return the said book to the clerk of the municipality with the assessment roll for the use of the truant officer and others. R. S. O. 1897, c. 224, s. 17 (1).

Assessors to make lists of children between 8 and 14 years of age.

30. The assessors of every municipality shall make an annual census of all the children in the municipality between the ages of five and sixteen years and between the ages of five and twenty-one years. The clerk shall report such census to the public school inspector and to the secretary of the board of education or trustees. In the case of townships the clerk shall report to the inspector of the division and to the secretary of each school section. R. S. O. 1897, c. 224, s. 17 (2), *amended*. See 1 Edw. VII. c. 39, ss. 12 (3), 65 (3); s. 22, cols. 24, 25.

Census of children between five and twenty-one.

INFORMATION TO ASSESSORS.

31.—(1) The Commissioner of Crown Lands shall, in the month of February in every year, transmit to the treasurer of every county, city or town a list of all the land within the county, city or town patented, located as free grants, sold or agreed to be sold by the Crown, or leased, or appointed to any person, or in respect of which a licence of occupation issued during the preceding year. R. S. O. 1897, c. 224, s. 150, *amended*.

Annual lists of lands granted, &c., to be furnished by Commissioner of Crown Lands.

(2) The county treasurer shall furnish to the clerk of each municipality in the county a copy of the said lists, so far as regards lands in such municipality, and such clerk shall furnish the assessors respectively with a statement showing what lands in the said annual list are liable to assessment within such assessor's assessment district. R. S. O. 1897, c. 224, s. 151.

County treasurers to furnish copies of lists to clerks of municipalities.

[See *The Registry Act* R. S. O. 1897, c. 136, s. 125, requiring Registrars upon request of the clerk of a municipality or Assessment Commissioner to furnish lists of transfers of land.]

MODE OF ASSESSMENT OF LAND.

32. Except as hereinafter provided for land shall be assessed in the municipality in which it lies, and in the case of cities and towns in the ward in which it lies. See 2 Edw. VII., c. 31, s. 1. *first part*.

Land where assessed.

Owner occupying Land.

33.—(1) Land occupied by the owner shall be assessed against him. See R. S. O. 1897, c. 224, s. 19.

Land against whom to be assessed.

*Resident Owner of unoccupied Land.*Unoccupied
land of
resident.

(2) Unoccupied land the owner of which is resident in the municipality, shall be assessed against him. *See R. S. O. 1897, c. 224, s. 20.*

*Resident Owner, Land occupied by Tenant.*Land of
resident
occupied by
tenant.

(3) Land owned by a resident in the municipality and occupied by any person other than the owner shall be assessed against the owner and the tenant. *See R. S. O. 1897, c. 224, s. 20.*

*Non-resident Owner, Land occupied by Tenant.*Occupied
land owned
by non-
resident.

(4) Occupied land owned by a person who is not a resident in the municipality shall be assessed against the owner if known, and against the tenant. *See R. S. O., 1897, c. 224, ss 20, 21.*

*Non-resident Owner, Land unoccupied.*Unoccupied
land of non-
resident in
cities, towns
or villages.

(5) In cities, towns and villages unoccupied land owned by non-residents shall be assessed in the same manner as the land of residents; and where the name of the owner cannot be ascertained, the assessor shall insert the word "non-resident" in the column in the assessment roll for the name of the owner opposite the description of the land. *New.*

Unoccupied
land of non-
resident in
townships.

(6) In townships unoccupied land shall be denominated "lands of non-residents" unless the owner thereof resides or has a place of business in the municipality where the land is situate, or gives notice in writing setting forth his full name, place of residence and post office address, to the clerk of the municipality, on or before the 20th day of April in any year that he owns such land, describing it, and requires his name to be entered on the assessment roll therefor; which notice may be in the form or to the effect of Schedule D to this Act; and the clerk of the municipality shall, on or before the 25th day of April in each year, make up and deliver to the assessor a list of the persons requiring their names to be entered on the roll and of the lands owned by them. *R. S. O., 1897, c. 224, s. 3, amended.*

Record of
non-residents
notices.

(7) The clerk of the municipality shall keep in a book a record of such notices, and they shall stand until revoked. *New.*

Rights of
appeal of non-
residence not
named in roll.

(8) Where the name of the owner of unoccupied land has not been entered upon the assessment roll in respect thereof by the assessor, such owner or his agent shall be entitled,—

Rev. Stat., c. 7.

(a) To apply to the Court of Revision to have the same so entered whether the notice in sub-section 6 has or has not been given, and the Court may order the name to be entered notwithstanding that such notice has not been given or has not been given by the time in the said subsection provided;

(b) Within the time allowed by law for other applications in that behalf, to apply to the Judge to have the name of the owner entered upon the assessment roll and the voters' lists, whether such notice has or has not been given; and the judge may direct that the same be so entered as provided in section 40 of *The Ontario Voters' Lists Act*, notwithstanding that such notice has not been given or has not been given by the time in subsection 6 provided. *R. S. O., 1897, c. 224, s. 4 amended.*

*Several Owners of undivided shares, some non-resident.*Joint owners,
resident and
non-resident.

(9) Where land is owned by more persons than one, and any one of the owners is not resident in the municipality:—

(a) If the land is occupied by any person other than the owners, it shall be assessed against the tenant and against such of the owners as are known; and

(b) If occupied by any of the owners, or if unoccupied, it shall be assessed against all the owners who are known. *See R. S. O., 1897, c. 224, s. 25 (1).*

*Tenant of Non-Residents' Lands, when considered Owner.*Tenant when
to be deemed
owner.

(10) Where land is assessed against a tenant under either of the above subsections 4 or 9, the tenant, for the purpose of imposing and collecting taxes upon and from the land, shall be deemed to be the owner. *See R. S. O., 1897, c. 224, s. 22.*

*Married Woman Owner, whether resident or non-resident.*Married
women—
when
husband
to be assessed
as owner.

(11) Where a married woman, whether resident or non-resident in the municipality, is assessed as owner, the name of her husband shall also be entered in the roll as an owner. And where the property is assessed for a sum sufficient to entitle a sole owner, but insufficient to entitle two joint owners of the property to vote at municipal elections, the letter "O" shall be inserted in column 4 of the assessment roll after the name of the husband who shall be entitled to be entered on the voters' list as the owner of the property. *R. S. O., 1897, c. 224, s. 19, amended.*

*Trustees, Guardians, Executors, etc.*Lands held by
trustees, &c.

(12) Land held by a trustee, guardian, executor or administrator shall be assessed against him as owner or tenant thereof, as the case may require, in the same manner as if he did not hold the land in a representative capacity; but the fact that he is a trustee, guardian, executor or administrator shall, if known, be stated in column 5 of the roll. Provided, however, that such trustee, guardian, executor or administrator shall only be personally liable when and

Proviso.

to such extent as he has property as such trustee, guardian, executor or administrator, available for payment of such taxes. (*New.*) R. S. O. 1897, c. 224, s. 46; 63 V., c. 34, s. 3.

Land of Railway Companies, etc.

34. The real estate of any transportation or transmission company shall be considered as land of a resident in the municipality although the company has not an office in the municipality. R. S. O. 1897, c. 224, s. 5, *amended.* Lands of
Railway
Co.'s, &c.

Land in which the Crown has an interest.

35. The owner of any land in which the Crown has an interest, and the tenant of any such land (except a tenant occupying the same in an official capacity under the Crown) shall be assessed in respect of the land in the same way as if the interest of the Crown was held by any other person; and the interest of every person other than the Crown in such land, shall be subject to the charge thereon given by section 89 and shall be liable to be sold under the provisions of this Act for arrears of taxes accrued against the land. *New.* See R. S. O. 1897, c. 224, ss. 7 (2), and 23. Assessment of
land in which
the Crown
has an
interest.

VALUATION OF LANDS.

36.—(1) Except in the case of mineral lands hereinafter provided for real property shall be assessed at its actual value. R. S. O. 1897, c. 224, s. 28 (1), *amended.* Valuation of
land.

(2) In assessing land having any buildings thereon, the value of the land and buildings shall be ascertained separately, and shall be set down separately in columns 13 and 14 of the assessment roll and the assessment shall be the sum of such values. The value of the buildings shall be the amount by which the value of the land is thereby increased. *New.* Buildings

(3) In estimating the value of mineral lands, such lands and the buildings thereon shall be valued and estimated at the value of other lands in the neighbourhood for agricultural purposes, but the income derived from any mine or mineral work shall be subject to taxation in the same manner as other incomes under this Act. R. S. O. 1897, c. 224, s. 28 (2). Mineral
lands.

37. Plank, gravel, macadamized or other toll roads not owned by any municipal corporation shall be assessed as real estate in the municipality in which the same are situate; and in making the assessment the assessor shall take into consideration the value of (1) the land occupied by the road, (2) the materials employed in the superstructure, (3) toll houses, buildings, and gates on the road, (4) quarries and gravel pits and roads to and from such places, and used in connection therewith; but this section shall not include bridges 100 feet in length or over, and the approaches thereto, which are on or along such toll road and which are used therewith. R. S. O. 1897, c. 224, s. 32. Assessment
of toll roads.

38. Every toll road owned by any person or corporation other than a municipal corporation, upon which any toll is established, whether leased to a tenant or not, shall be assessed in the municipality in which the same is situate and where the road extends or runs into or through more municipalities than one, each municipality shall assess that part thereof which lies within its limits, and according to the value of that part, whether a toll gate or bar is or is not upon the road in the municipality. R. S. O., 1897, c. 224, s. 33. Toll roads not
owned by
municipali-
ties.

39.—(1) In any town or village in which there are lands held and used as farm lands only, and in blocks of not less than five acres, by any one person, such lands shall be assessed as farm lands. Assessment of
farm lands in
towns and
villages, &c.

(a) Subject to the other subsections of this section, such assessment shall be on the principles provided by section 40 for cases under that section.

(b) This section and section 40 shall apply whether the lands assessed have or have not been divided into building lots.

(2) Where such lands are not benefited to as great an extent by the expenditure of moneys for and on account of public improvements of the character hereinafter mentioned in the municipality as other lands therein generally, the council of such town or village shall annually at least two months before striking the rate of taxation for the year, pass a by-law declaring what part of the said lands so held and used as farm lands only, shall be exempt or partly exempt from taxation for the expenditure of the municipality incurred for water works, whether for domestic use or for fire protection or both, the making of sidewalks, the construction of sewers or the lighting and watering of the streets, regard being had in determining such exemption to any advantage, direct or indirect, to such lands arising from such improvements, or any of them. Exemption of
farm lands
in towns
and villages
from assess-
ment for cer-
tain improve-
ments.

(a) Nothing in this subsection contained shall exempt or relieve any lands therein mentioned from the general rate for the payment of any debenture debt contracted before the 14th day of April, 1892, or renewed since the said date in whole or in part. Proviso.

(3) Any person claiming such exemption in whole or in part shall notify the council of the municipality thereof within one month after the time fixed by law for the return of the assessment roll, and shall by some intelligible description indicate the land and quantity as nearly as may be in respect of which exemption is claimed. Persons
claiming
exemption
to notify
council.

(4) Any person complaining that the said by-law does not exempt or sufficiently exempt him or his said farm lands from taxation as aforesaid, may within 14 days after the passing thereof notify the clerk of the municipality of the intention to appeal against the provisions of such by-law or any of them to the Judge of the County Court who shall have full power to alter or vary any or all of the provisions of the said by-law and determine the matter of complaint in accordance with the spirit and intent of the provisions of this section. Appeal from
by-laws to
County
Judge.

Procedure upon appeals to County Judge.

(5) The provisions relating to appeals from a Court of Revision to the County Judge and to the amendment of the assessment roll thereon, shall, so far as applicable, regulate and govern the procedure to be followed upon appeals to the County Judge under this section and the amendment of the by-law thereon.

Appeals from Court of Revision not affected.

(6) Nothing in the last two preceding subsections contained, shall be deemed to prevent or affect the right of appeal to the County Judge from the decision of a Court of Revision upon any appeal against an assessment. R. S. O. 1897, c. 224, s. 8.

What shall be deemed vacant land, and how its value shall be calculated in cities, &c.

40.—(1) In assessing vacant ground, or ground used as a farm, garden, or nursery, and not in immediate demand for building purposes, in cities, towns, or villages, whether incorporated or not, the value of such vacant or other ground shall be that at which sales of it can be freely made, and where no sales can be reasonably expected during the current year, the assessors shall, where the extent of such ground exceeds two acres in cities and ten acres in towns and villages, value such land as though it was held for farming or gardening purposes, with such percentage added thereto as the situation of the land reasonably calls for.

How entered on roll.

(2) Such vacant land, though surveyed into building lots, if unsold as such, may be entered on the assessment roll as so many acres of the original block or lot, describing the same by the description of the block, or by the number of the lot and concession of the township in which the same is situated, as the case may be.

Assessment thereof.

(3) In such case, the number and description of each lot, comprising each such block shall be inserted in the assessment roll; and each lot shall be liable for a proportionate share as to value, and the amount of the taxes, if the property is sold for arrears of taxes. R. S. O. 1897, c. 224, s. 29.

Where not held for sale, but for a park, pleasure ground, &c.

41. Where ground is not held for the purpose of sale, but is *bona fide* enclosed and used in connection with a residence or building as a paddock, park, lawn, garden or pleasure ground, it shall be assessed therewith, at a valuation which, at six per centum, would yield a sum equal to the annual rental which, in the judgment of the assessors, it is fairly and reasonably worth for the purposes for which it is used, reference being always had to its position and local advantages, unless by by-law the council requires the same to be assessed like other ground. R. S. O. 1897, c. 224, s. 30. (1).

Assessment of lands of water, heat, light, power, telephone, telegraph, street railway and electric railway companies.

42.—(1) The property by clause (e) of paragraph 7 of section 2 of this Act declared to be "land" within the meaning of this Act, owned by companies or persons supplying water, heat, light and power to municipalities and the inhabitants thereof, and companies, and persons operating tramways, street railways and electric railways shall, in a municipality divided into wards, be assessed in the ward in which the head office of such company or person is situate, if such head office is situated in such municipality, but if the head office of such company or person is not in such municipality then the assessment may be in any ward thereof. 3 Edw. VII., c. 21, s. 6, *amended*.

Principle of Assessment.

(2) In assessing such property whether situate or not situate upon a highway, street, road, lane or other public place the same shall when and so long as in actual use be assessed at its actual cash value as the same would be appraised upon a sale to another company or person possessing similar powers, rights and franchises in and from the municipality and subject to similar conditions and burdens, regard being had to all circumstances adversely affecting the value of such property including the non-user of any of the same. See 2 Edw. VII., c. 31, s. 1 (3); 3 Edw. VII., c. 21, s. 7 (2).

International and Intermunicipal Bridges.

Bridges over international boundary lines.

43.—(1) In the case of any bridge liable to assessment which belongs to or is in the possession of any person or incorporated company, and which crosses any river forming the boundary between the Province and Ontario and any other country or province, the part of such structure within Ontario shall be valued as an integral part of the whole and on the basis of the valuation of the whole, and at its actual cash value as the same would be appraised upon a sale to another company possessing similar powers, rights and franchises and subject to similar conditions and burdens but subject to the provisions and basis of assessment set forth in subsection 2 of section 42 of this Act.

Bridges between municipalities.

(2) Any bridge belonging to or in possession of any person or company between two municipalities in the Province shall be valued as an integral part of the whole and on the basis of the valuation of the whole. 2 Edw. VII., c. 31, s. 1 (5), *amended*.

Railways.

Railway companies to furnish certain statements to clerks of municipalities.

44.—(1) Every steam railway company shall annually transmit on or before the first day of February to the clerk of every municipality in which any part of the roadway or other real property of the company is situated, a statement showing:—

(a) The quantity of land occupied by the roadway, and the actual value thereof (according to the average value of land in the locality) as rated on the assessment roll of the previous year;

(b) The vacant land not in actual use by the company and the value thereof;

(c) The quantity of land occupied by the railway and being part of a highway, street, road, or other public land (but not being a highway, street or road which is merely crossed by the line of railway) and the assessable value as hereinafter mentioned of all the property belonging to or used by the company upon, in, over, under, or affixed to the same;

(d) The real property, other than aforesaid, in actual use and occupation by the company, and its assessable value as hereinafter mentioned;

and the clerk of the municipality shall communicate such statement to the assessor. R. S. O. 1897, c. 224, s. 31, *amended*.

(2) The assessor shall assess the land and property aforesaid as follows:

- (a) The roadway or right of way at the actual value thereof according to the average value of land in the locality; but not including the structures, substructures and superstructures, rails, ties, poles and other property thereon; Assessment of railway land.
- (b) The said vacant land, at its value as other vacant lands are assessed under this Act;
- (c) The structures, substructures, superstructures, rails, ties, poles, and other property belonging to or used by the company (not including rolling stock and not including tunnels or bridges in, over, under or forming part of any highway) upon, in, over, under, or affixed to any highway, street, or road (not being a highway, street or road merely crossed by the line of railway) at their actual cash value as the same would be appraised upon a sale to another company possessing similar powers, rights and franchises, regard being had to all circumstances adversely affecting the value including the non-user of any such property; and
- (d) The real property not designated in clauses (a), (b) and (c) of this subsection in actual use and occupation by the company, at its actual cash value as the same would be appraised upon a sale to another company possessing similar powers, rights and franchises. *New.*

but the telephone and telegraph plant, poles and wires which are used exclusively in running trains for any other purposes of a steam railway and not for commercial purposes shall, as heretofore, be exempt from municipal assessment or taxation. 2 Edw. VII., c. 31, s. 1, *part, amended.* Notice of assessment.

(3) The assessor shall deliver at, or transmit by post to, any station or office of the company a notice, addressed to the company, of the total amount at which he has assessed the said land and property of the company in his municipality or ward showing the amount for each description of property mentioned in the above statement of the company; and such statement and notice respectively shall be held to be the assessment return and notice of assessment required by sections 18 and 46 respectively of this Act. R. S. O. 1897, c. 224, s. 31, *last part amended.*

(4) A railway company assessed under this section shall be exempt from assessment in any other manner for municipal purposes except for local improvements. *New.*

45. When an assessment has been made under the provisions of section 44 the amount thereof in the roll as finally revised and corrected for that year shall be the amount for which the company shall be assessed for the next following four years in respect of the land and property included in such assessment; but at any time before the return of the assessment roll, in any year the said amount may be reduced by deducting therefrom the value of any land or property included in such assessment which has ceased to belong to the company, and a further assessment may be made of any additional land or property of the company not included in such assessment. *New.* Quinquennial railway assessment.

NOTICE OF ASSESSMENT.

46.—(1) The assessor, or his assistant, before the completion of the assessment roll for the municipality, or ward, as the case may be, shall, in manner hereinafter provided, leave for or transmit to every person named in the roll, a notice, according to the form given in Schedule F to this Act, of the sum or sums for which such person has been assessed, and the other particulars in Schedule F mentioned, and shall enter, in the roll opposite the name of the person, the date of delivering or transmitting such notice, and the entry shall be *prima facie* evidence of such delivery or transmission. Notice of assessment.

(2) If the person resides or has a place of business in the municipality, the notice shall be left at his residence or place of business.

(3) If the person is not resident in the municipality, the notice shall be transmitted by post to his address, if known.

(4) If the address of the person is not known the notice shall be left with some grown up person on the assessed premises, if there is any such person there resident. *See* R. S. O., 1897, c. 224, ss. 51 (1), 71 (10), (11).

(5) In any city the notice may be served upon a person resident or having a place of business within the municipality, either personally or by leaving such notice in the office or place of business of such person in the municipality; and where such office or place of business is situate in any public building, or in any building the apartments of which are occupied by different persons as places of business, the notice may be left with the person assessed, or in his absence, with some person employed in the particular office in which the person named in the notice is engaged, or, if there be no such person, the notice may be left in the particular office in which the person assessed is employed or engaged. R. S. O. 1897, c. 224, s. 52, *amended.*

(6) In case any person assessed furnishes the assessment commissioner, or if none, the clerk with a notice in writing giving an address to which the notice of assessment may be transmitted to him, and requesting that the same be transmitted to such address by registered letter, the notice of assessment shall be so transmitted; and any notice so given to the assessment commissioner or clerk, as the case may be, shall stand until revoked in writing. *New.*

(7) Nothing in the preceding subsections contained shall be deemed to require the assessor to give, leave or transmit any notice to any person entered upon the assessment roll as a farmer's son. R. S. O. 1897, c. 224, s. 51 (2), *amended.*

Time for Completion of Roll.

47.—(1) Subject to the provisions of sections 53 to 56 inclusive, every assessor shall begin to make his roll in each year not later than the 15th day of February, and shall complete the same on or before the 30th day of April, and, in municipalities not having an assessment com- When assessment roll to be completed.

missioner, the assessor shall attach thereto his affidavit or solemn affirmation, and, in municipalities having an assessment commissioner, the assessment commissioner, or his assistant, as the case may require, shall attach thereto his affidavit or solemn affirmation.

Form of affidavit.

(2) The affidavit or affirmation may be according to the form given in Schedule G to this Act, and may be made before the clerk of the municipality or a Justice of the Peace having jurisdiction in the municipality, or a commissioner for taking affidavits in the county, or a notary public for the Province. R. S. O. 1897, c. 224, s. 55, *amended*.

Assessment roll to be delivered to clerk of the municipality.

(3) Subject to the provisions of sections 53 to 56 inclusive every assessor shall, on or before the thirtieth day of April, deliver to the clerk of the municipality the assessment roll, completed and added up, with the affidavits attached; and the clerk shall immediately upon the receipt of the roll, file it in his office, and it shall, at all convenient office hours, be open to the inspection of all persons requiring to inspect the same. R. S. O. 1897 c. 224, s. 56, *amended*. (See sections 194 and 197.)

Correction of Errors.

Correction of errors in roll by assessor.

48. Notwithstanding the delivery or transmission of any notice provided for by section 46, the assessor, at any time before the time fixed for the return of the assessment roll may correct any error in any assessment and alter the roll accordingly; and he shall do so upon notice being given to him of any error; and, upon so correcting or altering any assessment he shall deliver or transmit to the person assessed an amended notice. *New*.

Amendment of roll for ward in cities after completion of.

49. In cities where the assessment is made by wards, in case any person removes from a ward before having been assessed therein into a ward for which the assessment roll has been completed, the assessor for the last mentioned ward may at any time before the 30th day of September amend the roll by entering therein the assessment of such person, and shall forthwith give to him the notice of assessment provided for by section 46; and the person so assessed shall be entitled to appeal to the County Judge from the assessment within ten days from the time of giving such notice. *New*.

Clerk to report errors or omissions in roll to Court of Revision.

50. It shall be the duty of the clerk to report to the Court of Revision the facts and particulars as to any errors or omissions in the assessment roll of which he may from time to time become aware; and the Court of Revision shall thereupon take such steps as the Court shall deem advisable and necessary to cause such corrections to be made in the roll, and shall give such notices to persons interested as such corrections may render necessary. *New*.

Correction of omission to assess land.

51. If at any time it appears to any treasurer or other officer of the municipality that land liable to assessment has not been assessed for the current year or for either or both of the next two preceding years, he shall report the same to the clerk of the municipality, or if the omission to assess comes to the knowledge of the clerk of the municipality in any other manner, he shall enter such land on the next collector's roll, or roll for non-residents, as the case may require, as well for the arrears of the preceding year or years, if any, as for the tax of the current year; and the valuation of the land shall be the average of the three previous years, if assessed for the said three years, but if not so assessed, the clerk shall require the assessor, for the current year, to value the land and it shall be the duty of the assessor to do so, when required, and to certify the valuation, in writing, to the clerk; and the owner of the land shall have the right to appeal, as provided in section 112. R. S. O. 1897, c. 224, s. 166. *amended*.

Inquiries to prevent creation of false Votes.

Assessor to make inquiries so as to prevent creation of false votes.

52.—(1) To prevent the creation of false votes, where a person claims to be assessed, or to be entered or named in any assessment roll, or claims that another person should be assessed, or entered or named in such assessment roll, as entitled to be a voter, and the assessor has reason to suspect that the person so claiming, or for whom the claim is made, has not a just right to be so assessed, or to be entered or named in the roll as so entitled to be a voter, it shall be the duty of the assessor to make reasonable inquiries before assessing, entering or naming any such person in the assessment roll.

Persons entitled to be assessed, &c., to be entered on roll without request.

(2) Any person entitled to be assessed or to have his name inserted or entered in the assessment roll of a municipality, shall be so assessed, or shall have his name so inserted or entered, without any request in that behalf; and a person entitled to have his name so inserted or entered in the assessment roll, or in the list of voters based thereon, or to be a voter in the municipality, shall, in order to have the name of any other person entered or inserted in the assessment roll or list of voters as the case may be, have for all purposes the same right to apply, complain or appeal to a Court or a Judge in that behalf as such other person would or can have personally, unless such other person actually dissents therefrom.

Penalty for causing improper entries on roll.

(3) Any person who wilfully and improperly inserts or procures or causes the insertion of the name of a person in the assessment roll, or assesses or procures or causes the assessment of a person at too high an amount, with intent in any such case to give to a person not entitled thereto either the right or an apparent right to be a voter, or who wilfully inserts, or procures or causes the insertion of any fictitious name in the assessment roll, or who wilfully and improperly omits, or procures or causes the omission of the name of a person from the assessment roll, or assesses or procures or causes the assessment of a person at too low an amount, with intent in any such case to deprive any person of his right to be a voter, shall, upon conviction thereof before a Court of competent jurisdiction, be liable to a fine not exceeding \$200, and to imprisonment until the fine is paid, or to imprisonment in the common gaol of the county or city, for a period not exceeding six months, or to both such fine and imprisonment, in the discretion of the Court.

"Voter" meaning of. Rev. Stat. c. 7

(4) The word "Voter" in this section shall have the meaning given thereto by *The Ontario Voters' Lists Act*. R. S. O. 1897, c. 224, s. 57.

Special provisions (applicable in Cities, Towns and Villages.)

53.—(1) In cities, towns and villages, the council, instead of being bound by the periods above mentioned for taking the assessment, and by the periods named for the revision of the rolls by the Court of Revision, and by the County Judge, may pass by-laws for regulating the above periods, as follows, that is to say:—For taking the assessment between the 1st day of July and the 30th day of September, the rolls being returnable in such case to the city, town or village clerk on the 1st day of October; and in such case the time for closing the Court of Revision shall be the 15th day of November, and for final return by the Judge of the County Court the 15th day of December; and the assessment so made and concluded may be adopted by the council of the following year as the assessment on which the rate of taxation for said following year shall be fixed and levied; and the taxes for such following year shall in such case be fixed and levied upon such assessment: Provided nevertheless, that in cities the assessment may be made between the 1st day of May and the 30th day of September. R. S. O. 1897, c. 224, s. 58 (1); 62 V. (2) c. 27, s. 3; 1 Edw. VII., c. 29, s. 3, *amended*.

Time for taking the assessment and revising the rolls in cities, &c.

Proviso.

(2) Where there has, from any cause, been delay in so completing the final revision in the said roll beyond the said 15th day of December, the council may notwithstanding adopt the assessment when finally revised, as the assessment on which the rate of taxation for the said following year shall be levied. R. S. O. 1897, c. 224, s. 58 (2); 1 Edw. VII., c. 29, s. 4.

(3) In case the council deem it advisable to adopt the provisions of this section in any year for which there has been an assessment made under the previous sections of this Act, the council instead of making a second assessment in the same year may pass a by-law adopting the assessment roll previously made and revised in such year, and such assessment roll shall be subject to revision in the manner provided by subsection 1 of this section, and shall have the same effect as an assessment made under said subsection 1. R. S. O. 1897, c. 224, s. 58 (4).

Council passing by-law for taking assessment between 1st July and 1st October, may act for that year on assessment already made.

54.—(1) The council of any city instead of proceeding in the manner set forth in section 53 of this Act, may by by-law, from time to time, provide for making the assessment at any time prior to the 30th day of September, and may fix prior and separate dates for the return of the roll of each ward, or each sub-division of a ward, as defined in the by-law. R. S. O. 1897, c. 224, s. 59 (1), *amended*.

Taking assessment by wards or sub-divisions in cities.

(2) Any such by-law shall also provide for holding a Court of Revision for hearing appeals from the assessments in each ward or sub-division, in the manner provided by this Act, upon the return of the assessment roll for such ward or sub-division. R. S. O. 1897, c. 224, s. 59 (2).

By law to fix time for hearing appeals to Court of Revision.

(3) The County Judge may sit from time to time throughout the year, for the purpose of hearing appeals from the Court of Revision upon the determination of appeals made to the Court with respect to each roll; and the time for appeal to the Court of Revision shall be within ten days after the last day fixed for the return of the roll for each ward or sub-division of a ward; and the time for appealing from the Court of Revision to the County Judge shall be within three days after the decision of the Court of Revision is given. R. S. O. 1897, c. 224, s. 59 (3), *amended*.

Appeals to County Judge.

(4) The Judge shall arrange to hear all such appeals from time to time throughout the year, within ten days after the sitting of the Court of Revision for each ward or sub-division of a ward, and shall complete his revision of the last of such rolls for the city by the 20th day of October, in each year. R. S. O. 1897, c. 224, s. 59 (4).

When revision by Judge to take place and be completed.

(5) The assessment so made and completed may be adopted by the council of the following year as the assessment on which the rate of taxation for such following year shall be fixed and levied and the taxes for such following year shall in such case be fixed and levied upon the said assessment. R. S. O. 1897, c. 224, s. 59 (5), *amended*.

Adoption of assessment for following year.

(6) If from any cause the final revision of the rolls for all the wards or sub-divisions in the city has not been completed by the 20th day of October, the council may adopt the assessment, when finally revised, as the assessment upon which the taxes for the following year shall be levied.

When rolls not completed by 20th October.

(7) In any city in which any by-law has been passed under this section, the provisions of sections 65 and 68 of this Act, so far as the same relate to the time for appealing and giving notice thereof, shall not apply, but the clerk shall give notice to every person appealing, or whose assessment or non-assessment is appealed against, at least five days before the sitting of the Court of Revision, such notice to be served upon such person, or left at his residence or place of business, or upon the premises concerning which such appeal arises, or addressed to such person through the post-office, but no advertisement of the Court shall be necessary; and in case of appeals to the County Judge, five days' notice of the day fixed by the County Judge for hearing such appeals shall be served in the manner provided in the case of appeals to the Court of Revision.

Time for giving notice, &c.

(8) The provisions of the said sections 65 and 68, so far as the same are not inconsistent with the provisions of this section, shall apply to appeals made hereunder. R. S. O. 1897, c. 224, s. 59, (6), (7), (8).

Application of ss. 65 and 68.

55. Where an addition of any part of the localities adjacent to any city or town has been made to said city or town, in any year subsequent to the 30th day of September, under the provisions of section 24 of *The Consolidated Municipal Act, 1903*, the council of said city or town may pass a by-law in the succeeding year, adopting the assessment of the said addition as last revised while a part of the adjoining municipality, as the basis of the assessment for said part for that year, although the assessment of the remainder of the city or town has been made, and the rate of taxation has been levied in accordance with the preceding provisions of this section; and the levying of a proportionate share of the taxation upon said addition shall not invalidate either the assessment of the remainder or the tax levied thereon; and the qualification of municipal voters in said addition shall, for the said succeeding year, be the same as that required in the municipality from which the part has been taken. R. S. O. 1897, c. 224, s. 58, (3).

Assessment of localities added to cities and towns.

3 Edw., vii., c. 19.

Special Provisions applicable to Counties.

County councils may regulate time for taking assessment.

56.—(1) County councils may pass by-laws for taking the assessment in towns, townships and villages between the 1st day of February and the 1st day of July.

(2) If such by-law extends the time for making and completing the assessment rolls beyond the 1st day of May, then the time for closing the Court of Revision shall be six weeks from the day to which such time is extended, and the time for final return in case of an appeal shall be twelve weeks from that day. R. S. O. 1897, c. 224, s. 61.

COURT OF REVISION.

In Cities.

Court of Revision in cities, how constituted. Rev. Stat., c. 227.

Remuneration of members.

Certain persons disqualified.

Appointment of members.

Quorum.

Filling vacancies.

57.—(1) In every city the Court of Revision shall consist of three members, one of whom shall be appointed by the city council, and one by the Mayor, and the third shall be the Official Arbitrator appointed for the city under *The Municipal Arbitrations Act*, and in the case of cities where there is no Official Arbitrator, or where such Official Arbitrator is a Judge or Junior Judge of the county in which the city is situated, the Sheriff of the county shall be the third member. R. S. O. 1897, c. 224, s. 62 (1); 1 Edw. VII., c. 29, s. 5.

(2) In cities having a population of 100,000 or more, each member of such Court of Revision shall be paid such sum per annum for his services as the Council may by by-law or resolution provide; and in cities having a population of 30,000 or more, but less than 100,000, each member of such Court shall be paid at the rate of not more than \$300 per annum, and in other cities each member shall be paid such sum per annum as the council may by by-law or resolution provide. R. S. O. 1897, c. 224, s. 62 (2); 63 V., c. 34, s. 5.

(3) No member of the city council, and no officer or employee of the city corporation shall be a member of the Court of Revision.

(4) The appointed members of such Court of Revision shall hold office until their successors are appointed, but the mayor or council may each or either of them, after the organization of a new council and before the 1st day of March in any year, appoint a member of such Court of Revision in place of any member appointed by the mayor or council in a preceding year.

(5) Two members of any Court of Revision under this section shall form a quorum, and upon the death or resignation of any member of any such Court, a successor shall immediately thereafter be appointed by the authority which appointed the member so dying or resigning. In case of a vacancy in the office of Sheriff, or if the Sheriff is unable to act from any cause in cities where there is no Official Arbitrator, the Registrar of Deeds for the county or registry division of the county whose office is in such city, shall act as the third member of the court during such vacancy or inability of the Sheriff to act. R. S. O. 1897, c. 224, s. 62 (3-5).

In other Municipalities.

Where council consists of five members only.

Where of more than five.

Oath of members of Court of Revision.

58.—(1) In municipalities other than cities, if the council of the municipality consists of not more than five members, such five members shall be the Court of Revision for the municipality.

(2) If the council consists of more than five members, it shall appoint five of its members to be the Court of Revision. R. S. O. 1897, c. 224, s. 63.

(3) Every member of the Court of Revision before entering upon his duties, shall take and subscribe, before the clerk of the municipality, the following oath (or affirmation in cases where, by law, affirmation is allowed):—

"I, _____, do solemnly swear (or affirm) that I will, to the best of my judgment and ability, and without fear, favour or partiality, honestly decide the appeals of the Court of Revision, which may be brought before me for trial as a member of said Court."

R. S. O. 1897, c. 224, s. 64.

Quorum.

59. Three members of the Court of Revision shall be a quorum; and a majority of a quorum may decide all questions before the Court. But no member shall act when an appeal is being heard respecting any property in which he is directly or indirectly interested. R. S. O. 1897, c. 224, s. 65, *amended*.

Who to be clerk. Record of decision. Meetings of Court.

60. The clerk of the municipality shall be the clerk of the Court, and shall keep in a book a record of the proceedings and decisions of the Court, which shall be certified by the chairman of the Court. R. S. O. 1897, c. 224, s. 66, *amended*.

61. The Court may meet and adjourn, from time to time at pleasure, or may be summoned to meet at any time by the head of the municipality; but the first sitting shall not be held until after the expiration of at least ten days from the expiration of the time within which notice of appeals may be given to the clerk of the municipality. R. S. O. 1897, c. 224, s. 67.

Court to try all complaints, &c.

62. At the time or times appointed, the Court shall meet and try all complaints in regard to persons wrongly placed upon or omitted from the roll, or assessed at too high or too low a sum. R. S. O. 1897, c. 224, s. 68.

May administer oaths, &c.

63. The Court, or some member thereof, may administer an oath to any party or witness, before his evidence is taken, and may issue a summons to any witness to attend such Court. R. S. O. 1897, c. 224, s. 69.

Compelling attendance of witnesses at Court of Revision.

64. If a person summoned to attend the Court of Revision or before a County Judge under the provisions of this Act as a witness fails, without good and sufficient reason, to attend, having first been tendered compensation for his time at the rate of 75 cents per day and his proper travelling expenses if he resides more than three miles from the place of trial, or if having attended, or being present in court, he refuses to be sworn, if required to give evidence,

he shall incur a penalty of not more than \$25 to be recoverable with costs by and to the use of any person suing for the same either by suit in a Division Court or in any way in which penalties incurred under any by-law of the municipality may be recovered. R. S. O. 1897, c. 224, s. 70.

Proceedings for the Trial of Complaints.

65.—(1) Any person complaining of an error or omission in regard to himself, as having been wrongly inserted in or omitted from the roll, or as having been undercharged or overcharged by the assessor in the roll may personally, or by his agent give notice in writing to the clerk of the municipality, (or assessment commissioner, if any there be), that he considers himself aggrieved for any or all of the causes aforesaid, and shall give a name and address where notices can be served by the clerk as hereinafter provided.

Notice of complaint by person aggrieved.

(2) The notice shall be given to the clerk (or assessment commissioner, if any there be), within fourteen days after the day upon which the roll is required by law to be returned, or within fourteen days after the return of the roll, in case the same is not returned within the time fixed for that purpose.

Time within which notices of appeal to the court are to be given.

(3) If a municipal elector thinks that any person has been assessed too low or too high, or has been wrongly inserted in or omitted from the roll, he may, within the time limited by the preceding subsection, give notice in writing to the clerk of the municipality, (or assessment commissioner, if any there be), and the clerk shall give notice to such person and to the assessor, of the time when the matter will be tried by the Court of Revision; and the matter shall be decided in the same manner as complaints by a person assessed.

When elector thinks any person assessed at too low or too high a rate.

(4) The clerk of the Court shall post up in some convenient and public place within the municipality or ward, a list of all complainants, on their own behalf, against the assessors' return, and of all complainants on account of the assessment of other persons, stating the names of each, with a concise description of the matter complained against, together with an announcement of the time when the Court will be held to hear the complaints.

Clerk to give notice by posting up list.

(5) No alteration shall be made in the roll unless under a complaint formally made according to the above provisions. R. S. O. 1897, c. 224, s. 71, (1), (2), (3), (4).

(6) The clerk of the Court shall enter the appeals on the list, in the alphabetical order of the names of the appellants, and the Court shall proceed with the appeals in the order, as nearly as may be, in which they are so entered, but may grant an adjournment or postponement of any appeal. R. S. O. 1897, c. 224, s. 71 (5), *amended*.

Order of hearing appeals.

Postponement.

(7) Such list may be in the following form :

Form of list of appeals.

Appeals to be heard at the Court of Revision to be held at				on the	day of	, 19
Appellant.	Respecting whom.			Matter complained of,		
A. B. ... ..	...	Self	...	...	Overcharged on land.	
C. D. ... ..	...	E. F.	...	...	Name omitted.	
G. H. ... ..	...	J. K.	...	...	Not bona fide owner or tenant.	
L. M. ... ..	...	Self	...	...	Income.	
&c.		&c.				

R. S. O. 1897, c. 224, s. 71 (6), *amended*.

(8) The clerk shall also advertise in some newspaper published in the municipality, or, if there be no such paper, then in some newspaper published in the nearest municipality in which one is published, the time at which the Court will hold its first sitting for the year, and the advertisement shall be published at least ten days before the time of such first sittings. R. S. O. 1897, c. 224, s. 71 (7).

Clerk to advertise sittings of Court.

(9) The clerk shall also cause to be left at the residence or office of each assessor, a list of all the complaints respecting his roll. R. S. O. 1897, c. 224, s. 71 (8), *amended*.

To leave a list with assessor,

(10) The clerk shall prepare a notice according to the form following for each person with respect to whom a complaint has been made :—

and prepare notice to parties concerned.

Take notice that the Court of Revision will sit at _____ on the _____ day of _____ in the matter of the following appeal

Appellant _____

Subject—(That you are not the bona fide owner or tenant (or are overcharged in assessment on _____ (as the case may be)

(Signed) X. Y.
Clerk

To J. K. or J. S.

and he shall also notify each person who has made a complaint of the date of the sittings of the Court. R. S. O. 1897, c. 224, s. 71 (9), *amended*.

(11) If the person resides or has a place of business in the municipality, the clerk shall cause the notice to be left at the person's residence or place of business.

Service to be at residence or place of business in municipality.

(12) If the person is not known, then the notice shall be left with some grown up person on the assessed premises, if there is any such person there resident; or if the person is not resident in the municipality, then the notice shall be addressed to such person through the post office. R. S. O. 1897, c. 224, s. 71 (10-11).

How absentees served.

(13) Every notice hereby required whether by publication, advertisement, letter, or otherwise shall be completed at least six days before the sitting of the Court, and the clerk shall certify to the Court, at the first day of its sitting, the notices which have been so completed. R. S. O. 1897, c. 224, s. 71 (12), *amended*.

When notice to be completed.

(14) Where necessary, the clerk of the municipality may, at the cost of the municipality, call to his aid such assistance as may be required to effect the services which he is required by law to make, and in the event of his failure to effect such services in time for the first sitting

Clerk may require assistance in making services.

Power to adjourn.

of the Court; the Court in its discretion, may appoint an adjourned sitting, for the purpose of hearing the appeals for which the services were not effected in time for the first day, and the proper services shall be made for such adjourned day. R. S. O. 1897, c. 224, s. 71 (13).

Proceedings when person assessed complains of overcharge.

(15) If the person assessed complains of an overcharge on his taxable income, he or his agent may appear before the Court and make a declaration, in case the complainant appears in person, in the form of Schedule I to this Act, and if the complainant appears by agent, such agent may make the declaration in the form of Schedule J; and the Court shall thereupon enter the person assessed at such an amount of taxable income as is specified in such declaration, unless the Court is dissatisfied with the declaration, in which case the person making the declaration, and any witnesses whom it may be desirable to examine, may be examined on oath by the Court, respecting the correctness of such declaration; and the Court shall confirm, alter or amend the roll as the evidence seems to warrant. R. S. O. 1897, c. 224, s. 71 (14), *amended*.

Effect of declaration.

Proceedings in other cases.

(16) In other cases, the Court, after hearing the complainant, and the assessor, or assessors, and any evidence adduced, and, if deemed desirable, the person complained against, shall determine the matter, and confirm or amend the roll accordingly. And the Court may, in determining the value at which any land shall be assessed, have reference to the value at which similar land in the vicinity is assessed, but shall nevertheless have regard to the terms of any by-law passed under section 39 of this Act. And in all cases which come before the Court it may increase the assessment or change it by assessing the right person, the clerk giving the latter or his agent four days' notice of such assessment, within which time he must appeal to the Court if he objects thereto. R. S. O. 1897, c. 224, s. 71 (15), *amended*.

Oaths of certain parties not necessary.

(17) It shall not be necessary to hear upon oath the complainant or assessor, or the person complained against, except where the Court deems it necessary or proper, or where the evidence of the person is tendered on his own behalf or required by the opposite party.

When to proceed ex parte.

(18) If either party fails to appear, either in person or by an agent, the court may proceed *ex parte*. R. S. O. 1897, c. 224, s. 71 (16, 17.)

Correction of errors.

(19) Where it appears that there are palpable errors in the roll of any municipality or of any ward which need correction, the Court may at any time during its sitting correct the same, if no alteration of assessed values is involved; and, if any alteration of assessed values is necessary, the Court may extend the time for making complaints for ten days further, and may then meet and determine the additional matter complained of, and the assessor may be or may be directed by the Court to be, for such purpose, the complainant. R. S. O. 1897, c. 224, s. 71 (18), *amended*. [See also Section 48.]

Business to be finished by July 1st.

(20) Subject to the provisions of sections 53 to 56 inclusive, and to the provisions of *The Act respecting the establishment of Municipal Institutions in Territorial Districts* and to the provisions of any special Act affecting any particular municipality, all the duties of the Court of Revision, which relate to the matters aforesaid, shall be completed and the rolls finally revised by the Court, before the 1st day of July in every year. R. S. O. 1897, c. 224, s. 71 (19).

Rev. Stat., c. 225.

Procedure upon appeals.

(21) Upon an appeal upon any ground against an assessment, the Court of Revision may re-open the whole question of the assessment, so that omissions from, or errors in, the assessment roll may be corrected, and the accurate amount for which the assessment should be made and the person or persons who should be assessed therefor may be placed upon the roll by the Court; and if necessary the roll of any particular ward or sub-division of the municipality, even if returned as finally revised, may be opened so as to make the same correct in accordance with the finding of the Court. 3 Edw. VII., c. 21, s. 8 *part*.

Alteration of roll by clerk.

(22) The clerk shall forthwith alter and amend the assessment roll in accordance with the decisions of the Court of Revision, and shall write his name or initials against every alteration or amendment. *New*. See R. S. O. 1897, c. 224, s. 76.

Roll to be binding, notwithstanding errors in it or in notice sent to persons assessed.

66. The roll, as finally passed by the Court, and certified by the clerk as passed, shall, except in so far as the same may be further amended on appeal to the Judge of the County Court, be valid, and bind all parties concerned, notwithstanding any defect or error committed in or with regard to such roll, or any defect, error or mis-statement in the notice required by section 46 of this Act, or the omission to deliver or transmit such notice. Provided that the provisions of this section in so far as they relate to the omission to deliver or transmit such notice shall not apply to any person who has given the Clerk or Assessment Commissioner the notice provided for in subsection 6 of section 46 of this Act. R. S. O. 1897, c. 224, s. 72, *amended*.

Copy of assessment roll duly certified to be evidence.

67. A copy of any assessment roll, or portion of any assessment roll, written or printed, without any erasure or interlineation, and under the seal of the corporation, and certified to be a true copy by the clerk of the municipality, shall be received as *prima facie* evidence in any court of justice without proof of the seal or signature, or the production of the original assessment roll of which such certified copy purports to be a copy, or a part thereof. R. S. O. 1897, c. 224, s. 73.

APPEALS FROM THE COURT OF REVISION.

Appeal lies from decision or refusal to decide.

68.—(1) An appeal to the County Judge shall lie, at the instance of the municipal corporation, or at the instance of the assessor, or assessment commissioner, or at the instance of any ratepayer of the municipality not only against a decision of the Court of Revision on an appeal to the said Court, but also against omission, neglect or refusal of the said Court to hear or decide an appeal. 62 V. (2), c. 27, s. 6.

Service notice of appeal. Rev. Stat. c. 225.

(2) Subject to the provisions of sections 53 to 56 inclusive, and to the provisions of *The Act respecting the establishment of Municipal Institutions in Territorial Districts* and to the provisions of any special Act affecting any particular municipality, the person appealing shall, in person or by his solicitor or agent, serve upon the clerk of the municipality (or assessment commissioner, if any there be), within five days after the date herein limited for the closing of the Court of Revision, a written notice of his intention to appeal to the County Judge.

(3) The clerk shall, immediately after the time limited for filing said appeals, forward a list of the same to the Judge, who shall then notify the clerk of the day he appoints for the hearing thereof, and shall, if in his opinion, the appeals or any of them appear to involve the calling or examination of witnesses, fix the place for holding such Court within the municipality, from the Court of Revision of which such appeal is made, or at the place nearest thereto where the sittings of the Division Court within his jurisdiction are held.

Day for hearing.
Places for hearing appeals from Courts of Revision.

(4) The clerk shall thereupon give notice to all the persons appealed against in the same manner as is provided for giving notice on a complaint under section 65 of this Act; but in the event of failure by the clerk to have the required service of the notices in any appeal made, or to have the same made in proper time, the Judge may direct service to be made for some subsequent day upon which he may sit.

Clerk to notify parties.

(5) The clerk of the municipality shall cause a conspicuous notice to be posted up in his office, or the place where the council of the municipality hold their sittings, containing the names of all the appellants and persons appealed against, with a brief statement of the ground or cause of appeal, together with the date at which a Court will be held to hear appeals. R. S. O. 1897, c. 224, s. 75 (6), amended.

List of appellants, &c., to be posted up by clerk.

(6) The clerk of the municipality shall be the clerk of such Court; and he shall keep, in the book referred to in section 60, a record of the decision of the Judge upon each appeal. R. S. O. 1897, c. 224, s. 75 (6), amended.

Clerk of Court.

(7) At the Court so holden, the Judge shall hear the appeals and may adjourn the hearing from time to time, and defer judgment thereon at this pleasure, but so that (subject to the provisions of sections 53 to 56 inclusive, and to the provisions of the *Act respecting the establishment of Municipal Institutions in Territorial Districts*, and to the provisions of any special Act affecting any particular municipality) all the appeals may be determined before the 1st day of August.

Hearing and adjournment.
Rev. Stat. c. 225.

(8) A subpoena to compel the attendance of any witness required before the County Judge upon any appeal under this Act may be issued by the clerk of the County Court of the county in which is situated the municipality whose assessment roll is in question, which said subpoena shall be tested as are other subpoenas issued out of the County Court of the said county in actions therein and may be intituled as is provided in section 71 of this Act. R. S. O. 1897, c. 224, s. 75 (7), (8.)

Subpoena.

69. At the Court to be holden by the County Judge, or acting Judge of the Court, to hear the appeals hereinbefore provided for, the person having charge of the assessment roll passed by the Court of Revision shall appear and produce such roll, and all papers and writings in his custody connected with the matter of the appeal, and such roll shall be altered and amended according to the decision of the Judge, if then given, who shall write his initials against any part of the said roll in which any mistake, error or omission is corrected or supplied; and if the decision is not then given, the clerk of the Court shall, when the same is given, forthwith alter and amend the roll, according to the same, and shall write his name or initials against every such alteration or correction. R. S. O. 1897, c. 224, s. 76, amended.

Assessment roll to be produced to the Court, and amended, &c.

Amendments, how certified.

70.—(1) In all proceedings before the County Judge, or acting Judge of the Court, under or for the purposes of this Act, such Judge shall possess all such powers for compelling the attendance of, and for the examination on oath of all parties, whether claiming or objecting or objected to, and of all other persons whatsoever, and for the production of books, papers, rolls and documents, and for the enforcement of his orders, decisions and judgments, as belong to or might be exercised by him, in the Division Court or in the County Court.

Powers of Judge sitting in appeal from Court of Revision.

(2) The hearing of the said appeal by the County Judge shall, where questions of fact are involved, be in the nature of a new trial, and either party may adduce further evidence in addition to that heard before the Court of Revision subject to any order as to costs or adjournment, which the Judge may consider just. R. S. O. 1897, c. 224, s. 77.

Appeal to County Judge where question of fact involved.

71. All process or other proceedings in, about or by way of appeal, may be intituled as follows:

Style of proceedings.

In the matter of appeal from the Court of Revision of the _____, of _____, Appellant,
and _____, Respondent,

*and the same need not be otherwise entitled. R. S. O. 1897, c. 224, s. 78.

Costs to be apportioned by the Judge, and how enforced.

72. The costs of any proceedings before the Court of Revision or before the Judge as aforesaid shall be paid by or apportioned between the parties in such manner as the Court or Judge thinks fit, and where costs are ordered to be paid by any party claiming or objecting or objected to, or by any assessor, clerk of a municipality, or other person, payment of the same shall be enforced, when ordered by the Court of Revision, by a distress warrant under the hand of the clerk and the corporate seal of the municipality, and when ordered by the Judge, by execution to be issued as the Judge may direct, either from the County Court or the Division Court within the county in which the municipality or assessment district, or some part thereof, is situated, in the same manner as upon an ordinary judgment for costs recovered in such Court. R. S. O. 1897, c. 224, s. 79.

73. The costs chargeable or to be awarded in any case may be the costs of witnesses, and of procuring their attendance, and none other; and the same shall be taxed according to the allowance in the Division Court for such costs; and in cases where execution issues, the costs thereof as in the like Court, and of enforcing the same, may also be collected thereunder. R. S. O. 1897, c. 224, s. 80.

What costs chargeable.

74. County Court Judges shall be entitled to receive from the several municipalities as their expenses for holding Courts in such municipalities other than the county town, for the purpose of hearing appeals from the Court of Revision, under the provisions of this Act, the same sums as they are allowed for holding Courts for revising voters' lists. R. S. O. 1897, c. 224, s. 81.

Expenses of County Judges on assessment appeals.

Decision of
County Judge
to be final.

75. The decision and judgment of the Judge or acting Judge shall be final and conclusive in every case adjudicated upon. R. S. O. 1897, c. 224, s. 82, amended.

Appeals where large amounts involved.

Appeals
where large
amounts or
questions of
law involved.

76.—(1) Where there is an appeal from any Court of Revision under section 68 of this Act to the Judge of the County Court of the county in which the assessment is made and a person desiring to appeal has been assessed on one or more properties to an amount aggregating \$20,000, such person on depositing with the clerk of the Court of Revision appealed from the sum of \$75 to pay the travelling expenses of the Board or Judge to be called in as hereinafter mentioned, shall have the right to have the appeal from the said Court of Revision heard by a Board consisting of the Judges of the counties which constitute the County Court District, if the property assessed be in a county which forms part of a County Court District, and if not, then the person appealing may request, in writing, the said County Court Judge to associate with himself in hearing the said appeal, the Judge or acting Judge of the County Court of the county whose county town is nearest to the court house where the said appeal will be heard, and the Judge or acting Judge of the County Court of the county, whose county town is the next nearest to the court house where the said appeal will be heard; and the said appeal shall thereupon be heard by the County Court Judge and the said Judges so called in as aforesaid; and in such cases the clerk of the municipality shall forthwith notify by post, prepaid, each of the Judges whose duty it is to attend upon such appeal as aforesaid, of all notices of appeal coming within the provisions of this section, which are from time to time served upon him; and the Judge of the County in which the city, town, township or village lies the decision of whose Court of Revision has been appealed against, shall arrange a day for the hearing of such appeals, and shall notify the clerk thereof, and the clerk shall immediately notify, by post, prepaid, the other Judges and the persons appealing.

Appeals in
districts and
provisional
counties.

(2) Where an appeal against an assessment lies from a Court of Revision to the Stipendiary Magistrate of the district or provisional county in which the property assessed is situate, and a person desiring to appeal is assessed on one or more properties in any township or union of townships to an amount in the aggregate exceeding \$20,000, such person shall have the right to appeal either to the said Stipendiary Magistrate or (on depositing with the clerk of the municipality the sum of \$50 to defray the travelling expenses of the County Court Judge hereinafter mentioned) to the Judge of the County Court of the county to which the said provisional county or district is attached for judicial purposes; the notice of such appeal, the time for bringing the same on, and the procedure generally, shall be the same as in the case of an ordinary appeal from a Court of Revision to a County Court Judge.

Powers and
procedure on
such appeals.

(3) Sections 68 to 78 inclusive, shall apply to all appeals taken under the preceding two subsections, and the said Judge or Judges shall have the powers and duties which by the said sections 68 to 78 are assigned to the County Court Judge therein referred to.

Majority of
Judges to
decide.

(4) When three Judges hear the appeal the decision of the majority shall prevail, subject to appeal to the Court of Appeal.

Payment of
travelling
expenses of
County
Judges.

(5) The clerk with whom any money is deposited to pay the travelling expenses as aforesaid, shall pay out of the moneys so deposited upon requisition by the Judges respectively, such sums as the said Judges certify to him as their respective travelling expenses in connection with the said appeal, and shall repay the balance, if any, to the person, partnership or corporation who deposited the same, and each of the said outside Judges shall be entitled to be paid a sum not exceeding five dollars per day for his services, and the sum so paid shall be part of the costs of the appeal and shall be payable by such party as the majority of the Judges hearing the appeal determine.

Appeal to
Court of
Appeal.

(6) An appeal shall lie to the Court of Appeal from any judgment or decision of the said Judges or a majority of them; and, subject to any Rule of Court relating to such appeals, the procedure thereon shall be, as far as may be, the same as upon an appeal from a County Court to the High Court. The appeal shall be heard by three or more Judges of the Court of Appeal, and the decision of such Judges or a majority of them shall be final. R. S. O. 1897, c. 224, s. 84.

County Judge
may state
case for
opinion of
Court of
Appeal.

77. In order to facilitate uniformity of decision without the delay or expense of appeals,—

1. A County Judge may, after his judgment in the case or matter, prepare a statement of the facts in the nature of a case on any question of general application which has arisen under this Act, or on any question which has arisen upon an appeal of a person, partnership or corporation assessed on one or more properties to an amount aggregating \$10,000 and may transmit the same to the Lieutenant-Governor in Council, who thereupon may state a case and immediately refer the same to a judge of the Court of Appeal, for the opinion of a Judge thereupon; or

Lieutenant-
Governor may
obtain opinion.

2. The Lieutenant-Governor in Council may, without such statement, refer a case on any such question to a Judge of the Court of Appeal, for a like opinion.

Duty of
Court.

3. Immediately upon the receipt of such case it shall be the duty of a Judge of such Court (to be named by the Court of Appeal or the Chief Justice thereof), to appoint a time and place for hearing arguments (if any be offered) upon the points and matter involved in the case, of which time and place written notice shall be given by the Registrar of the Court by posting up a copy of the notice in the Central office of the High Court at Osgoode Hall, in Toronto, at least ten clear days before the time appointed as aforesaid.

Argument.

4. At the time and place fixed therefor as aforesaid, or at any time to which he may adjourn the same, the Judge shall hear argument upon the case by such of the counsel present (if any) as he may deem reasonable, and shall thereupon consider the case and certify to the Lieutenant-Governor in Council his opinion thereon; and the opinion shall thereupon be forthwith published in *The Ontario Gazette*, and a copy thereof shall be sent to every Judge of a County Court.

Security for
costs.

5. The Lieutenant-Governor in Council may impose such conditions as may appear to be reasonable as to a deposit of money or the execution of a bond to His Majesty to cover costs of any party or otherwise, before or upon the transmission of such case to the Judge.

6. The statement of any such case or the hearing or argument or other proceeding thereon under this Act shall not delay the final revision of the assessment roll or other proceedings thereon or the collection of taxes thereunder. The Judge may also direct and require notice of the proceeding to be served on any person, and that such person may be heard by counsel or personally and he may make such order in the premises and as to costs and the payment thereof as will, in his opinion, do justice to all parties concerned; and any such order may be enforced in the same manner as an order of a Judge of the High Court under *The Judicature Act* or otherwise. But any such order, decision or judgment shall not alter, vary or invalidate any assessment or collector's roll made at or before the time when the decision, judgment or order is made.

Statement of cases not to affect rolls, &c., then being prepared.

Rev. Stat. c. 51.

7. The Judge may at any stage of the proceedings refer the case to the full Court for hearing and adjudication, and the said Court shall have the authority and perform the duties hereinbefore assigned to or conferred upon a Judge. R. S. O. 1897, c. 224, s. 85.

Reference to full Court of Appeal.

78. Upon an appeal upon any ground against an assessment the Judge of the County Court or the County Judges hearing an appeal under section 76 of this Act, or the Court of Appeal, as the case may be, may re-open the whole question of the assessment, so that omissions from, or errors in, the assessment roll may be corrected, and the accurate amount for which the assessment should be made, and the person or persons who should be assessed therefor may be placed upon the roll by the Judge or Judges, or Court, and, if necessary, the roll of any particular ward or sub-division of the municipality, even if returned as finally revised, may be opened so as to make the same correct in accordance with the finding of such Judge or Judges, or Court. 3 Edw. VII., c. 21, s. 8 *part amended*.

Assessment to be open upon appeal.

79.—(1) Subject to the provisions of subsection 2 of this section, when after the appeal provided by this Act, the assessment roll has been finally revised and corrected, the clerk of the municipality shall, with 90 days, transmit to the county clerk a certified copy thereof.

Copy of roll to be transmitted to county clerk.

(2) The Council of any County may pass a by-law permitting the clerks of municipalities instead of transmitting a copy of the roll as required by subsection 1 to submit a summarized statement of the contents of the roll, showing the total population of the municipality and the total assessment of each of the various classes of property liable to assessment; but the clerk of every municipality shall, nevertheless, transmit a copy of the roll to the Clerk of the County in every third year and whenever in other years he may be required so to do by the County Judge or by resolution of the County Council.

(3) The penalty for default in performance of the duties under this section, or under such by-law, upon the clerk of a municipality shall be not less than \$10 and not more than \$20. R. S. O. 1897, c. 224, s. 83; 62 V. (2) c. 27, s. 7, *amended*.

Equalization.

County Valuators.

80.—(1) The council of every county may appoint two or more valuers for the purpose of valuing the real property within the county, and it shall be their duty to ascertain, in every fifth year at furthest, the value of the same in the manner directed by the county council; but the valuers shall not exceed the powers possessed by assessors. The valuation so made shall be made by the county council the basis of equalization of the real property for a period not exceeding five years.

County council may appoint valuers, their duties, &c. Equalization of real property.

(2) The county council may, at or before the expiration of the said period, extend the time for a term not exceeding five years further and thereupon the valuation shall continue to be made the basis of equalization of the real property by the county council for such extended period. R. S. O. 1897, c. 223, s. 310.

Terms for which valuation to be in force.

(3) When valuers have been appointed under this section the said valuers may ascertain the value of the said real property by inspecting and valuing from five to eight per cent. of the different parcels of land in different parts of each municipality in the county, and upon such inspection and valuation the said valuers shall compare their valuations with the valuations in the last revised assessment roll made by the assessors of the several municipalities within the county; and if upon such comparison it is found that the valuation of the county valuers nearly corresponds in the aggregate with the valuation upon the assessment roll of a municipality, the valuers and afterwards the county council shall accept the assessment roll as correct for the purposes of county valuation.

Method of valuing by county valuers.

(4) Where it is found that the valuations of particular lots made by the county valuers differ materially from the valuations of the same lots upon the assessment roll of a municipality, the county valuers shall add or deduct a corresponding percentage to or from the local assessment; and a similar method shall be followed with respect to the valuation of real property in towns and villages. 1 Edw. VII., c. 26, s. 13.

Where valuation differs from total assessment.

(5) The valuers shall attest their report on the value of the real property within the county by oath or affirmation in regard to the property actually inspected and valued by them in the same manner as assessors are required to verify assessment rolls. R. S. O. 1897, c. 224, s. 90; 1 Edw. VII., c. 26, s. 14.

Attestation of valuers' report.

81.—(1) The council of every county shall, yearly, and not later than the first day of July, examine the assessment rolls of the different townships, towns and villages in the county, for the preceding financial year, for the purpose of ascertaining whether the valuations made by the assessors in each township, town or village bear a just relation one to another; and may, by by-law for the purpose of county rates, increase or decrease in any township, town or village, the aggregate valuations, adding or deducting so much per cent. as may, in their opinion, be necessary to produce a just relation between them; but they shall not reduce the aggregate valuation for the whole county as made by the assessors. R. S. O. 1897, c. 224, s. 87, *amended*.

Annual examination of assessment rolls by county councils for purpose of equalization.

(2) Within ten days after the equalization by-law has been passed by the county council, the county clerk shall transmit to the reeve and clerk of each municipality a copy thereof. *New*.

Notice of equalization to municipalities concerned.

Appeal as to equalization of assessments.

Notice of appeal.

Crown council may elect as to county judge acting.

Notice to Provincial Secretary.

Appointment of court by Order-in-Council.

Fees of Judge, sheriff and registrar.

Quorum.

Equalization by County Judge.

Appeal in cases of equalization of assessment.

Costs.

Effect of clerk of municipality omitting to send copy of roll.

Apportionment of county rates, how to be based.

Case of new municipalities.

County councils to apportion sums required for county purposes.

County clerk to certify amounts to clerks of municipalities.

82. If any municipality is dissatisfied with the action of any county council in increasing or decreasing, or refusing to increase or decrease the valuation of any municipality, the proceedings shall be as follows :

1. The municipality so dissatisfied may appeal from the decision of the council at any time within twenty days after the passing of such by-law, by giving to the clerk of the county council notice in writing, which notice shall state whether the municipality appealing is willing to have the final equalization of the assessment made by the County Judge. R. S. O. 1897, c. 224, s. 88, par. 1, *amended*.

2. Every county council, at the same session in which the assessment has been equalized, shall determine whether the said council is willing to have the final equalization of the assessment, in case of appeal, made by the County Judge.

3. Upon receiving notice of appeal, in case any party to the appeal has objected to the final equalization of the assessment being made by the County Judge, the clerk of the county council shall forthwith notify in writing the Provincial Secretary of such objection, giving the name or names of the municipality or municipalities so objecting. R. S. O. 1897, c. 224, s. 88, pars. 2, 3.

4. The Lieutenant-Governor in Council, upon receiving the notice in writing from the clerk of any county council, may appoint two persons, one of whom shall be the sheriff or registrar of the county in which the appeal is made, and the other a Judge of another county, who together with the County Judge shall form a Court, and the said Court shall at such time and place as the Lieutenant-Governor in Council may appoint, proceed to hear and determine the appeal either with or without the evidence of witnesses, or with such evidence as they may decide upon hearing, and may examine witnesses under oath or otherwise, and may adjourn from time to time; but the judgment of the said Court shall not be deferred beyond the 1st day of January next after the notice of the appeal; and the Court shall equalize the whole assessment of the county and shall forthwith report the same to the county council. R. S. O. 1897, c. 224, s. 88, par. 4, *amended*.

5. The Judge of the other county shall be entitled to a reasonable allowance for his services, the same not to exceed \$10 a day, besides his travelling and other expenses, and the County Judge, sheriff, or registrar, shall also receive a reasonable sum, not to exceed \$10 each per day, and to be paid by the county.

6. Any two members of such Court shall constitute a quorum, and such Court may proceed and adjudicate upon such appeal, notwithstanding the office of sheriff or registrar or County Judge is vacant. R. S. O. 1897, c. 224, s. 88, pars. 5, 6.

7. Where all the parties to the appeal have agreed, as above provided, to have the final equalization of the assessment made by the County Judge, the clerk of the county council shall forthwith notify in writing the County Judge, and the County Judge shall appoint a day for hearing the appeal, not later than ten days from the receipt of such notice of the appeal, and may on such day proceed to hear and determine the appeal, either with or without the evidence of witnesses, or with such evidence as he may decide upon hearing, and may examine witnesses under oath or otherwise, and may adjourn, from time to time; but the judgment shall not be deferred beyond the 1st day of January next after such appeal; and the Judge shall equalize the whole assessment of the county, and shall forthwith report the same to the county council. R. S. O. 1897, c. 224, s. 88, par. 7, *amended*.

8. The right of appeal shall exist whether county valuers have been appointed or not, and upon any such appeal the report of the county valuers shall be open to review by the Court or Judge as herein provided.

9. The costs incurred in the prosecution and opposing of such appeal respectively shall be borne and paid as directed by the County Judge or Court as the case may be, and not otherwise, and shall be subject to taxation on the County Court scale by the clerk of the County Court of the said county. R. S. O. 1897, c. 224, s. 88, pars. 8, 9.

83. If the clerk of the municipality has neglected to transmit a certified copy of the assessment roll, such neglect shall not prevent the county council from equalizing the valuations in the several municipalities according to the best information obtainable; and any rate imposed, according to the equalized assessment, shall be as valid as if the assessment rolls had been transmitted. R. S. O. 1897, c. 224, s. 89.

84. The council of a county, in apportioning a county rate among the different townships, towns and villages within the county, shall, in order that the same may be assessed equally on the whole rateable property of the county, make the assessment of property equalized in the preceding year the basis upon which the appointment is made. R. S. O. 1897, c. 224, s. 91, *amended*.

85. Where boundaries of existing municipalities are changed, or where a new municipality is erected within a county so that there are no assessment of valuator's rolls of the new municipality for the next preceding year, the county council shall, by examining the rolls of the former municipality or municipalities of which the new municipality then formed part, ascertain, to the best of their judgment, what part of the assessment of the municipality or municipalities had relation to the new municipality, and what part should continue to be accounted as the assessment of the original municipality, and their several shares of the county tax shall be apportioned between them accordingly. R. S. O. 1897, c. 224, s. 92, *amended*.

86. Where a sum is to be levied for county purposes, or by the county for the purposes of a particular locality, the council of the county shall ascertain, and, by by-law, direct what portions of such sum shall be levied in each township, town or village in such county or locality. R. S. O. 1897, c. 224, s. 93.

87. The county clerk shall forthwith after the county rates have been apportioned certify to the clerk of each municipality in the county, the total amount which has been so directed to be levied therein for the then current year, for county purposes, or for the purposes of any such locality; and the clerk of the municipality shall calculate and insert the same in the collector's roll for that year. R. S. O. 1897, c. 224, s. 94, *amended*.

88. Nothing in this Act contained shall alter or invalidate any special provisions for the collection of a rate for interest on county debentures, whether such provisions are contained in any Municipal Act now or formerly in force in this Province, or in any Act respecting The Consolidated Municipal Loan Fund of Ontario, or in any general or special Act authorizing the issue of debentures, or in any by-law of the county council providing for the issue of the same. R. S. O. 1897, c. 224, s. 95.

Act not to affect provisions for rates to raise interest on county debentures.

COLLECTION OF TAXES.

89. The taxes due upon any land with costs may be recovered from the owner or tenant originally assessed therefor and from any subsequent owner of the whole or any part thereof, saving his recourse against any other person, and shall be a special lien on the land, enforceable by action, in priority to every claim, privilege, lien, or encumbrance of every person except the Crown, and the lien and its priority shall not be lost or impaired by any neglect, omission or error of the municipality, or of any agent or officer, or by want of registration. R. S. O. 1897, c. 224, s. 24 (2) *last part and s. 149 amended.*

Who liable for taxes.

Taxes to be a lien upon lands.

[As to the amount collectable from an owner in consequence of the tenant's default where the school rate and the separate school rate are not the same, see R. S. O. 1897, c. 294, Sec. 53.]

90.—(1) The taxes payable by any person may be recovered with interest and costs, as a debt due to the municipality; in which case the production of a copy of so much of the collector's roll as relates to the taxes payable by such person, purporting to be certified as a true copy by the clerk of the municipality, shall be *prima facie* evidence of the debt. R. S. O. 1897, c. 224, s. 142, *amended.*

Recovery of taxes by action.

(2) Where the amount claimed does not exceed \$200, an action to recover the same may be brought in a Division Court. *New.*

91. Where taxes are due upon any land occupied by a tenant, the collector may give such tenant notice in writing requiring him to pay to such collector the rent of the premises as it becomes due from time to time to the amount of the taxes due and unpaid and costs; and the collector shall have the same authority as the landlord of the premises would have to collect such rent by distress or otherwise to the amount of such unpaid taxes and costs; but nothing in this section contained shall prevent or impair any other remedy for the recovery of the taxes or any portion thereof from such tenant or from any other person liable therefor. R. S. O. 1897, c. 224, s. 143, *amended.*

Paying rent to collector until taxes paid.

92. Any tenant may deduct from his rent any taxes paid by him which as between him and his landlord the latter ought to pay. R. S. O. 1897, c. 224, s. 26, *amended.*

When tenant may deduct taxes from rent.

93. All moneys assessed, levied and collected under any Act by which the same are made payable to the Treasurer of this Province, or other public officer for the public uses of the Province, or for any special purpose or use mentioned in the Act, shall be assessed, levied and collected in the same manner as local rates, and shall be similarly calculated upon the assessments as finally revised, and shall be entered in the collectors' rolls in separate columns, in the heading whereof shall be designated the purpose of the rate. R. S. O. 1897, c. 224, s. 131, *first part.*

Provincial taxes.

COLLECTORS' ROLLS.

94. The clerk of every municipality shall make a collector's roll or rolls as may be necessary, containing columns for all information, required by this Act to be entered by the collector therein; and in such roll or rolls he shall set down the name in full of every person assessed, and in the proper columns in that behalf the amount for which he is assessed in respect of his real property and income and otherwise under this Act as ascertained after the final revision or the assessment roll; and he shall calculate, and, opposite the assessed value, he shall set down in one column to be headed "*County Rates*," the amount for which the person is chargeable for any sums ordered to be levied by the council of the county for county purposes, and in another column to be headed "*General Rate*," the amount with which the person is chargeable in respect of sums ordered to be levied by the council of the municipality for the purposes thereof, and including any special rate for collecting the principal or interest for the payment of debentures issued, and in other columns any local improvement rate or school rate or other special rate, or sums for the commutation of statute labour, the proceeds of which are required by law, or by the by-law imposing it to be kept distinct and accounted for separately; and every such last mentioned rate shall be calculated separately, and the column therefor shall be headed "*Special Rate*," "*Local Improvement Rate*," "*Public School Rate*," "*Separate School Rate*," or "*Special Rate for School Debts*," or as the case may be. R. S. O. 1897, c. 224, s. 129, *amended.*

Clerk of municipalities to make out collector's rolls; their form, contents, &c.

(2) Notwithstanding anything hereinbefore contained the council of any city or town may by by-law provide that the clerk shall make a collector's roll or rolls, as may be necessary, containing all the information required by this Act to be entered by the collector therein; and in such roll or rolls he shall set down the name in full of every person assessed and the assessed value of his real property and taxable income, as ascertained after the final revision of the assessment roll, and opposite the assessed value he shall set down in a column the amount for which the person is chargeable, for all sums ordered to be levied by the council of the said municipality for the purpose thereof. R. S. O. 1897, c. 224, s. 130 (1).

Form and contents of collector's rolls.

(3) Appended to every roll made up under subsection 2 of this section there shall also be a table setting forth the following information, viz.:—(a) the total amount of taxes to be collected under and by virtue of such roll or rolls; (b) the name and amount of each rate levied by the municipality which is required by law or by the by-law imposing it, to be kept distinct and accounted for separately and specifying the aggregate proceeds of each rate; and the clerk shall, before delivering the roll to the collector, furnish to the treasurer of the municipality a copy of such table. R. S. O. 1897, c. 224, s. 130 (2), *amended.*

Information to be given in tables appended to rolls.

Collector's roll to be certified by clerk.

95. The clerk shall attach to a roll a certificate signed by him according to the following form:—

I do certify that the within (or annexed, or attached, or as the case may be) Roll is the Collector's Roll prepared accordingly to the provisions of The Assessment Act for (naming the municipality, or for Ward No. — of — as the case may be) for the year 19 .

A. B.,
Clerk of ———.

and shall deliver the roll so certified to the collector on or before the 1st day of October, or such other date as may be prescribed by by-law of the municipality. R. S. O. 1897, c. 224, s. 131, *last part, amended.*

Roll of non-residents in township

96. The clerk of every township shall also make out a roll in which he shall enter the lands of non-residents assessed as provided in clause (g) of subsection 1 of section 22, together with the value of every lot, part of lot, or parcel, as ascertained after the revision of the roll; and he shall enter, opposite to each lot or parcel, all the rates or taxes with which the same is chargeable, in the same manner as is provided for the entry of rates and taxes upon the collector's roll; and he shall, on or before the 1st day of November, transmit the roll so made out, certified under his hand, to the treasurer of the county. R. S. O. 1897, c. 224, s. 132, *amended.*

If corrections made after collector's rolls prepared, mode to collect taxes on corrected roll.

97. If corrections are made in the assessment roll, under subsection 21 of section 65 or under section 78 of this Act, after the collector's roll or rolls for the municipality for the year for which such assessment has been made have been prepared, the Clerk of the municipality shall alter or amend the collector's roll or rolls to correspond with the charges made by the Court, Judge or Judges under the said sections, and by inserting the proper rates therefor, and the rates or taxes shall be collectable in accordance with such corrected rolls in the same manner and with the like remedies as if the same had been in the rolls when first prepared and certified by the Clerk of the municipality. 3 Edw. VII., c. 21, s. 21, s. 8, *last part, amended.*

COLLECTORS AND THEIR DUTIES.

[As to the appointment of collectors, see *The Consolidated Municipal Act, 1903, s. 295.*]

Duties of collector.

98. The collector, upon receiving his roll, shall proceed to collect the taxes therein mentioned. R. S. O. 1897, c. 224, s. 133.

Notice of Taxes to Residents.

Demand on notice of taxes by collector.

99.—(1) In cities, towns, villages and townships he shall call at least once on the person taxed, at his usual residence or place of business if within the municipality in and for which he has been appointed, and shall demand payment of the taxes; or he shall give to such person a written or printed notice specifying the amount of the taxes payable by him, by delivering the same, or causing the same to be delivered to him, or for him at his residence or place of business, or upon the premises in respect of which the taxes are payable. R. S. O. 1897, c. 224, s. 134 (1), (3), *first part, amended.*

How may be given in cities, towns and villages.

(2) In cities, towns and villages the collector may, if so authorized by by-law of the municipality (which by-law the council of the municipality is hereby empowered to pass), mail the notice or cause the same to be mailed to the address of the residence or place of business of such person. *New.*

Particulars to be given in tax notice.

(3) The written or printed notice above mentioned shall have written or printed thereon, a schedule specifying the different rates and the amount on the dollar to be levied for each rate, making up the aggregate of the taxes referred to in such notice, and also containing the information required to be entered in the collector's roll under section 94. R. S. O. 1897, c. 224, s. 134 (2), *amended.*

Entry of date of giving notice.

100. The collector shall at the time of such demand or notice as the case may be, or immediately thereafter, enter or cause to be entered on his roll opposite the name of the person taxed, the date of such demand or of the delivery or mailing of such notice. Every person so entering any such date shall append his initials thereto, and the entry shall be *prima facie* evidence of such demand or notice. R. S. O. 1897, c. 224, s. 134 (1), (3), *last part, amended.*

Notice to Non-Residents.

Proceedings in case of non-residents.

101. If any person whose name appears on the roll is not resident within the municipality, the collector shall transmit to him by post, addressed in accordance with the notice given by such non-resident, if notice has been given, a statement and demand of the taxes charged against him in the roll, and shall at the time of such transmission enter or cause to be entered the date thereof in the roll, opposite the name of such person; and such entry shall be *prima facie* evidence of such transmission and of the time thereof; and the said statement and demand shall contain, written or printed on some part thereof, the name and post-office address of such collector. R. S. O. 1897, c. 224, s. 136, *amended.*

By-laws as to mode of Payment of Taxes.

By-laws requiring taxes to be paid into office of treasurer or collector.

102.—(1) In cities, towns, townships or villages, the council may by by-law require the payment of taxes, including local improvement assessments, sewer rents and rates, and of other rents or rates payable as taxes, to be made into the office of the treasurer or collector by any day or days to be named therein, in bulk or by instalments, and may provide that on the punctual payment of any instalment the time for payment of the remaining instalment or instalments shall be extended to a day or days to be named, or may provide that in default of payment of any instalment by the day named for payment thereof, the subsequent instalment or instalments shall forthwith become payable.

Payment by instalments.

(2) The council also by by-law allow a discount for the payment of such taxes or any class of taxes or of any instalment thereof on or before a day or days therein named and may impose an additional percentage charge for non-payment of such taxes or any class of taxes or of any instalment thereof by a day or days named in such by-law, provided that no greater percentage charge than five per cent. shall be imposed on any instalment of taxes or on the aggregate amount of taxes; and such additional percentage charge shall be added to such unpaid tax, or assessment, rent or rate, or instalment thereof, and shall be collected by the collector or otherwise, as if the same had been originally imposed and formed part of such unpaid tax, or assessment, rent, or rate, or instalment thereof.

Discount on punctual payment of taxes.

(3) Such discount or additional charge may by the by-law be provided for on the basis of a sliding scale corresponding with the length of time default is made but so as not in the aggregate to exceed five per cent. as aforesaid.

Discount or charge may be on sliding scale.

(4) In case a by-law is passed providing for payment by instalments or allowing any such discount or imposing any such additional percentage charge, a notice shall be given in accordance with section 99 of this Act on which shall be written or printed a concise statement of the time and manner of payment and of the discount allowed or the percentage charge imposed, if any, and at any time within fourteen days after such notice has first been given, in accordance with section 99 of this Act, any person may take advantage of the provisions of such by-law as to payment by instalments or with the discount allowed thereby, or without the additional percentage charge imposed thereby, as the case may be. 62 V. (2) c. 27, s. 4.

Notice as to time and mode of payment.

(5) Where, in accordance with this section, a percentage is added to unpaid taxes, the by-law shall not be repealed before the return of the collector's roll. *New.*

By-law to be in force till return of collector's roll.

Distress for Recovery of Taxes.

103.—(1) Subject to the provisions of section 102 of this Act, in case taxes which are a lien on land remain unpaid for fourteen days after demand or notice made or given pursuant to sections 99, 101, or 102, the collector, or, where there is no collector, the treasurer may by himself or his agent, (subject to the exemptions and provisos hereafter in this section mentioned), levy the same with costs by distress,

Distress and sale for taxes which are to charge on land.

1. Upon the goods and chattels, wherever found, within the county in which the municipality lies, belonging to, or in the possession of, the owner or tenant of the land, whose name appears upon the collector's roll who is hereinafter called "the person taxed";

On goods of person taxed.

2. Upon the interest of the person taxed in any goods on the land, including his interest in any goods to the possession of which he is entitled under a contract for purchase, or a contract by which he may or is to become the owner thereof upon performance of any condition;

On interest of person taxed in goods on the land.

3. Upon the goods and chattels of the owner of the land found thereon, though his name does not appear upon the roll;

Goods of owner.

4. Upon any goods and chattels on the land, where title to such goods and chattels is claimed in any of the ways following:

Certain goods on the land though claimed adversely to owner of the person taxed.

(a) By virtue of an execution against the person taxed, or against the owner, though his name does not appear on the roll; or

(b) By purchase, gift, transfer or assignment from the person taxed, or from such owner, whether absolute or in trust, or by way of mortgage, or otherwise; or

(c) By the wife, husband, daughter, son, daughter-in-law or son-in-law of the person taxed, or of such owner, or by any relative of his, in case such relative lives on the land as a member of the family; or

(d) By virtue of any assignment or transfer made for the purpose of defeating distress;

Not on goods of third persons where persons taxed or owner not in possession. Evidence of ownership

Provided that where the person taxed or such owner is not in possession, goods and chattels on the land not belonging to the person taxed or to such owner, shall not be subject to seizure; and the possession by the tenant of the said goods and chattels on the premises shall be sufficient *prima facie* evidence that they belong to him. R. S. O. 1897, c. 224, s. 135 (1), *amended.*

Provided also, that no distress shall be made upon the goods and chattels of a tenant for any taxes not originally assessed against him as such tenant. *New.*

Provided also, that in cities and towns no distress for taxes in respect of vacant land shall be made upon goods or chattels of the owner except upon the land. 62 V. (2), c. 27, s. 10 (1), *amended.*

Taxes on vacant lands in cities and towns.

(2) Subject to the provisions of section 102 of this Act, in case of taxes which are not a lien on land remaining unpaid for fourteen days after demand or notice made or given pursuant to sections 99, 101 or 102, the collector, or where there is no collector, the treasurer, may by himself or his agent (subject to the exemptions provided for in subsection 4 of this section) levy the same with costs by distress:

In the case of taxes not a charge on land.

1. Upon the goods and chattels of the person taxed wherever found within the county in which the municipality lies for judicial purposes;

(2) Upon the interest of the person taxed in any goods to the possession of which he is entitled under a contract for purchase, or a contract by which he may or is to become the owner thereof upon performance of any condition;

3. Upon any goods and chattels in the possession of the person taxed where title to the same is claimed in any of the ways defined by sub-clauses a, b, c, and d, in subsection 1 of this section, and in applying the said sub-clauses they shall be read with the words "or against the owner though his name does not appear on the roll," and the words "or such owner," and the words "on the land" omitted therefrom. 62 V. (2), c. 27, s. 11 (1), *amended.*

Case of goods in possession of warehouseman.

Case of goods in possession of assignee or liquidator.

Goods exempt under execution when exempt from distress for taxes.

Exemption to be claimed.

Levy of taxes under warrant.

Rev. Stat. c. 60.

Rev. Stat. c. 73.

Informalities not to invalidate subsequent proceedings.

Public notice of sale to be given, and in what manner.

Surplus, if unclaimed, to be paid to party in whose possession the goods were; or to admitted claimant.

When the right to such surplus contested.

Collector to return his roll and pay over proceeds by the day to be appointed by council.

Collectors of cities, towns and villages to pay to treasurer weekly.

Collector of township to pay to treasurer every two weeks.

(3) Notwithstanding anything in the preceding subsections, no goods which are in the possession of the person liable to pay such taxes for the purpose only of storing or warehousing the same or of selling the same upon commission or as agent shall be levied upon or sold for such taxes; and provided further that goods in the hands of an assignee for the benefit of creditors or in the hands of a liquidator under a winding-up order shall be liable only for the taxes of the assignor or of the company which is being wound up, and for the taxes upon the premises in which the said goods were at the time of the assignment or winding-up order, and thereafter while the assignee or liquidator occupies the premises or while the goods remain thereon. R. S. O. 1897, c. 224, s. 135 (1). *Proviso.*

(4) The goods and chattels exempt by law from seizure under execution shall not be liable to seizure by distress unless they are the property of the person taxed, or of the owner, though his name does not appear on the roll. R. S. O. 1897, c. 224, s. 135 (2), *amended.*

(5) The person claiming such exemption shall select and point out the goods and chattels as to which he claims exemption. R. S. O. 1897, c. 224, s. 135 (3).

(6) If at any time after demand has been made or notice given pursuant to sections 99, 101 or 102, and before the expiry of the time for payment of the taxes, the collector, or, where there is no collector, the treasurer has good reason to believe that any person in whose hands goods and chattels are subject to distress under the preceding provisions, is about to remove such goods and chattels out of the municipality before such time has expired, and makes affidavit to that effect before the mayor or reeve of the municipality, or before any Justice of the Peace, the mayor, reeve or Justice shall issue a warrant to the collector or treasurer, authorizing him to levy for the taxes and costs, in the manner provided by this Act, although the time for payment thereof may not have expired, and the collector or treasurer may levy accordingly. R. S. O. 1897, c. 224, s. 135 (4), *amended.*

(7) A city shall for the purposes of this section be deemed to be within the county of which it forms judicially a part.

(8) The costs chargeable in respect of any such distress and levy shall be those payable to bailiffs under *The Division Courts Act*.

(9) No person shall make any charge for anything in connection with any such distress or levy unless such thing has been actually done.

(10) In case any person offends against the provisions of subsection 9 of this section or levies any greater sum for costs than is authorized by subsection 8 of this section, the like proceedings may be taken against him by the person aggrieved, as may be taken by the party aggrieved in the cases provided for by sections 4 to 5 inclusive of *The Act respecting the Costs of Distress or Seizure of Chattels*, and all the provisions of the said section shall apply as fully as if enacted *mutatis mutandis* in this Act. R. S. O. 1897, c. 224, s. 135 (5-8).

104. No defect, error or omission in the form or substance of the notice required by sections 99, 101 and 102 shall invalidate any subsequent proceedings for the recovery of the taxes. *New.*

105. The collector shall, by advertisement posted up in at least three public places in the township, village or ward wherein the sale of goods and chattels distrained is to be made, give at least six days' public notice of the time and place of sale, and of the name of the person whose property is to be sold; and, at the time named in this notice, the collector or his agents shall sell at public auction the goods and chattels distrained, or so much thereof as may be necessary. R. S. O. 1897, c. 224, s. 138.

106. If the property distrained has been sold for more than the amount of the taxes and costs, and if no claim to the surplus is made by any other person, on the ground that the property sold belonged to him, or that he was entitled by lien or other right to the surplus, such surplus shall be returned to the person in whose possession the property was when the distress was made. R. S. O. 1897, c. 224, s. 139.

107. If such claim is made by the person for whose taxes the property was distrained, and the claim is admitted, the surplus shall be paid to the claimant. R. S. O. 1897, c. 224, s. 140.

108. If the claim is contested, such surplus shall be paid by the collector to the treasurer of the municipality, who shall retain the same until the respective rights of the parties have been determined by action or otherwise. R. S. O. 1897, c. 224, s. 141.

109.—(1) Subject to the provisions of sub-section 2 and 3 of this section every collector shall return his roll to the treasurer on or before the 14th day of December in each year, or on such day in the next year not later than the 1st day of February, as the council of the municipality may appoint. R. S. O. 1897, c. 224, s. 144 (1) *first part, amended.*

(2) In towns and villages to which any by-law passed pursuant to sections 53 to 56 inclusive of this Act applies every collector shall return his roll to the treasurer on or before the 30th day of April in the second year following the completion of the assessment roll, or such earlier date in that year as the council may appoint. *New. See s. 138.*

(3) The council of every city may by by-law fix the times for the return of the collector's rolls, and may make any enlargements of the times so fixed. R. S. O. 1897, c. 224, s. 146, *amended.*

(4) The collector of every city, town and village shall pay over to the treasurer of such city, town or village once every week until the final return of the roll, the total amount collected during the preceding week.

(5) The collector of every township shall pay over to the treasurer of such township once in every two weeks until the final return of the roll, the total amount collected during the preceding two weeks. R. S. O. 1897, c. 224, s. 144 (2), (3).

110.—(1) At or before the return of his roll every collector shall make oath in writing that the date of every demand of payment or notice of taxes required by sections 99 or 102, and every transmission of statement and demand of taxes required by section 101 entered by him in the roll, has been truly stated therein.

Oath of collector on returning roll.

(2) Every other person who has delivered or mailed a notice pursuant to sections 99, 101 or 102 shall in like manner at or before the return of the roll make oath that the date of the delivery or mailing of every such notice by him, has been truly stated in the roll.

(3) Every such oath may be according to the form given in Schedule H to this Act and shall be written on or attached to the roll and may be taken before the treasurer, or before any of the persons mentioned in section 222 of this Act. R. S. O. 1897, c. 224, s. 144 (1), *last part, amended.*

111.—(1) In case the collector fails or omits to collect the taxes or any portion thereof by the day appointed or to be appointed as in section 109 mentioned, the council may, by resolution, authorize the collector, or some other person in his stead, to continue the levy and collection of the unpaid taxes, in the manner and with the powers provided by law for the general levy and collection of taxes.

Other persons may be employed to collect taxes which collector does not collect by a certain day.

(2) No such resolution or authority shall alter or affect the duty of the collector to return his roll, nor shall, in any manner whatsoever, invalidate or otherwise affect the liability of the collector or his sureties. R. S. O. 1897, c. 224, s. 145.

112.—(1) The Court of Revision shall, at any time during the year for which the assessment has been made or before the 1st day of July in the following year and with or without notice, receive and decide upon the petition from any person assessed for a tenement which has remained vacant during more than three months in the year for which the assessment has been made, or from any person who declares himself, from sickness or extreme poverty unable to pay the taxes, or who, by reason of any gross and manifest error in the roll, has been overcharged, or whose land has been assessed under section 51; and the Court of Revision may (subject to the provisions of any by-law in this behalf) remit or reduce the taxes due by any such person, or reject the petition; and the council may from time to time make such by-laws, and repeal or amend the same. R. S. O. 1897, c. 224, s. 74 (1), *amended.*

Remission or reduction of taxes by the council.

(2) An appeal may be had by such person or by the municipality from any decision of the Court of Revision under subsection 1 of this section. R. S. O. 1897, c. 224, s. 74 (3); 3 Edw. VII., c. 21, s. 9, *amended.*

113.—(1) If any of the taxes mentioned in the collector's roll remain unpaid, and the collector is not able to collect the same, he shall deliver to the treasurer of his municipality an account of all the taxes on the roll remaining unpaid; and, in such account, the collector shall show, opposite to each assessment, the reason why he could not collect the same by inserting in each case the words "Non-resident" or "Not sufficient property to distrain," or "Instructed by Council not to collect," or "Instructed by Council to return not collected," or as the case may be.

Proceedings when taxes are unpaid and cannot be collected.

(2) Subject to the next following subsection, the collector shall at the same time furnish the clerk of the municipality with a duplicate of such account, and the clerk shall, upon receiving the same, mail a notice to each person appearing on the roll with respect to whose land any taxes appear to be in arrear for that year.

(3) In cities the treasurer shall give the notice hereinbefore directed to be given by the clerk. R. S. O. 1897, c. 224, s. 147; 61 V. c. 25, s. 2, *amended.*

114. If there is not sufficient distress upon any of the occupied land or lands built upon in section 122 mentioned to satisfy the total amount of taxes charged against the same, as well for arrears as for the taxes of the current year, the collector shall so return it in his roll to the treasurer of the municipality, showing the amount collected, if any, and the amount remaining unpaid, and stating the reason why payment has not been made. R. S. O. 1897, c. 224, s. 156; 62 V. (2), c. 27, s. 11 (4).

When there is not sufficient distress on such lands.

115.—(1) Upon making oath before the treasurer that the sums mentioned in such account remain unpaid, and that he has not, upon diligent inquiry, been able to discover sufficient goods or chattels subject to distress under section 103, whereon he could levy the same, or any part thereof, the collector shall be credited with the amount not realized. R. S. O. 1897, c. 224, s. 148, *amended.*

When thus not collected, collectors to be credited with amount

(2) In cities and towns and any other municipalities having power to sell lands for non-payment of taxes the collector of taxes may qualify the oath, by subsection 1 directed to be made by him by showing that in respect of vacant land, he has not attempted to distrain upon the goods and chattels of the owners except upon such vacant land. 62 V. (2), c. 27, s. 10 (2).

ARREARS OF TAXES ACCRUED ON LAND.

[As to cities and towns see section 136.]

116.—(1) The treasurer of every township and village shall, within fourteen days after the time appointed for the return and final settlement of the collector's roll, and before the 8th day of April in every year, furnish the county treasurer with a statement of all unpaid taxes and school rates directed in the said collector's roll or by school trustees to be collected.

Statement of arrears to be prepared by treasurer.

(2) Such statement shall contain a description of the lots or parcels of land, a statement of unpaid arrears of taxes, if any, and of arrears of taxes paid, on lands of non-residents which have become occupied, as required by section 122 of this Act; and the county treasurer shall not be bound to receive any such statement after the 8th day of April in each year;

(3) The treasurer in such statement and both he and all other officers of the municipality shall from time to time furnish to the county treasurer such other information as the county treasurer may require and demand, in order to enable him to ascertain the just tax chargeable upon any land in the municipality for that year. R. S. O. 1897, c. 224, s. 157, *amended.*

117. If two or more municipalities, having been united for municipal purposes, are afterwards disunited, or if a municipality or part of a municipality is afterwards added to or detached from any county, or to or from any other municipality, the county or other treasurer

Municipalities united and afterwards disunited, &c.

shall make corresponding alterations in his books, so that arrears due on account of any parcel or lot of land, at the date of the alteration, shall be placed to the credit of the municipality within which the land after such alteration is situate. R. S. O. 1897, c. 224, s. 165, *amended*.

All arrears to form one charge upon lands.

118. The county or other treasurer shall not be required to keep a separate account of the lands, but all arrears, from whatever rates arising, shall be taken together and form one charge on the land. R. S. O. 1897, c. 224, s. 246, *amended*.

After return of roll who to receive taxes.

119. (1) After the collector's roll has been returned to the treasurer of a township or village, and before such treasurer has furnished to the county treasurer the statement mentioned in section 116, arrears of taxes may be paid to such local treasurer; but after the said statement has been returned to the county treasurer no more money on account of the arrears then due shall be received by any officer of the municipality to which the roll relates.

Collection of arrears to belong to county treasurer only.

(2) The collection of arrears shall thenceforth belong to the treasurer of the county alone, and he shall receive payment of such arrears, and of all taxes on lands of non-residents, and he shall give a receipt therefor, specifying the amount paid, for what period, the description of the lot or parcel of land, and the date of payment, in accordance with the provisions of section 131 of this Act. R. S. O. 1897, c. 224, s. 160.

Receiving payments on account of arrears.

120. The county treasurer and the treasurer of any municipality whose officers have power to sell lands for arrears of taxes may from time to time receive part payment of taxes returned to him as in arrears upon any land; but no such payment shall be received after the land has been advertised for sale for arrears of taxes. See 62 V. (2), c. 27, s. 13 (1), *amended*.

Duties of Treasurers, Clerks and Assessors in relation thereto.

Lists of lands three years in arrears for taxes to be furnished to clerks.

121. The treasurer of every county shall furnish to the clerk of each municipality in the county except those whose officers have power to sell lands for arrears of taxes, and the treasurer of every such last-mentioned municipality shall furnish to the clerk of the municipality (or in cities having an assessment commissioner the treasurer of the city shall furnish to the assessment commissioner), a list of all the lands in the municipality in respect of which any taxes have been in arrear for the three years next preceding the 1st day of January in any year; and the said list shall be so furnished on or before the 1st day of February in every year, or fifteen days before such other date as may be fixed by any by-law passed under sections 53 to 56 inclusive for the assessor to begin to make his assessment roll and shall be headed in the words following: "*List of lands liable to be sold for arrears of taxes in the year 19* "; and, for the purpose of the computation of such three years the taxes for each year shall be deemed to have been due and payable on and from the first day of January in each year. R. S. O. 1897, c. 224, s. 152, *amended*.

Clerks to keep the lists in their offices open to inspection, give copies to assessors notify occupants, &c.

122. (1) The clerk of the municipality or assessment commissioner is hereby required to keep the said list, so furnished by the treasurer, on file in his office, subject to the inspection of any person requiring to see the same, and he shall also deliver a copy of such list to the assessor of the municipality, in each year as soon as he is appointed; and it shall be the duty of the assessor to ascertain if any of the lots or parcels of land contained in such list are occupied or built upon or are incorrectly described, and to notify such occupants and also the owners, if known, whether resident within the municipality or not, upon their respective assessment notices, or otherwise, that the land is liable to be sold for arrears of taxes, and to enter in a column (to be reserved for the purpose) the words "Occupied or Built upon and Parties Notified," or "Not occupied," or "Incorrectly described," or as the case may be; and all such lists shall be signed by the assessor, verified as provided in subsection 2 of this section, and returned to the clerk with the assessment roll, together with a memorandum of any error discovered therein; and the clerk shall compare the entries in the assessor's return with the assessment roll and report any differences to the assessor for verification and the clerk shall file such lists and any such memorandum in his office for public use, and shall furnish forthwith to the treasurer of the municipality, if the municipality is one whose officers have power to sell lands for arrears of taxes, or in other cases to the county treasurer, a true copy of the same certified to by him, under the seal of the corporation; and, every such list or copy thereof, shall be received in any Court as evidence, in any case arising concerning the assessment of such lands. R. S. O. 1897, c. 224, s. 153, s. 155 (1); 62 V. (2), c. 27, s. 12 (1), *amended*.

Assessor's certificate.

[See section 126 for penalty for non-performance of these duties.]

(2) The assessor shall attach to each such list a certificate signed by him, and verified by oath or affirmation, in the form following:

I do certify that I have examined all the lots in this list named; and that I have entered the names of all occupants thereon, as well as the names of the owners thereof, when known; and that all the entries relative to each lot are true and correct, to the best of my knowledge and belief.

R. S. O. 1897, c. 224, s. 154.

Return of taxes due to be made by treasurer to clerk.

123.—(1) In cities of over 50,000 inhabitants on or before the first day of August, and in other cities and municipalities on or before the 15th day of September, and, in the cases provided for by sections 53 to 56 inclusive, one month before the date fixed for the completion of the collector's roll, the county treasurer or the treasurer of the municipality as the case may require shall return to the clerk of the proper municipality an account of all arrears of taxes due in respect of such occupied lands, or lands built upon, including the percentage chargeable under section 134 of this Act.

Clerk to insert amount in collector's roll,

(2) The clerk of each municipality shall, in making out the collector's roll of the year, add such arrears of taxes to the taxes assessed against such occupied lands, or lands built upon, for the current year; and, subject to the proviso contained in subsection (1) of section 103, relating to tenants, such arrears shall be collected in the same manner and subject to the same conditions as all other taxes entered upon the collector's roll. R. S. O. 1897, c. 224, s. 155 (3); 62 V. (2), c. 27, s. 11 (2), (3), *amended*.

Proceedings where any land is found not to have been assessed.

124. If, on an examination of the non-resident collector's roll or the return required under sections 122 and 123 of lands liable to be sold for taxes, or otherwise, it appears to the treasurer that any land liable to assessment has not been assessed for the current year, he shall report the same to the clerk of the municipality; thereupon, or if the same comes to the knowledge

of the clerk in any other manner, the clerk shall proceed as provided in section 51 of this Act. See R. S. O. 1897, c. 224, s. 166.

125. In case it is found by the statement directed by section 116 to be made, (or by the return made by the collector under section 113 or section 114) that the arrears of taxes upon occupied land, or land built upon, directed by section 123 of this Act to be placed on the collector's roll, or any part thereof, remain in arrear, such land shall be liable to be sold for such arrears, and shall be included in the next ensuing list prepared pursuant to section 136 of lands liable to be sold under the provisions of section 148 of this Act, notwithstanding the same may be occupied in the year when such sale takes place; and such arrears need not again be placed upon the collector's roll for collection. R. S. O. 1897, c. 224, s. 158; 62 V. (2), c. 27, s. 11 (5), *amended*.

126. If the clerk or assessment commissioner, as the case may be, of any municipality neglects to preserve the said list of lands in arrear for taxes, furnished to him by the treasurer, in pursuance of section 121, or to furnish copies of such lists; as required, to the assessor, or neglects to return to the treasurer a correct list of the lands which have become occupied, or built upon, as required by section 122 of this Act; or if any assessor neglects to examine the lands entered on his list, and to make returns in manner hereinbefore directed, every clerk, assessment commissioner or assessor making such default shall, on summary conviction thereof before any two Justices of the Peace having jurisdiction in the county in which the municipality is situated, be liable to the penalties imposed by sections 197, 198 and 199 of this Act; all fines so imposed shall be recoverable by distress and sale of any goods and chattels of the person making default. R. S. O. 1897, c. 224, s. 159, *amended*.

127. (1) Whenever it is shown to the Court of Revision or to the council of a municipality that taxes are or have become due upon land assessed in one block, which has subsequently been subdivided, the court or council, upon the application by the treasurer of the municipality or by or on behalf of any person claiming to be the owner of one or more parcels of such land, may, after notice of the application to all owners, direct the apportionment of such taxes in arrear upon the said parcels in proportion to their relative value at the time of the assessment, regard being had to all special circumstances, and the council may direct how any part payment made under section 120 is to be applied; and upon payment of the apportionment assigned to any parcel the same shall be a satisfaction of the taxes thereon, or the court, or the council as the case may be, may make such other direction as the case may require. The provision herein contained shall be retroactive in its operation, but shall not apply to any lands which have been advertised for sale for taxes. R. S. O. 1897, c. 224, s. 74 (2); s. 162; 61 V., c. 25, s. 1, *amended*.

(2) Forthwith after an apportionment has been made the clerk shall transmit a copy of the minute or resolution to the treasurer; who, upon receipt thereof, shall enter the same in his books, and thereafter each lot or other subdivision of the land affected shall be liable only for the amount of taxes apportioned thereto, and shall only be liable for sale for non-payment of the tax so apportioned or charged against it. R. S. O. 1897, c. 224, s. 74 (3), (4), *amended*.

128. In cities having an assessment commissioner, where taxes are or have become due upon land assessed in one block which has subsequently been divided, the assessment commissioner, upon application by or on behalf of any person claiming to be an owner of one or more parcels of such land, may, after notice of the application to all the owners, make the apportionment in subsection 1 of section 127 mentioned; and thereafter the treasurer shall accept taxes apportioned to any subdivision in satisfaction of the taxes thereon, and each subdivision shall only be liable to sale for non-payment of the taxes so apportioned to or charged against it. *New*.

129. An appeal may be had by any owner or owners to the Court of Revision from any apportionment made by any assessment commissioner, under section 128, and may be had by the municipality or by any owner or owners to the Judge of the County Court from any decision or apportionment of the Court of Revision given or made on appeal from the Assessment Commissioner under this section or give or made by the Court of Revision under section 127. *New*. See 3 Edw. VII., c. 21, s. 9.

130.—(1) The treasurer shall, on demand, give a written certified statement of the arrears due on any land, and he may charge twenty-five cents for the search and certified statement on each separate parcel not exceeding four, and, for every additional parcel, a further fee of ten cents; but he shall not make any charge to any person who forthwith pays the taxes. R. S. O. 1897, c. 224, s. 163, *amended*.

(2) The certified statement aforesaid may be in the form given in Schedule K. to this Act. *New*.

131. The treasurer of every county shall keep a triplicate blank receipt book, and on receipt of any sum of money for taxes on land, shall deliver to the person making payment one of such receipts, and shall deliver to the county clerk the second of the set, with the corresponding number, retaining the third of the set in the book, the delivery of such receipts to be made to the clerk at least every three months; and the county clerk shall file such receipts, and, in a book to be kept for that purpose, shall enter the name of the person making payment; the lot on which payment is made; the amount paid; the date of payment, and the number of the receipt; and the auditors shall examine and audit such books and accounts at least once in every twelve months; and in cities, towns and other municipalities having power to sell lands for non-payment of taxes the treasurer thereof shall keep a duplicate blank receipt book, and on receipt of any sum of money for taxes on land shall deliver to the person making the payment one of such receipts, retaining the second of the set in the book; and the auditors shall examine and audit the said book and accounts at least once in every year. R. S. O. 1897, c. 224, s. 225; 62 V. (2), c. 27, s. 14.

132. If any person produces to the treasurer, as evidence of payment of any tax, any paper purporting to be a receipt of a collector, school trustee or other municipal officer, he shall not be bound to accept the same until he has received a report from the clerk of the

Liability of lands to sale if arrears are not paid, and when.

Penalty on clerks and assessors neglecting duties under preceding sections.

How to be levied.

Collection of arrears after subdivision of land changed.

If demanded treasurer to give a written statement of arrears.

County treasurers, etc., to keep triplicates blank receipt books.

Audit of books, etc.

As to pretended receipt, etc.

municipality interested, certifying the correctness thereof, or until he is otherwise satisfied that such tax has been paid. R. S. O. 1897, c. 224, s. 168.

Lands on which taxes unpaid to be entered in certain books by Treasurer.

133. The treasurer of every county shall keep a separate book for each township and village, in which he shall enter all the lands in the municipality on which it appears from the returns made to him by the clerk and from the collector's roll returned to him, that there are any taxes unpaid, and the amounts so due; and he shall, on the 1st day of May in every year, complete and balance his books by entering against every parcel of land, the arrears, if any, due at the last settlement, and the taxes of the preceding year which remain unpaid, and he shall ascertain and enter therein the total amount of arrears, if any, chargeable upon the land at that date. R. S. O. 1897, c. 224, s. 164.

Percentage to be added to arrears of taxes.

134.—(1) In cities having a population of 100,000 or more, at the balance to be made on the 1st day of May in every year or as soon thereafter as the balance is ascertained the treasurer shall add to the whole amount of taxes due in respect of any parcel of land the legal rate of interest, but where, by the by-laws of the municipality, taxes are payable by instalments and a percentage has been added for default in payment of any instalment, the treasurer shall only add to the amount of taxes remaining unpaid upon the 1st day of May the legal rate of interest less what has already been added for such default. R. S. O. 1897, c. 224, s. 170; 3 Edw. VII., c. 21, s. 10, *amended*.

Ten per cent, to be added to arrears yearly.

(2) In other municipalities at the balance to be made on the 1st day of May in every year, the treasurer, or the county treasurer as the case may require, shall add ten per cent. to the arrears then due in respect of any parcel of land; but in the case of a municipality by the by-laws of which taxes are payable in bulk or by instalments with a percentage added for default the treasurer shall only add a further percentage, so that the whole addition shall amount to ten per cent. of the arrears. R. S. O. 1897, c. 224, s. 169, *amended*.

SALE OF LANDS FOR TAXES.

What lands only to be sold.

135. The treasurer shall not sell any lands for taxes which have not been included in the list furnished by him pursuant to section 121 to the clerks of the municipalities in the month of January preceding the sale nor any of the lands which have been returned to him under the provisions of section 122 of this Act as being occupied or built upon except land the arrears for which have been placed on the collector's roll of the preceding year, and have been again returned unpaid and are still in arrear in consequence of insufficient distress being found on the land. R. S. O. 1897, c. 224, s. 176, *amended*.

When lands to be sold for taxes.

136.—(1) Where a part of the tax on any land is in arrear for three years as provided by section 121 and subject to the provisions of section 135, the treasurer shall, unless otherwise directed by by-law of the council, submit to the warden of the county a list in duplicate of all the lands liable under the provisions of this Act to be sold for taxes, with the amount of arrears against each lot set opposite to the same, and the name and address of the owner if known, and the warden shall authenticate each of such lists by affixing thereto the seal of the corporation and his signature; and one of such lists shall be deposited with the clerk of the county, and the other shall be returned to the treasurer with a warrant thereto annexed, under the hand of the warden and the seal of the county, commanding the treasurer to levy upon the land for the arrears due thereon, with his costs. R. S. O. 1897, c. 224, s. 173, *amended*.

Arrears due for three years to be levied by warrant of warden to treasurer.

Treasurer to have power to add arrears accruing after return.

(2) In municipalities whose officers have power to sell lands for arrears of taxes the treasurer may add to the taxes shown in the list of lands liable to be sold for taxes, any taxes which have fallen due since those shown in the lists furnished by the treasurer to the clerk under section 121 of this Act, and have been returned by the collector to him as provided in section 113 of this Act, and the said lands may be sold as if such last-mentioned taxes had been included in the statement furnished to him by the clerk, under section 121 of this Act. 62 V. (2), c. 27, s. 13 (2).

Expenses added to arrears.

137. The treasurer shall, in each case, add to the arrears his commission or other lawful charges, and the costs of publication. R. S. O. 1897, c. 224, s. 181.

By-laws extending period of three years, &c.

138. The council of a county or municipality whose officers have power to sell lands for arrears of taxes may, by by-law passed for that purpose, from time to time, direct that no warrant shall issue for the sale of lands for taxes until after the expiration of a longer period than that provided by section 136, and may also direct that such lands only be included in the warrant as are chargeable with arrears exceeding a certain sum to be named in the by-law. See R. S. O. 1897, c. 224, s. 174; 61 V., c. 25, s. 3, *amended*.

Distinguishing lands in list annexed to warrant.

139. In the list annexed to every warrant the lands mentioned therein shall be distinguished as patented, unpatented, or under lease or licence of occupation from the Crown or municipality and the interest therein, if any, of the Crown or of the municipality shall be specially mentioned. *New*.

Correction of errors by treasurer.

140. The county treasurer may, from time to time, correct any clerical error which he himself discovers or which may be certified to him by the clerk of any municipality. R. S. O. 1897, c. 224, s. 167.

Where distress on premises treasurer may distrain.

141. If there are to the knowledge of the treasurer goods and chattels liable to distress upon any land in arrear for taxes, he shall levy the arrears of taxes and the costs by distress, and shall have the same authority to collect by distress as a collector has under the provisions of this Act; and the provisions of section 103 of this Act shall apply thereto; but no sale of the land shall be invalid by reason of the treasurer not having distrained, though there were on the land goods and chattels liable to distress before or at the time of sale. *New*.

Treasurer's duty on receiving warrant to sell.

142. A treasurer shall not be bound to make inquiry before effecting a sale of land for taxes, to ascertain whether or not there is any distress upon the land; nor shall he be bound to inquire into or form any opinion of the value of the land. R. S. O. 1897, c. 224, s. 175, *amended*.

143.—(1) The treasurer shall prepare a copy of the list of lands annexed to the warrant, and shall add thereto, in a separate column, a statement of the proportion of costs chargeable on each lot for advertising, and for his commission or other lawful charges, distinguishing the lands as patented, unpatented, or under lease or licence of occupation from the Crown, and shall cause such list to be published once a week for four weeks in "The Ontario Gazette," and in some newspaper published within the county once a week, for thirteen weeks, and, in the case of a union of counties, in each county of the union, if there be a newspaper published in each county, and if not, in the county or counties of the union in which a newspaper is published, or if none be so published, in some newspaper published in some adjoining county. And in case there is a newspaper published in any municipality in which lands are situate, which are included in such list, or if none be so published, then in case there is a newspaper published in an adjoining municipality in said county the treasurer shall further cause a list of the lands so situate to be published in such newspaper once a week for four weeks immediately prior to the sale. R. S. O. 1897, c. 224, s. 177 (1), *amended*.

Treasurer to prepare list of lands to be sold and advertise.

(2) The advertisement shall contain a notification, that unless the arrears and costs are sooner paid, the treasurer will proceed to sell the lands for the taxes, on a day and at a place named in the advertisement. R. S. O. 1897, c. 224, s. 178.

Notice to be given in such advertisement.

(3) Instead of advertising as in this section is provided, the treasurer may have the advertisement published in "The Ontario Gazette" as hereinbefore provided, and then publish in at least two newspapers, published as in subsection 1, provided, a notice announcing that the list of lands for sale for arrears of taxes has been prepared, and that copies thereof may be had in his office, and that the list is being published in "The Ontario Gazette" (inserting the dates of such publication), and that in default of payment of the taxes, the lands will be sold for taxes. 61 V., c. 25, s. 4.

Publication of notice of tax sale.

144. The day of the sale shall be more than ninety-one days after the first publication of the list in "The Ontario Gazette." R. S. O. 1897, c. 224, s. 179, *amended*.

Time of sale.

145. The treasurer shall also post a printed copy of the advertisement published in "The Ontario Gazette" in some convenient and public place at the court house of the county or district, at least three weeks before the time of sale. R. S. O. 1897, c. 224, s. 180, *amended*.

Notice to be posted up.

146.—(1) For the purpose of tax sales the Lieutenant-Governor in Council may by order in council, divide a territorial district, and the council of any county may by by-law divide the county into tax sale districts, each of which may contain one or more municipalities.

Tax sale districts.

(2) The order in council or by-law may provide that thereafter the sales of land situate therein for arrears of taxes shall be held by the treasurer at such place in the tax sale district as may be named in the order in council or by-law.

(3) Where any such order in council or by-law is passed, provision shall be made therein, or by further order in council or by-law, respecting the payment to the treasurer of his travelling and other expenses connected with his attending tax sales.

(4) Every advertisement or notice of a tax sale shall state the name or number of the tax sale district and the place therein at which the sale will be held. R. S. O. 1897, c. 224, s. 182, *amended*.

147. If at any time appointed for the sale of the lands, no bidders appear, the treasurer may adjourn the sale from time to time. R. S. O. 1897, c. 224, s. 183.

Adjourning sale, if no bidders.

148.—(1) If the taxes have not been previously collected, or if no person appears to pay the same at the time and place appointed for the sale, the treasurer shall sell by public auction so much of the land as is sufficient to discharge the taxes, and all lawful charges incurred in and about the sale and the collection of the taxes, selling in preference such part as he may consider best for the owner to sell first; and, in offering or selling such lands, it shall not be necessary to describe particularly the portion of the lot which is to be sold, but it shall be sufficient to say that he will sell so much of the lot as may be necessary to secure the payment of the taxes due; and the amount of taxes stated in the advertisement of sale shall, in all cases, be held to be the correct amount due. R. S. O. 1897, c. 224, s. 184 (1).

Mode in which the lands shall be sold by the treasurer

(2) If the treasurer fails at such sale to sell any land for the full amount of arrears of taxes due, including the full amount of commission and other lawful charges and costs added under section 137, he shall at such sale adjourn the same until a day then to be publicly named by him, not earlier than one week, nor later than three months thereafter, of which adjourned sale he shall give notice by public advertisement in the local newspaper, or in one of the local papers in which the original sale was advertised, and on such day he shall sell such lands unless otherwise directed by the council of the municipality in which they are situate, for any sum he can realize, and shall accept such sum as full payment of such arrears of taxes; but the owner of any land so sold for less than the full amount chargeable against the same as aforesaid shall not be at liberty to redeem the same, except upon payment of the full amount of taxes due, together with the expenses of sale and the ten per cent. provided for in section 164 of this Act. R. S. O. 1897, c. 224, s. 184 (2), *amended*.

When land does not sell for full amount of taxes.

(3) If the price offered for any land at the adjourned sale is less than the amount due for arrears of taxes, charges and costs, it shall be lawful for the municipality to purchase the same for the amount due, provided that previous notice by public advertisement in the local newspaper or in one of the local newspapers in which the original sale was advertised, of intention so to do has been given by the treasurer; but the owner of any land so purchased by the municipality shall not be at liberty to redeem the same except upon payment of the full amount of the taxes due, together with the expenses of sale, and also the taxes including the local improvement rates and interest thereon which would have accrued against the property if it had remained the property of the former owner, and been liable for ordinary taxation; and if the value thereof is not shown upon the assessment roll, such taxes shall be computed at the rate fixed by by-law for each year for which such taxes are payable upon the value placed thereon upon the assessment roll for the last preceding year in which it was assessed; and the local improvement rates shall be computed at the rate fixed in the by-law by which

Purchase by municipalities of land sold for taxes.

Advertising the municipality's intention to buy.

Redemption in such case.

the same were rated or imposed, and upon the frontage as shown upon the list of properties and the frontages thereof as settled by the Court of Revision for such local improvement. R. S. O. 1897, c. 224, s. 184 (3); 61 V., c. 25, s. 5; 3 Edw. VII., c. 21, s. 11, *amended*.

Mode of selling for taxes in York, Scarborough and Etobicoke.

149.—(1) The treasurers of the Townships of York, Scarborough and Etobicoke shall not be obliged to sell for taxes only a portion of any vacant lot originally laid out according to any registered plan, the frontage of which lot liable to be sold for taxes does not exceed fifty feet, but may in all such cases sell the whole of such lot or the whole of that part thereof (as the case may be) in respect of which taxes are in arrear, for the best price that may be offered by the bidders at the sale; and any money obtained by the treasurer as the price of any such lot shall be applied firstly in paying the arrears of taxes and interest and lawful expenses due in respect of such lot, and the balance, if any, shall be paid by such treasurer to the owner of such lot or to such other person as may be authorized by law to receive the same less ten per cent. of the sale price and less such charges and expenses as the treasurer may pay or incur in satisfying himself of the right of such owner or other person to receive the same. And it shall be the duty of the person claiming such balance to produce to the treasurer proof of his or her right to recover the same; provided, however, that in the event of redemption the person redeeming shall pay ten per cent. upon the whole amount realized in respect thereof notwithstanding section 164 of this Act. 2 Edw. VII., c. 31, s. 2.

Proviso.

58 V. c. 34, not affected.

(2) Subsection 1 shall not in any way alter or affect the Act passed in the 58th year of the reign of Her late Majesty Queen Victoria, intituled *An Act respecting the Township of York*, or the by-laws confirmed by the said Act. R. S. O. 1897, c. 224, s. 184 (4)-(6).

When purchaser fails to pay purchase money.

150. If a purchaser fails to pay his purchase money immediately, the treasurer shall forthwith again put up the property for sale. R. S. O. 1897, c. 224, s. 191.

Land in which the Crown has an interest.

151.—(1) Where the Crown, whether as represented by the Government of Canada or the Government of the Province of Ontario, has an interest in any land in respect of which taxes are in arrear, the interest only of persons other than the Crown therein shall be liable to be sold for arrears of taxes.

(2) Where the treasurer so sells the interest of any person, it shall be distinctly expressed, in the tax deed to be made under this Act to the purchaser, that the sale is only of the interest of such person in the land, and (whether so expressed or not) the tax deed shall in no wise affect the interest or rights of the Crown in the land sold, and shall give the purchaser the same interest and rights only in respect of the land, as the person had whose interest is being sold.

(3) Where the interest so sold of any person is that of a lessee, licensee or locatee, the tax deed shall be valid without requiring the consent of the Commissioner of Crown Lands. *New.* See R. S. O. 1897, c. 224, ss. 172, 188, 189. (*See also Section 35.*)

Land purchased at tax sale, not to exceed limit fixed by Rev. Stat. c. 29.

152. No person shall be entitled to purchase at a sale for taxes, under section 148 or from a municipality which has purchased land thereunder, more unpatented land in the free grant districts than a locatee is entitled to obtain or hold under *The Free Grants and Homesteads Act*. R. S. O. 1897, c. 224, s. 185.

Sales not to be made where taxes less than \$10 or no improvements made.

153. No sale for taxes shall be made of unpatented land in the free grant districts where the taxes due thereon are less than \$10, if the lands have not been before the 27th day of May, 1893, advertised for sale, nor where no *bonâ fide* improvements have been made by or on behalf of the locatee. This section shall not apply to lands purchased by municipalities prior to the 27th day of May, 1893, under the enactments consolidated in said section 148. R. S. O. 1897, c. 224, s. 186.

Lands purchased to be subject to conditions of Stat. c. 39.

154. All lands in the free grant districts purchased under sale for taxes shall be subject to all the terms and conditions as to settlement or otherwise required by *The Free Grants and Homesteads Act*, unless under special circumstances the Commissioner of Crown Lands sees fit to dispense therewith in whole or in part. R. S. O. 1897, c. 224, s. 187.

Sale of interest of lessee or tenant of municipal property.

155. If the treasurer sells any interest in land of which the fee is in the city, town or other municipality in respect of which the taxes accrue, he shall only sell the interest therein of the lessee or tenant; and it shall be so distinctly expressed in the tax deed. R. S. O. 1897, c. 224, s. 190, *amended*.

Sale of lands for taxes not to affect collection of other rates.

156. No sale of lands for taxes or for rates under a drainage or local improvement by-law shall invalidate or in any way affect the collection of a rate which has been assessed against or imposed or charged upon such lands prior to the date of the sale, but which accrues or becomes due and payable after the rates or taxes in respect of which the sale is had became due and payable or after the sale. R. S. O. 1897, c. 224, s. 192, *amended*.

Certificate of Sale—Tax Deed.

Treasurer selling to give purchaser a certificate of land sold.

157. The treasurer after selling any land for taxes shall give a certificate under his hand to the purchaser, stating distinctly what part of the land, and what interest therein, have been so sold, or stating that the whole lot or estate has been so sold, and describing the same, and also stating the quantity of land, the sum for which it has been sold, and the expenses of sale, and further stating that a deed conveying the same to the purchaser or his assigns, according to the nature of the estate or interest sold, with reference to sections 148 and 151 of this Act, will be executed by the treasurer and warden on demand, at any time after the expiration of the period hereinafter provided for redemption. R. S. O. 1897, c. 224, s. 193.

Purchaser of land sold for taxes to be deemed owners thereof, for certain purposes on receipt of sheriff's certificate.

158.—(1) The purchaser shall, on the receipt of the treasurer's certificate of sale, become the owner of the land, so far as to have all necessary rights of action and powers for protecting the same from spoliation or waste, until the expiration of the term during which the land may be redeemed; but he shall not knowingly permit any person to cut timber growing upon the land, or otherwise injure the land, nor shall he do so himself, but he may use the land without deteriorating its value.

2. The purchaser shall not be liable for damage done without his knowledge to the property during the time certificate is in force. R. S. O. 1897, c. 224, s. 194. Proviso.

159. From the time of a tender to the treasurer of the full amount of redemption money required by this Act, the purchaser shall cease to have any further right in or to the land in question. R. S. O. 1897, c. 224, s. 195. Effect of tender of arrears, &c.

160. Every treasurer shall be entitled to two and one-half per centum commission upon the sums collected by him, as aforesaid, except that where the taxes against any parcel of land are less than \$10, the treasurer shall be entitled to charge, in lieu of his commission, 25 cents; but where the treasurer is paid a salary for his services such commission may, by arrangement with the council, be paid into the funds of the municipality like any other revenue of the municipality. R. S. O. 1897, c. 224, s. 196, *amended*. Treasurer's commission.

161. Where land is sold by a treasurer according to the provisions of section 143, and following sections of this Act, he may add the commission and other charges which he is authorized by this Act to charge for the services above mentioned, to the amount of arrears on those lands in respect of which such services have been severally performed, and in every case he shall give a statement in detail with each certificate of sale, of the arrears and costs incurred. R. S. O. 1897, c. 224, s. 197. Fees, &c., on sales of land.

162. The treasurer shall, in all certificates and deeds given for lands sold at such sale, give a description of the part sold with sufficient certainty, and if less than a whole lot is sold, then he shall give such a general description as may enable a surveyor to lay off the piece sold on the ground; and he may make search, if necessary, in the registry office, to ascertain the description and boundaries of the whole parcel, and he may also obtain a surveyor's description of such lots, to be taken from the registry office or the Government maps, where a full description cannot otherwise be obtained, such surveyor's fee not to exceed \$1; and the charges so incurred shall be included in the account and paid by the purchaser of the land sold, or the person redeeming the same. R. S. O. 1897, c. 224, s. 198. Expenses of search in registry office for description, &c.

163. Except as hereinbefore provided, the treasurer shall not be entitled to any other fees or emoluments whatever for any services rendered by him relating to the collection of arrears of taxes on lands. R. S. O. 1897, c. 224, s. 199. Treasurer entitled to no other fees.

164. Subject to the provisions of sub-section 2 and 3 of section 148, the owner of any land sold for taxes, or his heirs, executors, administrators or assigns, or any other person, may, at any time within one year from the day of sale, exclusive of that day, redeem the estate sold by paying or tendering to the county treasurer for the use and benefit of the purchaser or his legal representative, the sum paid by him, together with ten per cent. thereon; and the treasurer shall give to the person paying such redemption money, a receipt stating the sum paid and the object of payment; and such receipt shall be evidence of the redemption. R. S. O. 1897, c. 224, s. 200. Owners may within one year, redeem estate sold by paying purchase money and 10 per cent. thereon.

165.—(1) If the land is not redeemed within the period allowed for redemption, being one year from the day of sale exclusive of the day of sale as aforesaid, then the treasurer before the execution of the tax deed shall make or cause to be made search in the Registry Office and in the Sheriff's Office and ascertain whether or not there are mortgages or other incumbrances affecting the lands sold and who is the registered owner of the land. Deed of sale, if not redeemed.

(2) The treasurer shall forthwith send to each incumbrancer (if any) and to the registered owner by registered letter mailed to the address of such incumbrancer or owner if known to the treasurer and if such address is not known to the treasurer then to any address of such incumbrancer or owner appearing in the incumbrance or deed a notice stating that the incumbrancer or owner is at liberty within thirty days from the date of the notice to redeem the estate sold by paying to the treasurer the amount of the purchase money together with 15 per cent. thereon added thereto and the amount of the charges for the searches aforesaid and postage and \$1 for the notice, the amount aforesaid to be specified in the notice. Notice to incumbrancer.

(3) If within the time aforesaid payment of the said amount is made by any such incumbrancer or by the owner of the land the treasurer shall give to the person making the payment a receipt stating the sum paid and the object of the payment, and the same shall be evidence of the redemption, and any incumbrancer making the payment may add the amount to his debt. Receipt if arrears paid.

(4) In case of payment by the owner the receipt aforesaid shall be given to him and in case of payment by one or more incumbrancers and not by the owner, the receipt shall be given to that incumbrancer who is first in priority. The amount paid by other persons shall be repaid to them. Who is to be entitled to receipt.

(5) The redemption money after deducting the charges aforesaid for searches, postage and notice shall be paid by the treasurer to the tax purchaser or his assigns or other legal representatives. Payment of redemption money to tax purchaser.

(6) If the redemption money is not paid within the time aforesaid the treasurer upon payment of the said charges for searches, postage and notice and \$1 for the deed, shall with the warden execute and deliver to the purchaser or his assigns or other legal representative a tax deed in duplicate of the land sold. Execution and delivery of deed.

(7) Such deed if requested may include any number of lots which are to be conveyed to the same person. *Nov.* Deed may include several lots.

166. The words "treasurer" and "warden" in the preceding section shall mean the person who at the time of the execution of the deed in such section mentioned holds the said office. R. S. O. 1897, c. 224, s. 202. Meaning of "treasurer" and "warden."

167. The tax deed shall be in the form, or to the same effect as in Schedule L to this Act, and shall state the date and cause of the sale, and the price, and shall describe the land according to the provisions of section 162 of this Act, and shall have the effect of vesting the land in the purchaser, his heirs, assigns or legal representatives, in fee simple or otherwise, according to the nature of the estate or interest sold; and no such deed shall be invalid for any error or miscalculation in the amount of taxes or interest thereon in arrear, or any error in describing the land as "patented" or "unpatented" or "held under a licence of occupation" or "held under lease" or otherwise. R. S. O. 1897, c. 224, s. 203, *amended*. Contents of deed and effect thereof

Deed to be registered within eighteen months to obtain priority.

Registration of deeds. Rev. Stat., c. 136.

On what certificate registrars to register sheriff's deeds of lands sold for taxes before 1851.

Sheriff to give certificate of execution of conveyances after January 1st, 1851, and before 1st January, 1866, for registration.

Treasurer to enter in a book descriptions of lands conveyed to purchasers.

Deed to be binding if land not redeemed in one year.

Deed valid if not questioned within a certain time.

Certain treasurer's deeds not to be invalid if the sale is valid.

Rights of entry adverse to tax purchaser.

Rev. Stat. c. 119, s. 8. Common Law and 32 H. viii. c. 9 ss. 2, 4 and 6, revived.

Adjustment of damages when sale held to be invalid.

The plaintiff to pay damages into Court before writ of possession issues, or tax purchaser may elect to retain the land on paying its value.

168.—(1) The deed shall be registered in the registry office of the registry division in which the lands are situate, within eighteen months after the sale, otherwise the persons claiming under the sale shall not be deemed to have preserved their priority as against a purchaser in good faith and for valuable consideration who has registered his deed prior to the registration of the tax deed. *See also R. S. O., Cap. 136, Sec. 90.*

(2) The registrar or deputy registrar upon production of the duplicate deed, shall enter the same in the registry book, and give a certificate of such entry and registration in accordance with *The Registry Act*. R. S. O. 1897, c. 224, s. 204, *amended*.

169. As respects land sold for taxes before the 1st day of January, 1851, on the receipt by the registrar of the proper county or place of a certificate of the sale to the purchaser under the hand and seal of office of the sheriff, stating the name of the purchaser, the sum paid, the number of acres and the estate or interest sold, the lot or tract of which the same forms part, and the date of the sheriff's conveyance to the purchaser, his heirs, executors, administrators or assigns, and on production of the conveyance from the sheriff to the purchaser, his heirs, executors, administrators or assigns, such registrar shall register any sheriff's deed of land sold for taxes before the 1st day of January, 1851; and the mode of such registry shall be the entering on record a transcript of such deed or conveyance. R. S. O. 1897, c. 224, s. 205.

170. As respects land sold for taxes after the 1st day of January, 1851, and prior to the 1st of January, 1866, the sheriff shall also give the purchaser or his assigns, or other legal representatives, a certificate under his hand and seal of office of the execution of the deed, containing the particulars in the last section mentioned; and such certificate, for the purpose of registration in the registry office of the proper registry division of any deed of lands so sold for taxes, shall be deemed a memorial thereof; and the deed shall be registered, and a certificate of the registry thereof shall be granted by the registrar, on production to him of the deed and certificate, without further proof; and the registrar shall, for the registry and certificate thereof, be entitled to seventy cents and no more. R. S. O. 1897, c. 224, s. 206.

171. The treasurer shall enter in a book, which the county council or council of the city or town as the case may be shall furnish, a full description of every parcel of land conveyed by him to purchasers for arrears of taxes, with an index thereto, and such book, after such entries have been made therein, shall, together with all other documents relating to lands sold for taxes be by him kept among the records of his office. R. S. O. 1897, c. 224, s. 207, *amended*.

172. If any part of the taxes for which any land has been sold, in pursuance of any Act heretofore in force in this Province or of this Act, had at the time of the sale been in arrear for three years as mentioned in section 121 and the land is not redeemed in one year after the sale, such sale, and the official deed to the purchaser (provided that the sale was openly and fairly conducted) shall notwithstanding any neglect, omission or error of the municipality or of any agent or officer thereof in respect of imposing or levying the said taxes or in any proceedings subsequent thereto be final and binding upon the former owner of the land and upon all persons claiming by, through or under him, it being intended by this Act that the owner of land shall be required to pay the taxes thereon within three years after the same are in arrear or redeem the land within one year after the sale thereof; and in default of the taxes being paid or the land being redeemed as aforesaid, the right to bring an action to set aside the said deed or to recover the said land shall be barred.

173. Wherever land is sold for taxes and a tax deed thereof has been executed, the sale and the tax deeds shall be valid and binding, to all intents and purposes, except as against the Crown, unless questioned before some Court of competent jurisdiction within two years from the time of sale. R. S. O. 1897, c. 224, s. 209, *amended*.

174. In all cases where land has been validly sold for taxes, the conveyance by the officer who made the sale, or by his successors in office, shall not be invalid by reason of the statute under the authority whereof the sale was made having been repealed at and before the time of such conveyance, or by reason of the officer who made the sale having gone out of office. R. S. O. 1897, c. 224, s. 210.

175. In all cases where land is sold for arrears of taxes whether such sale is or is not valid, then so far as regards rights of entry adverse to any *bonâ fide* claim or right, whether valid or invalid, derived mediately or immediately under such sale, section 8 of *The Act respecting the Law and Transfer of Property* shall not apply, to the end and intent that in such cases the right or title of person claiming adversely to any such sale shall not be conveyed where any person is in occupation adversely to such right or title, and that in such cases the Common Law and sections 2, 4 and 6 of the statute passed in the 32nd year of the reign of King Henry VIII., and chaptered 9, be revived, and the same are and shall continue to be revived. R. S. O. 1897, c. 224, s. 211.

176.—(1) In all cases (not being within any of the exceptions and provisions of subsection 3 of this section), where land having been legally liable to be assessed for taxes, is sold for arrears of taxes, then in case an action is brought for the recovery of the land and the sale is held to be invalid, damages shall be assessed for the defendant for the amount of the purchase money at the sale and interest thereon, and of all taxes paid by the defendant in respect of the land since the sale and interest thereon, and of the value of any improvements made by the defendant before the commencement of the action, or by any person through or under whom he claims, less all just allowances for the timber sold off the lands, and all other just allowances to the plaintiff, and the value of the land to be recovered shall also be assessed less the value of any such improvements. *Amended*.

(2) If a judgment is pronounced for the plaintiff, no writ of possession shall issue until the expiration of one month thereafter nor until the plaintiff has paid into Court for the defendant the amount of such damages; or, if the defendant desires to retain the land, he may retain it, on paying into Court within the said period of one month, or on or before any subsequent day to be appointed by the Court, the value of the land as assessed at the trial; after which payment, no writ of possession shall issue, but the plaintiff on filing in Court for the defendant a sufficient release and conveyance to the defendant, of his right and title to the land in question, shall be entitled to the money so paid in by the defendant.

(3) This section shall not apply in the following cases :

- (a) If the taxes for non-payment whereof the land was sold have been fully paid before the sale;
- (b) If, within the period limited by law for redemption the amount paid by the purchaser, with all interest payable thereon, has been paid or tendered to the person entitled to receive such payment, with a view to the redemption of the lands;
- (c) Where on the ground of fraud or evil practice by the purchaser at such sale, a Court would grant equitable relief. R. S. O. 1897, c. 224, s. 212, amended.

When section not to apply ; if taxes paid before sale ; if land redeemed ; in case of fraud.

177.—(1) In any of the cases named in the preceding section wherein the plaintiff is not tenant in fee simple, or fee tail, the payment into Court to be made as aforesaid, of the value of the land, by the defendant desiring to retain the land, shall be into the High Court; and the plaintiff and all parties entitled to and interested in the said lands, as against the purchaser at such sale for taxes, on filing in the High Court, a sufficient release and conveyance to the defendant of their respective rights and interests in the land, shall be entitled to the money so paid in such proportions and shares as to the High Court, regarding the interests of the various parties, seems proper.

Where the plaintiff is not tenant in fee, or in tail the value of the land to be paid into High Court.

(2) In any of such cases wherein the defendant is not tenant in fee simple or fee tail, the payment of damages into Court to be made as aforesaid by the plaintiff shall be into the High Court. R. S. O. 1897, c. 224, s. 213.

Where the defendant is not tenant in fee, the value of improvements, &c., to be paid into High Court.

178.—(1) If the defendant does not pay into Court, the value of the land assessed as aforesaid, within the period of one month, or on or before any subsequent day appointed by the Court, as mentioned in subsection 2 of section 176, any other person interested in the land under the sale or conveyance for taxes may, within ninety days after the date of the pronouncing of the judgment in subsection 2 of section 176 mentioned, or before any subsequent day appointed by the Court as in said subsection mentioned, for payment by the defendant, pay into Court the said value of the land; and till the expiration of the time within which such payment may be made, and after such payment, no writ of possession shall issue.

Any other person interested may pay in value assessed if defendant does not.

(2) The defendant or other person so paying in shall be entitled as against all others interested in the land under the sale or conveyance for taxes, to a lien on the land for such amount as exceeds the proportionate value of his interest enforceable in such manner and in such shares and proportions as to the High Court, regarding the interests of the various parties, and on hearing the parties, seems fit. R. S. O. 1897, c. 224, s. 214; and see Sec. 176 (2).

The payer to have a lien for such proportion as exceeds his interest.

179. In case the defendant or any other person interested pays into Court in manner aforesaid, the plaintiff shall be entitled to the amount so paid in, on filing in Court a sufficient release and conveyance to the person so paying in, of all his right and title to the lands, in which release and conveyance it shall be expressed that the same is in trust for such person, to secure his lien as aforesaid. R. S. O. 1897, c. 224, s. 215.

How the owner can obtain the value of the land paid in,

180. If the value of the land is not paid into Court as above provided, the damages paid into the High Court shall be paid out to the various persons, who, if the sale for taxes were valid would be entitled to the land, in such shares and proportions as to the High Court, regarding the interests of the various parties, seems fit. R. S. O. 1897, c. 224, s. 216.

How the value of improvements, &c., paid in can be obtained.

181.—(1) In all actions for the recovery of land in which both the plaintiff, (if his title were good) would be entitled in fee simple or fee tail, and the defendant (if his title were good) would be also so entitled, if the defendant, at the time of appearing gave notice in writing to the plaintiff in such action or to his solicitor named in the writ, of the amount claimed, and that on payment of such amount, the defendant or person in possession will surrender the possession to the plaintiff; or that he desired to retain the land, and was ready and willing to pay into Court a sum mentioned in the said notice as to the value of the land, and that the defendant did not intend at the trial to contest the title of the plaintiff; and if the jury, or the Judge, if there be no jury, before whom the action is tried, assess damages for the defendant as provided in the next preceding five sections and it satisfactorily appears that the defendant does not contest the action for any other purpose than to retain the land on paying the value thereof, or to obtain damages, the Judge before whom the action is tried, shall certify such fact upon the record, and thereupon the defendant shall be entitled to the costs of the defence, in the same manner as if the plaintiff had been nonsuited on the trial, or a verdict had been rendered for the defendant.

Provisions as to costs in cases where value of the land and improvements, &c., only in question.

(2) If on the trial it is found that such notice was not given as aforesaid, or if the Judge or jury assess for the defendant a less amount than that claimed in the notice, or find that the defendant had refused to surrender possession of the land after tender made of the amount claimed, or, (where the defendant has given notice of his intention to retain the land), that the value of the land is greater than the amount mentioned in the notice, or that he has omitted to pay into Court the amount mentioned in the notice for thirty days after the plaintiff had given to the defendant a written notice that he did not intend to contest the value of the land, the Judge shall not certify, and the defendant shall not be entitled to the costs of the defence, but shall pay costs to the plaintiff; and upon the trial of any action after such notice, no evidence shall be required in proof of the title of the plaintiff. R. S. O. 1897, c. 224, s. 217.

182. In any case in which the title of the tax purchaser is not valid, or in which no remedy is otherwise provided by this Act, the tax purchaser shall have a lien on the lands for the purchase money paid at the sale, and interest thereon at the rate of ten per cent. per annum, and for the taxes paid by him since the sale and interest thereon at the rate aforesaid, to be enforced against the land in such proportions as regards the various owners, and in such manner as the High Court thinks proper. R. S. O. 1897, c. 224, s. 218.

Tax purchaser without other remedy whose title is invalid to have a lien on the land for purchase money, &c.

183. No valid contract entered into between any tax purchaser and original owner, in regard to any land sold or assumed to have been sold for taxes, as to purchase, lease or otherwise, shall be annulled or interfered with by this Act, but such contract and all consequences thereof, as to admission of title or otherwise shall remain in force as if this Act had not been passed. R. S. O. 1897, c. 224, s. 219.

Contracts between tax purchaser and original owner continued.

Sections 175 to 183, not to apply where the owner has occupied since sale.

Construction of "Tax-purchaser," "Original owner."

184. Nothing in the next preceding nine sections of this Act shall affect the right or title of the owner of any land sold for taxes, or of any person claiming through or under him, where such owner at the time of the sale was in occupation of the land, and the same has since the sale been in the occupation of such owner or of those claiming through or under him. R. S. O. 1897, c. 224, s. 220.

185. In the construction of the next preceding eleven sections of this Act, occupation by a tenant shall be deemed the occupation of the reversioner; and the words "tax purchaser" shall apply to any person who purchases at any sale under colour of any statute authorizing sale of land for taxes and shall include and extend to all persons claiming through or under him; and the words "original owner" shall include and extend to any person who, at the time of such sale, was interested in or entitled to the land sold, or assumed to be sold, and to all persons claiming through or under him. R. S. O. 1897, c. 224, s. 222.

ARREARS OF TAXES IN CITIES AND TOWNS.

Collection of arrears of taxes in cities or towns.

186. In cities and towns arrears of taxes shall be collected and managed in the same way as is hereinbefore provided in the case of other municipalities; and for such purposes the municipal officers of cities and towns shall perform the same duties and have the same powers as the like officers in other municipalities under sections 116 to 185; and the treasurer and mayor of every city or town shall, for such purposes, also perform the like duties as are hereinbefore, in the case of other municipalities, imposed on the county treasurer and warden respectively, and shall have the like powers; and words referring to the county treasurer or warden shall as to a city or town be taken and deemed to refer to the mayor and treasurer of such city or town. Provided, however, that in cities and towns the performance of any such duty after the date or within a longer time than hereinbefore set out shall not render any proceeding under this Act invalid or illegal so long as the provisions of this Act are in other respects duly complied with. R. S. O. 1897, c. 224, s. 224, amended; 3 Edw. VII., c. 21, s. 12.

Proviso.

ARREARS OF TAXES IN CERTAIN TOWNSHIPS.

Sale of lands for taxes in certain townships.

187.—(1) All powers conferred upon cities and towns by section 186 of this Act, or any of the sections referred to in that section, and all duties imposed by said sections upon the officers of such cities and towns, and the mayors thereof, shall hereafter be vested in and apply to the Townships of York, Scarborough and Etobicoke, in the County of York, and to the Reeves of said townships, and for the purposes of the collection of arrears of taxes on lands therein and the sale of such lands for taxes, the said townships shall be considered as towns, and wherever the word "town" occurs in any of the said sections it shall be held to apply to and include the said townships, and wherever the word "mayor" occurs in the said sections it shall be held to apply to the reeve of each of the said townships for the time being. R. S. O. 1897, c. 224, s. 226 (1), amended. [For similar provisions as to the Village of East Toronto, see 60 V., c. 46, s. 2].

53 V. c. 94, not affected.

(2) This section shall not in any way alter or affect the Act passed in the 58th year of Her late Majesty's reign and chaptered 94 or the by-laws confirmed thereby. R. S. O. 1897, c. 224, s. 226 (2).

DEFICIENCY FROM NON-PAYMENT OF CERTAIN TAXES PROVIDED FOR.

Deficiencies in certain taxes to be supplied by local municipality.

188. Every municipal council, in paying over any school or local rate, or its share of any county rate, or of any other tax or rate lawfully imposed for Provincial or local purposes, shall supply, out of the funds of the municipality, any deficiency arising from the non-payment of the tax, but shall not be held answerable for any deficiency arising from the abatements of, or inability to collect, any taxes other than for county rates. R. S. O. 1897, c. 224, s. 223.

DEBENTURES ON CREDIT OF ARREARS OF TAXES.

Issue of debentures on credit of arrears of taxes authorized.

189.—(1) The council of any municipality, whose officers have power to sell lands for arrears of taxes, may from time to time, without the assent of the ratepayers, by by-law authorize the mayor or other head of the municipality to issue, under the corporate seal, upon the credit of the taxes in arrear in the municipality, debentures payable not later than eight years after the date thereof, and for sums not less than \$100 each, so that the whole of the debentures at any time issued and unpaid do not exceed one-half of all the arrears then due and owing upon land in the municipality, together with the money standing to the credit of the special fund hereinafter provided.

(2) Such debentures shall be negotiated by the mayor or other head of the municipality and treasurer, and all money received in payment of taxes upon the security of which such debentures are issued shall be set apart as a special fund out of which to pay the debentures and interest thereon.

(3) If at any time there is not to the credit of such special fund sufficient money to redeem the debentures due and accrued interest, such debentures and interest shall be payable out of the general funds of the municipality, and the payment thereof may be enforced in the same manner as is by-law provided in the case of other debentures. 62 V. (2), c. 27, s. 15 amended.

ARREARS OF TAXES IN NEW MUNICIPALITIES.

On incorporation of a town, county treasurer to transmit list of arrears to town treasurer.

190. Upon the incorporation of any new town, in any county, the county treasurer shall make out a list of all arrears of taxes then due and unpaid in his books upon lands situated in the newly incorporated town, and shall transmit the same to the treasurer of the town, who, after receipt of the said list, shall have, with the mayor, all the powers possessed by the county treasurer and warden for the collection of such taxes and for enforcement of the

same by sale; but in such list the county treasurer shall not include any lot then advertised for sale for taxes. R. S. O. 1897, c. 224, s. 227.

191. In cases where a new local municipality is formed from two or more municipalities or portions of two or more municipalities situated in different counties, the collection of arrears of taxes due at the time of formation shall be made by the treasurer of the county in which the new municipality is situate, if the new municipality is a township or village, or if the new municipality is a town, by the treasurer of such town; and for the purpose of enabling him to make the collection, the treasurer or the treasurers of the other county or counties from which any portion of the new municipality is detached, shall immediately upon the formation thereof make out lists of the arrears of taxes then due in their respective portions, and transmit the same to the treasurer of the county in which the new municipality is situate, or of the town (as the case may be); and where a new municipality is formed from two or more municipalities situate in any one county, the treasurer shall keep a separate account for such new municipality. R. S. O. 1897, c. 224, s. 228.

Arrears of taxes now collected where new municipality formed.

192. The treasurer and warden of the county in which the new municipality, if it be a township or village, is situate, and the treasurer and mayor of the new municipality, if it be a town, shall have power, respectively, to take for the collection of such arrears of taxes all the proceedings which treasurers and wardens or treasurers and mayors can take for the sale and conveyance of land in arrear for taxes; and in case the lands in the new municipality have been advertised by the treasurer or treasurers of the county or counties of which the new municipality formed part before its formation, the sale of such lands shall be completed in the same manner as if such new municipality had not been formed. R. S. O. 1897, c. 224, s. 229.

Who may take proceedings to enforce collection.

193. Where a municipality or part of a municipality has been or is hereafter separated from one county and included in another after a return has been made to the treasurer of the county to which it formerly belonged, of lands in arrear for taxes, but the lands have not been advertised for sale by the treasurer of the former county, such treasurer shall return to the treasurer of the county to which such territory belongs a list of all the lands within such territory returned as in arrear for taxes and not advertised; and the treasurer and warden of the county to which the territory belongs shall have power respectively to take all the proceedings which treasurers and wardens under this Act can take for the sale and conveyance of lands in arrear for taxes; but in case the lands in such territory have been advertised before the separation, the sale of such lands shall be completed in the same manner as if the separation had not taken place, and conveyances of lands previously sold shall be made in like manner. R. S. O. 1897, c. 224, s. 230.

Proceedings where return made to treasurer before separation.

194. Where a municipality or any part of a municipality has been or is hereafter separated from a county and included in a city or town separated from the county for municipal purposes, after a return has been made to the treasurer of the county of lands in arrear for taxes, but the lands have not been advertised for sale by the treasurer of the county, such treasurer shall return to the treasurer of the city or town a list of all the lands within such territory returned as in arrear for taxes and not advertised; and the treasurer and mayor of the city or town shall have power to take all the proceedings which treasurers and wardens under this Act can take for the sale and conveyance of lands in arrear for taxes; but in case the lands in such territory have been advertised before the separation, the sale of such lands shall be completed in the same manner as if the separation had not taken place, and conveyance of lands previously sold shall be made in like manner. R. S. O. 1897, c. 224, s. 231.

Sales for taxes on lands which have been annexed to city or separated town.

RESPONSIBILITY OF OFFICERS.

195. Every treasurer and collector, before entering on the duties of his office, shall enter into a bond to the corporation for the faithful performance of his duties. R. S. O. 1897, c. 224, s. 247.

Security by treasurers and collectors.

196. Subject to the provisions of section 323 of *The Consolidated Municipal Act, 1903*, as to accepting the bonds or policies of guarantee of incorporated companies, such bond shall be given by the officer and two or more sufficient sureties, in such sum and in such manner as the council by any by-law in that behalf may require and shall conform to all the provisions of such by-law. R. S. O. 1897, c. 224, s. 248, *amended*.

Bonds with sureties. 3 Edw. VII, c. 19.

197. If any treasurer, assessor, clerk or other officer refuses or neglects to perform any duty required of him by this Act, he shall, upon conviction thereof before any Court of competent jurisdiction in the county in which he is treasurer, assessor, clerk or other officer, forfeit to His Majesty such sum as the Court may order and adjudge, not exceeding \$100. R. S. O. 1897, c. 224, s. 249.

Penalty on officers failing to perform their duty and how enforced.

198. If an assessor neglects or omits to perform his duties the other assessor, or other assessors (if there be more than one for the same locality), or one of such assessors, shall, until a new appointment, perform the duties; and any council may, after an assessor neglects or omits to perform his duties, appoint some other person to discharge such duties; and the assessor so appointed shall have all the powers and be entitled to all the emoluments which appertain to the office. R. S. O. 1897, c. 224, s. 250.

Other assessors may act for those in default.

199. If any clerk, treasurer, assessment commissioner, assessor or collector, or any assistant or other person in the employment of the municipality, acting under this Act, makes an unjust or fraudulent assessment or collection, or copy of any assessor's or collector's roll, or wilfully and fraudulently inserts, or permits to be inserted, therein the name of any person which should not be entered, or fraudulently omits, or allows to be omitted, the name of any person which should be entered, or wilfully omits any duty required of him by this Act, he shall, upon conviction thereof before a Court of competent jurisdiction be liable to a fine not exceeding \$200, and to imprisonment until the fine is paid, in the common gaol of the county or city for a period not exceeding six months, or to both such fine and imprisonment, in the discretion of the Court. R. S. O. 1897, c. 224, s. 251, *amended*.

Punishment of clerks, assessors, &c., making fraudulent assessments, &c.

Punishment of culpable assessors.

200. An assessor convicted of having made any wilfully unjust or fraudulent assessment, shall be sentenced to the greatest punishment, both by fine and imprisonment, allowed by this Act. R. S. O. 1897, c. 224, s. 253, *amended*.

Penalty for not making and completing assessment rolls by the proper time.

201. If any assessor of any township, village or ward, except in the cases provided for by sections 53 and 56 of this Act, neglects or omits to make out and complete his assessment roll for the township, village or ward, and to return the same to the clerk of such township or village, or of the city or town in which such ward is situated, or to the proper officer or place of deposit of such roll, on or before the 1st day of September of the year for which he is assessor, every such assessor so offending shall forfeit for every such offence the sum of \$200, one moiety thereof to the use of the municipality and the other moiety, with costs, to such person as may sue for the same in any Court of competent jurisdiction; but nothing herein contained shall be construed to relieve any assessor from the obligation of returning his assessment roll at the period required elsewhere by this Act, or from the penalties incurred by him for not returning the same accordingly. R. S. O. 1897, c. 224, s. 254.

Not to impair any other liability.

Proceedings for compelling collectors to pay over moneys collected to the proper treasurer.

202. If a collector refuses or neglects to pay to the proper treasurer, or other person legally authorized to receive the same, the sums contained in his roll, or duly to account for the same as uncollected, the treasurer shall, within twenty days after the time when the payment ought to have been made, issue a warrant, under his hand and seal, directed to the sheriff of the county or city (as the case may be); commanding him to levy of the goods, chattels, lands and tenements of the collector and his sureties, such sum as remains unpaid and unaccounted for, with costs, and to pay to the treasurer the sum so unaccounted for, and to return the warrant within forty days after the date thereof. R. S. O. 1897, c. 224, s. 255.

Warrant to be delivered to sheriff, &c.

203. The treasurer shall immediately deliver the warrant to the sheriff of the county or city, as the case may require. R. S. O. 1897, c. 224, s. 256.

Sheriff, &c., to execute it, and pay money levied.

204. The sheriff to whom the warrant is directed shall within forty days, cause the same to be executed and make return thereof to the treasurer, and shall pay to him the money levied by virtue thereof, deducting for his fees the same compensation as upon writs of execution issued out of courts of record. R. S. O. 1897, c. 224, s. 257.

Mode of compelling sheriff, &c., to pay over.

205. If a sheriff refuses or neglects to levy any money when so commanded, or to pay over the same, or makes a false return to the warrant, or neglects or refuses to make any return, or makes an insufficient return, the treasurer may, upon affidavit of the facts, apply in a summary manner to the High Court, or to a Judge thereof, for an order *nisi* or summons calling on the sheriff to answer the matter of the affidavit. R. S. O. 1897, c. 224, s. 258.

When returnable.

206. The order *nisi* or summons shall be returnable at such time as the Court or Judge directs. R. S. O. 1897, c. 224, s. 259.

Hearing on return.

207. Upon the return of the order *nisi* or summons, the Court or Judge may proceed in a summary manner upon affidavit, and without formal pleading, to hear and determine the matter of the application. R. S. O. 1897, c. 224, s. 260.

Fi. Fa. to the coroner to levy the money.

208. If the Court or Judge is of opinion that the sheriff has been guilty of the dereliction alleged against him, the Court or Judge shall order the proper officer of the Court to issue a writ of *feri facias*, adapted to the case, directed to a coroner of the county in which the municipality is situate, or to a coroner of the city or town (as the case may be) for which the collector is in default. R. S. O. 1897, c. 224, s. 261.

Tenor of such writ. Execution thereof.

209. The writ shall direct the coroner to levy of the goods and chattels of the sheriff, the sum which the sheriff was ordered to levy by the warrant of the treasurer, together with the costs of the application and of the writ and of its execution; and the writ shall bear date on the day of its issue, and shall be returnable forthwith on its being executed; and the coroner, upon executing the same, shall be entitled to the same fees as upon a writ grounded upon a judgment of the Court. R. S. O. 1897, c. 224, s. 262.

Fees.

Penalty on sheriff if no other imposed.

210. If a sheriff wilfully omits to perform any duty required of him by this Act, and no other penalty is hereby imposed for the omission, he shall be liable to a penalty of \$200, to be recovered from him in any Court of competent jurisdiction at the suit of the treasurer of the municipality affected thereby. R. S. O. 1897, c. 224, s. 263.

Payment of money collected for the Province.

211. All money assessed, levied and collected for the purpose of being paid to the treasurer of the Province, or to any other public officer, for the public uses of the Province, or for any special purpose or use mentioned in the Act under which the same is raised, shall be assessed, levied and collected by, and accounted for and paid over to the same persons, in the same manner, and at the same time as taxes imposed on the same property for county, city or town purposes and shall be deemed and taken to be money collected for the county, city or town, so far as to charge every collector or treasurer with the same, and to render him and his sureties responsible therefor, and for every default or neglect in regard to the same, in like manner as in the case of money assessed, levied and collected for the use of the county, city or town. R. S. O. 1897, c. 224, s. 264.

How money collected for county purposes to be paid over.

212. All money collected for county purposes, or for any of the purposes mentioned in the preceding section, shall be payable by the collector to the township, town or village treasurer, and by him to the county treasurer; and the corporation of the township, town or village shall be responsible therefor to the corporation of the county. R. S. O. 1897, c. 224, s. 265.

Collectors or treasurers bound to account for all moneys collected by them.

213. Any bond or security given by the collector or treasurer to the corporation of the township, town or village, to account for and pay over all money collected or received by him, shall apply to money collected or received for county purposes, or for any of the purposes mentioned in section 220. R. S. O. 1897, c. 224, s. 266.

Local treasurer to pay over county moneys to county treasurers.

214. The treasurer of every township, town or village shall on or before the 31st day of December in each year pay to the treasurer of the county, all money then collected in the municipality for county purposes and shall within fourteen days after the time appointed for the final settlement of the collector's rolls, pay to the treasurer of the county any balance remaining unpaid of the money by law required to be levied and collected in the municipality

for county purposes, or for any purpose mentioned in section 211 of this Act. R. S. O. 1897, c. 224, s. 267.

215. If default be made in such payment, the county treasurer may retain or stop a like amount out of any money which would otherwise be payable by him to the municipality, or may recover the same by an action against the municipality, or where the same has been in arrear for three months, he may, by warrant under his hand and seal, reciting the facts, direct the sheriff of the county to levy and collect the amount due with interest and costs from the municipality in default. R. S. O. 1897, c. 224, s. 268.

Mode of enforcing such payment.
Warrant to sheriff.

216. The sheriff, upon receipt of the warrant, shall levy and collect the amount, with his own fees and costs in the same manner as is provided by *The Consolidated Municipal Act, 1903*, in case of writs of execution. R. S. O. 1897, c. 224, s. 269.

How sheriff to make levy.
3 Edw. VII, c. 19.

217. The county, city or town treasurer shall be accountable and responsible to the Crown for all money collected for any of the purposes mentioned in section 211 of this Act, and shall pay over such money to the Treasurer of the Province. R. S. O. 1897, c. 224, s. 270.

Treasurer, &c., to account for and pay over Crown moneys.

218. Every county, city and town shall be responsible to His Majesty, and to all other persons interested, that money coming into the hands of the treasurer of the county, city or town in virtue of his office, shall be by him duly paid over and accounted for according to law. R. S. O. 1897, c. 224, s. 271.

Municipality responsible for such moneys.

219. The treasurer, and his sureties shall be responsible and accountable for such money to the county, city or town; and any bond or security given by them for the duly accounting for and paying over money belonging to the county, city or town, shall apply to all money mentioned in section 211 and may be enforced against the treasurer or his sureties, in case of default. R. S. O. 1897, c. 224, s. 272.

Treasurer, &c., responsible to county, &c.

220. The bond of the treasurer and his sureties shall apply to school money, and to all public money of the Province; and, in case of default, His Majesty may enforce the responsibility of the county, city or town, by stopping a like amount out of any public money which would otherwise be payable to the county, city or town or to the treasurer thereof, or by action against the corporation. R. S. O. 1897, c. 224, s. 273.

Bonds to apply.
Bonds to apply to school moneys.

221. Any person aggrieved by the default of the treasurer, may recover from the corporation of the county, city or town, the amount due or payable to such person as money had and received to his use. R. S. O. 1897, c. 224, s. 274.

City &c, responsible for default of treasurer, &c.

MISCELLANEOUS.

222. Any affidavit or oath required by this Act to be made may be made before any Justice of the Peace having jurisdiction in the municipality or any commission for taking affidavits in the county or any notary for the Province. *New.*

Oaths and affidavits.

223. If any person wilfully tears down, injures or defaces any advertisement, notice or other document, which is required by this Act to be posted up in a public place for the information of persons interested, he shall, on conviction thereof in a summary way before any Justice of the Peace having jurisdiction in the county, city or town, be liable to a fine of \$20. R. S. O. 1897, c. 224, s. 275.

Penalty for tearing down notices, &c.

224. The fines and forfeitures authorized to be summarily imposed by this Act, shall, when not otherwise provided, be levied and collected by distress and sale of the offender's goods and chattels, under authority of a warrant of distress to be issued by a Justice of the Peace of the county, city or town; and, in default of sufficient distress, the offender shall be committed to the common gaol of the county, and be there kept at hard labour for a period not exceeding one month. R. S. O. 1897, c. 224, s. 276.

Recovery of fines and forfeitures here by imposed.

225. When not otherwise provided all penalties recovered under this Act shall be paid to the treasurer to the use of the municipality. R. S. O. 1897, c. 224, s. 277.

Application of penalties.

226. This Act shall not affect the terms of any agreement made with a municipality, or any by-law heretofore or hereafter passed by a municipal council under any other Act for fixing the assessment of any property, or for commuting or otherwise relating to municipal taxation. But whenever in any Act of this Legislature or by any Proclamation of the Lieutenant-Governor in Council or by any valid by-law of a municipality heretofore passed or by any valid agreement heretofore entered into the assessment of the real and personal property of any person in a municipality is fixed at a certain amount for a period of years, unexpired at the time of the coming into force of this Act, or the taxes payable annually by any person in respect to the real and personal property are fixed at a stated amount during any such period, or the real and personal property of any person or any part thereof is exempt from municipal taxation in whole or in part for any such period, such fixed assessment, or commutation of taxes or exemption shall be deemed to include any business assessment or other assessment and any taxes thereon in respect to the property or business mentioned in such Act, Proclamation, by-law or agreement to which such person or the property of such person would otherwise be liable under the provisions of this Act. *New.*

Act not to affect agreement.

227. Notwithstanding anything contained in this Act, all assessments made, collectors' rolls prepared, and acts and things authorized to be done under *The Assessment Act* and amendments thereto hereby repealed, shall, notwithstanding the repeal of the said Act and amendments be and remain good, valid and subsisting, and if any assessments are adopted by councils of municipalities in the year 1905 where such assessments are made in the year 1904 for the next year, the assessments so adopted shall be legal and be binding upon all parties thereto as if the said Acts and amendments had not been repealed, but the taxes which may be imposed or levied under such assessments and all taxes due and remaining unpaid in any collectors' rolls in the hands of collectors of taxes or treasurers or other officers at the time of the repealing of the said Acts and amendments shall be collected in the manner and under the procedure provided in this Act.

Confirmation of assessments, &c., prior to commencement of Act.

Enactments repealed.
Commence-ment of Act.

228. Subject to the provisions of the next two preceding sections the Acts and parts of Acts in Schedule M hereto are hereby repealed to the extent mentioned in said Schedule.
229. This Act shall come into force and take effect on, from and after the first day of January, 1905.

SCHEDULE A.
(Section 8.)

FORM OF AFFIDAVIT TO BE MADE BY A PERSON DESIRING TO BE ASSESSED IN RESPECT OF EXEMPTED INCOME.

I, _____ make oath and say as follows:—
(1) I am _____ and I am a _____ resident in the _____ of _____ residing at _____
(giving where possible name of street and number of house).
(2) I am in receipt of an annual income of \$ _____.
(3) I desire to be assessed in respect of such income, for the purpose of being entitled to vote at municipal elections, and that my name be duly entered in the assessment roll accordingly for the current year.
Sworn before me at _____ in the County of _____ this _____ day of _____ 19 _____ } J.S.
J.P., etc.

SCHEDULE B.
(Section 24.)

FORM I.

FORM OF AFFIDAVIT BY PERSONS CLAIMING TO BE PLACED ON THE ASSESSMENT ROLL AS A VOTER.

I, _____ make oath and say as follows :
I am a British subject by birth (or naturalization), and I have resided in this Province for the nine months next preceding the _____ day of _____ in the present year (the day to be filled in here is the date on which by Statute or by-law the Assessor is to begin making his roll.)
I was at the said date in good faith a resident of and domiciled in (giving name of municipality for which the Assessor is making his roll), and I have resided therein continuously from the said date, and I now reside therein at (here give the deponent's residence by the number thereof, if any, and the street or locality whereon or wherein the same is situated, if in a town or village. If the residence is in a township, give the concession wherein, and the lot or part of lot whererin it is situated.)
I am of the full age of 21 years, and am not disqualified from voting at elections for the Legislative Assembly of Ontario.
Sworn before me at _____ in the County of _____ this _____ day of _____ 19 _____ } (Signature of Voter.)
Signature of J.P., etc.
(This oath may be taken before any Assessor or any Justice of the Peace, Commissioner for taking Affidavits, or Notary Public.)

R.S.O. 1897, c. 224, Sched. B., Form 1.

FORM 2.

FORM OF AFFIDAVIT FOR SAME PURPOSE AS FORM 1.

But where the person has been temporarily absent from the municipality.

I, _____, make oath and say as follows :
I am a British subject by birth, (or naturalization) and I have resided in this Province for the nine months next preceding the _____ day of _____ in the present year (the day to be filled in here is the date on which by Statute or by-law the Assessor is to begin making his roll).
I was at the said date in good faith a resident of and domiciled in—(giving name of municipality for which the Assessor is making his roll) and have resided therein continuously from the said date, and I now reside therein at (here give the deponent's residence, by the number thereof, if any, and the street or locality whereon or wherein the same is situated if in a town or village. If the residence is in a township, give the concession wherein and lot or part of lot whereon it is situated.)
And I have not been absent from this Province during the said nine months except occasionally or temporarily in the prosecution of my occupation as (mentioning as the case may be), a lumberman, or mariner, or fisherman, or as a student in attendance in an institution of learning in the Dominion of Canada (naming the institution if absent as student).
I am of the full age of 21 years, and am not disqualified from voting at elections for the Legislative Assembly of Ontario.
Sworn before me at _____ in the County of _____ this _____ day of _____ 19 _____ } (Signature of Voter.)
(Signature of J.P., or Commissioner, etc.)
(The oath may be taken before any Assessor or any Justice of the Peace, Commissioner for taking Affidavits, or Notary Public.)

R.S.O. 1897, c. 224, Sched. B, Form 2.

SCHEDULE C.
(Section 29.)

CENSUS of all children between the ages of eight and fourteen in the city, town, village or township, (as the case may be), of

Name of Child.	Age.	Parent or Guardian.	Residence.

R.S.O. 1897, c. 224, Sched. C.

SCHEDULE D.

(Section 33, sub-section 6.)

Form of notice by non-resident owner of land requiring to be assessed therefor.

To the Clerk of the Municipality of

Take notice that I (or we) own the land hereunder mentioned, and require to be assessed, and to have my name (or our names) entered therefor on the Assessment roll of the Municipality of

That my (or our) full name (or names), place of residence and Post Office Address, are as follows:

A.B., of the Township of York, shoemaker, Weston Post Office (as the case may be). Description of land (here give such description as will readily lead to the identification of the land).

Dated the _____ day of _____, 19____

C.D.

Witness, G.H.

R.S.O. 1897, c. 224, Sched. A.

SCHEDULE E.

(Section 18.)

FORMS OF ASSESSMENT RETURNS.

NOTICE TO RATEPAYERS.

(City of _____)

Pursuant to *The Assessment Act* you are hereby required to fill up such of the following returns as are applicable to your case, and to deliver the same to me at my office No. _____ Street, _____ within ten days from the delivery or mailing, as the case may be, to you of this notice, under the penalty contained in the said Act for neglect so to do.

Dated this _____ day of _____, 19____

Assessor.

No. 1.

GENERAL RETURN.

SCHEDULE E.

(Section 18.)

TOWNSHIP OF _____ (or CITY, TOWN or VILLAGE) OF _____

CON.

STREET

SIDE.

Name and description of persons assessed.					Description of Real Property.							Assessed values of Land and Buildings.				Statistics.					Statute Labour.	Dog Tax.	Remarks.				
2	3	4	5	6	7	8	9	10	11	12	13	14	15	17	18	22	23	24	25	26	28	29		27	30	32	
Name (surname first) of person taxable (owners and tenants of land and persons otherwise taxable.)	Age.	Freeholder or tenant, M.F. or F.F.	Occupation and in the case of females S.M. or W., and in case of non-resident N.R.	Number of concession, name of street, etc. or other local designation of the local division in which the land lies or residence, in case of persons not assessable for land, or in the case of manhood suffrage voters, &c.	Number of lot, house, &c., in such division.	Number of acres or other measure showing the extent of the property.	Number of acres cleared (or in cities houses or villages (whether vacant or built upon)).	Number of acres of woodland.	Number of acres of slash land.	Number of acres of swamp, marsh or waste land.	Value of land exclusive of buildings.	Value of buildings.	Total value of real property.	Total value of land liable for school rates only.	Total value of property exempt from taxation, or liable for local improvements only.	Religion.	Number of school section.	Public or Separate School supporter. (P. or S.)	Number of children between the ages of 6 and 21.	Number of children between the ages of 6 and 16.	Number of persons in the family of person rated as a resident, including such person and all other persons residing on the premises.	Births.	Deaths.	Number of persons from 21 to 60.	Number of days' labour.	Number of dogs.	Number of bitches.

OATH.

I hereby make oath that I have knowledge of the particulars contained in the foregoing statement and that the same are in every respect fully and truly stated to the best of my knowledge and belief.

Sworn before me at _____ in the County of _____ this _____ day of _____ A.D. 19____ Signature.

EXAMPLES OF RETURNS.

No. 2.

Return to be delivered by all persons as to their Income.

Name.

Occupation.

Address of Residence.

Address of place of business.

1. Income from Profession or Calling in this Municipality. (Insert full particulars.)

2. Income, wheresoever derived, from Mortgages. (Insert full particulars.)

3. Income wheresoever derived, from Bonds, Stocks, Debentures, Personal Securities, and from money lent or invested on any other securities, or on bank deposit, or without security. (Insert full particulars.)

4. Taxable income from any other source. (Insert full particulars.)

OATH.

(To be inserted at the end of each return.)

I hereby make oath that I have knowledge of particulars contained in the foregoing statement and that the same are in every respect fully and truly stated to the best of my knowledge and belief.

Sworn before me at _____ in the County of _____ this _____ day of _____ 19____ (Signature.)

SCHEDULE F.
(Sections 28 and 46.)

ASSESSMENT NOTICE FOR 19 .

TOWNSHIP OF _____ (or CITY, TOWN, or VILLAGE) OF _____ WARD No. _____
CON. _____ (or STREET), _____ SIDE.

No. on Roll	Name and description of person assessed.			School Supporter. "P" or "S" (Public or Separate School Supporter.) "M" or "F" or "S."	Description of real property.		Assessment of land and buildings.					Assessment for personal taxes.	
	Name.	Occupation.			No. of lot or house.	No. of concession, street or other designation of local division.	Actual value of land.	Value of buildings.	Total actual value of real property.	Total value of real property liable for school tax only.	Total value of real property liable for local improvements only.	For business assessment.	For income.
							\$	\$	\$	\$	\$	\$	\$

Take notice that you are assessed as above specified for the year 19 . If you deem yourself overcharged, or otherwise improperly assessed, you or your agent may notify the Clerk of the Municipality (or Assessment Commissioner) in writing of such overcharge or improper assessment, within fourteen days after the day of (insert date on which the Assessment Roll was returned), and your complaint shall be tried by the Court of Revision for the Municipality of

NOTICE DELIVERED, 19 (INDORSED.)

SIR,—Take notice that I intend to appeal against this assessment for the following reasons :

I am, Sir, your obedient Servant,

A.B., Township Clerk,
or Assessment Commissioner.

R.S.O. 1897, c. 224, Sched. D, amended.

NOTE.—In the case of a Municipality in which there are supporters of a Roman Catholic Separate School therein or contiguous thereto, the notice required by Section 28 must also be added.

SCHEDULE G.
(Section 47.)

AFFIDAVIT OR AFFIRMATION OF ASSESSOR IN VERIFICATION OF ASSESSMENT ROLL.

Oath of assessor on completion of roll.

I (name and residence) make oath and say (or solemnly declare and affirm) as follows :—

1. I have, according to the best of my information and belief, set down in the above assessment roll all the real property liable to taxation situate in the municipality (or ward) of (as the case be); and I have justly and truly assessed each of the parcels of real property so set down at its actual value.

[And in the case of vacant ground in cities, towns, and villages assessed under section 40 of this Act, add,]

Except vacant ground and ground used as a farm, garden or nursery, and not in immediate demand for building purposes, which I have assessed according to the value prescribed by By-law (describing by its number or title any by-law passed under the provisions of section 40.)

2. I have estimated and set down, according to the best of my information and belief, in said assessment roll, the amounts assessable against every person named in the said roll for the purpose of the tax in respect of his trade, business, profession, or calling, and in respect of his income.

3. I have entered therein the names of all the resident tenants and freeholders, and of all other persons of whose names I am aware or who have required their names to be entered therein, with the true amount of property occupied or owned by each; and I have not entered the name of any person whom I do not truly believe to be a tenant or freeholder, or the bona fide occupier or owner of the property, or in receipt of the income set down opposite his name, for his own use and benefit, or otherwise to be entitled by law to be so entered.

4. According to the best of my knowledge and belief, I have entered therein the name of every person entitled to be so entered either under The Assessment Act or any other Act; and I have not intentionally omitted from the said roll the name of any person whom I knew or had good reason to believe, to be entitled to be entered therein under any or either of the said Acts.

5. I have entered in the said roll the date of delivery or transmitting of the notice required by section 46 of The Assessment Act; and every such date is truly and correctly stated in the said roll.

6. I have not entered the name of any person at too low a rate in order to deprive such person of a vote, or a too high a rate in order to give such person a vote; and the amount for which each such person is assessed in the said roll truly and correctly appears in the said notice delivered or transmitted to him as aforesaid.

7. I have not entered any name in the above roll, or improperly placed any letter or letters in column 4, opposite any name, with intent to give to any person not entitled to vote, a right of voting; and I have not intentionally omitted from the said roll the name of any person whom I believe to be entitled to be placed therein, nor have I, in order to deprive any person of a right of voting, omitted from column 4 opposite the name of such person, any letter or letters which I ought to have placed there.

Sworn (or solemnly declared and affirmed) before me at _____, of _____, in the county of _____, this day of _____, A.D. 19 _____.

R.S.O. 1897, c. 224, Sched. E, amended.

FORM OF OATH TO BE ATTACHED TO ASSESSMENT ROLL.

(Where assistant of an Assessment Commissioner enters date of delivery or transmission of notices under section 46.)

I (name of assistant and residence) make oath and say (or solemnly declare and affirm) as follows :—

I have entered in the assessment roll attached hereto, the date of delivery or transmission of the notice required by section 46 of The Assessment Act; and every such date has been truly stated in said roll. New.

SCHEDULE H.
(Section 110.)

FORM OF OATH TO BE ATTACHED TO COLLECTOR'S ROLL.

I (name and residence) make oath and say (or solemnly declare and affirm) as follows :

I have appended my initials in the collector's roll attached hereto to every date entered by me in said roll as the date of demand of payment, or notice of taxes, pursuant to section 99 (or section 102) and of every transmission of statement and demand of taxes pursuant to section 101 of The Assessment Act; and every such date has been truly stated in said roll. New.

SCHEDULE I.

(Section 65, subsection 15.)

FORM OF DECLARATION OF PERSON COMPLAINING IN PERSON OF OVERCHARGE ON AN ACCOUNT OF TAXABLE INCOME.

I, *A.B.*, (set out name in full, with place of residence, business, trade, profession, or calling), do solemnly declare that my net income, derived from all sources not exempted by law from taxation is

R.S.O. 1897, c. 224, Sched. G.

SCHEDULE J.

(Section 65, subsection 15.)

FORM OF DECLARATION BY AGENT OF PERSON COMPLAINING OF OVERCHARGE ON TAXABLE INCOME.

I, *A.B.*, (set out name in full, and place of residence, business, trade, profession, or calling), agent for *C.D.*, (set out name in full, with place of residence, and calling of person assessed), do solemnly declare that the net income of the said *C.D.*, derived from all sources not exempt from taxation by law, is ; and that I have the means of knowing, and do know, the income of the said *C.D.*

R.S.O. 1897, c. 224, Sched. J.

SCHEDULE K.

CERTIFICATE UNDER SECTION 130, SUBSECTION 2.

Treasurer's Office of the County (or City or Town or Township of)

Statement showing arrears of taxes upon the following lands in the Township, or City or Town of _____.

Lot.	Concession or Street.	Quantity of Land.	Amount.	Year.

I hereby certify that the above statement shows all arrears of taxes returned to this office against the above lands, and that no part of the said lands has been sold for taxes within the last eighteen months nor returned to the Clerk for collection within the last twelve months, under Subsection 1 of Section 123 of *The Assessment Act*, and that the return under Section 116 of said Act has been made for the year 19

Treasurer.

SCHEDULE L.

(Section 167.)

FORM OF TAX DEED.

To all whom these Presents shall come:

We, _____, of the _____, of _____, Esquire, Warden (or Mayor or Reeve), and _____, Esquire, Treasurer of the County (or City or Town or Township) of _____, Send Greeting:

WHEREAS by virtue of a warrant under the hand of the Warden (or Mayor or Reeve) and seal of the said County (or City or Town or Township) bearing date the _____ day of _____, in the year of our Lord one thousand nine hundred and _____, commanding the Treasurer of the said County (or City or Town or Township) to levy upon the land hereinafter mentioned, for the arrears of taxes due thereon, with his costs, the Treasurer of the said County (or City or Town or Township) did, on the _____ day of _____, 19 _____, sell by public auction to _____, of _____, in the County of _____, that certain parcel or tract of land and premises hereinafter mentioned, at and for the price or sum of _____ of lawful money of Canada, on account of the arrears of taxes alleged to be due thereon up to the _____ day of _____, in the year of our Lord one thousand nine hundred and _____, together with the costs:

Now know ye, that we, the said _____ and _____, as Warden (or Mayor or Reeve) and Treasurer of the said County (or City or Town or Township) in pursuance of such sale, and of *The Assessment Act*, and for the consideration aforesaid, do hereby grant, bargain and sell unto the said _____, his heirs and assigns, all that certain parcel or tract of land and premises containing _____, being composed of (describe the land so that the same may be readily identified.)

In witness whereof, we, the said Warden (or Mayor or Reeve) and Treasurer of the said County (or City or Town or Township) have hereunto set our hands and affixed the seal of the said County (or City or Town or Township), this _____ day of _____ in the year of our Lord one thousand nine hundred and _____; and the Clerk of the County (or City or Town or Township) Council has countersigned.

A. B., Warden (or Mayor or Reeve). (Corporate Seal.)
C. D., Treasurer.

Countersigned,
E. F., Clerk.

R.S.O. 1897, c. 224, Sched. L.

SCHEDULE M.

ACTS AND PARTS OF ACTS REPEALED.

(See Section 228.)

Act.	Extent of repeal.
Revised Statutes of Ontario, chapter 224	The whole except subsection 5 of section 184 and sections 232 to 245 inclusive.
Revised Statutes of Ontario, chapter 225	Sections 56, 57 and 59.
61 Victoria, chapter 25	The whole.
62 Victoria (2nd Session), chapter 8	Sections 6 to 11 inclusive.
63 Victoria (2nd Session), chapter 27	The whole except section 16.
63 Victoria, chapter 34	The whole.
1 Edward VII, chapter 29	The whole.
1 Edward VII, chapter 26	Sections 13 and 14.
2 Edward VII, chapter 31	The whole.
3 Edward VII, chapter 19	Section 310.
3 Edward VII, chapter 21	The whole.

AN ACT respecting amendments of the Law in connection with the Revision of the Assessment Act.

4 Edw. VII., c. 24.

Assented, to 26th April, 1904.

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

1. Subsection 1 of Section 86 of *The Consolidated Municipal Act*, 1903, is amended by striking out clauses (a) and (b) after the paragraph designated *Fourthly* and by substituting the following therefor:—

(a) If more sons than one are so resident, and if the farm is not assessed at an amount sufficient, if equally divided between them, to give a qualification to vote to the father and all the sons, where the father is living, or to the mother and all the sons where the father is dead and the mother is a widow, then the right to vote shall belong to, and be the right only of the eldest or such of the elder of the said sons to whom the amount at which farm is assessed, when equally divided between them and their father, or their mother, as the case may be, will give the qualification to vote.

(b) If the amount at which the farm is so assessed is insufficient, if equally divided between the father, if living, and one son, or, where the father is dead and the mother is a widow, between the mother and one son, to give to each a qualification to vote, no sons or son shall be entitled to vote.

2. Section 285 of *The Consolidated Municipal Act*, 1903, is amended by inserting the following as subsection 2a:—

(2a) No ratepayer shall be counted more than once in returns and lists required by law for municipal purposes.

2. Rateable property of the municipality mentioned in section 384 and other sections of *The Consolidated Municipal Act*, 1903, shall include business assessment as defined by *The Assessment Act*, and in all by-laws heretofore or hereafter passed by a municipality which direct the levying of rates on the rateable property of the municipality business assessment shall be deemed to be included in such rateable property, as well as real property and income and other assessments made under *The Assessment Act*.

4. Section 403 of *The Consolidated Municipal Act*, 1903, is repealed and the following substituted therefor:—

403. In every county and local municipality all rates shall be calculated at so much in the dollar upon the whole of the assessment of the municipality including real property, income, business and other assessments, as provided by *The Assessment Act*.

5.—(1) Section 40 of *The Act respecting the establishment of Municipal Institutions in Territorial Districts* is repealed and the following substituted therefor:—

40. The council of every municipality in any of the said districts shall at or as soon as convenient after their first meeting appoint one or more assessors, who shall enter upon a roll to be provided for that purpose:—

1. The names of all the freeholders and householders in the municipality, stating at the same time on the roll the amount of all the real property owned or occupied by such persons respectively, and the actual value thereof, and stating whether the owners are resident or not;

2. The names of all persons in other respects liable to taxation, including those who, though exempt from taxation in respect of income, have required their names to be entered on the roll, in respect of such income, stating the amount thereof;

3. The names of all farmers' sons entitled to be entered on the roll under the provisions of *The Assessment Act*;

and the said assessor or assessors shall duly notify every person so assessed by leaving a notice at his place of abode, or if a non-resident, by mailing the same to his address if known or if not known then by fixing up the same in the nearest post office; and every such notice shall state the particulars of the said assessment.

(2) Section 43 of *The Act respecting the establishment of Municipal Institutions in Territorial Districts* is amended by striking out the words "if he complains of his assessment shall" in the first and second lines, and inserting in lieu thereof the words "who thinks that he or any other person has been assessed too high or too low or who complains of an error or omission in regard to the assessment of himself or any person may."

(3) Section 45 of the said Act is amended by striking out the figures "84" in the fifth line thereof and inserting in lieu thereof the figures "76."

(4) Section 50 of the said Act is amended by striking out the words "on all the real and personal property rated on said roll" in the second and third lines and inserting in lieu thereof the words "upon the whole of the assessment for real property, income and business or other assessments made under *The Assessment Act* in the municipality."

(5) Section 52 of the said Act is amended by adding at the end thereof the words following namely: "except that the right to distrain under section 103 of *The Assessment Act* shall be confined to goods and chattels within the municipality."

6. Section 54 of *The Separate Schools Act* is repealed and the following section substituted therefor:—

54.—(1) A company may, by notice in that behalf to be given to the clerk of any municipality wherein a separate school exists, require any part of the real property of which such company is either the owner and occupant, or, not being such owner, is the tenant, occupant or actual possessor, and any part of the business assessment or other assessments of such com-

3. Edw. VII.
c. 19, s. 86,
amended.

Farmers'
sons, qualifi-
cations of.

3 Edw. VII.,
c. 19, s. 285,
amended.
Ratepayers to
be counted
only once.

Rateable prop-
erty, what
to include.
3 Edw. VII.,
c. 19.

3 Edw. VII.
c. 19, s. 403,
amended.

Rates, how
calculated.

Rev. Stat.,
c. 225, s. 40,
amended.

Assessors to be
appointed to
enter in
assessment
rolls.

Freeholders
and house-
holders.

Persons
otherwise
taxable.

Farmers'
sons.

Notice of
assessment.

Rev. Stat.,
c. 225, s. 43,
amended.
Appeal
against
assessment.

Rev. Stat.,
c. 225, s. 45,
amended.

Rev. Stat.,
c. 225, s. 50,
amended.

Rev. Stat.,
c. 225, s. 52,
amended.

Rev. Stat.,
c. 294, s. 54,
repealed.

Company
may require
school rate to
be applied to
separate
schools.

pany made under *The Assessment Act*, to be entered, rated and assessed for the purposes of the said separate school, and the proper assessor shall thereupon enter the said company as a separate school supporter in the assessment roll in respect of the real property and business or other assessments, if any, specially designated in that behalf, in or by the said notice and the proper entries in that behalf shall be made in the prescribed column for separate school rates, and so much of the real property and business or other assessments, if any, as shall be so designated shall be assessed accordingly in the name of the company for the purposes of the separate school and not for public school purposes, but all other real property and the remainder of the business or other assessments of the company shall be separately entered and assessed in the name of the company as for public school purposes; provided always that the share or portion of the real property and business or other assessments of any company, entered, rated or assessed, in any municipality for separate school purposes under the provisions of this section, shall bear the same ratio and proportion to the whole of the assessment for real property, business or other assessments of any company within the municipality, as the amount or proportion of the shares or stock of the company, so far as the same are paid, or partly paid-up, and are held and possessed by persons who are Roman Catholics, bears to the whole amount of such paid or partly paid-up shares or stock of the company.

(2) A notice by the company to the clerk of the local municipality under the provisions of this section may be in the form or to the effect following:—

To the Clerk of (*describing the municipality*),

Take notice that (*here insert the name of the company so as to sufficiently and reasonably designate it*) pursuant to a resolution in that behalf of the directors of the said company requires that hereafter and until this notice is either withdrawn or varied so much of the whole of the assessment for real property, and business or other assessments of the company within (*giving the name of the municipality*) and hereinafter specially designated shall be entered, rated, and assessed for separate school purposes, namely, one-fifth (*or as the case may be*) of all real property of the said company liable to assessment in the said municipality and one-fifth (*or as the case may be*) of the business or other assessments of the said company in the said municipality.

Given on behalf of the said company this (*here insert date*).

R. S., Secretary of the said company.

7. This Act shall come into force and take effect on, from and after the first day of January, 1905. Commencement of Act.

AN ACT Respecting Statute Labour.

4 Edw. VII., c. 25.

Assented to 26th April, 1904.

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

By-laws in Townships.

1. The council in every township may pass by-laws respecting statute labour as enacted in subsection 3 of section 537 and section 561 of *The Consolidated Municipal Act, 1903.* By-laws.
3 Edw., VII.
c. 19.

Exemptions.

2. The following persons shall not be liable to perform statute labour or to commute therefor:—

(a) Every person in His Majesty's Naval or Military Service on full pay, or on actual service; Certain persons in naval and military service, etc. exempt.

(b) Every non-commissioned officer or private of the Volunteer Force, certified by the officer commanding the company to which such volunteer belongs or is attached, as being an efficient volunteer; but this last exemption shall not apply to any volunteer who is assessed for property. R. S. O. 1897, c. 224, s. 96.

[*Firemen exempted in certain cases. See also R. S. O. 1897, Cap. 231, s. 6.*]

3. The owner or tenant of an island in the lakes not exceeding ten acres in extent and used with the houses erected thereon exclusively as a summer resort, and upon which the owner or his tenants do not reside more than three months in the year, and whereon no statute labour is done, shall not be rated for statute labour, nor shall the owner or tenant thereof be liable for the performance of statute labour or for the payment of commutation thereof for or in respect of such property. R. S. O. 1897, c. 224, s. 30 (2). Island used as summer resorts.

Cities, Towns and Villages.

4. Subject to the provisions of section 7, every other male inhabitant of a city, town or village of the age of twenty-one years and upwards, and under sixty years of age (and not otherwise exempted by law from performing statute labour), who has not been assessed upon the assessment roll of the city, town or village, shall, instead of such labour, be taxed at \$1 yearly therefor, to be levied and collected as the council of the municipality may, by by-law direct. R. S. O. 1897, c. 224, s. 97, amended. Who liable and what ratio, in cities, towns and villages.

Townships.

Liability of persons not otherwise assessed in townships.

5. Subject to the provisions of section 7, every male inhabitant of a township, between the ages aforesaid, who is not otherwise assessed in any municipality in the Province, and who is not exempt by law from performing statute labour, shall be liable to one day of statute labour on the roads and highways in the township. R. S. O. 1897, c. 224, s. 100.

Farmers' Sons.

Farmers' sons.

6. Every farmer's son entered as such on the assessment roll of any municipality, shall, if not otherwise exempted by law, be liable to perform statute labour or commute therefor, as if he were not so entered. R. S. O. 1897, c. 224, s. 106; 62 V. (2), c. 27, s. 8, amended.

Reduction or Abolition of Tax.

Power to reduce or abolish statute labour. Proof to relieve from tax.

7. The council of every city, town, village and township may pass by-laws to reduce or abolish the amount of statute labour to be performed or the amount to be paid in lieu thereof or to entirely abolish such statute labour and the performance thereof by all persons within the municipality. R. S. O. 1897, c. 224, ss. 98, 101.

8. Subject to the provisions of section 7, no person shall be exempted from the tax in sections 4 or 5 mentioned, unless he produces a certificate that he is assessed elsewhere or that he has performed statute labour or paid the tax elsewhere in the Province. *New.*

Performance of Statute Labour.

Ratio of service in case of persons assessed.

9.—(1) Every person assessed upon the assessment roll of a township shall, if his property is assessed at not more than \$300, be liable to two days' statute labour; at more than \$300 but not more than \$500, three days; at more than \$500 but not more than \$700, four days; at more than \$700 but not more than \$900, five days; and for every \$300 over \$900 or any fractional part thereof over \$150, one additional day; but the council of any township may, by a by-law operating generally and rateably, reduce or increase the number of days' labour to which all the persons, rated on the assessment roll or otherwise, shall be respectively liable, so that the number of days' labour to which each person is liable shall be in proportion to the amount at which he is assessed; and in all cases both of residents and non-residents, the statute labour shall be rated and charged against every separate lot or parcel according to its assessed value. R. S. O. 1897, c. 224, s. 102 (1); s. 17 (1), *last part.*

Council may reduce or increase the number of days proportionately.

Amount of statute labour.

(2) Wherever one person is assessed for lots or parts of several lots in one municipality, not exceeding in the aggregate two hundred acres, the said part or parts shall be rated and charged for statute labour as if the same were one lot, and the statute labour shall be rated and charged against any excess of said parts in like manner. R. S. O. 1897, c. 224, s. 109 (2), *first part.*

Commutation of statute labour of non-residents. 4 Edw. VII., c. 23.

(3) In townships where farm lots or portions thereof are owned by non-residents who have not required their names to be entered on the assessment roll, the statute labour shall be commuted by the township clerk in making out the roll required under section 96 of *The Assessment Act*, where such lots are under the value of \$200, to a rate not exceeding one-half per centum on the valuation; but the council may direct a less rate to be imposed by a general by-law affecting such lots. R. S. O. 1897, c. 224, s. 102 (2).

(4) Every resident shall have the right to perform his whole statute labour in the statute labour division in which his residence is situate, unless otherwise ordered by the municipal council. R. S. O. 1897, c. 224, s. 102 (2), *last part.*

[As to the allowance of work in extinguishing bush fires as statute labour, see R. S. O. 1897, Cap. 269, Sec. 2.]

Commutation of Statute Labour.

Commutation may be at \$1 per day.

10. The council of any township may, by by-law direct that a sum not exceeding \$1 a day shall be paid as commutation of statute labour, for the whole or any part of such township, in which case the commutation tax shall be added in a separate column in the collector's roll and shall be collected and accounted for like other taxes. R. S. O. 1897, c. 224, s. 103.

Commutation may be fixed at any sum not exceeding \$1.

11. Any local municipal council may, by a by-law passed for that purpose, fix the rate at which persons may commute their statute labour, at any sum not exceeding \$1 for each day's labour; and the sum so fixed shall apply equally to residents, who are subject to statute labour and to non-residents in respect to their property. R. S. O. 1897, c. 224, s. 104.

If no by-law commutation to be at \$1.

12. Where no such by-law has been passed the statute labour in townships, in respect of lands of residents and non-residents, shall be commuted at the rate of \$1 for each day's labour. R. S. O. 1897, c. 224, s. 105.

Payment of tax in lieu of statute labour may be enforced by distress or imprisonment.

13.—(1) Any person liable to pay the sum named in section 4, or any sum for statute labour commuted under section 10, of this Act, shall pay the same to the collector to be appointed to collect the same, within two days after demand thereof by the said collector; and in case of neglect or refusal to pay the same, the collector may levy the same by distress of goods and chattels of the defaulter, with costs of the distress; and if no sufficient distress can be found, then upon summary conviction before a Justice of the Peace of the county in which the local municipality is situate, of his refusal or neglect to pay the said sum, and of there being no sufficient distress, he shall incur a penalty of \$5 with costs, and, in default of payment at such time as the convicting Judge orders, shall be committed to the common gaol of the county, and be there put to hard labour for any time not exceeding ten days, unless such penalty and costs and the costs of the warrant of commitment and of conveying the said person to gaol are sooner paid.

Performance.

(2) Any person liable to perform statute labour under section 5 of this Act not commuted, shall perform the same when required to do by the pathmaster or other officer of the

municipality appointed for the purpose; and, in case of wilful neglect or refusal to perform such labour after six days' notice requiring him to do the same, shall incur a penalty of \$5, and upon summary conviction thereof before such Justice of the Peace as aforesaid the Justice shall order the same, together with the costs of prosecution and distress, to be levied by distress of the offender's goods and chattels, and in case there is no sufficient distress, such offender may be committed to the common gaol of the county and there put to hard labour for any time not exceeding ten days unless the penalty and costs and the costs of the warrant of commitment and of conveying the said person to gaol are sooner paid.

Penalty for neglect or refusal.

(3) All sums and penalties, other than costs, recovered under this section, shall be paid to the treasurer of the local municipality, and shall form part of the Statute Labour Fund thereof. R. S. O. 1897, c. 224, s. 107.

Penalties to be paid to treasurer of municipality.

14. A non-resident whose name does not appear on the resident assessment roll, shall not be permitted to perform statute labour in respect of any land owned by him; but a commutation tax shall be charged against every separate lot or parcel, according to its assessed value and be entered in the non-residents collector's roll. In all cases in which taxes on such non-resident lands are paid, the municipal council shall order the amount to be expended in the statute labour division in which the property is situate. R. S. O. 1897, c. 224, s. 108, *amended*.

Non-residents when not permitted to perform statute labour.

15.—(1) Where an owner or tenant makes default in performing his statute labour or in payment of commutation for the same, the overseer of highways in whose division he is placed, shall return him as a defaulter to the clerk of the municipality before the 15th day of August, and the clerk shall in that case enter the commutation for statute labour against the land in the collector's roll of the current or following year, and the same shall be collected by the collector. R. S. O. 1897, c. 224, s. 110 (1); 62 V. (2), s. 9; 1 Edw. VII., c. 2, s. 6, *amended*.

If resident owner, &c., makes default commutation for statute labour to be entered upon collector's roll.

(2) In every such case the clerk shall notify the overseer of highways, who may be appointed for such division in the following year, or after it has been collected, of the amount of such commutation, and the overseer shall expend the amount of such commutation upon the roads in the statute labour division where the property is situate, and shall give an order upon the treasurer of the municipality to the person performing the work. R. S. O. 1897, c. 224, s. 110 (2), *amended*.

Overseer to expend the commutation money in the division.

Statute Labour in Unincorporated Townships—Road Commissioners.

16.—Twenty resident landholders in any township which has not been incorporated (either alone or in union with some other township) shall have the right to have a public meeting called for the purpose of electing road commissioners. R. S. O. 1897, c. 224, s. 111.

Meeting for election of road commissioners.

17. The persons desiring the meeting to be called shall sign a requisition authorizing some person who shall be named in the requisition, and may either reside in the township or otherwise, to call a meeting of the resident landholders of the township for the purpose aforesaid. R. S. O. 1897, c. 224, s. 112.

Requisition for meeting.

18. In case a person so named declines to call a meeting or neglects to do so, for ten days after the requisition is presented to him, any three of the persons who signed the requisition may call the meeting. R. S. O. 1897, c. 224, s. 113.

How meeting may be called in case person named in requisition fails to call it.

19. The notice calling the meeting shall name a place, day and hour, for holding the meeting and shall be posted at six places at the least in the township, and the day named shall be at least six days distant from the day of posting the notice. R. S. O. 1897, c. 224, s. 114.

Notice of meeting.

20. The election shall take place at the time named, and the number of the commissioners to be elected shall be either three or five, as may be stated in the requisition, unless the meeting, before proceeding to an election, decides that a number different from that stated in the requisition, shall be elected, but such number shall not be less than three nor more than five. R. S. O. 1897, c. 224, s. 115.

Number of commissioners.

21. In case the meeting is called by the person named in the requisition, he shall be entitled to preside at the meeting as chairman, but if he is absent, or declines to act, the landholders present may appoint another chairman; the chairman shall act as returning officer; and shall, in the event of a tie, have a casting vote, although he may have previously voted, or may not be a landholder of the township; the landholders present shall also appoint a secretary, who shall record the proceedings. R. S. O. 1897, c. 224, s. 116.

Chairman of meeting.

22. The landholders present shall decide how the voting for commissioners shall be conducted; and if the vote is taken openly the commissioners shall be elected one at a time, but if it is decided to proceed by ballot all the commissioners shall be elected together, each person having the right to vote for as many persons as there are commissioners to be elected. R. S. O. 1897, c. 224, s. 117.

Mode of voting.

23. The chairman shall, at the request of any two landholders present, direct the secretary to record the names of all persons voting and (unless the vote is by ballot) how each votes. R. S. O. 1897, c. 224, s. 118.

Record of persons voting.

24. If an objection is made to the right of any person to vote at the meeting, such person shall name the property in respect of which he claims the right to vote, and the chairman shall administer to such person on oath, or affirmation if he be by law permitted to affirm, according to the following form, whereupon such person shall be permitted to vote:

Objections to voters.

You swear (or, if the voter is entitled to affirm, solemnly affirm) that you are of the age of twenty-one years, and that you are the owner or locatee of lot in the concession of this township, and that you are entitled to vote at this election.

So help you God.

Terms of office.

25. The commissioners elected shall hold office until the 31st day of December next after their election, and shall take, before a Justice of the Peace, a declaration of office similar to that of a councillor in a municipal corporation. R. S. O. 1897, c. 224, s. 120.

First meeting of commissioners.

26. The commissioners shall meet within a fortnight after their election, and shall then or as soon thereafter as may be, name the roads and parts of roads upon which statute labour is to be performed, and shall appoint the places and times at which the persons required to perform statute labour are to work. R. S. O. 1897, c. 224, s. 121.

Time for performance of statute labour.

27. The times to be appointed for the performance of statute labour shall, unless the meeting of the landholders to elect commissioners otherwise directs, be not earlier than the 20th day of June, nor later than the 20th day of July in any year. R. S. O. 1897, c. 224, s. 122.

Ratio for service by owners and location of land.

28.—(1) Each owner or locatee of land may be required each year to perform two days' labour for every one hundred acres he holds, and for the first ten acres which he has cleared after the first ten, he may be required to perform one day's additional labour, and for every twenty acres over and above the first ten, one additional day's labour, and each householder may be required each year to perform one day's labour.

Liability of land owners to statute labour.

(2) Any land owner, owning less than one hundred acres, may be required to perform statute labour as the commissioners may direct, but not exceeding the scale provided for in subsection 1 of this section where the land is in part cleared, and not exceeding two days where no part of the land is cleared. R. S. O. 1897, c. 224, s. 123.

Commissioners to oversee work.

29. Each commissioner shall, during the time he is required to perform statute labour, act as overseer, and the commissioners shall arrange among themselves for overseeing the various bodies of men engaged in doing statute labour. A commissioner may be paid out of the commutation fund for not exceeding two days' labour at the rate of \$1.25 per day if performed by him over and above the number of days' labour he may by law be required to perform in respect of his own property. The commissioners shall have the same powers as municipalities have in reference to statute labour, to appoint overseers and require returns to be made to them of the labour performed in their districts respectively. R. S. O. 1897, c. 224, s. 124.

Commutation.

30. Any person instead of performing the statute labour required of him may commute therefor by payment at the rate of \$1 per day, and the commissioners shall expend all commutation moneys upon the roads on which the labour which is commuted for should have been performed. R. S. O. 1897, c. 224, s. 125.

Meeting for election of new commissioners.

31. The majority of the commissioners may call a meeting to be held at any time during the month of January, for the election of their successors, but in case of their failure so to do a meeting may be called in the manner hereinbefore provided for a first election. R. S. O. 1897, c. 224, s. 126.

Penalty for neglect to perform work.

32. Any person liable to perform statute labour under the provisions of sections 16 to 33, who, after six days' notice requiring him to do the same, wilfully neglects or refuses to perform, at the time and place named by the commissioners, the number of days' labour for which he is liable, shall incur a penalty of \$5, and in addition \$1 for each day in respect of which he makes default, the same to be paid to the commissioners and to be expended in improving the said roads; and upon such person's conviction thereof, before a Justice of the Peace having jurisdiction in the township, such Justice shall order the penalty together with the penalty and costs of prosecution and distress to be levied by distress of the offender's goods and chattels. R. S. O. 1897, c. 224, s. 127.

Penalty for neglect to serve as commissioners.

33. The commissioners, when duly elected, shall serve during the term for which they are elected, or shall forfeit the sum of \$5, which may be sued for, together with costs, in any Court having jurisdiction, by any three electors making the complaint. R. S. O. 1897, c. 224, s. 128.

Commencement of Act.

34. This Act shall come into force and take effect on, from and after the first day of January, 1905.

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APPENDIX III.

CHAPTER 117.

AN ACT respecting Assessment and the Collection of Taxes.

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His Majesty, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:—

PRELIMINARY.

Short Title	s. 1.
Interpretation of Expressions	s. 2
"Property," s-s. (a).	
"Land"—"Real property"—"Real estate," s-s. (b).	
"Personal estate"—"Personal property," s-s. (c).	
"Landholder," s-s. (d).	
"Dwelling house," s-s. (e).	
"Householder," s-s. (f).	
"Municipality," s-s. (g).	
"City, town, or village," s-s. (h).	
"Rural municipality," s-s. (i).	
"Municipal," s-s. (j).	
"Council," s-s. (k).	
"Clerk," s-s. (l).	
"Assessor," s-s. (m).	
"Treasurer," s-s. (n).	
"Arrears of taxes," s-s. (o).	
"Tax purchaser," s-s. (p).	

SHORT TITLE.

1. This Act may be cited as "The Assessment Act." R. S. M. c. 101, s. 1.

Short title.

INTERPRETATION.

2. In this Act, unless the context otherwise requires,—

Interpreta-
tion.

(a) The expression "property" includes both real and personal property as hereinafter defined;

"Property."

(b) The expressions "land," "real property" and "real estate" respectively include all buildings or other things erected upon or affixed to the land, and all machinery or other things so fixed to any building as to form in law part of the realty, and all trees or underwood growing upon the land, and land covered with water, and all mines, minerals, quarries and fossils in and under the same, except mines belonging to His Majesty;

"Land," "real
property,"
"real estate."

(c) The expressions "personal estate" and "personal property" include all goods and chattels, and shares or stock of incorporated companies;

"Personal
estate,"
"personal
property."

"Landholder."

(d) The expression "landholder" means and includes any person who, being the owner of and residing and domiciled upon real property of at least twenty acres in extent, is, in the assessment roll of the municipality where such property is situate, entered and assessed as owner of said property to the extent of at least the number of acres aforesaid;

"Dwelling house."

(e) The expression "dwelling house" means and includes any part of a house when that part is separately occupied and resided in as a dwelling, and also any land where such land is separately occupied or resided upon as and is part of the premises belonging to and used with such dwelling;

"Householder."

(f) The expression "householder" means any person entered and assessed, or entitled to be entered and assessed, in the revised assessment roll of a municipality, as and being the sole tenant and occupant of and actual resident in a dwelling house situate in such municipality, but does not mean or include any person who is so entered or assessed as or who is actually a joint tenant or occupant of such dwelling house with any other person, or any person who is a mere lodger or boarder in a house;

"Municipality."

(g) The expression "municipality," in addition to the meaning given to the term hereinafter, means any locality the inhabitants of which are already incorporated and are so continued or which become incorporated under the authority of an Act of this Legislature, but does not include the City of Winnipeg;

"City," "town," or "village."

(h) The expressions "city," "town" and "village" respectively mean an incorporated city, town and village, but the terms "city" does not include or refer to the City of Winnipeg;

"Rural municipality," "Municipality."

(i) The expression "rural municipality" means a municipality other than incorporated cities, towns and villages; and the expression "municipality" embraces, as well as a rural municipality, any incorporated village, town or city municipality;

"Municipal."

(j) The expression "municipal" has reference to a municipality or municipalities as above defined;

"Council."

(k) The expression "council" means the municipal council referred to in the context;

"Clerk."

(l) The expression "clerk" means the clerk of a municipality, and includes a "secretary-treasurer" where the offices of clerk and treasurer are combined, and "acting clerk" or "acting secretary-treasurer," and vice versa;

"Secretary-treasurer."

"Assessor."

(m) The expression "assessor" means a municipal assessor and includes "assessors" and "board of assessors" and "assessment commissioner";

"Treasurer."

(n) The expression "treasurer" means a treasurer of a municipality and includes a secretary-treasurer;

"Arrears of taxes."

(o) The expression "arrears of taxes" includes penalties or penalty for default in payment as provided for by this Act;

"Tax purchaser."

(p) The expression "tax purchaser" means and includes any person who purchases land at a tax sale, and includes a municipality and the assignee of such tax purchaser or municipality. R. S. M. c. 101, s. 2, *part*; 63 and 64 V. c. 35, s. 12, *part*.

ACTS RELATING TO PARTICULAR CORPORATIONS.

Special provisions heretofore given to particular municipalities not impliedly repealed hereby. The City of Winnipeg to retain certain powers and be subject to certain liabilities.

3. Where by any Act of Acts, or portions thereof, not expressly repealed, any special powers have been given to, or special provisions have been made respecting, any particular municipality or municipalities, none of the same shall be deemed to be impliedly repealed by any provisions of this Act which may appear to be inconsistent therewith, but such special powers and provisions shall remain in force as at the time of the coming into force of this Act.

4. Notwithstanding anything herein contained and notwithstanding the repeal of the Act known as "The Assessment Act," being chapter one hundred and one of the Revised Statutes, and the Acts amending the same, the corporation of The City of Winnipeg shall retain and enjoy all rights, powers, and privileges, and be subject to all liabilities, obligations and duties, which, at the time of the coming into force of this Act, such corporation, by virtue of the nine hundred and thirty-first section of "The Winnipeg Charter" or otherwise, was entitled to retain and enjoy, and was subject to, except as by any other Act provided otherwise.

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TAXABLE PROPERTY AND EXEMPTIONS.

Taxable property. Exemptions	5. All lands and personal property shall be liable to municipal taxation, subject to the following exemptions:—
Crown lands.	(a) Lands belonging to His Majesty, or held in trust for Him or His use, or for the public use of the Dominion or Province;
Municipal lands.	(b) Lands vested in or held in trust for any municipality;
Indian lands.	(c) Lands held in trust for any tribe or body of Indians;
Public schools and certain other educational institutions.	(d) Every public school established or continued under "The Public Schools Act," every public hospital and every educational institution engaged in preparing pupils for the examinations of and affiliated with the University of Manitoba, with in each case the land requisite for the use thereof, not exceeding four acres in any one instance;
Property of agricultural societies.	(e) All the buildings, with their appurtenances, and all the land necessary thereto, which buildings and land are actually occupied by and belonging to any incorporated agricultural or horticultural society and are used solely for the purpose or benefit of such society;
Cemeteries.	(f) Every public burying ground, not exceeding twenty acres;
By-law exemptions.	(g) All lands legally exempted from taxation by a by-law of the municipal corporation;
Agricultural stock and produce held for shipment.	(h) All grain, cereals, flour, live or dead stock, the produce of the farm or field in store or warehouse, and at any time owned or held by or in possession of any person in any municipality, such person not being the producer thereof, and being so held or possessed solely for the bona fide purpose of being conveyed by water or railway for shipment or sale at some other place, and all cordwood;
Agricultural stock and produce.	(i) All produce from land occupied as a farm or garden;
Live stock and farming implements.	(j) Live stock and farming implements (where not otherwise exempt), to the value of one thousand five hundred dollars, belonging to bona fide owners, tenants or occupants of real estate of at least forty acres in extent, including in the term "farming implements" threshing machines and their motive power;
Libraries.	(k) Public libraries and the libraries of the Judges of the Court of King's Bench and of the County Courts;
Militia horses.	(l) Each horse regularly enlisted for duty in any corps of the active militia of Canada;
Household effects.	(m) Household effects and furniture, books and wearing apparel of any kind whatever, in use by the person assessed or his family;
Churches.	(n) Buildings commonly called churches, erected and used for the regular stated places of worship of any religious denomination, and the land in connection therewith not exceeding two acres in extent;
Creameries and cheese factories.	(o) All buildings used in connection with a creamery or a cheese factory, and all the machinery used in connection with the said industries and the land actually occupied by the said buildings, not to exceed one acre in area;
Ships.	(p) Ships, vessels and steamboats, and shares therein;
Certain railway property.	(q) So much of the property of a railway company as is exempted from municipal taxation by virtue of the provisions of "The Railway Taxation Act";
Property of railway company aided under "Railway Aid Act, 1885."	(r) So long as any aid granted under "The Railway Aid Act, 1885," or Acts amending the same, and any interest thereon remain unpaid, the roadbed, ties, rails, station houses, rolling stock and lands and all other real and personal estate of such company so aided shall for the portion of the road so aided be exempt from all municipal taxation whatsoever;
Exemptions.	(s) Provided that, where any land mentioned in any of the first five sub-sections of this section is occupied by any person otherwise than in an official capacity, the occupant shall be assessed in respect thereof, but the property itself shall not be liable;
Schools, colleges, hospitals and churches liable to local improvement taxes.	(t) Provided, also, that the lands mentioned in sub-sections (d) and (n) of this section, except those used for public school purposes, shall be liable to special assessments for local improvements, in the manner provided in the sections of "The Municipal Act" numbered from five hundred and seventy-nine to six hundred and twenty-four, inclusive of both such numbers, but that no lands held by His Majesty for the use of the Province of Manitoba and no public schools shall be sold for arrears of taxes. R. S. M. c. 101, s. 3, <i>part</i> ; 55 V. c. 26, s. 1; 56 V. c. 24, s. 1; 59 V. c. 16, s. 1; 61 V. c. 33, s. 1; 62 and 63 V. c. 26, s. 3; 63 and 64 V. c. 35, s. 1, c. 57, s. 18, <i>part</i> ; I Ed. 7, c. 27, s. 1.
Proviso as to persons claiming exemptions.	6. Provided that any one claiming exemption under sub-section (j) of the last preceding section shall, by himself or his agent, be a bona fide resident householder in the municipality where such live stock and farming implements are found, maintaining and keeping his live stock and implements apart and distinct from any other like property of any other person or persons, so that no more than one such exemption shall be claimed or allowed in respect to

any live stock and farming implements claimed to belong to more persons than one residing together and having such live stock and implements apparently in common, notwithstanding any claim of a distinct or divided ownership. R. S. M. c. 101, s. 4.

7. The right, interest or estate of the occupant or claimant, whether as locatee, licensee, purchaser, homesteader, pre-emption entrant, squatter or otherwise, to or in Crown land or lands vested in or held by His Majesty is, and shall be, liable to taxation from the date of such location, license, purchase, or homestead or pre-emption entry; and the business or occupation of such claimant or occupant, as well as such claimant or occupant, is, and shall be, liable to assessment and taxation.

Taxation of occupants of Crown lands.

(a) This section shall be construed to be retroactive, in order that all sums of money now standing as arrears of taxes in the books of the treasurer of any municipality against any unpatented lands shall be deemed to have been levied against the right, interest or estate of the occupant or claimant, and against the claimant or occupant or the business or occupation of the claimant or occupant, in the same manner as provided for in this section, and may be collected in the manner hereinafter provided against the person who ought to pay the same; but this section shall not affect any matter which has been adjudicated upon or which was in question in any Court in this Province on the thirtieth day of March in the year one thousand eight hundred and ninety-seven. 60 V. c. 21, s. 15, s-ss. (a), (d).

Section retroactive.

8. In case of any agreement heretofore or hereafter made, by which any person or corporation has purchased or may purchase from any railway or land company the right to select or obtain conveyance of lands of the said company which might otherwise be exempt from taxation, such agreement shall be considered and held to be a sale of the said lands so as to render the same liable to taxation, and said person or corporation holding such agreement may be assessed and taxed, by the municipality within which said land may lie, for the interest or estate in the said lands so held, to be fixed at the fully value of such lands from year to year; and, in addition to the other remedies provided by this Act, the taxes so imposed or accrued due may be collected by suit in any Court of competent jurisdiction; and the said taxes, if unpaid, shall be and remain until paid a charge against the lands when selected by such person or corporation, or when formally conveyed by said railway company or the Crown at the instance or on the request of the said person or corporation or railway company. R. S. M. c. 101, s. 6.

Taxation of lands held under option of purchase from railway and land companies and not yet selected or conveyed.

9. Any map published or issued by said last above mentioned railway company or any of its officers, showing or indicating lands held by such person or corporation for selection, shall be prima facie evidence of the purchase of the right to select such lands. R. S. M. c. 101, s. 7.

Published map, what evidence of.

10. Notwithstanding the provisions of sub-section (r) of the fifth section of this Act or the fifteenth section of "The Railway Aid Act, 1885," all rights or interests acquired in or to any such lands as are therein exempted from municipal taxation, whether by lease, purchase or otherwise, shall be subject to taxation by the municipality in which the lands are situate. R. S. M. c. 101, s. 8.

Taxation of railway lands.

11. All real property situate within, but owned out of, the Province shall be liable to assessment in the same manner, and subject to the like exemptions as other real property under the provisions of this Act. R. S. M. c. 101, s. 9.

Realty within, but owned out of, Manitoba to be assessable.

12. Any property owned by a municipality, but situate within the bounds of another municipality, shall be liable to assessment and taxation by the municipality within which it is situate, unless the same be exempted from taxation by the council of the municipality within which such property is situated. 61 V. c. 33, s. 2.

Taxation of property of one municipality situate within bounds of another municipality.

PREPARATION OF ASSESSMENT ROLL.

13. Annually, unless the council shall at their first meeting in January resolve to amend and revise or adopt the roll of the previous year, the assessor appointed by the council of every rural municipality and the assessor appointed by the council of every city, town or village shall, after diligent inquiry, and aided by any statement that may be mentioned in this Act or that may be furnished to him otherwise, proceed to make a valuation of all the rateable property in the municipality, and according to his best judgment make an assessment roll in which he shall set forth correctly all the particulars and information required to be contained in order to comply with the form in Schedule A to this Act in case of a rural municipality, and the form in Schedule B to this Act in case of a city, town or village, or to the like effect. R. S. M. c. 101, s. 10; 58 and 59 V. c. 34, s. 2.

Assessment rolls to be made.

Forms.

14. In any case where territory of a rural municipality becomes incorporated into a village, so much of the current year's assessment roll of the said rural municipality as shall be applicable thereto may be adopted for the purposes of an assessment roll of said village for the year in which incorporation has taken place. 61 V. c. 33, s. 14.

Village may adopt portion of rural municipality assessment roll applicable to its territory.

15. When the council shall resolve to revise, amend or adopt the previously existing assessment roll, they may cause the assessor to assess any part of the municipality, but such assessment shall be completed at least thirty days previous to the sitting of the Court of Revision. 58 and 59 V. c. 34, s. 4.

Adoption of old roll.

Assessment of part of municipality.

16. The assessor shall assess and enter all exempted property in the assessment roll separately from the non-exempted property, and shall make return of the same to the council. R. S. M. c. 101, s. 12.

Return by assessor as to exempted property.

17. The assessor shall also be bound to enter in his assessment roll, besides what is required by the two last preceding sections and said form, all other information that may be required by the council of the municipality or by the Lieutenant-Governor-in-Council by instructions sent

Other information to be entered by assessors.

to the municipal council not later than the first day of March of the year during which the assessment is to be made. R. S. M. c. 101, s. 13.

Inquiries at
Dominion
Lands and
other offices.

18. It shall be the duty of the assessor to make such inquiries at the Dominion lands office, as well as at any registry office and any land titles office, if necessary, as will enable him to assess all lands that have become liable to assessment; and the assessor's travelling expenses attending such search shall be paid by the municipality, if authorized by the council thereof. R. S. M. c. 101, s. 14.

Information
to be fur-
nished gratis.

19. It shall be the duty of the officers in charge of the respective Provincial offices above named, when so required by the assessor, to give him, free of charge, all information he requires, respecting property situated within the limits of the municipality for which he is assessor; when these officers are required, however, to give extracts or certificates from their respective offices, then they may charge five cents per folio of one hundred words for all such extracts and twenty-five cents for each certificate. R. S. M. c. 101, s. 15.

Only one roll.

20. All the assessable property in a municipality shall be included in one roll. R. S. M. c. 101, s. 16.

Non-resident
lands.

21. In a rural municipality, in the case of lands of non-residents, the assessor shall insert the word "non-resident" in the column for names of owners, opposite the description of such lands, except where this Act requires the name of the owner to be so entered. R. S. M. c. 101, s. 17.

Lands
occupied by
owners.

22. Lands occupied by the owner shall be assessed in his name. R. S. M. c. 101, s. 18.

Unoccupied
lands.

23. Unoccupied lands may be denominated "lands of non-residents," unless the owner thereof has a legal domicile or place of business in the municipality where the same is situated, or unless such owner, on or before the first day of February in each year, by himself or his agent, gives notice in writing, setting forth his full name, occupation, religious denomination, place of residence and post office address, to the clerk of the municipality, that he owns such land, describing it, and requires his name to be entered on the assessment roll therefor, and the clerk of the municipality shall, on or before the tenth day of February in each year, make up and deliver to the assessor a list of the persons requiring their names to be entered on the roll, and of the lands owned by them respectively. The assessor shall assess unoccupied lands to the owner, if he is aware of his name. R. S. M. c. 101, s. 19.

Occupied
lands.

24. It shall be the duty of the assessor, where he finds lands occupied, to assess them in the name of the occupant as occupant or tenant, as the case may be, and also to the owner, if required by the latter to do so or if he can ascertain his name from the tenant or occupant or otherwise. R. S. M. c. 101, s. 20.

Proportions
to be assessed
to several
owners or
occupants.

25. When the land is owned or occupied by more persons than one, and all their names have been furnished to the assessor, they shall be assessed therefor in the proportions belonging to or occupied by each respectively; and if a portion of the land so situated be owned by parties who are unknown and who have not required their names to be entered on the roll, their portion of the property shall be assessed in the names of the occupants if occupied, and if unoccupied shall be entered as non-resident. R. S. M. c. 101, s. 21.

In cities,
towns and
villages.

26. In cities, towns and villages, such lands may be assessed in conformity with Schedule B to this Act, but the amount need be extended only once, and opposite the name of the last owner on the list, and no division of the property shall be necessary for the purpose of assessment.

Separate
assessment of
leasehold
interest in
real estate.

Provided that the owner of a valuable leasehold interest in any property may require that such interest shall be separately assessed in his name at its actual value, in which case the assessor shall comply with such request and assess the remainder of the value of the property in the name of the owner of the freehold, and shall place such separate values and names in his roll accordingly. R. S. M. c. 101, s. 22; 1 and 2 Ed. 7, c. 33, s. 2.

Names on
roll.

27. When the land is assessed against both owner and occupant, or both owner and tenant, the assessor shall place both names within brackets on the roll. R. S. M. c. 101, s. 23.

Land in rural
municipalities
improved for
farming
purposes or
gardening.
Proviso.

28. All lands in rural municipalities, improved for farming or gardening purposes, shall be assessed at the same value as such lands would be assessed if unimproved; but in case of lands improved for other purposes, the value of such improvements shall be added to the assessment of such lands;

Farm buildings
not taxable
improvements.

(a) Provided that the ordinary farm residence and buildings upon any piece of land shall be considered as improvements for farming purposes within the meaning of this section;

Lands
improved for
purposes of a
local indus-
try, assess-
ment of.

(b) Provided, also, that, in cases where the lands are improved for the purposes of a local industry other than farming or stock ranching, the said lands and such plant, machinery and implements may, if the council so direct, be assessed at not less than one-half of the actual value. R. S. M. c. 101, s. 24; 57 V. c. 21, s. 1; 61 V. c. 33, s. 3.

Land,
buildings and
personalty,
how assessed,
in cities,
towns and
villages.

29. In villages, towns and cities the assessment of lands shall be so made that taxation shall fall equally upon the same according to a pro rata value, and personal property and buildings shall be assessed at actual value. R. S. M. c. 101, s. 25.

Vacant land
may be
assessed in
acres.

30. All vacant lands, though surveyed into building lots, if unused as such, may be entered upon the assessment roll as so many acres of the original block or lot, describing the same by the description of the blocks or by the numbers of the lots as the case may be:

Provided that, when one or more lots or blocks are assessed together, each lot or block shall be liable for a proportionate share as to value of the amount of the taxes imposed, and any person owning any of said lots shall be liable to contribute his proportion of the tax to any person who may have been compelled to pay the same. R. S. M. c. 101, s. 26.

Entry on
assessment roll
in respect of
unpatented
lands.

31. In the case of unpatented lands, there shall be an entry made on the assessment roll showing that the same are unpatented, and that the assessment is made in respect of such right, interest, estate, business or occupation of the occupant as aforesaid, but it shall not be necessary

to the validity of the assessment to set forth correctly or at all the particular nature of the right, interest or other matter so assessed. 60 V. c. 21, s. 15, s-s. (c).

32. The valuation taken as a basis for the assessment referred to in the last preceding section shall be the same as that of the land and improvements thereon which are occupied and enjoyed by such occupant or claimant and any other land used in connection with the land so occupied and enjoyed. 60 V. c. 21, s. 15, s-s. (b). Basis of assessment of occupant.

33. Personal property shall be estimated at its actual cash value, as it would be appraised in payment of a just debt. R. S. M. c. 101, s. 27. Personal property.

34. The assessor shall enter every piece or parcel of land upon the assessment roll by a true and accurate description; and where such piece or parcel of land consists or is composed of a fractional part of any lot or lots, the description thereof shall be made by the assessor on the assessment roll by such description that the parcels of land can be easily ascertained, if the assessor can procure such a description from the registry office or land titles office or from the owner of such parcel, or by the best description that can be obtained. R. S. M. c. 101, s. 28. Description of lands.

35. In assessing stock-in-trade the assessor may assess a person, firm or corporation doing business for the amount of the average stock-in-trade kept on hand by such person, firm or corporation during the twelve months immediately prior to the time of the assessment; such person, firm or corporation shall be bound to furnish the assessor with all information necessary for the purpose of determining the value of such stock-in-trade. R. S. M. c. 101, s. 29. Assessment of stock-in-trade.

36. Land and personal property, liable to assessment, shall be assessed in the municipality in which the same lies, and, if the municipality be divided into wards, in the ward in which such property lies, and this shall include the lands of incorporated companies as well as other property; and when any business is carried on by a person in a city, town, village or rural municipality in which he does not reside, or in two or more cities, towns, villages or rural municipalities, the personal property belonging to such person shall be assessed in the city, town, village or rural municipality in which such personal property is situated, and against the person in possession or charge thereof as well as against the owner: Assessment in wards.

Provided that all the personal property of any incorporated company in a city or town may be assessed to such company in the ward in which the offices or head place of business of the company are located. R. S. M. c. 101, s. 30; 58 and 59 V. c. 34, s. 5. Business carried on by a non-resident.

37. For the purpose of assessment, real property shall include lands, buildings and improvements thereon; personal property shall include all goods and chattels, and all plant and machinery of any nature or kind whatever, whether built in or upon a foundation of a building, or laid in, on or along, or attached to, the ground, or in, along or under any street or thoroughfare, or otherwise, and also buildings when the same are not the property of the owner of the land on which the same are situated; but no assessment shall be invalid by reason of any property having been placed or specified in the class or column of the assessment roll to which it does not belong. R. S. M. c. 101, s. 31. Provisions to personality of incorporated company.

38. The personal property of an incorporated company or corporation shall be assessed against the company or corporation. R. S. M. c. 101, s. 32; 1 Ed. 7, c. 27, s. 2. Interpretation (1) real property. (2) personal property.

39. The personal property of a partnership shall be assessed against the members of the firm in the ward of the city, town, village or rural municipality where the same is situated. R. S. M. c. 101, s. 33; 58 and 59 V. c. 34, s. 6. Property of companies.

40. The personal property in a city, town, village or rural municipality of a person not resident, or of a firm having no place of business, within the city, town, village or rural municipality shall be assessed in the name of, and against, any agent, trustee or other person who is in control or possession thereof, and shall be deemed to be the individual property of such agent, trustee or other person, for all the objects within this Act. R. S. M. c. 101, s. 34; 58 and 59 V. c. 34, s. 7. Partnership property.

41. In case of personal property owned or possessed by, or under the control of, more than one person (not being incorporated into a company) resident within a municipality, each of such persons shall be assessed for his share only, but the property as a whole shall be liable. R. S. M. c. 101, s. 35. Agents and trustees to be assessed.

42. Personal property in the sole possession, or under the sole control, of any person, as trustee, guardian, executor or administrator, shall be assessed against such person alone, but in that case such trustee, guardian, executor or administrator shall be assessed as such, with the addition to his name of his representative character, and such assessment shall be carried out in a separate line from his individual assessment in the roll, and for the value or share he has in it as such representative. R. S. M. c. 101, s. 36. Assessment of joint owners, &c.

43. The assessor of every rural municipality shall enter and insert in his roll, next after the name of any landholder named therein, the name of every son of such landholder who is twenty-one years of age, and who is and, for twelve months next prior to the return by the assessor of his roll, has been bona fide residing with such landholder in the residence or dwelling of such landholder within the municipality; and the assessor shall place the name of the landholder and that of every such son within brackets on the roll, and shall write opposite the name of every son the letters "L.S." and the names so entered shall be numbered on the roll; and every such son shall be so entered on the roll in the order of his age and seniority, commencing with the eldest as the first to be so entered. R. S. M. c. 101, s. 37. Trust property.

44. No landholder shall be deemed or taken to be assessed jointly with his son in respect of the property for which he is entered on such roll as a landholder; but the son shall, for the purposes of "The Municipal Electors Act" and of his right to vote at an election, be deemed and considered as being entered and named in said roll in respect of the said property. R. S. M. c. 101, s. 38. Assessment of landholder's son residing with landholder.

45. Occasional or temporary absence from the residence or dwelling of the landholder for a time or times, not exceeding in the whole six months of the twelve hereinbefore mentioned, shall not operate to disentitle a son to be considered bona fide residing in such residence or dwelling as aforesaid. R. S. M. c. 101, s. 39. Landholder not to be assessed jointly with son.

Ratepayers to give information.

46. It shall be the duty of every person assessable to give all necessary information to the assessor; and, if required by the assessor, he shall deliver to him a statement in writing, signed by such person, or by his agent if the person himself be absent, containing all the particulars respecting the property assessable against such person which are required in the assessment roll. R. S. M. c. 101, s. 40.

Penalty for refusal.

47. In case any person fail to deliver to the assessor the written statement mentioned in the last preceding section within one week after being required in writing by the assessor so to do, such person shall, upon conviction before any justice of the peace having jurisdiction in and for the municipality, be liable to a fine not exceeding fifty dollars and costs. R. S. M. c. 101, s. 41.

Assessor not bound by statement.

48. The assessor shall not be bound by any such statement if he have reason to doubt its accuracy, and shall assess such person for such amount of real and personal property as he believes to be just and correct. R. S. M. c. 101, s. 42.

RAILWAY AND OTHER COMPANIES.

Return of property of railway, tramway and other companies. Further returns by railway companies.

49. Every railway or tramway company, possessing property, real or personal, in a municipality, shall transmit to the clerk of such municipality, on or before the first day of January in each year, a return, certified to by the president, secretary, superintendent or treasurer, or by a director, showing the actual value and extent of all such property in the municipality, and mentioning all exemptions claimed by such company. R. S. M. c. 101, s. 43.

50. Such return, in case of a railway company other than a street railway company, shall further show:—

(a) The lands owned by the company within the municipality, which have been granted to it by way of subsidy from the Government of Canada, as well as the lands in the municipality to which such company is entitled as such subsidy and which have been determined upon or allotted for the purpose, whether by statute, order-in-council, agreement or otherwise;

(b) All lands held by such company for sale, specifying town or village lots laid out, whether such town or village lots are shown on any registered plan or not. R. S. M. c. 101, s. 44, *part*; 58 and 59 V. c. 34, s. 8, *part*; 63 and 64 V. c. 57 s. 18, *part*.

Clerk to send such statement to assessor. Assessor to send his assessment thereof to company. Default, penalty for.

51. The clerk of such municipality shall, in due time for the making of the assessment roll, communicate such return to the assessor, who shall deliver at, or transmit by post to, the nearest station or office of the company a notice addressed to the company stating the total amount at which he has assessed the above-mentioned land of the company liable to assessment and showing the amount for each description of land and its valuation respectively. R. S. M. c. 101, s. 45, *part*.

52. In case of default in making such return as is required by the forty-ninth and fiftieth sections of this Act, any such company shall be liable to a penalty of twenty dollars per day during which default shall be made, such penalty to be recovered by and belong to the municipality in which said company has property aforesaid. R. S. M. c. 101, s. 47.

Assessment of lands so returned.

53. The assessor, in making the assessment roll of the taxable property in the municipality, may assess the real estate of such company according to the value mentioned in the return made by the company, if he be satisfied of the correctness of the valuation therein made. R. S. M. c. 101, s. 48.

Assessment of such lands, if not returned.

54. If such return has not been made by the company within the time prescribed or if the assessor has reason to doubt its accuracy, the assessment of all property appearing to belong to the company shall be made in the same manner as that of any other ratepayer, and upon the best information the assessor can obtain; but in case of an appeal thereafter by the company to the Court of Revision or the County Court Judge against the assessment of their lands, it shall be liable to pay the costs of such appeal, whatever may be its result, if it has failed at the proper time to furnish the clerk of the municipality with the information required by this Act. R. S. M. c. 101, s. 49.

RETURN OF ROLL.

Return of assessment roll.

55. The assessor shall return the assessment roll on or before the first day of March next after the making thereof. The council may, however, extend that time if necessary, from time to time, up to the first day of April of the year for which the roll is made; at which date such return must be made:

Provided that, in and for the Town of St. Boniface, the time for the return of such roll may from time to time be extended up to the first day of June of the same year. R. S. M. c. 101, s. 50; 58 and 59 V. c. 34, s. 9.

Clerk to examine roll and point out errors, &c.

56. It shall be the duty of the clerk of a municipality, upon the return to him of the assessment roll, at once to examine the same and point out to the assessor any errors or omissions appearing therein, so far as said clerk shall be able to discover such errors or omissions from an examination of the roll itself or from any documents or information in his possession, and having reference to the requirements of this Act; and if the assessor do not at once and before finally verifying said roll correct such errors and supply such omissions, it shall further be the duty of said clerk to report to his council, through the mayor, reeve or other head thereof, the facts and particulars as to such errors or omissions; and the said mayor, reeve or head of said council shall thereupon take such steps as shall be deemed advisable and necessary to cause such corrections to be made in said roll and give such notices as such corrections shall render necessary; and said council may refuse to pay the said assessor his salary until or unless said roll is satisfactorily completed. R. S. M. c. 101, s. 51.

Assessor bound to correct errors, &c.

Roll to be signed.

57. Before the assessment roll can be returned to the council it must be signed by the assessor, or by all the assessors if more than one; but if the assessors do not agree they may each make a separate report thereon. R. S. M. c. 101, s. 52.

58. To the said assessment roll must also be attached a certificate or certificates, signed by the said assessor or assessors and sworn or affirmed before a justice of the peace or commissioner for taking affidavits or the clerk of the municipality, in the following form, or as near thereto as may be:—

I, (*name of assessor*), do swear (*or solemnly affirm*) that, to the best of my knowledge and belief, the foregoing assessment roll is correct, and that nothing has been unduly or fraudulently omitted therefrom or inserted therein; and that I have given and sent, according to law, the notices required by law, and that the date of mailing such notices is in every case correctly stated in said roll. So help me God. (*Omit last four words, if party affirms.*) R. S. M. c. 101, s. 53; 57 V. c. 11, s. 28.

Certificate on roll

PENALTY—SAVING CLAUSES.

59. In case any assessor, after having accepted the office, fails or omits to perform his duties or to insert in his roll any of the information required by the form herein given and which it shall have been in his power to obtain, he shall be liable to a penalty of five dollars for each such omission respectively, for the recovery of which an information may be laid or suit brought; and, on due proof that with reasonable effort and diligence such information could have been obtained, such penalty, with costs of prosecution or suit, shall be recoverable by a summary process before any justice of the peace residing in the municipality for which the defendant was assessor, or before any Court of competent jurisdiction in the district or division in which said municipality is situate; said information may be laid or suit brought by any ratepayer of such municipality, or by the Municipal Commissioner, or by any one authorized by the Municipal Commissioner in that behalf; and such penalty may be recoverable by distress or otherwise, and when so recovered it shall be payable to the party laying such information or bringing such suit:

Penalty incurred by assessor neglecting duties.
Suits for penalties.

Provided, however, that no such information shall be laid or suit brought but within six months from the time of the completion and return of said roll to the clerk of the municipality, and that any party laying such information or bringing such suit shall, on failure to prove the same, in the discretion of the justice or Court trying the case, be liable to pay the costs of such proceedings. R. S. M. c. 101, s. 54.

Limitation of time for suing.
Costs.

60. Nothing in the last preceding section shall be held to interfere with any other remedy provided by law against an assessor for any neglect or breach of duty. R. S. M. c. 101, s. 55.

Other remedies saved.

61. No assessment shall be invalid by reason of any defect in form, or by reason of omission of assessable property therefrom, or by error in any of the notices provided for in the sixty-second, sixty-sixth and sixty-seventh sections of this Act, or by the non-return of the roll at the time specified, or by reason of any land occupied being wrongly entered as unoccupied or unoccupied land as occupied, or by reason of any land belonging to persons having their legal domicile or place of business, or the legal domicile or place of business of their agent, in the municipality or who have given the notice required by the twenty-third section of this Act, being entered as land of non-residents or vice versa. R. S. M. c. 101, s. 56.

Assessment not invalid for defect in form.

NOTICE OF ASSESSMENT.

62. Every assessor shall send by mail to, or leave personally with, each person assessed, or his agent, a notice in the form in Schedule C to this Act. R. S. M. c. 101, s. 57; 55 V. c. 26, s. 2.

Notice to be given by assessor on completion of roll to each person assessed.

63. The assessor shall also enter in the assessment roll the date on which he has mailed or delivered the notice required to be sent by him to each party assessed by name according to the last preceding section. R. S. M. c. 101, s. 58; 55 V. c. 26, s. 3.

Entry of date of mailing notices.

64. It shall be the duty of the clerk of a rural municipality to notify by mail every person so sending in a notice of appeal of the date of the sitting of the Court of Revision, if the date of the Court of Revision has not been inserted in the notice provided for in the last preceding section but one. R. S. M. c. 101, s. 59.

Clerk must notify appellant of date of sitting of Court of Revision.

REVISION OF ROLL.

65. The council in every municipality shall decide the place, date and hour where and when the council will sit as a Court of Revision. It shall be sufficient to express such decision in a resolution of the council. In villages and rural municipalities, a quorum of the council may constitute a Court of Revision. In cities and towns, the Court of Revision may consist of such member or members of the council, not less than four, as may be ordered by the council. R. S. M. c. 101, s. 60.

Council to decide time and place of holding Court.
Constitution of Court.

66. In rural municipalities, so soon as the assessment roll has been deposited in the office of the clerk of the municipality, the clerk or secretary-treasurer shall give public notice thereof and of the date at which the council will sit as a Court of Revision; and such notice shall state that said assessment roll has been deposited in the office of the clerk of the municipality at such a date, that it will remain open to inspection to all parties for twenty-five days, that parties desiring to complain against the assessment roll must lodge their complaints in the office of the clerk of the municipality within the twenty-five days next after the return of said roll, and that the council will sit as a Court of Revision on such date to examine said assessment and hear all such complaints in connection with the same. R. S. M. c. 101, s. 61.

Notice of sitting of Court of Revision in rural municipalities.

Notice of sitting of Court of Revision in cities, towns and villages.

67. In cities, towns and villages, so soon as the assessment roll has been deposited in the office of the clerk of the municipality, the clerk, secretary-treasurer or assessor shall give public notice thereof and of the date at which the council will sit as a Court of Revision; and such notice shall state where said assessment roll has been deposited, that it will remain open to inspection to all parties for fourteen days, that parties desiring to complain against the assessment roll must lodge their complaints in the office of the assessment commissioner or assessor (as the case may be) within the fourteen days next after the return of said roll, and that the council will sit as a Court of Revision on such date to examine said assessment and hear all such complaints in connection with the same. R. S. M. c. 101, s. 62, *part*.

Mode of giving notice.

68. Such notice shall be given and published by posting the same on the door of the council chamber and in four other conspicuous places in the municipality, and also, if directed by the council, shall be published in at least two issues of a newspaper published in the municipality, if there be such, and, if there be not, then in some newspaper selected by the council. R. S. M. c. 101, s. 63.

Correction of errors before sitting of Court of Revision.

69. Any errors or omissions found in the assessment roll before the sitting of the Court of Revision may be corrected by the assessor. R. S. M. c. 101, s. 64.

Appeals against assessment or non-assessment.

70. Any person whomsoever, whether assessed or not assessed, may apply to the Court of Revision by way of appeal for a revision of the assessment roll or any part of it, whether it be to increase or reduce his own assessment or the assessments of somebody else, or to have entered, reduced or struck off any property of himself or anybody else, or to have it be to increase or reduce his own assessment or the assessments of somebody else, or to have properly described properties which have been inserted under a wrong description, or to have proper names put in instead of wrong names, and whether the error complained of be of omission or of commission. Such application must be in writing addressed to the clerk of the municipality, and must be left with such clerk ten days before the sitting of the Court of Revision, and must state the grounds and nature of the complaint, describing the property which is the subject of the complaint. R. S. M. c. 101, s. 65.

Assessor may be complainant. Complaints to be numbered.

71. The complainant may be the assessor. R. S. M. c. 101, s. 66.

72. The clerk shall number the complaints according to the dates on which they respectively reach his office. R. S. M. c. 101, s. 67.

Notice to persons complained against.

73. In case of a complaint by one person against another, the clerk of the municipality shall, besides the publication of the notice above mentioned, mail, within four days after the expiration of the time within which complaints can be received, to each person named in the complaint and in regard to whom the assessment is sought to be altered, or to his agent, a notice stating the nature of such complaint or proposed alteration, and of the place where and the date and hour when the Court of Revision will sit. No such notice shall be required to be sent to the complainant. When the address of any person complained against is not known to the clerk, no notice need be sent. R. S. M. c. 101, s. 68.

Sitting of Court of Revision.

74. For the purpose of revising the assessment roll and of deciding the complaints in respect thereto, the council or such members thereof as have been appointed for that purpose as provided in the sixty-fifth section of this Act shall, at the hour, day and place previously fixed by the council, resolve itself into and sit as a Court of Revision; and all questions shall be decided by a majority of the votes of the members sitting. R. S. M. c. 101, s. 69.

President of Court of Revision. Clerk.

75. The said Court of Revision shall be presided over by the head of the council, or, in his absence, by a chairman chosen from amongst the members present, and the clerk of the municipality shall act as the clerk of the Court of Revision. In the absence of the latter, it shall be lawful for the members of the council, constituted as a Court of Revision, to appoint any other person to act as such clerk, and such clerk shall record the proceedings of such Court. R. S. M. c. 101, s. 70.

Order of hearing complaints.

76. It shall be the duty of the Court of Revision to examine said assessment roll, and to hear and determine, in the order in which they have been received by the clerk, the complaints filed within the time for receiving the same, subject, however, to the provisions of the following sections. R. S. M. c. 101, s. 71.

Adjournments.

77. The Court of Revision may hear all complaints on the same day or, if thought advisable, adjourn itself from time to time or until all the complaints are heard or determined; but its work must be completed before the first day of July in each year. R. S. M. c. 101, s. 72.

Postponements.

78. In case it is thought expedient, the Court of Revision may, after having called a complaint in its order, postpone the consideration of the same to some future time, and the complainant or complainants shall, if required by the Court of Revision, produce his or their stock book and other books and papers, and answer all proper questions, and give all necessary information affecting the property under consideration. R. S. M. c. 101, s. 73.

Hearing in absence of parties.

79. The Court of Revision may hear and determine any complaint, whether the complainant or the party against whom the complaint is made be present or not. R. S. M. c. 101, s. 74.

Hearing parties or witnesses.

80. After having heard the parties making the complaint and against whom the complaint is made, if they be present and if they wish to be heard, and also their witnesses if they produce any, under oath, which shall be administered by the clerk of the Court, and also the assessors, who shall attend all sittings of the Court if they wish to be heard or if any person complaining or any member of the Court of Revision wish them to be heard, the Court of Revision shall maintain the assessment roll as it is, or raise or lower the assessment as shall seem just and expedient:

Proviso.

(a) Provided that no change in the assessment roll shall be made, except upon complaint and due notice thereof as required by this Act;

(b) Provided, further, that, in the case of cities, towns and villages, the Court of Revision during its session, or the council at any time, may order a new assessment to be made of the whole city, town or village, or of any ward, block or other portion thereof; such new assessment shall not be subject to complaint or appeal of any kind, except when the assessment is beyond the former assessment or is above the amount at which it was fixed on complaint or appeal from a previous assessment;

Provide that new assessment may be ordered by Court of Revision or council.

(c) Provided, further, that all evidence before the Court of Revision shall be given under oath. R. S. M. c. 101, s. 75; 63 and 64 V. c. 35, s. 3, *part*.

Evidence on oath.

81. Any party to an appeal may obtain from the secretary-treasurer or clerk of the municipality a subpoena or subpoenas requiring the attendance of witnesses to give evidence before the Court of Revision at the hearing of such appeal, or before the County Court Judge on the hearing of any appeal before him, which subpoena shall be signed by the clerk and sealed with the corporate seal of the municipality; and any witness served with such subpoena, and paid witness fees on the same scale as are payable in County Courts, shall be bound to attend and give evidence. 63 and 64 V. c. 35, s. 3, *part*.

Procuring attendance of witnesses.

82. As soon as the roll has been examined and all the complaints made have been determined, the Court of Revision shall report the same to the council. R. S. M. c. 101, s. 76.

Court to report to council.

83. Any alteration or amendment made in or to the assessment roll shall be entered upon such roll or on a paper annexed thereto, with the initials of the chairman of the Court of Revision and those of the clerk thereof. R. S. M. c. 101, s. 77.

Alterations and amendments.

84. The assessment roll, as finally passed by the Court of Revision, shall, except in so far as the same may be further amended on appeal to a Judge of a County Court having jurisdiction in the municipality, be in force and be valid and binding on all parties concerned, notwithstanding any defect, error or mis-statement committed in or with regard to such roll, or any defect, error or mis-statement in the notices required, or any omission to deliver, publish or transmit such notices. R. S. M. c. 101, s. 78.

Revised roll to be in force except as amended on appeal.

APPEALS FROM COURT OF REVISION.

85. If a person be dissatisfied with the decision of the Court of Revision, or with the omission, neglect, or refusal of the said Court to hear or decide an appeal, he may appeal therefrom, in which case,—

Appeals from Court of Revision.

(a) He shall, within ten days after the decision, in person, or by attorney or agent, serve upon, or send by mail, registered to the clerk of the municipality, a written notice of his intention to appeal to a Judge of the County Court of the judicial division in which the municipality or some part thereof lies; and said notice shall contain the grounds of appeal;

Notice of.

(b) So soon as the time limited for notices of appeal shall have passed, the clerk of the municipality shall forthwith notify a Judge of the County Court of such division as to any appeals, giving the name or names of the appellants and a succinct statement of the grounds of each appeal, and shall at the same time ask to have a time and place fixed for hearing said appeals; and upon receiving an appointment for such purpose from the Judge, the clerk shall give notice to all parties concerned of the time and place so fixed for hearing such appeals, and in his notices to the parties appealed against he shall state the grounds of the appeal; and the clerk and assessor shall, without further notice, attend before the Judge on such appeals, with the assessment roll, the minutes of the Court of Revision and all papers and documents bearing on the appeals;

Statement of appeals to be given to County Judge.

(c) The party appealing shall, with his notice of appeal, deposit with the clerk, as security for the costs of the appeal, the sum of two dollars for the first entry on the assessment roll, and one dollar for each additional entry if more than one; and said payments shall be taken into account by the Judge in dealing with the costs of each appeal;

Deposit with notice of appeal.

(d) The Judge shall appoint a day and place for hearing the appeal, and, unless special reasons exist to prevent its selection, the place for hearing the appeal shall be where the County Court within whose jurisdiction the municipality is situated is held;

Time and place for hearing appeals.

(e) The clerk of the municipality shall cause a notice to be conspicuously posted up at his office, containing the names of all the appellants and parties appealed against, with a brief statement of the ground or cause of appeal in each case, together with the time and place at which a Court will be held to hear such appeals;

Notice by clerk.

(f) At the Court so holden the Judge shall hear the appeal, and he may adjourn the hearing from time to time and defer the judgment thereon at his pleasure, so that a return can be made to the clerk of the municipality before the fifteenth day of August.

Proceedings on hearing.

(g) At such appeal witnesses may be produced by any parties interested and the Judge shall hear them. R. S. M. c. 101, s. 79.

Witnesses.

86. In case a municipality is situate in the district or division of more than one County Court Judge, the Lieutenant Governor in Council shall decide to which Judge the appeal may be made. R. S. M. c. 101, s. 80.

Appeals where municipality situate in districts of more than one County Court Judge.

87. After the Judge has heard and determined all the appeals taken before him, he shall make his report to the clerk of the municipality, who shall forthwith make the changes ordered to be made in the assessment roll and sign the same, and attach a copy of the report to the roll, and file the original report for inspection of any ratepayer free of charge; but where no changes are made the Judge shall so certify by his report, and a copy of the same shall be attached to the roll by the clerk. R. S. M. c. 101, s. 81.

Judge's report and proceedings thereon.

88. The Judge shall be entitled to receive from the treasurer of the municipality, upon making his return to the clerk of the municipality, the sum of five dollars per day and his actual travelling expenses, for his attendance at such Court, while the same is actually sitting, for which payment the certificate of the Judge shall be sufficient warrant. R. S. M. c. 101, s. 82.

Judge's fees.

COMING INTO FORCE OF ASSESSMENT ROLL.

When roll deemed finally revised.
 When no complaint and no changes.
 When complaint or change and no appeal.
 In case of appeal.
 Revised roll to be in force.

89. The assessment roll shall be held to be finally revised,—
 (a) On the day of the report of the Court of Revision to the council, if no complaint has been made and no changes have been made in the roll by the Court of Revision; or
 (b) If there has been any complaint or change made, at the expiration of the time given to take an appeal to the County Court Judge from any change made or decision rendered by the Court of Revision, in case of no appeal being taken during that time; or
 (c) On the day on which the clerk made the changes and signed the roll on the report of the Judge, if there has been any appeal. R. S. M. c. 101, s. 83.
 90. The said roll so finally revised shall be taken and held as the assessment roll of the municipality for all purposes until a new roll shall have been made. R. S. M. c. 101, s. 84.

REVISION WHERE NO NEW ASSESSMENT.

Revision in intermediate years.
 Time and place of revision and notice thereof.

91. The council of every municipality shall, in the month of May in any year in which a new assessment roll is not made, revise and amend the assessment roll. R. S. M. c. 101, s. 85.

92. For such purpose the council shall, during the month of January in each year, pass a resolution fixing the date and place where and when the council will sit as a Court of Revision, and the council shall give public notice of the same at least thirty days before the sitting of the Court of Revision; and such notice shall state the date, hour and place at which and when the council will sit as a Court of Revision, and be posted on the outside door of the council chamber and at four other conspicuous places within the municipality, and shall, if the council so direct, be published in at least two consecutive issues of some newspaper published in the municipality, if there be such, and if there be not, then in some newspaper selected by the council. R. S. M. c. 101, s. 86.

Complaints.

93. Up to within ten days of the date of sitting of the Court of Revision, complaints against the roll in force, or in relation to any omission therein, may be received, and the Court of Revision shall hear and determine the same. R. S. M. c. 101, s. 87.

Notice to parties of complaints or alterations.

94. If any complaint be made by any person against another who is not present, or if it be proposed to make any change with regard to the assessment of any party entered by name on the roll and not being present by himself or his agent, then it shall be the duty of the Court of Revision to give to such party, the assessment of whom is proposed to be altered, five days' notice, and in the meantime the Court of Revision shall adjourn to the date at which the complaint or the change is to be dealt with. R. S. M. c. 101, s. 88.

Notice to be mailed.

95. The notice in such a case shall be mailed to the address of the party against whom the complaint is made or to his agent. R. S. M. c. 101, s. 89.

Contents of notice.

96. Said notice shall contain the nature of the grounds of complaint, or of the changes proposed. R. S. M. c. 101, s. 90.

Procedure and constitution of Court.

97. Except as hereinbefore stated, and so far as possible, the Court of Revision shall be constituted, and the same proceedings and formalities shall be followed in hearing and determining the complaints made and in revising the assessment roll, as in the case of the original revision of the assessment roll, and the provisions of the eighty-third section of this Act shall apply thereto. R. S. M. c. 101, s. 91.

Amendments coming into force.

98. The amendments so made to the assessment roll shall come at once into force, subject nevertheless to the appeal to the County Court Judge, in which case the sections of this Act numbered from eighty-five to ninety, including both such numbers, shall apply so far as they may be applicable. R. S. M. c. 101, s. 92.

Revised roll in force.

99. The roll so finally revised shall be taken and held as the assessment roll of the municipality for all purposes until another similar revision of the roll in the next year, or a new roll shall have been made and returned. R. S. M. c. 101, s. 93.

PART II.

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STATUTE LABOUR.

100. Every person assessed upon the assessment roll of a rural municipality, and not otherwise exempted by law from performing statute labour, shall be liable to statute labour according to the amount of such assessment, as follows, for each property.

(a) Every person assessed for a sum not exceeding two hundred dollars, one day's statute labour; and if assessed for a sum exceeding two hundred dollars and not exceeding five hundred dollars, two days' statute labour; and one day for every additional five hundred dollars or fraction thereof: provided that no person shall be liable for statute labour in respect of assessment upon property that is exempt from taxation;

(b) In rural municipalities, where farm lots have been subdivided into park or village lots, the council may, by a general by-law affecting such park or village lots, direct a less rate to be imposed;

(c) Provided, always, that the council of any rural municipality may, by a by-law operating generally and rateably, reduce the number of days' labour to which all the parties rated on the assessment roll or otherwise shall be respectively liable, and may regulate the same, or may dispense with statute labour in the municipality;

(d) Provided, also, that such rate shall be imposed according to the valuation of each property so assessed in the municipality and not in the aggregate; and the expression "each property" shall be held to mean all property owned by any person or corporation situate within a road beat;

(e) Provided, also, that the council of any rural municipality may by by-law provide, instead of statute labour, a money tax not exceeding one dollar and fifty cents for every day of statute labour which might have been enforced were it not for such by-law. Such by-law may provide that, instead of statute labour, the said money tax may be raised in the whole municipality or in any township or townships or in any portion or portions of any township or townships in the municipality. R. S. M. c. 101, s. 94; 57 V. c. 21, s. 2; 58 and 59 V. c. 34, s. 10; 59 V. c. 16, s. 2.

101. The statute labour shall, if required by the party obliged to perform such statute labour, be commuted at the rate of one dollar and a half for each day's labour; and any person or corporation desiring to commute statute labour shall be allowed a reduction of fifty cents

Statute labor to be in proportion to assessment.

How statute labor computed. Non-liability for statute labor.

Rate for work or village lots.

Rate may be reduced or dispensed with.

Rates to be on each parcel assessed.

Council of rural municipality may provide money tax instead of statute labour. By-law providing money-tax instead of statute labour may be made applicable to part of municipality.

Commutation of rates.

per day if paid within one month after the final revision of the assessment roll. R. S. M. c. 101, s. 95; 58 and 59 V. c. 34, s. 11.

As to performance or commutation of statute labour by residents.

102. Every resident of the municipality liable to perform statute labour under the provisions of this Act, not commuted, shall perform the same when required by the pathmaster or other officers of the municipality appointed for the purpose to do so at any time between the fifteenth day of May and the first day of August, unless otherwise ordered by the council, and, in case of neglect or refusal to perform such labour after six days' notice requiring him to do the same, shall be held to have commuted for such statute labour at the full rate of commutation in force in the municipality for each day's labour, and such commutation shall be collected and accounted for like other taxes. Such notice may be a verbal notice, but in such case it shall be given personally to the person obliged to perform such statute labour. 1 and 2 Ed. 7, c. 33, s. 3, *part*.

By non-residents.

103. Persons not resident in the municipality and liable to perform statute labour as aforesaid shall have the option of performing the required statute labour or procuring the same to be performed for them, provided such labour is performed under the direction of the pathmaster or other officer of the municipality appointed for the purpose, at such times and in such manner as shall be satisfactory to him, but no notice to perform the same shall be required to be served on them; and in case such statute labour is not so performed by them they shall be held to have commuted for the same at the full rate of commutation in force in the municipality for each day's labour, and such commutation shall be collected and accounted for like other taxes. 1 and 2 Ed. 7, c. 33, s. 3, *part*.

Report on statute labour by pathmasters.

104. For the carrying out of the provisions of the two last preceding sections the pathmaster or other officer aforesaid shall, within thirty days after the expiration of the first day of August in each year, make a full report to the clerk of the municipality stating the names of the persons who have performed their statute labour and of those who have not, and where it has been performed. 1 and 2 Ed. 7, c. 33, s. 3, *part*.

Penalty for pathmaster's neglect to enforce law.

105. Any pathmaster who neglects or refuses to require such statute labour to be done at the time above provided for, or who neglects to make said report to the clerk within the said time, shall be liable to a penalty of ten dollars and, in default of payment, to imprisonment for one month. R. S. M. c. 101, s. 97.

When rate held to be commuted.

106. Statute labour not performed on or before the first day of October of the year for which the tax roll is made shall in all cases be held as being commuted at the rate of one dollar and a half for each day's statute labour. R. S. M. c. 101, s. 98; 58 and 59 V. c. 34, s. 13.

Commutated rate on tax roll.

107. In all cases where statute labour is commuted, the commutation tax shall be added in a separate column in the tax roll, and shall be collected, subject to rebate, and be accounted for like other taxes. R. S. M. c. 101, s. 99.

Statute labor must be in road beat.

108. No person shall be liable to perform statute labour, except in the road beat in which the property from which the liability arises is situate, and except within three miles of such property. R. S. M. c. 101, s. 100; 58 and 59 V. c. 34, s. 14.

Expenditure of commutation money.

109. All commutation money for statute labour must be expended within the township or parish in which the property charged is situate or within six miles by the nearest public road from such property. R. S. M. c. 101, s. 101; 58 and 59 V. c. 34, s. 15.

Road beats and pathmasters.

110. For the purpose of carrying out the provisions of the ten last preceding sections, the council of each rural municipality shall be bound, not later than the first day of June, to divide by by-law the municipality into road beats, and to appoint a pathmaster for each road beat, whose duty it shall be to fix the time and place when and where the statute labour shall be performed, and who shall give notice as directed in the one hundred and second section of this Act to every person obliged to perform the same, and shall see that the work is properly done and report to the municipal clerk as stated in the one hundred and fourth section of this Act. R. S. M. c. 101, s. 102.

Special commutation fund.

111. All sums paid for commutation of statute labour shall form a special fund, to be expended as hereinabove provided, and for that purpose only. R. S. M. c. 101, s. 103.

Separate account.

112. The treasurer shall be bound to keep a separate account of all such sums and their expenditure, and to account properly for the same. R. S. M. c. 101, s. 104.

POLL TAX.

Poll tax, who liable to and in what ratio, in cities towns and villages.

113. Every male inhabitant of a city, town or village of the age of twenty-one years and upwards, and under sixty years of age, and not otherwise exempted by law from performing statute labour, who has not been assessed upon the assessment roll of the city, town or village, or whose taxes do not amount to two dollars, shall, instead of such labour, be taxed at two dollars, yearly therefor as a poll tax. R. S. M. c. 101, s. 105.

Poll tax register. Poll taxes due 1st October.

114. In the case of a city, town or village, it shall be the duty of the assessor in every case, when making the assessment thereof, to take the names of all persons resident therein who are liable to pay a poll tax under the provisions of the last preceding section. Such names shall be entered by the assessor upon a list to be known as the "Poll Tax Register," which list shall be certified as correct and returned by the assessor with the assessment roll of the municipality. Poll taxes shall be due and payable in each year on the first day of October. The production of the "Poll Tax Register" of any city, town or village shall be conclusive evidence in any Court in this Province of the liability of any person whose name is entered therein for payment of a poll tax of two dollars to the said city, town or village, as the case may be, for the year for which said "Poll Tax Register" is made up, except it be proven to the satisfaction of the Court that such person was not resident in the said city, town or village during any portion of the time during which the assessment for the said year was made, or that such person is rated on the assessment roll of the said city, town or village for said year and has paid, or is

Poll tax register evidence of certain facts.

liable to pay, taxes on said assessment amounting to two dollars or upwards, or that such person has paid a poll tax for the said year in some other municipality in this Province. Upon payment by any person of the poll tax, an entry shall be made of the fact of such payment opposite to his name in the "Poll Tax Register." R. S. M. c. 101, s. 106.

115. Any person liable to pay the sum named in the two last preceding sections shall pay the same to the collector or other person appointed to collect the same, within two days after demand thereof; and in case of neglect or refusal to pay the same, the collector, or the person appointed as aforesaid, may levy the same by distress of the goods and chattels of the defaulter, with the costs of the distress; and if no sufficient distress can be found, then, upon summary conviction before a justice of the peace for his refusal or neglect to pay the said sum and in case of there being no sufficient distress, he shall incur a penalty of five dollars with costs and, in default of payment at such time as the convicting justice shall order, shall be committed to the common gaol of the judicial district, or to any lock-up house, for any time not exceeding ten days, unless such penalty and costs and the costs of the warrant of commitment and of conveying the said person to the goal of lock-up house be sooner paid. R. S. M. c. 101, s. 107.

Sum named herein to be paid two days after demand or, upon default, distress may issue
Penalty for refusal \$5.
Imprisonment in default of payment at time ordered by justice.

116. All sums and penalties, other than costs, recovered under the last preceding section shall be paid to the treasurer of the municipality, and form part of the funds of such municipality. R. S. M. c. 101, s. 108.

Penalties to be paid to treasurer of municipality.

117. No such person shall be exempt from the tax in the four last preceding sections named, unless he produce a certificate of his having paid the tax elsewhere for the year for which he is charged. R. S. M. c. 101, s. 109.

Exemption only when tax paid elsewhere.

PREPARATION OF TAX ROLL.

118. Upon and forthwith after the said final revision of the assessment roll and the passing of the by-law levying the rate, the clerk of every municipality shall make out a general tax roll, in which he shall enter all the land and taxable property in the municipality comprised in the assessment roll, and whether the owner of such property is "resident" or "non-resident." The said tax roll shall contain columns for all the information required by this Act, or otherwise by law, to be entered therein, and in the said roll shall also be set down the amount of each rate in separate columns headed respectively with the name or object of each such rate, such as "local rate," or "town rate," or "city rate," or "county rate," or "district rate," or "debenture rate," or "school rate," or otherwise, as the case may require; and also the names in full and occupation of every person entered by name in the assessment roll, or the word "non-resident" if the property assessed be so entered in the assessment roll, the names of the occupant or tenant, and occupation as shown by the assessment roll, the description of the property assessed, the assessed value of such property as ascertained by the assessment roll and the rates levied for every purpose; and also, opposite the said assessed property or names or word "non-resident," the amount for which the person is chargeable for each purpose respectively, and the total amount required to be collected from or paid by such person or property on the assessment of that year for all the purposes for which a levy is required to be made in the municipality and for the commutation of statute labour; and every rate, the proceeds of which are required by law or by the by-law imposing it to be kept distinct and accounted for separately, shall be so entered and calculated separately. R. S. M. c. 101, s. 110.

Tax roll.

Contents.

119. Where the assessable value of any parcel or parcels of land, according to the assessment roll, is so small that the rate imposed will not subject such parcel or parcels of land to the payment of as high a tax as the sum of twenty-five cents, each and every such parcel or parcels of land shall be taxed the sum of twenty-five cents, and such sum shall be placed on the tax roll as the tax against such parcel or parcels. 63 and 64 V. c. 35, s. 4, *part*.

Minimum tax on land to be 25 cents.

120. If it appear to the clerk of any municipality that any land liable to assessment has not been assessed, the clerk shall under the direction of the council, given by resolution, enter such land on the tax roll next prepared thereafter, as well for the arrears omitted of the year next preceding only, if any, as for the tax of the current year; and the valuation of such land so entered shall be the average valuation of the three previous years, if assessed for the said three years, but if not so assessed, the clerk shall require the assessor for the current year to value such lands; and it shall be the duty of the assessor to value such lands when required, and certify the valuation in writing to the clerk; and the owners of such lands shall have the right to appeal to the council at its next or some subsequent meeting after the taxes thereon have been demanded, but within thirty days after such demand, which demand shall be made before the tenth day of November in the year; and any council shall hear and determine such appeal on some day not later than the twentieth day of December following. R. S. M. c. 101, s. 111.

Entry of lands not assessed.

Valuation of such lands.

121. The tax roll shall also have a column in which shall be entered any arrears of taxes due on or in respect of any land or other property in the municipality, and said arrears shall be set down opposite the name of the person, or opposite the word "non-resident," for land or other property so entered in the assessment roll as liable therefor; and these arrears of taxes shall be such as shall have been furnished to the clerk of the municipality by the treasurer as elsewhere provided for, or such as the clerk shall himself be otherwise aware of from the books or accounts in his office or possession as such clerk, as being legally due on or in respect of any land or property in said roll. R. S. M. c. 101, s. 112.

Column for arrears.

COLLECTION OF TAXES.

122. When the said tax roll is completed in cities or towns, it shall be given to and remain in the hands of the tax collector (if any) for collection. R. S. M. c. 101, s. 113, *part*.

Collector in cities to keep roll.

Notice and demand of taxes.

123. As soon as the tax roll is completed the treasurer of the municipality or, in cities or towns, the collector (if any) shall, with all due despatch and at least thirty days prior to the last day upon which discount is allowed for payment, transmit by mail a notice containing a statement and demand of taxes to each person whose name appears on said roll, or to the agent of such person whose address has been transmitted to him; and such statement and demand shall mention the time when such taxes are required to be paid, and when the reductions and penalties herein mentioned will be allowed and charged; and the said treasurer or collector shall enter the date of mailing such notice in said tax roll opposite the name of the person taxed, and such entry shall be prima facie evidence of the mailing of such notice and demand. R. S. M. c. 101, s. 114, *part*.

Indorsement thereon.

124. On each such notice there shall be printed a brief summary of the principal provisions of "The Vital Statistics Act," or of any amendments thereto, as regards the duties of the general public in reference to the registration of births, marriages and deaths, in such form as from time to time may be prepared by the Department of Agriculture and Immigration. R. S. M. c. 101, s. 115; 59 V. c. 32, s. 1.

Posted notices.

125. Such treasurer or collector shall, if directed by resolution of the council, also give notice by bills posted at the outside door of the council chamber and in at least four public places in the municipality, and in a newspaper published therein if there be any published in the municipality, in such manner as the council may direct, in respect to the time and place of payment of such taxes and such other general particulars as are contained in the notice of demand aforesaid. R. S. M. c. 101, s. 116.

Taxes may be payable by instalments.

126. The council of any city, town or village may by by-law make the taxes payable by instalments at such times as they may think proper, and fix and allow a reduction for prompt payment of taxes, whether payable by instalments or otherwise. R. S. M. c. 101, s. 117.

Penalties for non-payment of taxes in cities, towns and villages.

127. In cities, towns and villages, upon all taxes remaining due and unpaid on the thirty-first day of December of the year in which such taxes were levied, there shall be added, at the beginning of each month thereafter, as a penalty, an additional sum amounting to three-fourths of one per cent. of such taxes. This section shall apply to all taxes, including those levied by special rate, such as frontage tax for street improvement, or otherwise. R. S. M. c. 101, s. 118.

In rural municipalities.

128. In rural municipalities all persons paying taxes on or before the fifteenth day of December of the year in which such taxes were levied shall be entitled to a reduction of ten per cent. on the same. From the fifteenth day of December until the last day of February, taxes shall be payable at par. On the first day of March, as a penalty, an additional sum amounting to ten per cent. of such taxes shall be added thereto. On the first day of March in each year thereafter, as a penalty, an additional sum amounting to ten per cent. of all arrears of taxes shall be added thereto. R. S. M. c. 101, s. 119; 1 Ed. 7, c. 27, s. 5.

Distress and sale of goods for taxes.

129. In case a person neglects to pay his taxes for thirty days after the mailing to such person or his agent of the notice required by the one hundred and twenty-third section of this Act, the municipality shall have the right to levy the same, with costs, by distress and sale of the goods and chattels of the person who ought to pay the same, or of any goods and chattels in his possession wherever the same may be found within the municipality, or of any goods and chattels found on the premises in respect of which the taxes have been levied although such goods and chattels may be the property and in the possession of any other occupant of the premises. 60 V. c. 21, s. 2, *part*.

By-law to appoint person to make levy.

130. Such levy shall be made by the treasurer or collector, or such other persons as may be appointed for that purpose under the authority of a by-law of the council authorizing such levy, and the costs chargeable shall be those payable under "The Distress Act."

Form of by-law.

(a) Such by-law directing such distress may be general, without specifying names, amounts or properties, and may provide for such levy being made for all taxes in arrear in respect of the person or premises charged;

Evidence that taxes in arrear.

(b) The production of the collector's roll showing taxes in arrear in respect of any person or property shall be prima facie evidence that such taxes are in arrear, as well as of the mailing of such notice. 60 V. c. 21, s. 2, *part*.

Notice of sale of goods distrained.

131. Notice shall be given by poster posted up in at least four of the most public places of the municipality, when and where the sale of goods and chattels distrained is to be made, giving at least eight days' public notice of the time and place of sale and of the name of the person whose property is to be sold, or by publication of an advertisement containing the above-mentioned particulars in one issue of a newspaper published in the municipality. And at the time named in the notice, the treasurer, or the collector if such there be, or his agent, shall sell at public auction the goods and chattels distrained, or so much thereof as may be necessary. And in all cases where goods and chattels are enclosed or supposed to be enclosed by doors of houses, barns or outbuildings, cupboards or other close places, whether enclosed by wall, fence, gate or otherwise, the seizing officer may open the same, or cause the same to be opened, in the presence of two witnesses, with all necessary force to effect the said opening. R. S. M. c. 101, s. 122.

Power of seizing officer to open doors, &c.

Surplus to be returned on demand, &c.

132. If the goods and chattels seized be sold for more than the whole amount of the assessment levied for and the costs attending the seizure and sale, the surplus, on demand, shall be returned to the person entitled thereto; and in case said surplus shall not be demanded, it shall remain in the hands of the treasurer of the municipality, to be held for and paid over on demand to such person:

Not recoverable unless demanded within three years. Distrained goods to be sold publicly.

Provided that it be so demanded within three years, after which time it shall not be recoverable from the municipality. R. S. M. c. 101, s. 123.

133. All goods and chattels to be sold under the authority of this Act for the payment of taxes or other dues shall be offered to public competition; but such goods and chattels, or

any other description of property so publicly sold for taxes, need not be sold by a licensed auctioneer. R. S. M. c. 101, s. 124.

134. In case the taxes or any portion thereof shall remain unpaid at any time after the tax roll shall have been made out, and after notice has been given, the council may by resolution authorize some person to levy unpaid taxes on said roll in the manner and with the powers provided by law for the collection of taxes. R. S. M. c. 101, s. 125.

Levy of unpaid taxes.

135. In any case where right of distress against goods and chattels is given for taxes in this Act, distress shall only be permissive and not compulsory for the municipality. R. S. M. c. 101, s. 126.

Distress not compulsory.

136. The taxes or rates imposed or levied for any year shall be considered to have been imposed and to be due on and from the day provided by by-law of the council, and, if no such day be provided by by-law, then on the first day of October of the year for which such taxes or rates are levied. R. S. M. c. 101, s. 127.

Taxes deemed due on day mentioned in by-law.

137. The secretary-treasurer or treasurer of a town, village or rural municipality shall be collector of all rates and taxes imposed within the municipality, and he may, under the authority of the council and at the expense of the corporation, employ one or more persons to assist him in collecting taxes, for whose acts, omissions or neglect he and his sureties shall be responsible:

Collection in rural municipalities, towns and villages.

Provided, however, that in cities and towns it shall be lawful for the council to appoint by by-law a collector of taxes as a permanent or temporary officer, if thought necessary and expedient, and when appointed he shall be the collector of all taxes within the limits of the city or town instead of the treasurer. R. S. M. c. 101, s. 128.

Collections in towns and cities.

138. Any such treasurer, secretary-treasurer or collector shall have the right to search the records of any registry office or land titles office, for the purpose of obtaining information necessary for his office, without charge. R. S. M. c. 101, s. 129.

Searches by treasurer, *et al.*

139. In the event of the payment of any municipal or school tax by the tenant or lessee of any property, unless otherwise to the contrary agreed upon, he shall have a right of personal action against the owner of the property assessed for the recovery, with interest and costs, of the amount of such tax paid by him, which may be by him retained and deducted out of any rent or sum payable for the use and occupation of such property due or accruing due. R. S. M. c. 101, s. 130, *part.*

Personal action by lessee paying taxes.

140. The taxes accrued on any land or personal property shall be a special lien on such land or personal property, having preference over any claim, lien, privilege or incumbrance of any party except the Crown, and shall not require registration to preserve it. R. S. M. c. 101, s. 131.

Special lien for taxes.

141. No change of ownership, or possession or seizure by sheriff or landlord or by any other party, nor anything by which the same shall be in any way in the custody of the law, shall defeat such lien:

Seizure not to defeat rights of municipality.

Provided, however, that, when personal property upon which taxes have accrued or which is liable for any taxes is under execution or attachment or has been seized by the sheriff or by bailiff of a County Court, it shall be sufficient for the tax collector to give the sheriff or bailiff notice of the amount of taxes due, and in such case the sheriff or bailiff shall pay the amount of the same to the collector in preference and priority to any other and all other fees, charges, liens and claims whatever. R. S. M. c. 101, s. 132; 59 V. c. 16, s. 4.

Notice by tax collector sufficient, if personal property under seizure.

142. Where in any municipality any plan sub-dividing any land or any portion thereof has been or may hereafter be cancelled in whole or in part, the land which, prior to the cancelling of the plan, comprised any lot or lots, block or blocks, and the adjoining one-half of any street or streets, lane or lanes, bounding and immediately adjoining the same, shall be and is liable for and chargeable with the total amount of the arrears of taxes charged against the said lot or lots, block or blocks, so included in the area of such lands affected by such cancellation, and the same may be sold for non-payment thereof at the next or any subsequent sale of land for arrears of taxes held by the municipality. R. S. M. c. 101, s. 133.

Incidence of taxes where plan has been cancelled.

143. The treasurer or collector of any municipality shall not receive any part of the tax charged against any parcel of land, less than the taxes for one year thereon, unless under a by-law making taxes payable by instalments as hereinbefore provided. In cases where taxes are in arrear, the year's taxes longest in arrear shall be first paid, unless there be a bona fide dispute as to the taxes in any particular. In such last mentioned case the taxes on the land for years not disputed shall be accepted. If satisfactory proof be adduced to the treasurer that any parcel of land on which taxes are due has been sub-divided, he may receive the proportionate amount of tax chargeable upon any of the subdivisions and leave the other subdivision or subdivisions chargeable with the remainder; and the treasurer may in his books divide any piece or parcel of land which has been returned to him as in arrear for taxes into as many parts as the necessities of the case may require. R. S. M. c. 101, s. 134.

Taxes not payable by instalments except under special by-law.

144. Taxes heretofore or hereafter levied may be recovered with costs in any Court of competent jurisdiction in the Province as a debt due to the municipality from any person or corporation by whom the same are payable, in which case the production of a copy of so much of the collector's roll as relates to the taxes payable by such person or corporation purporting to be certified by the clerk as a true copy shall be sufficient evidence of debt. R. S. M. c. 101, s. 135; 57 V. c. 21, s. 3.

Taxes may be sued for.

145. Any school or other taxes may be recovered and may be levied on any real or personal property, excepting therefrom that mentioned in subsections (a), (b), (d) and (g) of the twenty-ninth section of "The Executions Act." R. S. M. c. 101, s. 136.

What property may be levied on.

146. When the taxes levied, either heretofore or under this Act, upon any unpatented land, or upon any occupant or claimant thereof in respect thereof, or upon the right, interest or estate therein or the business or occupation of such occupant or claimant, have become in

Collection of taxes on unpatented land

arrear, in addition to the other powers conferred by statute for the collection of such arrears, the following proceedings may be taken:—

(a) The treasurer may serve upon the occupant of such land a notice signed by him to the following effect:—

Form of notice.

You are hereby required to take notice that there are now taxes in arrear to the amount of \$ _____ due by you to the rural municipality of _____, and that you must pay that amount to the treasurer of the said municipality within thirty days from service of this notice upon you and, in default of your so doing, an application will be made to the Judge of the County Court of _____ at the next sitting of said Court, at _____ on the _____ day of _____, 19____, at _____ o'clock, for an order to compel you to pay the same, together with such costs as the Judge may award.

To

Treasurer of Municipality of _____;

Service of notice.

(b) Such notice may be served upon the occupant of the land either personally or by posting up said notice on some conspicuous place on the premises and leaving the same with some grown up person thereon; and a duplicate of such notice, with an affidavit of such service attached thereto or indorsed thereon and made by the person effecting such service, filed with the clerk of the County Court as provided in the next following subsection, shall be considered sufficient proof of such service;

Procedure to obtain County Court judgment for amount mentioned in notice with costs.

(c) If such arrears are not paid in accordance with said notice, the municipality may forthwith after the expiration of such thirty days, file the notice and an affidavit of service thereof with the clerk of the County Court for the judicial division within which the land lies, and the clerk shall thereupon enter the matter on the list of causes to be disposed of at the next sitting of the Court; and at such sitting the Judge may hear any of the parties and make such order for payment of the taxes and costs by the person who ought to pay the same as he may think proper, and such order shall, for all purposes, become a judgment of the Court, and may be realized on in the same manner as other orders or judgments of the Court, and execution shall be issued thereon after the expiration of two weeks from the making of said order or entering of said judgment;

Execution.

(d) The amount of such execution and costs may be realized out of any of the chattels of the judgment debtor; and as against such execution no exemption provided by any statute of this Province shall prevail, nor shall any other execution, mortgage, lien or claim of any kind have priority for any reason whatever over said execution;

Enforcement of Act.

(e) It shall be the duty of the municipal council, the treasurer, the County Court clerk and the bailiff to carry out the provisions of this section;

Fees of treasurers and County Court clerks and bailiffs.

(f) The Lieutenant-Governor-in-Council may, from time to time, prescribe a tariff of fees to be paid to the treasurer, County Court clerk or bailiff for any services rendered under or in connection with this section and may direct how the same shall be paid;

Application of section.

(g) This section shall apply as well to cases where lands have been patented and in respect of which taxes have been levied while the same were unpatented, as to lands unpatented at the time when proceedings may be taken hereunder;

Certificate as to land being patented to be evidence.

(h) Upon the trial of any case or proceeding under the provisions of this section, the production of a certificate, purporting to be under the hand of the Minister, Deputy Minister, secretary or under-secretary of the Department of the Interior at Ottawa (or other person therein assuming to act with authority shall be taken and assumed by any County Court Judge, before whom any such matter, cause or proceeding is, or shall be, pending as prima facie evidence of the fact as to whether any parcel of land, claimed to be unpatented, is or is not unpatented. 60 V. c. 21, s. 15, *part*; 61 V. c. 33, s. 11; 62 and 63 V. c. 26, s. 5.

Collector's roll prima facie evidence that taxes in arrear.

147. The production of the collector's roll, or so much thereof as relates to the taxes payable by any person or corporation, certified to by the clerk of the municipality, shall, in any case or proceeding under the last preceding section or in any other action, cause or proceeding, be prima facie evidence that the taxes specified in said roll or certificate are in arrears, and that the amount stated therein is a debt due and owing to the municipality by such person or corporation. 61 V. c. 33, s. 12.

Owner entitled to statement of taxes. Certificate.

148. The treasurer or collector of any municipality, on demand, during the time in which he shall have the tax roll in his possession, shall furnish or give to the owner of any land charged with arrears of taxes a written statement of the arrears at that date, or to any person a certificate that the taxes have been paid in full or in part or that the lands have or have not been sold or advertised for sale for arrears of taxes and he may charge a fee of twenty-five cents for making out and mailing such certificate if it does not contain more than five lots or parcels, and a further fee of ten cents for every additional ten lots or parcels. In cases, however of lots not according to a plan of subdivision the fees payable shall be as follows: If the statement contains one lot or parcel, twenty-five cents, and a further fee of ten cents for each additional lot or parcel.

Fee for certificate as to taxes.

Tax statement.

(a) Provided that, if the land has been sold for taxes within two years from the date of such statement, the same shall contain a statement of the amount required to redeem the said land:

No charge for statement without certificate.

(b) Provided, also, that no more than five dollars shall be charged for any certificate, and no charge shall be made for a statement of arrears without certificate. R. S. M. c. 101, c. 137; 55 V. c. 26, s. 4; 60 V. c. 21, s. 3.

Effect of statements and certificates as to taxes.

149. Any such statement or certificate, when signed by the collector or treasurer of any municipality, shall, whether such statement or certificate be under the seal of the municipality or not, be considered to have been properly executed by and be binding upon such municipality as fully and effectually as if such statement had been given under the proper seal of such municipality. R. S. M. c. 101, s. 138.

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	Sales set aside, s. 227.						
	Improvements to be paid for if sale set aside, s. 228.						
	Limitation of right of action to recover moneys paid for taxes, s. 229.						
	Tax sales prior to coming into force of this Act, s. 230.						

Sale of lands
for taxes.

159. Whenever the whole or any portion of any tax on any land has been due and unpaid for more than one year after the thirty-first day of December of the year in which the rate was struck, whether levied before or after the passing of this Act, or part before and part after, such lands shall be liable to be sold for arrears of taxes unpaid upon the lands up to the time of the making up of the list for sale and the costs of advertising; and the treasurer or collector, as the case may be, shall, as often as directed by resolution of the council, submit to the mayor or reeve of the municipality a list, in duplicate, of all or any portion of the lands within the municipality so liable to be sold for arrears of taxes, with the amount of arrears against each lot or lots, block or blocks, acre, part or parts of an acre, or number of acres, quarter section, half section or section, as the case may be, set opposite to the same; and the mayor or reeve shall authenticate each of such lists by affixing thereto the seal of the corporation and his signature; and one of such lists shall be deposited with the clerk, and the other shall be given to the treasurer with a warrant thereto annexed under the hand of the mayor or reeve and the seal of the municipality commanding him to levy upon the lands for the arrears due thereon, with costs. R. S. M. c. 101, s. 148.

List to be
prepared.

Not necessary
to enquire
whether
there is
distress.

160. It shall not be the duty of the treasurer to make inquiry before effecting a sale of lands for arrears of taxes to ascertain whether or not there is any distress upon the land, nor shall he be bound to inquire into or form any opinion of the value of the land. R. S. M. c. 101, s. 149.

Lands in list
to be
advertised
and sold.

161. The treasurer shall proceed to advertise and sell the lands included in such lists, but he shall not sell any lands which have not been included in such lists. R. S. M. c. 101, s. 150.

Lands to be
advertised.

162. The treasurer shall prepare a copy of the list of lands to be sold as authorized by this Act, and shall include therein, in a separate column, a statement of the proportion of costs chargeable on each parcel for advertising (and in rural municipalities, distinguishing the lands as patented or unpatented), and shall cause such list to be published in one issue of *The*

Manitoba Gazette and one issue of a newspaper published in the municipality in which the lands to be sold are situate, or, if there be no newspaper published in such municipality, then in a newspaper selected by the council. Such advertisement must be published in *The Manitoba Gazette* and such newspaper not more than sixty days and not less than thirty days next succeeding the day of sale. The charge for advertising either in *The Manitoba Gazette* or in the newspaper shall not exceed twenty-five cents per parcel. In case no newspaper publisher in the municipality will publish such advertisement for such price, then such advertisement may be published in any newspaper selected by the council. R. S. M. c. 101, s. 151.

Costs of advertising.

163. The advertisement shall contain a notification that, unless the arrears of taxes and costs be sooner paid, the treasurer will proceed to sell the lands for taxes at the time and place named in the advertisement. R. S. M. c. 101, s. 152.

Time and place of sale to be mentioned in advertisement
Contents and form of notice.

164. Every such notice shall specify the place, day and hour at which such sale will commence, and each lot or parcel of land, number of lots, block or blocks, acre, part or parts of an acre or number of acres, quarter section, half section of section, as the case may be, which shall be designated therein by a reasonable description or by stating the number of the registered instrument from which a description can be adduced or obtained, and the using of abbreviations for such descriptions shall be sufficient if the lot or parcel of land can be distinguished thereby. R. S. M. c. 101, s. 153.

Contents and form of notice.

165. The sale shall take place at such place as the council shall by resolution or by-law appoint or, in the absence of such appointment, at such public place in the town or city in which is situate the court house of the judicial district wherein the municipality lies as may be chosen by the treasurer. R. S. M. c. 101, s. 154, *part*.

Place of sale

166. When the title to any land sold for arrears of taxes is vested in the Crown, the deed or tax sale certificate therefor, in whatever form given, shall be held to convey or include only such interest as the Crown may have given or parted with, or may be willing to recognize or admit that any person or persons possesses or possess under any colour or right whatever. R. S. M. c. 101, s. 155.

Sale of Crown lands.

167. Omission to include in such list any land liable for sale shall not be held to prevent the sale of the said land on any future occasion for all arrears of taxes that may be due thereon. R. S. M. c. 101, s. 156.

Omission to include lands in list, not to prevent their future sale.

168. In all cases when it appears to the council that, through any error, mistake or mis-description, or any other cause, any lands have been improperly sold for taxes, the treasurer shall, on resolution of the Council, redeem the same.

If lands sold in error, treasurer on resolution of council may redeem.

(a) Such redemption by the treasurer shall have the effect of restoring the said lands, including their liability to taxes, to the position in which the same stood before being placed on the list for sale. This subsection shall be retroactive and apply to all cases which existed on the fifth day of July in the year one thousand nine hundred, or had then arisen, but shall not apply to any case then pending in any Court or questioned in any proceeding in any land titles office or Court. R. S. M. c. 101, s. 157; 63 and 64 V. c. 35, s. 6.

Effect of redemption by municipality.

169. When two or more lots or parcels of land have been assessed together, the same may be advertised and sold together; but the owner of any such lot or parcel may redeem the same within the time hereinafter provided, upon payment of a proportionate part of the taxes and charges for which the said lots or parcels were sold, together with a proportionate part of the interest or penalty required to be paid on the redemption of same. R. S. M. c. 101, s. 158.

Lots assessed together,

170. It at any time appointed for the sale of the lands no bidders appear, or the bidding in the judgment of the treasurer be not satisfactory, or the sale cannot be finished during the day fixed for the sale, or for any reason whatever, the treasurer may adjourn the sale, from time to time, from the date fixed for the sale or from the date of the last adjournment. R. S. M. c. 101, s. 150.

Adjournment for want of bidders.

171. At the place, day and hour appointed for the sale of the lands, and if the arrears of taxes and costs have not been previously paid or collected, the treasurer shall offer the lands for sale by public auction, and in doing so he shall make and declare the amount stated in the list or advertisement as the arrears of taxes due, together with the costs, and shall then sell the same to the highest bidder or to such person as shall be willing to take it, there being no higher bidder, but subject to redemption as hereinafter provided for; and the amount of arrears of taxes stated in the advertisement shall in all cases be held to be the correct amount due. R. S. M. c. 101, s. 160.

Mode of sale.

172. The treasurer may offer the said land for sale in legal subdivisions or in different lots or parcels, so that no such lot or parcel shall be less than a single lot according to any plan, nor less than a legal subdivision according to the Dominion Government survey. R. S. M. c. 101, s. 161; 58 and 59 V. c. 34, s. 17, *part*.

Lots, &c., not to be divided.

173. In any case in which land liable to be sold for taxes has been subdivided so that different persons are the owners of different portions of a single lot, legal subdivision or quarter section, the treasurer may offer the said lands for sale in accordance with the divisions of the same which represent the actual ownership, so that the land of each separate owner shall be separately offered for sale. 58 and 59 V. c. 34, s. 17, *part*.

How lands may be offered for sale when different persons own portions of one lot.

174. When a single lot or parcel of land is owned by different parties and assessed in separate parts or portions, each such separate part or portion may be sold for the taxes in arrear thereon respectively. R. S. M. c. 101, s. 162.

Lots owned in separate parcels.

175. If the land, when put up for sale, will not sell for the full amount of arrears of taxes and costs, the said treasurer may then and there sell for any sum he can realize, and shall, in such case, accept such sum as full payment of such arrears of taxes and costs; but the

Sales for less than amount due.

owner of any land so sold shall not be at liberty to redeem the same except upon payment to the treasurer of the full amount of arrears of taxes and costs, together with the additional penalties for redemption; and, in the event of redemption as aforesaid, the purchaser shall be entitled to receive from the treasurer the amount of his purchase money and taxes paid by him, with the additional penalties thereon, as provided in the one hundred and ninety-third section of this Act. R. S. M. c. 101, s. 163, *part*.

Municipality may become purchaser.

Certificate not to be sold for less than land was bought in for by municipality.

Lands to be assessed against former owner until time for redemption expires, but then vest in purchaser.

Municipality may lease or sell lands purchased by it.

176. The municipality in which the lands put up for sale are situated may, at such sale, bid up to the amount due thereon for arrears of taxes and costs, and may become the purchaser thereof or of any number of lots advertised for sale, through the mayor or reeve or any member of the council duly authorized by the council so to bid; and in case bids be accepted and the municipality declared the purchaser, it shall not be necessary for any payment of the purchase money to be made, and in such case a certificate of sale shall be issued to the municipality by the treasurer, and, so far as may be, the provisions of this Act with reference to redemption shall apply to such sales. The municipality may at any time sell and transfer such certificates, but in no case shall a certificate be sold for less than the land was bought in for by the municipality. R. S. M. c. 101, s. 164.

177. Until the time for redemption as herein provided shall have elapsed, the land so purchased by the municipality shall continue liable to assessment and taxation in the name of the former owner as if the same had not been so purchased. R. S. M. c. 101, s. 165; 63 and 64 V. c. 35, s. 7.

178. The municipality may also, after lands so purchased by it at a sale for taxes have become vested in it, lease the same or sell and convey them under the seal of the municipality signed by the clerk and the head of the council, or by such other persons as may be authorized by the council so to sign; and the proceeds shall form part of its municipal funds, and the municipality shall not be compelled to account to the former owner of the land for any sum thus realized. None of the provisions of "The Municipal Act" as to the selling of lands by municipalities shall apply to lands so acquired; but all such lands before being sold by the municipality shall be offered for sale in parcels by public auction, of which sale three weeks' notice shall be given in some newspaper published in or near the municipality in which the lands are situate, and if, at such sale, a sufficient sum is not bid for each parcel of land so offered for sale to cover the amount claimed to be due to the municipality thereon, the municipality may then effect a private sale of such land, either in bulk or in parcels for the best price obtainable, and either in the case of public or private sale the land may be sold on such terms as to the municipality may seem proper, provided that at least one-third of the purchase price be paid in cash.

(a) Any city may also exchange any of its land so purchased as aforesaid for other lands within the municipality. R. S. M. c. 101, s. 167; 61 V. s. 33, s. 5; 63 and 64 V. c. 35, s. 8, *part*.

Payment of purchase money of lands bought at tax sales.

179. If, on a sale for arrears of taxes, the land is sold for a greater sum than the arrears of taxes and costs, the purchaser shall only be required to pay at the time of sale the amount of said arrears and costs, and the balance of the purchase money shall, in case such land is not redeemed from such tax sale, be paid, within one year after the expiration of two years from the day of such tax sale, to the district registrar in whose district the land lies or, in case the land does not lie in any land titles district, then to the district registrar at Winnipeg. If the balance of purchase money is not so paid by the purchaser or his assigns within the time above prescribed, he and they shall forfeit all claim to said lands and to a certificate of title therefor, and to the sum paid at the time of sale or subsequently for taxes, costs or otherwise, and the said land shall cease to be affected as if it had been duly redeemed. 60 V. c. 21, s. 11.

Re-sale on non-payment.

180. If the purchaser of any parcel of land fail to pay to the treasurer immediately, on account of said purchase, the amount claimed for arrears of taxes and costs, or such lesser sum as he may have purchased for, the treasurer may forthwith again put up the property for sale. R. S. M. c. 101, s. 169.

Tax sale certificates to be given.

181. The treasurer, after selling any land for taxes, shall, without any additional charge, give a certificate under his hand and the seal of the municipality in the following form:

I hereby certify that, under the provisions of "The Assessment Act," I have this day sold for arrears of taxes and costs, to A. B., of the _____ of _____, that certain piece or parcel of land and premises situate in _____, and being composed of (*describe the land*), for the price or sum of _____ dollars.

Dated _____ day of _____, A.D. 19 ____ . (*This must be the actual date of sale.*)

C. D.,
Treasurer of the _____

[L.S.]

(a) Provided that, in case the treasurer by whom any such sale shall have been made shall die, resign or otherwise vacate his office without having signed such certificates or any of them, the treasurer for the time being of the municipality may give a certificate under his hand and the seal of the municipality, certifying that the lands were sold, and when, and to whom, and at what price. Such certificate shall be as valid and effectual for the purposes of this Act as though made in the form given above. R. S. M. c. 101, s. 170; 58 and 59 V. c. 34, s. 18.

Certificate where lands sold for more than taxes.

182. In case the lands have been sold for more than the amount of taxes as advertised, the above certificate shall be modified by leaving out all after the description of the lands and before the dating clause, and inserting instead thereof the following:—

"For the price or sum of _____ dollars, of which the sum of _____ dollars, being the amount of arrears of taxes and costs for which the same were sold, has been

received, and the balance shall be paid to the district registrar before the expiration of three years from the date of this sale; and in case such balance be not paid within the time required all claims to said lands and to the money already paid shall be forfeited by the holder thereof." R. S. M. c. 101, s. 171; 59 V. c. 16, s. 7; 60 V. c. 21, s. 10.

183. Any such certificate provided for by the two last preceding sections may be assigned by indorsement on the back thereof or on a paper attached thereto, in the following form or to the like effect:—

I hereby assign and transfer this certificate (or the attached certificate or certificates) to

Which said assignment shall be signed by the person in whose favour the certificate is issued, or by any subsequent assignee. The production of any certificate so transferred shall entitle the assignee to the redemption money, if paid; and for the purposes of this Act such assignee shall be considered the purchaser of the lands described in such certificate at the sale to which it refers. R. S. M. c. 101, s. 172, *part*.

184. The purchaser (including a municipality purchasing) shall, on receipt of the treasurer's certificate of sale, become entitled, by action or otherwise, to protect the lands mentioned in said certificate from spoliation or waste until the expiration of the term during which the land may be redeemed; but he shall not have any right to the possession of said land, or to cut hay or timber growing upon the land, or in any way to injure the land; and the purchaser shall not be liable for damage done, without his knowledge, to the property during the time the certificate is in force, and shall have the right to pay taxes upon said lands, and to be reimbursed therefor as provided in the one hundred and ninety-third section hereof. R. S. M. c. 101, s. 173.

185. Every such purchaser, at the time of the sale, and before he is given the certificate of sale, may be obliged to sign a statement setting out his full name, occupation and post office address, and such statement shall be preserved by the treasurer with the other books, documents and papers connected with such sale. R. S. M. c. 101, s. 174.

186. No payment over of any redemption money shall be made by the treasurer, unless and until the person applying for said redemption money shall produce and surrender to the treasurer the original certificate of purchase under this Act:

Provided that, in the case of the loss of any certificate, the redemption money may be paid over on security being given satisfactory to the council. R. S. M. c. 101, s. 175, *part*.

PAYMENTS TO MUNICIPAL COMMISSIONER.

187. If, at the time of the holding of any sale of lands for arrears of taxes under this Act, any sum be due or owing and unpaid by the municipality wherein such lands lie to the Municipal Commissioner for or on account of any levy made by him on such municipality for district, county or other expenses or purposes, or owing to him by such municipality under the provisions of this Act, or "The Municipal Act," or "The Municipal Commissioner's Act," or under any former or other Act, or otherwise, or by virtue of the levy for such or any of such expenses or purposes by any judicial district board, the treasurer of the municipality shall, within three weeks after the sale, transmit to and deposit with the Provincial Treasurer, out of the moneys received or realized from or by virtue of such sale (including the amounts received or realized for taxes on the lands advertised for sale since the first advertisement of the list thereof, and exclusive of the sums realized in excess of the taxes at the sale), a sum sufficient to satisfy the amount or amounts so owing and unpaid; and if the amount so received or realized be not sufficient to satisfy the sum so owing and unpaid, then the whole amount realized for such taxes shall be so transmitted and deposited. Such treasurer shall also, within one month after such sale, mail and transmit to the Municipal Commissioner a certificate under his hand and verified by statutory declaration as correct, showing the amount so realized for such arrears of taxes. R. S. M. c. 101, s. 176.

188. The proceeds of the sale or sales by a municipality of any tax sale certificates for lands purchased by a municipality shall be considered as forming part of tax sale proceeds, and shall be subject to application as in the last preceding section provided. This provision shall apply to past as well as to future tax sales. 61 V. c. 33, s. 6, *part*.

189. In all cases in which a municipality becomes vested with the title in any land or lands purchased at a tax sale, and disposes, or agrees to dispose, of the same to any person or persons for valuable consideration, the proceeds of such disposition shall be considered as tax sale proceeds and subject to application as provided in the two last preceding sections. 61 V. c. 33, s. 6, *part*.

190. For the purpose of receiving such amounts on sales for arrears of taxes under the one hundred and eighty-seventh section of this Act, and of so transmitting and depositing the same, including any moneys under the two last preceding sections, and of making such certificate and declaration, the treasurer shall be the officer of the Municipal Commissioner, and as such shall be bound to comply with his directions; and in case of any default of the treasurer therein, he shall be liable to a penalty of five hundred dollars, which may be recovered against him by any person in an action of debt in any Court of competent jurisdiction. R. S. M. c. 101, s. 177.

191. In addition to the penalty hereinbefore provided, in case of non-compliance by the treasurer of any municipality with the provisions of the four last preceding sections, he shall, *ipso facto*, be disqualified as such treasurer and in any other office held by him under the council, and ineligible for election or appointment to any office under the council or of the municipality, during the two years next after such non-compliance or default; and all acts performed by him in connection with the affairs or business, and as an officer, of the municipality shall be illegal and void after such non-compliance or default:

Assignment of certificate and its effect.

Powers of tax purchaser to protect land until redeemed

Statement to be signed by purchaser.

Redemption money not to be paid until original certificate produced or security given in case of loss.

Proviso

Treasurer to make payments of debt due the Municipal Commissioner out of moneys received at tax sales

Application of money realized from sale of tax certificates held by municipality.

Application of money realized from sale of land acquired by municipality through tax sale.

Treasurer bound by directions of Municipal Commissioner.

Penalty for default.

Further penalty incurred by treasurers failing to comply with Municipal Commissioner's directions.

Proviso. Municipal Commissioner may grant certificate removing disqualification of treasurer.

Provided that the Municipal Commissioner, on being paid the full amount realized from such sales of land or certificates, less the expenses thereof, and upon being satisfied that such treasurer was not wilfully derelict in the duty required of him by the four last preceding sections, may give such treasurer a certificate to that effect; and such certificate shall have the effect of removing such disqualification and relieving him from the penalty provided by the last preceding section and the council of the municipality may, on production of such certificate, reinstate him in his office with full power to perform the duties thereof. R. S. M. c. 101, s. 178, *part*.

Other remedies saved.

192. Nothing in the first last preceding sections shall prevent or remove the right of the Municipal Commissioner to recover from municipalities the sums levied by, or owing or payable to, him, by any other remedies which he may have under this Act or otherwise, as such sums may become due. R. S. M. c. 101, s. 179.

REDEMPTION, &c.

Redemption how and when affected.

193. The owner of any land which has been or shall hereafter be sold for non-payment of arrears of taxes or costs, or his heirs, executors, administrators or assigns, or any other person or any municipality on his or their behalf, but in his name only, may at any time within two years from the day of sale, exclusive of that day, redeem such land by paying or tendering to the treasurer of the municipality, before the hour of three o'clock in the afternoon, the amount of arrears of taxes and costs, for which the same was advertised and sold, together with, as a penalty, a sum amounting to ten per cent. of such amount if redeemed at any time within one year after the date of sale, and, if not so redeemed within one year, then with the addition, as a further penalty, of a further sum amounting to ten per cent. of such amount for which said lands were so sold as aforesaid. In case the tax sale purchaser has paid any taxes accrued subsequent to the taxes for which such land was sold, the party redeeming such land shall also pay to the treasurer, if redeemed within the first year after the sale, the amount of such subsequent taxes so paid as aforesaid by the tax purchaser, and as a penalty an additional sum amounting to ten per cent. thereon. If such land be not redeemed within the first year after sale, then the party redeeming such land shall also pay to the treasurer the amount of such subsequent taxes so paid as aforesaid by the tax purchaser and, as a penalty, an additional sum amounting to twenty per cent. on all such subsequent taxes paid by the tax purchaser during the first year after the said sale, together with ten per cent. on all such subsequent taxes paid by the tax purchaser after the first year after said sale. Such treasurer shall also be entitled to demand, before giving a certificate of redemption, from such party so redeeming, all arrears of taxes on said lands in his hands for collection subsequent to the taxes for which such lands were sold. R. S. M. c. 101, s. 180, *part*.

Certificate of redemption.

194. The treasurer shall give the party so redeeming a certificate of redemption under his hand and the seal of the municipality, which shall be evidence of the redemption and may be registered in the proper registry or land titles office without any affidavit of execution, and may be in the following form:—

I hereby certify that (*describing the lands*), sold for taxes on the _____ day of _____, A.D. 19____, were this day duly redeemed by _____, on behalf of _____, and that I have received from said _____ in full of said redemption, the sum of _____ dollars.
 Dated this _____ day of _____, A.D. 19____.
 [L.S.] _____ C. D.,
 Treasurer for the _____
 R. S. M. c. 101, s. 181.

Certificate to be in duplicate.

195. Such certificate shall be made in duplicate, and one of them shall be kept in the office of the treasurer. R. S. M. c. 101, s. 182.

Date of sale.

196. For the purpose of this Act, the day of sale shall be the day on which the sale was advertised to take place, without reference to any adjournment or adjournments; and any lot or parcel of the lands sold may be redeemed by payment of a proportionate amount of the arrears of taxes, costs and penalties, if the land sold was composed of more than one lot or parcel according to any survey or plan. This section shall apply as well to redemptions taking place through a district registrar as through a treasurer. R. S. M. c. 101, s. 183; 58 and 59 V. c. 34, s. 19; 60 V. c. 21, s. 4.

Effect of redemption.

197. From the time of payment to the treasurer of the full amount of redemption money required by this Act, all rights and interests of the purchasers in the land shall cease. R. S. M. c. 101, s. 184.

Notice of redemption to be sent to the purchaser.

198. The treasurer, immediately after the redemption of any land, shall, after deducting from such redemption money the sum of twenty-five cents for each parcel of land redeemed; notify the purchaser or his assignee of such redemption by letter mailed, prepaid and registered, to him at his post office address as given in the statement signed by him at the time of the sale, if any. R. S. M. c. 101, s. 185.

Repayment of redemption money.

199. The treasurer shall, upon delivery to him of the certificate of sale for taxes and assignment thereof, if any, pay over such redemption money, or such portion thereof as the applicant may be entitled to. 57 V. c. 21, s. 4.

RETURNS OF LANDS NOT REDEEMED.

Returns to district registrar of lands not redeemed.

200. If land sold for taxes as aforesaid be not redeemed within a period of two years from the date of sale, the treasurer of the municipality shall, forthwith after the expiration of said two years, forward to the district registrar for the land titles district in which the land lies, a return certified under his hand and official seal, showing all lands which were sold at that sale and which have not been redeemed, the persons to whom sold, the amounts at which the

lands were sold, the amounts of taxes and costs for which the lands were sold, the taxes paid by the tax purchaser since the sale and prior to the expiration of said two years, and such other information as the district registrar may require. 63 and 64 V. c. 35, s. 12, *part*.

201. When a municipality does not lie wholly within one land titles district the treasurer shall forward to the district registrar of each district within which the municipality lies such return as in the last preceding section mentioned, covering only the lands sold within each such district.

Returns when municipality does not lie wholly within one L. T. D.

(a) If the municipality lies partly within one or more land titles districts, and partly within a registration district not yet brought into any land titles district, he shall forward to each district registrar a return covering only the lands sold in his district and to the district registrar for the land titles district of Winnipeg a return covering the balance of lands so sold;

(b) If the municipality lies wholly within a registration district not yet brought into any land titles district, he shall forward the return to the district registrar for the land titles district of Winnipeg;

(c) This section shall also apply to the statement referred to in the one hundred and fifty-third section of this Act. 63 and 64 V. c. 35, s. 12, *part*.

202. Upon the expiration of two years from the day of sale, and thereafter unless and until the land is redeemed, the tax purchaser or his assigns shall, in all suits or proceedings wherein such tax sale is questioned, be prima facie deemed to be the owner of the land. And upon the expiration of said period of two years the treasurer's return to the district registrar hereinbefore provided for shall in any proceedings in any Court in this Province, and for the purpose of proving title under "The Real Property Act," be, except as hereinafter provided, conclusive evidence of the validity of the assessment of the land, the levy of the rate, the sale of the land for taxes and all other proceedings leading up to such sale and that the land was not redeemed at the end of said period of two years; and, notwithstanding any defect in such assessment, levy, sale or other proceedings, no such tax sale shall be annulled or set aside except upon the following grounds and no other: That the sale was not conducted in a fair and open manner, or that the taxes for the year or years for which the land was sold had been paid, or that the land was not liable to taxation for the year or years for which it was sold. 63 and 64 V. c. 35, s. 12, *part*.

When tax purchaser to be deemed the owner. Evidence.

Grounds upon which tax sale may be set aside.

PROCEEDINGS IN LAND TITLES OFFICES.

203. Any tax purchaser desiring to secure title to land purchased at a tax sale may, at any time within one year after the date of the expiration of two years from the day of sale, make application therefor to the district registrar for the land titles district in which the land lies, and such application shall in all respects be deemed to be, and shall be dealt with by the district registrar as, an application to bring land under "The Real Property Act," or for a transmission under said Act, as the case may be. If the tax purchaser fails to make his application within one year as aforesaid, he shall forfeit all claim as tax purchaser to said land or to such part thereof as may not be applied for, as well as to the amount paid thereon at the time of sale, or for subsequent taxes, and said land, or such part thereof as aforesaid, shall thereupon cease to be affected by said sale as if it had been duly redeemed. 63 and 64 V. c. 35, s. 12, *part*.

Application under "Real Property Act."

Forfeiture of tax purchaser's rights.

204. In the case of land which does not form part of any land titles district, the said application and the proceedings hereinafter provided for shall be made to and taken by the district registrar for the land titles district of Winnipeg. 63 and 64 V. c. 35, s. 12, *part*.

Land not in any land titles district.

205. Any person having an interest in any parcel of land included in the return referred to in the two hundredth or two hundred and first section of this Act, or any person on his behalf, may at any time, before or after such application is made, or at any time before the issue of a certificate of title pursuant to the tax sale in question, redeem such parcel of land, or any separate parcel thereof, in which he may be interested, by paying the district registrar to whom such return is made the amount originally paid by the tax sale purchaser, together with a bonus of twenty per cent. thereon, and any subsequent taxes paid by him on the said lands, together with the percentage or percentages thereon provided for by the one hundred and ninety-third section of this Act and the costs which the applicant has been put to in proceeding to obtain a certificate of title, including his attorney's fees (if any), which costs and fees shall be fixed and taxed by the district registrar, whose decision shall be final. Upon such redemption taking place the district registrar may proceed with the application and issue a certificate of title thereunder to such person as he may find entitled, in the same manner as if the application had been made by the person so found entitled. 63 and 64 V. c. 35, s. 12, *part*; 1 Ed. 7, c. 27, s. 6; 1 and 2 Ed. 7, c. 33, s. 7, *part*.

Redemption by former owner.

Taxation of costs.

206. The district registrar shall enter in a register a memorandum indicating the redemption of such land or parcel thereof, and such land or parcel shall accordingly stand redeemed from the time of such payment; and the district registrar shall forward to the treasurer of the municipality a notice stating that such land or parcel thereof has been redeemed, and the district registrar shall thereafter, upon demand, repay to the tax purchaser or his assignee any moneys which have been paid into the tax sales fund by such tax purchaser or his assign in connection with the sale in question, and none of the provisions of the sections of this Act numbered from two hundred and sixteen to two hundred and twenty, inclusive of both such numbers, shall apply to such payments out of the tax sales fund. 60 V. c. 21, s. 12; 63 and 64 V. c. 35, s. 12, *part*.

Proceedings after redemption.

207. The district registrar shall deduct from the payment so made to him any fees due to him, and forthwith pay the balance to the tax purchaser or the assignee of the tax sale certificate upon demand, and while said moneys or any portion thereof remain in the hands of the district registrar they shall not be subject to attachments or garnishee proceedings issued out of any Court in this Province. No payment over of any such redemption money shall be made by the district registrar, unless and until the original certificate of purchase shall have been surrendered to the district registrar; except that, in case of the loss of any such

Refund to tax purchaser.

Surrender of original tax sale certificate.
Issue of certificate of title in default of redemption.

certificate being proved to the satisfaction of the district registrar, the redemption money may be paid over on security being given satisfactory to the district registrar. 63 and 64 V. c. 35, s. 12, *part.*

208. After the expiration of six months from the day of service of the last notice required to be served by or on behalf of the applicant, in cases where notice has been directed to be served, and in other cases after the expiration of six months from the filing of the application, if the land be not redeemed, the district registrar, upon being satisfied that the purchaser has paid his purchase money in full for the lands comprised in the application or any parcel thereof, shall issue a certificate of title under "The Real Property Act," to the applicant for such land or parcel thereof, and such certificate of title shall in every respect have the same effect as, and be considered to be, a certificate of title issued under "The Real Property Act"; and thereafter no person, except the tax purchaser or those claiming through or under him, shall be deemed to be rightly entitled to the land included in such certificate of title or to any part thereof, or to any interest therein or lien thereon, whose rights in respect thereof accrued or commenced to accrue prior to the issue of such certificate of title; and in any action brought against a district registrar for damages under "The Real Property Act" by any such person claiming to have been so rightly entitled prior to the issue of such certificate of title, and who has not been served with notice under this Act or "The Real Property Act" of the application for a certificate of title, it shall be incumbent upon such person to prove that the land was improperly sold for taxes, and that such tax sale as regards such land was, or should be declared to be, void. 63 and 64 V. c. 35, s. 12, *part.*

Action for damages in consequence.

Duties of district registrar.

District registrar bound to proceed.

209. The district registrar shall not be obliged to ascertain or inquire into the regularity of the tax sale proceedings or any proceedings prior to or having relation to the assessment of the land. 63 and 64 V. c. 35, s. 12, *part.*

210. The return which is above provided to be furnished to the district registrar by the treasurer of the municipality shall be, in all cases, sufficient authority to justify the district registrar in taking proceedings as above provided in this Act; and the district registrar shall be bound in all cases to proceed as above provided, unless it shall be shown to his satisfaction that the land in respect of which the application is made for a certificate of title was not liable to the imposition of any portion of the taxes for which the same was sold or that all such taxes had been paid. 63 and 64 V. c. 35, s. 12, *part.*

Unless not liable or taxes paid.

211. At any time after a municipality has filed an application for a certificate of title under this Act, and before a certificate of title shall have issued thereunder, the municipality may assign its interest as tax purchaser to any person who claims to have some substantial interest in the land, and upon the filing of such assignment with the district registrar, he shall, if in his judgment such assignee had some substantial interest, proceed with the application as if such assignee had been the original applicant. 63 and 64 V. c. 35, s. 12, *part.*

Assignment by municipality or tax purchaser.

212. In all cases in which a municipality is the tax purchaser, the municipality may apply for a certificate of title under this Act, and may include in one application any number of parcels according to the same survey or plan; provided that said parcels do not exceed in area two thousand acres. 63 and 64 V. c. 35, s. 12, *part.*

When municipality is tax purchaser.

213. In all cases of applications by a tax purchaser for title to land sold for taxes in which the value of the land in the application does not exceed the sum of one hundred dollars, the fee payable to the district registrar on such application, including contribution to the assurance fund, shall not exceed two dollars and fifty cents. 63 and 64 V. c. 35, s. 12, *part.*

Payment of taxes accruing after sale.

214. After the expiration of two years from the date of sale the tax purchaser may pay to the district registrar to whom the returns of sales are required to be made as aforesaid any arrears of taxes due on the land, upon furnishing to the district registrar a statement of the treasurer of municipality in which the land is situate showing the amount of such arrears; and before a certificate of title shall issue under the application of such tax purchaser, either to the tax purchaser or to the person found entitled after redemption, it shall be the duty of the district registrar to ascertain and collect all such arrears and, when collected, to forward the same to the treasurer of the municipality entitled thereto. 63 and 64 V. c. 35, s. 12, *part.*

SURPLUS TAX SALES FUND.

"Tax Sales Fund."

215. The district registrar shall keep a separate account of all sums paid to him as a balance of purchase money on lands sold as aforesaid for more than the amount for which they were advertised, and shall enter in a book the amount received over the arrears of taxes and costs, a description of the land sold and the dates of sale and receipt of said balance; and the aggregate amounts of such balances so received shall form a distinct fund to be called "Tax Sales Fund," and the district registrar shall, in the month of January in each year, or sooner if required by resolution of the council of the municipality in which any such lands lie, furnish a statement to the treasurer of such municipality, giving the amount of and other particulars respecting said fund relating to any lands in such municipality. R. S. M. c. 101, s. 193, *part.*; 60 V. c. 21, s. 12.

Procedure for obtaining balances in "Tax Sales Fund."

216. Any person claiming to be entitled to the surplus in the tax sales fund, or any part thereof, may, in person or by attorney, lodge with the district registrar having such surplus in respect of which the claim is made a petition in writing describing the land sold and setting forth the particulars of the sale and the right or title by reason of which said surplus is claimed, and said petition shall be verified by affidavit and supported by such evidence as the district registrar may require; and the district registrar may, in his discretion, require the claimant to serve upon any person or corporation he may deem proper, either personally or substitutionally, as and in such manner as he may direct, notice of his said application; and the district registrar may upon such application order the surplus money applied for to be paid to the claimant or such other person as may be found entitled and the order shall declare that it has

been proved to the satisfaction of the district registrar making such order that the person to whom the money is ordered to be paid is entitled thereto, and shall further state under what right or title he has been found so entitled; or the district registrar may in his discretion, in any case in which he shall consider it proper so to do, order the money to be paid into the Court of King's Bench, and in such case his order shall state the reason why the order was so made, and a copy of the order shall be filed in said Court and the money so paid into Court shall then be dealt with upon application on notice, in such manner as a Judge in chambers may order. 55 V. c. 26, s. 8, *part*; 60 V. c. 21, ss. 6, 12.

217. In case it should be found that some person other than the petitioner is entitled to some portion of the money standing to the credit of any lot or lots of land, the district registrar or Judge shall have power to apportion the share or shares to which each person may be entitled in such manner as to him may seem just. 55 V. c. 26, s. 8, *part*.

Apportionment of balances.

218. It is hereby declared that the person who shall be considered to be entitled to apply under the two last preceding sections for any money standing in the "Tax Sales Fund" to the credit of any parcel of land shall be the person who was, at the expiration of the time for redeeming said land from said tax sale, the owner of the land or a person who held any incumbrance, security or lien under judgment, execution or otherwise thereon, or who is the assignee or legal representative of such owner or person. 55 V. c. 26, s. 8, *part*; 60 V. c. 21, s. 7.

Persons entitled to apply for balances.

219. No action, suit or proceeding shall lie against any municipality or district registrar for the recovery of any such surplus, or any portion thereof, after the same has been paid in pursuance of such order of a district registrar or Judge. 55 V. c. 26, s. 8, *part*; 60 V. c. 21, s. 12.

Municipality paying balances pursuant to order protected.

220. The same fees shall be paid upon any application made to a Judge as are payable in respect of applications in chambers for a Judge's order in any suit, or proceedings in the Court of King's Bench; and if the district registrar or Judge shall think it advisable to order the money to be paid into the Court of King's Bench or otherwise than into the hands of any claimant or his attorney, he may in his discretion order the proper costs of the claimant or of the municipality or any part thereof to be taken from and paid out of the money which formed the subject of the claim; and in all cases where a claimant shall fail to obtain an order upon the municipality for payment the district registrar or Judge may order him to pay the costs of the proceedings, and such order may be made a judgment of the Court of King's Bench by filing the same in such Court. In case the application be to a district registrar, such district registrar shall charge, for searches in the registry office and his work, five per cent. of the amount involved when such amount does not exceed forty dollars, and when the amount involved exceeds forty dollars he shall receive a fee of two dollars and no more. R. S. M. c. 101, s. 196, *part*; 55 V. c. 26, s. 9; 60 V. c. 21, s. 8.

Fees on such applications in chamber.

Fees of district registrar.

221. The fact of claiming any surplus held in a "Tax Sales Fund" to the credit of any lot sold for arrears of taxes shall be considered as an admission of the validity of the sale of the lot in question by the claimant, and the said claimant and all claiming by, through or under him shall, from and after the time of making said claim, be debarred and estopped from taking any action or proceeding to question or set aside said sale, notwithstanding that said claim shall have been made within the time otherwise limited for taking any proceedings to invalidate any tax sale, and said sale shall thereafter be held to be in all respects valid and binding as against the said claimant and those claiming by, through or under him as aforesaid. R. S. M. c. 101, s. 197; 60 V. c. 21, s. 9.

Claim on fund to be admission of validity of sale.

222. Whenever any portion of any such tax sales fund shall have remained in the hands of the district registrar for six years, without any notice of claim or order of payment having been served on or made by him as hereinbefore provided, said portion or sum so remaining unclaimed shall become forfeited, and shall thereafter be the absolute property of the municipality in which the lands in respect of which the same was paid were situated at the date of the payment of the amount to the district registrar, and shall be paid over to the treasurer of the municipality, and shall forthwith thereafter be transferred to the general funds of the municipality, and form part thereof, and the municipality and the district registrar shall forever be discharged from any claim on account thereof. R. S. M. c. 101, s. 193, *part*; 60 V. c. 21, s. 5, *part*.

Payments to municipalities from tax sales funds.

Transfer to general account.

223. In case of any action or proceeding to set aside or question a sale for arrears of taxes being commenced, the plaintiff in any such action or proceeding shall, within ten days after the issue of the statement of claim or other commencement of the proceeding, cause the district registrar having any such surplus proceeds or to whom the same are payable and the treasurer of the municipality in which the lands lie, to be notified in writing of the fact of such action or proceeding having been commenced, and the district registrar or the treasurer in such case shall not forfeit any surplus held by him to the credit of the parcel of land in dispute, but shall hold the same subject to the order of any Judge or Court before whom said suit or proceeding shall or may be tried. In case the plaintiff succeeds, the said Judge or Court shall order the said surplus to be paid to the defendant tax purchaser, or his proper representatives, and in case the plaintiff fails in such action or proceeding to set aside said sale, but proves to the satisfaction of the Judge or Court that he was at the time of said sale the lawful owner of said land and the person entitled to the said surplus purchase money according to the true intent and meaning of this Act, then, in such case, the said Court of Judge shall order such surplus to be paid over to said plaintiff or his legal representatives upon and after payment by said plaintiff of such of the defendant's taxed costs of defence of said action or proceedings as the plaintiff shall have been ordered to pay. R. S. M. c. 101, s. 198, *part*; 60 V. c. 21, s. 12.

Notice of action to set aside tax sale.

Payment of surplus.

MISCELLANEOUS PROVISIONS.

224. In all cases in rural municipalities the owner, or any person (other than a tax sale purchaser) having an interest in any parcel of land sold for arrears of taxes, shall have the first privilege or right to pay the amount of taxes levied thereon subsequent to such sale, up

When tax sale purchaser to be allowed percentages on taxes paid by him.

to but not inclusive of the last day provided for a discount to persons paying taxes on or before the fifteenth day of December of the year in which such taxes were levied; and in no case shall any tax sale purchaser be allowed any percentage upon the amount of such subsequent taxes until the time during which such taxes are subject to a discount, as aforesaid, shall have expired. 1 Ed. 7, c. 27, s. 7; 1 and 2 Ed. 7, c. 33, s. 8.

Acquisition of title for lands not over \$50 in value purchased at tax sale.

225. When the assessed value at the time of sale of any property heretofore or hereafter sold for taxes by any municipality does not exceed fifty dollars, the period allowed for redemption in the treasurer's office, under this Act, and after which application to the district registrar for certificate of title may be made, shall be reduced to one year instead of two, and no notice of the application for a certificate of title shall be given to any person, and the certificate of title for such land may be issued to the tax purchaser or his assigns after the expiration of three months from the time of such application being received, and all the provisions contained in the foregoing sections of this Act shall, subject to the provisions of this section, be applicable to the procedure for obtaining title to such land, with the necessary substitution of "one year" for "two years," and "three months" for "six months," wherever the same occur therein. The total fees for all purposes to be paid to the district registrar upon such application and for such certificate of title shall not exceed the sum of two dollars and fifty cents. 1 Ed. 7, c. 27, s. 10.

Fees reduced.

Indemnity to owners improperly deprived of lands sold for taxes through being brought under "Real Property Act."

226. In case any lands should be sold for arrears of taxes when no arrears of taxes are due thereon or in case the tax sale be shown to have been invalid on any of the grounds set out in the two hundred and second section of this Act, the owner or person entitled to any equitable or beneficial interest therein, in case the land cannot be recovered back by reason of its having been brought under the operation of "The Real Property Act of 1889," or "The Real Property Act," or the Act or Acts for which "The Real Property Act" is substituted, shall be indemnified by the municipality for any loss or damage sustained by him on account of such sale of said lands; and the amount of such indemnity may be settled by agreement between the municipality and the person entitled thereto or, if an agreement cannot be effected, by arbitration in a manner similar to that provided in the case of expropriations, except that the amount of the indemnity payable by the municipality shall be the amount which the arbitrators shall award, with twenty-five per cent. of the amount of such award added thereto. R. S. M. c. 101, s. 192, *part*.

Sales set aside.

227. In all cases where sales of lands for arrears of taxes, whether made before or after the passing of this Act, are set aside or declared illegal or void, the amount paid by the purchaser at the sale, and subsequently for taxes or otherwise, shall be a lien upon the land and payable by the owner to the tax purchaser or his proper representatives. R. S. M. c. 101, s. 186.

Improvements to be paid for if sale is set aside.

228. In any suit or proceeding wherein judgment is given setting aside any sale for arrears of taxes or title acquired in pursuance thereof, or dispossessing any person of lands purchased at a sale made for arrears of taxes or costs, the person against whom such judgment is given shall be entitled to be paid for any permanent improvements made thereon according to their reasonable value; and such value shall be determined on such judgment, and the same shall be a lien on the land in favour of the person entitled thereto until paid. R. S. M. c. 101, s. 199.

Limitation of right of action to recover moneys paid municipality for taxes.

229. No action, suit or other proceedings shall be commenced against any municipality for the return by the municipality of any moneys paid to the municipality on account of a claim, whether valid or invalid, made by the municipality for taxes, whether under protest or otherwise, unless such action, suit or other proceedings shall have been commenced within six months after such payment; and, after the expiration of six months after the payment of such moneys without any such action, suit or other proceedings having been commenced, the payment made to the municipality shall be deemed to have been a voluntary payment. 58 and 59 V. c. 34, s. 21.

Tax sales prior to coming into force of this Act governed by law in force just before its coming into force.

230. All tax sales held prior to the coming into force of this Act, and all proceedings incidental thereto and consequent thereon, and the rights of all parties under and to such sales and proceedings shall be completed under, be regulated and governed by and be subject to the statutory provisions respectively applicable thereto which were in force immediately before the coming into force of this Act, notwithstanding the repeal of any such statutory provisions concurrently with the coming into force of this Act. All tax sales funds in the hands of district registrars arising out of past sales, whether received before or after the coming into force of this Act, shall be subject to the provisions of this Act.

SCHEDULES.

The following are the Schedules referred to in this Act :—

SCHEDULE A.—(SECTION 13.)

ASSESSMENT ROLL FOR RURAL MUNICIPALITY.

ASSESSMENT ROLL.		MUNICIPALITY OF										A. D. 19										
No. on Roll	NAME.	Occupation.	Address.	Owner.	Tenant.	Occupant.	Resident.	Non-resident.	Age.	OWNER.		DESCRIPTION OF PROPERTY.			Name or No. of School District.	Patented or Unpatented.	ACRES.			ASSESSMENT.		
										Name.	Address.	Part of Sec. or No. of lot and name of Parish.	Section.	Township.			Range.	Total.	Under cultivation.	Wooded.	Real.	Personal.	Total.	Exempted.

District No.	STATUTE LABOR.	NUMBER OF PERSONS IN FAMILY.					RELIGION.			VITAL STATISTICS.			NUMBER OF ANIMALS.							Date of Delivery of Assessment Notice.	Remarks.				
		No. of Days.	Amount.	MALES.		Total.	Protestant.	Roman Catholic.	Other Religion.	Births.	Deaths.	Registered.	CATTLE.												
				Married.	Single.								Married.	Single.	Horses.	Mules.	Bulls.	Oxen.	Cows.			Cattle under 3 years.	Sheep.	Pigs.	

R. S. M. c 101, Sch. A.

SCHEDULE B.—(SECTION 13.)

ASSESSMENT ROLL FOR CITY, TOWN OR VILLAGE.

Assessment Roll.		Ward No.		City (town or village, as the case may be) of										19						
NAMES AND DESCRIPTIONS OF PERSONS ASSESSED.																				
No. on Roll.	NAME OF OCCUPANT, OWNER OR OTHER TAXABLE PARTY.	OCCUPATION.	RESIDENCE.				RELIGION.			VITAL STATISTICS.			STOCK.				Street or other designation.			
			Street No., &c.		Resident.	Non-Resident.	Owner.	Occupier or Tenant.	Protestant.	Roman Catholic.	Other Religion.	Births.	Deaths.	Registered.	Total No. of Household.	No. of Horses.		No. of Cattle.	No. of Sheep.	No. of Pigs.	Built on.	Vacant.
17	Smith, John	Carpenter	Cor. Park and West	1	1	1							3	5				1		Park Avenue.
1535	Jones, W. P. or }	Laborer	Fort Rouge	1		1	1				1	1	5					1		Spadina Ave.
1536	Brown, Q. J. }	Merchant	Montreal	1	1	1												1		" "
337	Wilson, William }	Clerk	979 Common Street	1		1	1						2					1		Common St.
338	Murphy, P. K., and }	Butcher	881 " "	1		1							4	1				1		" "
339	Walker, J. P. }	"	883 " "	1		1	1						3	1				1		" "
340	Roberts, Josephus }	Contractor	27 Gertrude ..	1	1													1		" "

DESCRIPTION AND VALUE OF REAL AND PERSONAL PROPERTY.														REMARKS.
LAND.								BUILDINGS.			Notice Mailed.	Exemptions.		
ESTATE.	Name or D. G. S. No.	Reg'd Plan.	No. of Block.	No. of Lot.	Size of Lot.		Rate.	Value.	Improvements.	Value of Real Property.			Value of Personal Property.	Total Assessable Value.	7, 4, '22
					Frontage.	Depth.								
1			3	993	50'	120'	10'	\$ 500	1,500	2,000	500	2,500	7, 4, '22	This represents a straight assessment of Lot 993, Block 3, D. G. S., of Parish Lot 1, to John Smith as owner. In this case Jones is shown as tenant or occupant, and Brown as owner of Lots 2 to 27, both inclusive, in Block H, subdivision of Parish Lots 31 to 35 inclusive. This represents Wilson, Murphy and Walker (the latter two joint) tenants of Roberts, who is shown as owner of Lots 5, 6, 7, and 9 of Parish or D. G. S., Lot 11 west, each of said tenants occupying a building worth \$500. Personal property divided.
31.5			H	2/27	30'	99' ea	50' ea						"	
"			"	"				1,300	700	2,000		2,000	"	
11 W.				5, 7, 9	50'	100' ea	15'		500		300	300	"	
"			"	"				500		300	300		"	

R. S. M. c 101, Sch. B.

SCHEDULE C.—(SECTION 62.)

NOTICE OF ASSESSMENT.

City (Town, Village or Rural Municipality) of :

Assessment for 19

No. on Roll.	Name of Party Assessed	Occupation.	P. O. Address.	Description of Land (In cities, towns and villages)			Value of Real Property.	Value of Personal Property.	Total.	In Rural Municipalities, Statute Labour.	
				Lot.	Block.	D. G. S. No. or Estate.				No. of Days.	Amount.
				(In Rural Municipalities).							
				No. of Parish Lot.		Parish.					
				Part of Sec.	Tp.	Range.					

Take notice that you are assessed as above specified for the year 19 . If you deem yourself overcharged or otherwise improperly assessed, you or your agent may, within fourteen days after this notice has been sent you, notify the clerk of the at in writing of your wish to appeal, and your complaint will be tried at the meeting of the Court of Revision which will sit at on (here insert date if decided on).

Assessor.

To the Clerk of the of

SIR,—Take notice that I wish to appeal against the above assessment for the following reasons :—

(Signature of person wishing to appeal)

P. O.
R. S. M., c. 101, Sch. C.

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CHAPTER 28.

AN ACT TO AMEND "THE ASSESSMENT ACT."

[Assented to March 18th, 1903.]

His Majesty, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:—

1. Section 128 of "The Assessment Act," being chapter 117 of the Revised Statutes of Manitoba, 1902, is hereby repealed and the following substituted therefor:—

128. In rural municipalities all persons paying taxes on or before the fifteenth day of December, of the year in which such taxes were levied, shall be entitled to a reduction of ten per cent. on the same. From the fifteenth day of December until the last day of February taxes shall be payable at par. After the last day of February there shall be added at the beginning of each month thereafter as a penalty an additional sum amounting to three-fourths of one per cent. of all such taxes, but this last provision shall not be applied until after the last day of February, 1904, after which date it shall be applied to all taxes then in arrear.

Discount for prompt payment. When payable at par. After 28th of February $\frac{1}{2}$ of 1 per cent. per month to be added. This provision to apply after 28th February, 1904.

2. This Act shall come into force on the day it is assented to.

CHAPTER 38.

AN ACT TO AMEND "THE ASSESSMENT ACT."

[Assented to 8th February, 1904.]

His Majesty, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:—

1. Section 55 of "The Assessment Act," being chapter 117 of the Revised Statutes of Manitoba, 1902, is hereby amended by striking out the word "April" in the fourth line of said section and substituting therefor the word "June."

2. Section 77 of the said Act is hereby amended by striking out the word "July" in the fourth line thereof and substituting therefor the word "August."

3. The said Act is hereby further amended by inserting immediately after section 211 thereof the following section:—

211A. Transfers and assignments referred to in sections 176 and 211 of this Act shall be assented to or subsequently ratified by by-law, and any such transfers or assignments heretofore made may be so ratified.

4. Section 128 of said Act, as re-enacted by section 1 of chapter 28 of 3 Edward 7, is hereby repealed and the following substituted therefor:—

128. In rural municipalities all persons paying taxes on or before the fifteenth day of December, of the year in which such taxes are levied, shall be entitled to a reduction of 10 per cent. on the same. From the fifteenth day of December until the last day of February taxes shall be payable at par; on the first day of March, as a penalty, an additional sum, amounting to 5 per cent. of such taxes, shall be added thereto, and a like further penalty on the first day of July if such taxes be not then paid. On the first day of March in each year thereafter, as a penalty, an additional sum, amounting to 10 per cent. of all arrears of taxes, shall be added thereto.

5. This Act shall come into force on the day it is assented to.

CHAPTER 52.

AN ACT TO AMEND "THE ASSESSMENT ACT."

[Assented to March 16th, 1906.]

His Majesty, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:—

1. Section 225 of chapter 117 of the Revised Statutes of Manitoba, 1902, being "The Assessment Act," is hereby repealed.

2. Sub-section (a) of section 146 of the said Act is hereby amended by adding the words "or claimant" immediately after the word "occupant" in the first line thereof.

3. Sub-section (b) of said section 146 is hereby amended by adding the words "or claimant" immediately after the word "occupant" in the first line thereof.

4. Sub-section (h) of said section 146 is hereby amended by inserting after the word "Ottawa" in the fifth line thereof the following words "or of the Provincial Lands Commissioner or Deputy Provincial Lands Commissioner at Winnipeg."

5. That sub-section (f) of section 2 of the said Act be amended by adding thereto the following proviso: Provided that, in case the property be assessed in the name of the wife, the husband is not to be deemed a tenant or occupant thereof."

6. That the following proviso be added to section 19 of the said Act: "For the purposes of this Act the party in whose name the land appears as owner thereof in any registry or land titles office shall be deemed to be the owner thereof."

7. This Act shall come into force on the day it is assented to.

Extension of time for assessment, and for completion of revision.

Assignments of tax sale certificates by municipalities.

Discount for prompt payment of taxes.

Penalties for delay in payment.

NEW SOUTH WALES.

V 461

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PAPERS

RELATIVE TO THE

WORKING OF TAXATION OF THE
UNIMPROVED VALUE OF LAND
IN NEW SOUTH WALES.

(*In continuation of [Cd. 3740] September, 1907.*)

Presented to both Houses of Parliament by Command of His Majesty.
September, 1907.



3

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PAPERS S 2029

RELATIVE TO THE
..

WORKING OF TAXATION OF THE UNIMPROVED VALUE OF LAND IN NEW SOUTH WALES.

No. 1.

THE SECRETARY OF STATE to THE GOVERNOR.

SIR,

Downing Street, May 24, 1907.

I HAVE the honour to transmit to you, for the consideration of your Ministers, copy of a question asked in the House of Commons by Mr. Wedgwood on the subject of the taxation of land values in New South Wales.

2. In the memorandum enclosed in your despatch of the 28th of May, 1906,* Mr. Spiller states that no system of taxation of land on an unimproved basis for municipal purposes had up to that date been instituted, but that the Local Government (Shires) Act and the Local Government (Municipalities) Bill provided for a Municipal Land Tax on that basis.

3. In a Sydney press telegram published in the "Times" newspaper of the 10th of May, it is stated that in a speech delivered by the Premier on the 9th of May, "Other financial reforms outlined included taxation for local works, such as large municipal operations under a 'Greater Sydney' scheme, levied on unimproved value instead of on industry."

4. I shall be glad to learn whether any further legislation on the subject of taxation on unimproved values of land is contemplated beyond that contained in the Local Government (Municipalities) Bill, which has now passed into law, and, if so, what are the scope and nature of such legislation.

5. I have also to enquire whether the Premier is yet in a position to furnish a report on the working of the Local Government (Shires) Act.

I have, &c.,
ELGIN.

Enclosure in No. 1.

House of Commons, Tuesday, May 14, 1907.

Mr. WEDGWOOD asked the Prime Minister, "whether his attention has been called to the proposed legislation in New South Wales involving the paying for town improvements by a rate on the unimproved land value instead of on industry; and whether he will try to obtain and lay upon the Table of this House a report from the Premier of New South Wales on the aims and scope of this proposed legislation, as well as on the Shires Act that was passed in 1905."

* No. 3 in [Cd. 3191] November, 1906.

No. 2.

THE GOVERNOR to THE SECRETARY OF STATE.

(Received August 26, 1907.)

MY LORD,

State Government House, Sydney, July 17, 1907.

WITH reference to Your Lordship's despatch of the 24th May last, on the subject of the taxation of land values, I have the honour to transmit, for Your Lordship's information a report which has been furnished by the Officer-in-Charge, Local Government Branch, on the Local Government legislation of this State, together with copies of Acts and printed Reports referred to in such report.

2. In reply to the inquiry contained in paragraph No. 4 of Your Lordship's despatch, I have to state that my Ministers advise me that no further legislation dealing with taxation on unimproved values of land is at present contemplated.

I have, &c.,

HARRY H. RAWSON,

Governor.

Enclosure in No. 2.

Department of Public Works, N.S.W.,
Local Government Office, July 6, 1907.

MINUTE as to whether any further legislation *re* Taxation of Unimproved Values is contemplated beyond that contained in the Local Government Act.

(1.) The Local Government (Shires) Act, 1905, authorised the constitution of Local Governing Areas, to be called Shires, throughout the State, with the exception of the Western Division, and with the exception of those areas already incorporated in municipalities. The Councils of these shires were empowered by this Act to levy general rates (not exceeding 2d. in the £) upon the unimproved capital value of all rateable land.

(2.) The Local Government Extension Act, 1906, extended the powers of the Shire Councils: authorised them to levy special, local and loan rates on either the unimproved, or the improved, capital value of all rateable land: and extended these provisions for the rating of unimproved or improved capital values to municipalities in respect of general, special, local and loan rates.

(3.) At the end of the 1906 session of Parliament, both the Local Government (Shires) Act, 1905, and the Local Government Extension Act, 1906, were consolidated in an Act called the Local Government Act, 1906.

(4.) The Shire Councils were only elected in November, 1905, and, because of the vast extent of their territories, and other reasons, have not yet completed the compilation of their valuations, so that, up to the present, none of them have actually levied their rates. For this reason this Department is not yet in a position to furnish a report on the working of those sections of the Act dealing with the rating of land values.

(5.) In the Local Government Act it was provided that the sections of the Act respecting valuations and rates should not come into operation *in municipalities* until a date to be proclaimed by the Governor, though the rest of the Act came into operation on receiving His Excellency's assent. It has been decided that the valuing and rating sections of the Act shall be proclaimed to come into operation in municipalities on 1st January, 1908. In the year 1908, therefore, the Councils of municipalities will (a) levy their general rates on the unimproved capital value of land; (b) levy their additional general rates, if any such are required, on either the unimproved or the improved capital value; and (c) levy such special, local or loan rates as they require on either the unimproved or improved capital value. A report on the effect of these changes in the basis of municipal rating cannot therefore very well be prepared till, at the earliest, about the middle of the year 1909, and would even then, I think, be premature. A true view of the effect of so far-reaching and important a change cannot, I submit, be expected to be attained until after it has been in operation for a period of years.

(6.) So far as I am aware no further legislation on the subject of the taxation of unimproved capital values of land is contemplated, with the following exception: The Local Government Act, 1906, applies to all shires and municipalities throughout the State outside the capital city, Sydney. Sydney has a separate constitution of its own, under which its rates are all levied on the annual rental values. A Bill has been prepared having for its object the unification of the City of Sydney and the congeries of some 40 odd suburban municipalities by which it is surrounded. These suburbs are really part and parcel of our great metropolis, which has, as years have gone by, spread in ever-widening circles over the country surrounding the original seaport city which was incorporated as the Municipality of Sydney. As the suburbs grew and became desirous of participating in the benefits of a system of local self-government, they were, instead of being added to and incorporated with the municipal body of Sydney, erected each into a separate municipal body of its own. All these suburban municipalities are now under the operation of the Local Government Act; and the anomaly remains of a whole State in which the principle of local taxation being levied on land values is in operation, while in the capital city of the State the basis of taxation is still the rental value. If the Greater Sydney Bill become law there will be held a Convention, or a series of Conventions, in which representatives of the city and of the surrounding municipalities will confer as to the best method of union; and if such conventions arrive at a satisfactory solution of the questions involved, the Governor will have power to consummate the union, and thereupon the present constitution of the City Council will be dissolved, the Local Government Act, 1906, will be applied to the united city, and the principle of taxation on land values for Local Government purposes will be operative throughout the whole of the State.

(7.) It is to be noted, for the information of the Imperial Government, however, that the Local Government Act itself does not imperatively compel the adoption of the unimproved capital value alone as the basis of all municipal taxes. Rather it may be said, with certain reservations, to confer the rights of local option as to the basis of taxation. Thus:—

- (a) Shire general rates must be only on the unimproved capital value of land.
- (b) Municipal general rates must be only on the unimproved capital value of land.
- (c) Municipal additional general rates may be either on the unimproved capital value or on the improved capital value at the option of the Council subject to the right of the ratepayers to demand a poll of ratepayers on the question.
- (d) Both Shire and municipal special, local or loan rates may be either on the unimproved or improved capital value subject to the right to demand a poll as above.

(8.) There still exists a body performing Local Government functions which levies and will continue for the present to levy rates on the rental value. This is the Metropolitan Board of Water Supply and Sewerage, which controls the great system of water supplies and sewers throughout the city and suburbs (the same territory as is governed by the City Council and the 40 odd suburban Councils). If, however, the experience gained by the city and suburban Councils of the taxation of land values is such as to justify the changing of the rating basis of this Board, no doubt action with that end in view will follow. Indeed, it is to be noted that, if the proposals for the unification of the city and suburbs arrive at fruition, the Cities Extension Bill provides means whereby the Metropolitan Board of Water Supply and Sewerage may be dissolved and its powers and duties transferred to the Greater Sydney Council; and in connection with such a change it is highly probable that the change of the basis of rating would also be made, so that there would be but one basis of taxation for all metropolitan rating purposes.

(9.) The observations in the preceding paragraph apply also to the City of Newcastle with its surrounding suburbs (each a separate municipality), and the Hunter District Water Supply and Sewerage Board, which controls the water supply and sewerage of the Newcastle district. The Cities Extension Bill contemplates the formation of a Greater Newcastle on the same lines as a Greater Sydney; and Greater Newcastle, if constituted, would probably be empowered to take over the work of the Hunter District Board, whereupon the basis of rating would probably be altered to agree with that of the Local Government Act.

(10.) For the information of the Imperial Government I attach hereto copies of—

- (i) The Local Government (Shires) Act, 1905.*
- (ii) The Local Government Extension Act, 1906.*
- (iii) The Local Government Act, 1906.*
- (iv) The Interim Report of the Local Government Areas Commission, 1905 (in which will be found an attempt to forecast the effect on the finances of the Shires and of the State Government, of the passing of the Local Government (Shires) Act 1905).
- (v) The Report of the Local Government Areas Commission, 1905, on their work in dividing the State into shires (1905).*
- (vi) The Report of the Officer-in-Charge, Local Government, on the Probable Financial Effect of the Local Government Extension Bill (1906).
- (vii) The Report of the Officer-in-Charge, Local Government, on certain amendments respecting the Basis of Rating and Limit of Rates proposed to be made by the Legislative Council in the Local Government Extension Bill (1906).

From these documents a good general idea may be obtained of the probable finances of the Local Governing areas under the new legislation; but at present it is not possible to say what the actual effect has been either on local government finance, on State finance, on land values, or on industry.

J. GARLICK,
Officer-in-Charge,
Local Government.

Colonial Office,
London.

LOCAL GOVERNMENT AREAS COMMISSION.

INTERIM REPORT.

To His Excellency the Honourable Sir FREDERICK MATTHEW DARLEY, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Lieutenant-Governor of the State of New South Wales and its Dependencies, in the Commonwealth of Australia.

MAY IT PLEASE YOUR EXCELLENCY,—

1. WE, your Commissioners, appointed on the 7th day of January last, "to divide such parts of the State of New South Wales as are not within the boundaries of the City of Sydney, or of any municipality incorporated under the Municipalities Act, 1897, nor within the Western Division as defined by the Western Lands Act, 1901, into Local Government Areas, to be called Shires," have the honour, in deference to the wishes of the Honourable the Premier and Colonial Treasurer, to submit to you the following interim report:—

2. On the 15th of February, your Commissioners completed their *preliminary* division of the State, in accordance with the directions contained in their Commission; but the work of preparing maps and technical descriptions, which was at once taken in hand, was not finished until the 24th March. On that date, the necessary "Gazette" notification of the proposed boundaries of the Shires was published, and the maps were exhibited throughout the areas affected, a period of sixty days being allowed, in accordance with the terms of the Commission, for any persons who might be dissatisfied with such proposed boundaries to lodge objections thereto. This period expired on the 23rd of May, and your Commissioners are now engaged in considering the objections received.

3. In the meantime, a detailed investigation has been made by Mr. R. E. Jones, Assistant Engineer, Roads Branch, Department of Public Works, into the probable financial effect of the introduction of Local Government, based on three factors, viz.: (i) the Preliminary Division of the Eastern and Central Divisions into 131 Shires (with an alteration subsequently determined on, making the number of Shires 132); (ii) the proposed Shires Bill; and (iii) the financial year 1904-5. The investigation, therefore, is designed to show what would have been the effect on the finances of (a) the Shires, and (b) the State Government, if the Shires Bill,

* Not reprinted.

which, we understand, provides for endowment, during the first three years, at such a rate that no Shire need levy a higher general rate than 1d. in the £ on the unimproved value of all rateable land, had been in operation, in the 132 proposed Shires, during the financial year 1904-5. This is shown in the accompanying statements,* which comprise:—

Return A.—A statement showing the probable revenue and expenditure of the Shires individually, including—

- (a) Probable unimproved value of land in Shires, as compiled from information supplied by the Taxation Department;
- (b) Cost of roads, bridges, ferries, public watering-places, wharves, &c., &c. (except National Works), in the Shires, based on the votes of the Public Works Department for the year 1904-5;
- (c) Estimated subsidy to be paid by the Government;
- (d) Amount to be raised by the Shires as general rates;
- (e) The rate per £ (on the unimproved value) of the general rate in each Shire.

Return B.—A statement showing probable financial position of the Shires collectively.

Return C.—A statement showing probable effect on the finances of the Government, *i.e.*, the estimated expenditure, set side by side with the actual votes (in respect of the Public Works Department) for 1904-5.

Return D.—A schedule of works which would probably be regarded as National on the introduction of Local Government, and would therefore be maintained by the State instead of by local bodies.

4. In order to present clearly what these returns convey, and to afford supplementary information which will assist towards a thorough understanding of the effect of local Government under the Bill contemplated by the Government, the following paragraphs have been prepared, dealing with:—

I. (a) Works handed over to Shires—

- (i) Roads.
- (ii) Bridges.
- (iii) Punts and ferries.
- (iv) Wharves and jetties.
- (v) Public watering-places.
- (vi) State assets handed over to Shires.
- (vii) Revenue-producing works.

(b) Works retained by the State—"National Works"—

- (i) Bridges.
- (ii) Wharves and jetties.

II. Financial position of Shires—

- (i) Expenditure on works—Cost of administration.
- (ii) The unimproved capital value of rateable land in the Shires.
- (iii) Rates and endowment.
- (iv) Average rate on unimproved value.
- (v) The aggregate expenditure of the Shires.
- (vi) The revenues of the Shires.
- (vii) The return of the land tax.
- (viii) The rating of Crown lands.

III. Effect on the finances of the State—

(a) *Debits*:—

- (i) Government contributions to the revenues of the Shires.
- (ii) Government expenditure on local works—
 - National works in Shires.
 - Works in Municipalities.
 - Works in Western Divisions.
- (iii) Other public works not included in scheme of Shire Government.
- (iv) Cost of Local Government Branch of Public Works Department.
- (v) Subsidy to two proposed new municipalities.
- (vi) Allowances to officers dispensed with.
- (vii) Total debits.

(b) *Credits*:—

- (i) Revenue received from local works.
- (ii) Saving in Land Tax Department.
- (iii) Minor savings in various Departments.
- (iv) Present expenditure of Public Works Department, as per votes of 1904-5.
- (v) Total credits.

(c) Saving to the State by the adoption of the Shires Bill.

I.—(a) WORKS HANDED OVER TO SHIRES.

5. It will be noticed that the works to be handed over to the Shires comprise roads and bridges, punts and ferries, and public watering-places; but that certain wharves and bridges have been excluded and classed as national works.

(i) *Roads.*

6. Without exception all roads within Shires are to be handed over to the Councils. Their maintenance will not present any great engineering difficulties for the Shires to overcome, and, in an emergency, the Shires will be able to obtain advice from the Inspecting Engineers on the staff of the proposed Local Government Commissioners. These roads are, in the aggregate, 28,500 miles in length, and cost the State £9,870,000 to construct.

7. Some of the municipal bodies appear to think that the roads near towns will be neglected; but the Commissioners have, under the Bill, ample power of supervision over this and similar matters. In any case, this anxiety would not appear to be well-founded, for the inhabitants of the Shires must recognise the importance to themselves of maintaining in good order the avenues of traffic to their market towns and railway centres; and, therefore, will not be likely to let them fall into disrepair.

8. When the new system comes into operation it will probably be necessary for the Governor, on the recommendation of the Commissioners, to make special regulations regarding the maintenance of through lines of road connecting the coast with the table-lands. The central lengths of these roads pass through sparsely-settled country, which is of low value, and will not produce a sufficient revenue from rates to pay for the upkeep of these parts of the roads; and these lengths, being connecting links, must not be neglected.

9. Many years ago the trunk lines of road throughout the State were gazetted as "Main Roads," by virtue of which they are maintained at the cost of the State generally, whether they run through municipalities or through the areas not yet incorporated. By the construction of railways, of other roads, by the diversion of trade, or by the operation of other factors of change, however, the traffic on these roads has, in many cases, fallen off considerably, and they now serve merely local interests. It is not proposed, therefore, to treat them as National Works (which would involve the upkeep of a large portion of the present Roads Department), but, where they are within Shire boundaries, to hand them over to the Shires.

10. Until a new Act dealing with municipalities is passed it will probably be necessary for the State to continue to maintain these "Main Roads," where they are *within municipalities*, as at present, although it seems inconsistent to do so after the Shires have taken up the duty of caring for the portions which are outside the municipalities. The land within municipalities will, however, continue subject to land tax until the proposed Local Government Bill becomes law; while the Shires will be relieved from payment of land tax immediately upon taking up the duties of self-government. The amount at present expended by the State within municipalities on roads, bridges, wharves, and ferries is £65,079 per annum.

(ii) *Bridges.*

11. In addition to 28,500 miles of roads, there will be handed over to the Shires 3,076 bridges, of an aggregate length of 208,049 feet, the construction of which has cost the State the sum of £1,082,603.

(iii) Punts and Ferries.

12. The value of the ninety-two punts and ferries (some operated by steam power), with boats, &c., which will be transferred to the Shires, is £31,840.

(iv) Wharves and Jetties.

13. The 144 wharves and jetties to be transferred to the Shires cost about £37,450; and although at present little direct revenue is obtained from them, it seems probable that, under local control, the cost of repairs and renewals will be minimised.

(v) Public Watering-places.

14. The public watering-places which will be handed over to the Councils include:—

24 flowing and pumping bores, which cost	£100,337
146 tanks, 50 wells, 30 dams, and improvements to springs, which cost	214,674

Making a total of £315,011

15. Another State asset transferred is the land occupied by and set apart as public watering-places—about 99,000 acres of generally well-improved land, much of it fenced, and part of it cleared—which might be roughly valued at £159,000.

(vi) State Assets handed over to Shires.

16. The assets which the State will thus hand over to the Shires are, therefore:—

Roads	costing	£9,870,000
Bridges	"	1,082,603
Punts and ferries	"	31,840
Wharves and jetties	"	37,450
Public watering-places	"	315,011
Public watering-places, land valued at	"	159,000
making a total of £11,495,904 worth of useful works to be handed over to be controlled by the Shires.		

(vii) Revenue to be handed over to the Shires with certain works.

17. Some of the works to be handed over are revenue-producing. Thus the punts and ferries produce £3,669 per annum, and the public watering-places, &c., &c., produce £3,894 per annum, making a total of £7,563 which will be collected by the Shire Councils and applied by them for the benefit of the locality.

I.—(b) WORKS (BEING NATIONAL WORKS) WHICH WILL NOT BE HANDED OVER TO THE SHIRES.

(i) Bridges.

18. In addition to the pecuniary help, in the shape of subsidy, land tax, &c., given by the State to the Shires, it is probable that, under the provisions of the proposed Shires Bill as to national works, the State will continue to bear the cost of maintenance and renewal of no fewer than 168 bridges, situated either wholly or partly in the Shires, the building of which has cost the State a capital sum of £1,086,040, as shown on Statement D* attached.

19. Though these structures are perhaps in many cases of more benefit to the local people than to the State at large, yet, from the nature of their construction and costliness, their maintenance and renewal might unduly strain the finances of the Shires, whilst it is almost certain that, if handed over to the Shires and by them allowed to fall to ruin, these bridges would have to be renewed or rebuilt at the expense of the State. It is therefore thought wiser to treat these important structures as "National Works" under the provisions of the Bill, and to include an estimate of the cost of their maintenance and renewal in Statement C.*

* Not reprinted.

(ii) Wharves and Jetties.

20. For similar reasons a number of important wharves and jetties (Statement D*), such as those at Byron Bay, Woolgoolga, and Coff's Harbour, have been classed as national works, and provision made in the estimate (Statement C*) for the State to maintain and renew them.

II.—FINANCIAL POSITION OF THE SHIRES.

(i) Expenditure on Works.—Cost of Administration.

21. The cost of maintaining and renewing the £11,495,904 worth of works which the Shires will take over is for the year 1904-5, £346,731. Of this amount £7,563 will be derived from tolls on punts, ferries, public watering-places, &c., leaving a net expenditure on works of £339,168. To this will need to be added the cost of administration (office rent, salaries, &c. &c.).

22. In arriving at the probable cost of administration, the basis adopted was 10 per cent. on the expenditure for works, &c.; but in no case has a lower sum than £300 been set down. The aggregate cost of administration for the 132 Shires, thus estimated, is £44,340, equal to 13 per cent. on the cost of works.

23. Adding the estimated cost of administration, £44,340, to the net cost of the works, £339,168, it is found that the total expenditure to be provided for by rates and Government endowment amounts to £383,508. The details of these estimates are shown on Return A*.

(ii) The Unimproved Capital Value of Rateable Land in the Shires.

24. In order that an estimate could be made of the value of the land in the Shires, and that an idea could thereby be obtained of the probable financial position of each Shire individually, the Land Tax Department was asked to furnish a Return showing the unimproved value of the unincorporated land in private possession in each Parish in the Eastern and Central Divisions. This they very courteously did; and on the information so obtained a close approximation to the value of such land in each Shire has been arrived at.

25. The aggregate unimproved capital value of the *privately owned* lands in the 132 Shires is £67,131,466. The lowest value for a single Shire is £112,704, and the highest is £1,147,069; while there are—

10	Shires	in which the value of the land is below £200,000.		
23	"	"	"	between £200,000 and £300,000.
24	"	"	"	300,000 " 400,000.
20	"	"	"	400,000 " 500,000.
15	"	"	"	500,000 " 600,000.
8	"	"	"	600,000 " 700,000.
11	"	"	"	700,000 " 800,000.
4	"	"	"	800,000 " 900,000.
10	"	"	"	900,000 " 1,000,000.
7	"	"	"	over £1,000,000.

(iii) Rates and Endowment.

26. Even if the Shires received no endowment from the Government, but had to raise the whole of their expenditure, viz., £383,508, by local taxation, the average rate on the unimproved value, £67,131,466, would be only 1·37d. in the £.

27. Under the provisions of the Shires Bill, however, it is now understood that the Shire Revenues are, for the first three years, to be supplemented with an endowment on such a scale that no Shire will need, during that period, to levy a rate higher than 1d. in the £ on the unimproved capital value of the rateable land in its area; and in calculating the probable rates in the various Shires, as shown in Return A*, this has been borne in mind.

28. The calculations thus made show that there are 42 Shires which can pay their way on a rate of *less* than the present land tax (viz., 1d. in the £). Indeed, if the latter rate were levied in these Shires, it would produce £62,886 more than the amount they require for the upkeep of their roads and other works on the present scale of expenditure, plus the cost of administration.

29. In the remaining ninety Shires, however, it will be necessary for the Councils to levy a rate of 1d. in the £, and for the Government to grant endowment at varying rates in order to provide for expenditure on roads and bridges and other works on the scale of the Votes for 1904-5—a scale which may be considered sufficient for necessary works and maintenance, with a reasonable margin for emergencies.

30. By the levying of a General Rate of 1d. in the £ in the ninety Shires referred to, and the raising of the sum required in the forty-two Shires previously mentioned, by a General Rate of less than 1d., the total amount of the General Rates throughout all the Shires will be £216,826, and, as the net cost of works and administration is, as already shown, £383,508, the sum which the Government will provide by way of endowment will be £166,682.

(iv) *Average Rate on Unimproved Value.*

31. The amount to be raised by the Shires being £216,826, and the unimproved capital value of privately-owned lands in the 132 proposed Shires being £67,131,466, the average of the General Rates on this basis would be 0·77 of a penny in the £. As will be referred to in a later paragraph, however, certain Crown lands, valued at £8,392,862, will be rateable under the Shires Bill, so that the total value of *all* rateable land in the Shires will probably be in the neighbourhood of £75,524,328; and, to raise the sum of £216,826 on this, an *average general rate* of 0·69 of a penny in the £ would suffice.

(v) *The Aggregate Expenditure of the Shires.*

32. The cost of maintaining and renewing the main and minor roads in the Shires, as scheduled for 1904-5, will be £276,081; the cost for unclassified roads, £20,970; for repairs and renewals of bridges, with some allowances towards new bridges, £32,090; cost of working, repairs, and renewals of punts and ferries, £9,276; cost of subsidies, repairs, and renewals of public watering-places, £6,499; cost of repairs and renewals to wharves, £1,815. Thus the total cost of works will be £346,731, which, with £44,340 added for cost of administration, is increased to a grand total of £391,071.

(vi) *Revenues of the Shires.*

33. The Shire revenues will consist of tolls on public ferries, &c., rents of public watering-places, the Government endowment, and the rates.

34. From punts and ferries they would have received during 1904-5 the sum of £3,669; from public watering-places, £3,894. The Government subsidy, as has been previously shown, would have been £166,682; leaving £216,826 to be raised by local taxation.

35. By the repeal of the land tax on the inauguration of self-government in the Shires, however, the State will surrender to the ratepayers in the Shires a sum of about £167,000, so that the additional taxation will amount to but £49,826, or 0·16 of a penny in the £ on the unimproved capital value of all rateable land throughout the Shires (*viz.*, £75,524,328).

36. This additional taxation of £49,826 will result from the fact of certain lands, now exempt from Land Tax, being subject to be assessed for general rates under Local Government. These comprise all small parcels of land of an unimproved capital value of less than £240, owned by persons who possess no other land; land to the value of £240 deducted (for Land Tax purposes) from all holdings of which the unimproved capital value exceeds that amount; occupied Crown lands, and other lands exempted from Land Tax at the present time. Obviously, when the land tax for *national purposes* is remitted, and the revenues yielded by local land taxation are used for the purpose of effecting *local improvements*, it would appear to be equitable that all the lands so benefited should be required to contribute their fair share of the necessary local rates.

(vii) *The Return of the Land Tax.*

37. The repeal of the land tax, as has been pointed out, will mean that a sum of (approximately) £167,000, now collected for the purposes of the Central Government, will be available for local purposes, and will go a very long way indeed

towards defraying the cost of Local Government. The Taxation Commissioners were not able, however, to allocate this amount among the proposed Shires, so that your Commissioners have had to fall back on a somewhat arbitrary method of estimating the effect of this remission on the individual Shires. If it may be supposed that the mortgages and other exemptions are fairly evenly distributed among the Shires (which may or may not be the case), then the amount of the tax remitted to a particular Shire might be taken to be in the proportion of its unimproved value to the total unimproved value of all the Shires. By this rough and ready method, it would appear that in seven Shires in the pastoral districts between Moree and Warren the amount of tax remitted exceeds the cost of works by about £1,260; and on the Murray and Murrumbidgee Rivers there are seventeen Shires in which the amount of the tax remitted will be about £36,961, while the cost of the works, &c., is only £26,010, so that there will be a balance in favour of the rate-payers of £10,951. In all of these cases a general rate of *less* than 1d. in the £ on the unimproved value will provide for all requirements, without subsidy.

38. On the other hand, there are sixteen Shires on or near to the North Coast whose works and supervision will cost £75,869, whereas the land tax remitted will be only about £10,852, and a rate of 1d. in the £ would yield only £18,166, so that the State will have to supplement the Shire revenues by way of endowment to the extent of £57,703.

39. The two classes of cases cited illustrate the extremes—the land tax remitted being, in the former class, much more, and, in the latter class, much less, than sufficient for local works. The remainder of the Shires occupy an intermediate position, where the land tax remitted either balances, or more or less nearly approaches, the cost of works, the amount of endowment required being in each case proportioned to the excess of the needs of the area over what would be yielded by a general rate of 1d. in the £.

(viii) *The Rating of Crown Lands.*

40. In the foregoing estimates no allowance has been anywhere made (except in pars. 31 and 35), for the fact that occupied Crown lands will be rateable, whether occupied by the Crown for public purposes, or by a tenant, lessee, or licensee, for private purposes. It has not been found possible to obtain detailed information upon which the value of such land in each separate Shire could be ascertained, so that as regards Crown lands occupied by the Crown (for railways, schools, gaols, court-houses, &c.) a mere rough estimate of the unimproved value of the land at £89,502 has been made; and as regards Crown lands occupied for private purposes, the Government Statistician's returns of the rental paid for these lands to the State have been taken as the basis of the estimate. Thus, in 1904, the rental received from Crown lands in the Eastern Division was £149,817; and in the Central Division it was £265,351. By the Shire Bill the capital value of land held under lease or licence from the Crown is defined as twenty times the rental: so that the capital value of such land in the Eastern Division may be taken as £2,996,340, and in the Central Division as £5,307,020, making a total of £8,303,360.

41. As it is not possible, at present, to allocate these lands among the separate Shires, no attempt has been made to trace the extent to which the taxation of such lands will supplement the revenues of the Shires *individually*. A roughly approximate idea of the effect on the finances of the Shires *collectively* may, however, be obtained in the following manner. The cost of works in all the Shires, less tolls, rents, &c., and less the Government endowment, is, as before stated, £246,125. Adding the unimproved value of private lands, £67,131,466, to the value of Crown lands occupied by private persons, £8,303,360, and the value of Crown lands occupied by the Crown, £89,502, the total unimproved value of rateable lands in the Shires is found to be somewhere about £75,524,328, and to raise the necessary £216,826 on this sum would require only an average rate throughout the Shires of 0·69 of a penny, instead of 0·77 of a penny if raised on the private land alone.

42. The rates which the Government will be called upon to pay, as the result of Crown lands occupied by the Crown (for other than charitable purposes) being subject to Shire rates, will be, therefore, on an average, less than 1d. in the £ on the unimproved value. This value is, as previously stated, estimated at £89,502, so that the total amount to be paid will probably not exceed £380.

III.—EFFECT OF SHIRE SYSTEM ON THE FINANCES OF THE STATE.

43. In order to form an estimate of the effect which the introduction of local government in the proposed Shires would have on the general finances of the State, Return C* attached has been prepared in the form of a balance-sheet, in which there appear, on the one side, the cost of the proposed system of local government, plus the cost of the reduced Department of Public Works; and, on the other side, the present cost of the Works Department, plus various items of present expenditure in other Departments which it is considered may be saved as the result of the changed conditions.

44. The following is a concise explanation of this Balance-sheet;—

(a) DEBITS.

(i) *Government Contributions to Revenue of Shires.*

45. As has been already shown, it is estimated that the Government will subsidise the Shires to the extent of £166,682; and, on handing over certain works (ferries, public watering-places, &c.), will relinquish the revenues derived therefrom, viz., £7,563; in addition to which £167,000 of revenue now derived from the land tax will be remitted; and the rates on Crown land occupied by the State will amount to about £380. The Government will therefore contribute a sum amounting in the gross to £341,625.

(ii) *Government Expenditure on Local Works.*

National Works in Shires.

46. The amount of the Government expenditure during 1904-5 on the bridges, wharves, and jetties which, as "National Works," it is not proposed to hand over to the Shire Councils, will be, on 121 bridges wholly within the Shires, and 46 on the Shire boundaries, of an aggregate length of 54,771 feet, £10,653; on 7 wharves and jetties (including those at Byron Bay, Woolgoolga, Coff's Harbour, Eden, &c.), £4,250; or a total of £14,903.

Works in Municipalities.

47. Until the passage of the more comprehensive Local Government Bill giving extended powers to, and repealing the Land Tax in, municipalities, the Government will be expected to continue to carry out or pay for works as at present. This expenditure will include scheduled roads, £29,741; unclassified roads, £10,000; main roads in the proposed new municipalities of Wahroongah and Lindfield, £900; extensions of minor roads into or through municipalities, £5,669; bridges, 52,477 lineal feet, £10,207; wharves, jetties, &c., £2,901; punts and ferries, £5,661; making a total of £65,079.

Works in the Western Division.

48. As the Western Division is not, at present, included in the scheme of Shire Government, the State will continue to carry out works therein as at present, as follow:—Scheduled roads, £6,120; unclassified roads, £750; bridges, 14,791 lineal feet, £2,870; punts and ferries, £305; public watering-places, £8,139; wharves at Bourke, Wilcannia, Wentworth, Balranald, &c., £250; making a total of £18,434.

(iii) *Other Public Works not included in Scheme of Shire Government.*

49. The remaining expenditure of the Public Works Department on works which it is not proposed to hand over to the local governing bodies (such as railway and tramway construction, public buildings, docks, sewerage construction, water conservation, harbour and river works), and on miscellaneous services, salaries, and various other items on the Public Works Department's estimates for 1904-5, amounts to £251,494.

(iv) *Cost of Local Government Branch of Public Works Department.*

50. To administer the scheme of Local Government, the Bill provides for the appointment of three Commissioners, and, in any estimate of the effect of the scheme

* Not reprinted.

on the finances of the State, it is necessary to take into account the probable expenditure on their office, including the salaries of the Commissioners, Secretary, and staff of Clerks, Inspecting Engineers, and Examiners of Accounts. The sum of £8,100 has been set down to cover this.

(v) *Subsidy to Two new Municipalities.*

51. Another item which must be taken into account is the probable endowment of the two proposed new municipalities of Wahroonga and Lindfield, which, if incorporated under the present Municipalities Act, will be entitled to a subsidy of 20s. in the £ on the General Rate collected. The unimproved capital value of the land in these two areas is £721,080. If the value of the improvements can be estimated at about £881,320, the total *improved* capital value may be taken as £1,602,400. Taking the annual value at five per cent. on the improved capital value, it will be £80,120, and a rate of 6d. in the £ on nine-tenths of this (which, it is considered, will probably be sufficient) will yield about £1,803. The amount of subsidy which the State will contribute will, therefore, be the same, £1,803.

(vi) *Allowances to Officers dispensed with*

52. As a number of public servants will be deprived of office by the transfer of their work to Shire control, and by the lessening of clerical and accountancy work in the Public Works Department head office, a number of them may be dispensed with if their services cannot be utilised elsewhere in the public service, and, of these, some will have claims to allowances under the Superannuation Act. The sum of £9,000 has therefore been set down for the payment of pensions, retiring allowances, &c.

(vii) *Total Debits.*

53. The gross cost to the Government under the new scheme will therefore probably be—

	£
(i) Contributions to Revenue of Shires	341,625
(ii) Government expenditure on local works:—	
National Works in Shires	14,903
Works in Municipalities	65,079
Works in Western Division	18,434
(iii) Other Public Works and salaries not included in scheme of Shire Government	251,494
(iv) Local Government Commissioners' Department ...	8,100
(v) Subsidy to two proposed new Municipalities ...	1,803
(vi) Allowances to officers dispensed with	9,000
Total cost	£710,438

(b) CREDITS.

(i) *Revenue received from Local Works.*

54. The revenue which it is estimated will be received from ferries wholly and partly within the municipalities is £3,268; from the Victorian Government towards maintenance and renewal of bridges over the Murray River, £307; from public watering-places in the Western Division, £2,401; from wharves, jetties, &c., at Wollongong, Tweed Heads, Port Kembla, &c., £1,000; making a total of £6,976.

(ii) *Saving in Land Tax Department.*

55. In view of the remission of land tax throughout the Shires it will be possible to effect a reduction of the expenditure in connection with the Taxation

Department. As an estimate of what this saving might be, the sum of £13,360 has been set down. This sum has been arrived at by taking 8 per cent. on £167,000, the amount of land tax to be remitted.

(iii) *Minor Savings in various Departments.*

56. The reduction of the activities and duties of the central Government, necessitating a reduction of the staff of the Public Works Department and of the Taxation Department, will render it possible to effect a saving in the cost of stationery, stores, furniture, &c., estimated at £1,500. A saving will probably be effected also in the Treasury and Audit Departments, due to the same causes, which is estimated at £1,800. These estimated savings amount to an aggregate of £3,300.

(iv) *Present Expenditure of Public Works Department.*

57. Having included in the Statement of Debits the whole of the estimated cost of the Public Works Department under the new conditions, it is necessary to place on the other side of the balance-sheet the present cost of the Department for "Works" and "Salaries" charged to revenue, viz., £751,978.

(v) *Total Credits.*

58. Summarising the above-mentioned items, the credit side of the balance-sheet will be as follows:—

	£
(i) Revenue received from Local Works	6,976
(ii) Savings in Land Tax Department	13,360
(iii) Minor savings in various Departments	3,300
(iv) Present expenditure of Public Works Department, as per 1904-5 Votes	751,978
Making a total of	<u>£775,614</u>

(c) *Saving to the State by the adoption of the Shires Bill.*

59. The difference between the total credits as shown above, £775,614, and the total debits, as shown on a previous page, £710,438, is £65,176, and this is the amount which it is estimated will be saved to the State by the adoption of the system of Local Government for the unincorporated areas of the Eastern and Central Divisions, which is outlined in the Shires Bill, during the period in which the State endows the Shires to an extent which renders unnecessary any higher general rate than 1d. in the £.

60. Your Commissioners desire to fully acknowledge the services rendered to them by Mr. W. H. Hall, the Acting Government Statistician, and by Mr. R. E. Jones, of the Public Works Department, who assisted the Commissioners in the work of preparing the preliminary scheme of division. Mr. Jones also is responsible for the preparation, after careful investigation, of the Returns which accompany this Report. We also desire to recognise, in the fullest manner possible, the assistance rendered by Mr. Garlick, the Secretary to the Commission.

We have, &c.,
H. CURRY,
Commissioner.
J. DAVIS,
Commissioner.

J. GARLICK,
Secretary, June 27, 1905.

REPORTS ON THE PROBABLE FINANCIAL EFFECT OF THE LOCAL GOVERNMENT EXTENSION BILL ON MUNICIPALITIES.

- I. REPORT BY THE OFFICER-IN-CHARGE, LOCAL GOVERNMENT.
- II. REPORT BY ACTING GOVERNMENT STATISTICIAN.
- III. REPORT BY THE LOCAL GOVERNMENT ENGINEER.

I.

REPORT BY THE OFFICER-IN-CHARGE, LOCAL GOVERNMENT.

Local Government Office, July 12, 1906.

PROBABLE FINANCIAL EFFECT OF THE LOCAL GOVERNMENT EXTENSION BILL.

1. In view of the preparation of the Local Government Extension Bill, which is designed to supersede the existing Municipalities Act, the Government Statistician was asked to prepare, and has furnished, the returns* enumerated hereunder:—

Return No. 1.—Return showing probable financial position of the municipalities under the Local Government Extension Bill, including, for each municipality—

- (a) The unimproved capital value.
- (b) The improved capital value.
- (c) The rental value.
- (d) The estimated expenditure in the municipality for general purposes, comprising—
 - (i) Present general purposes expenditure of the municipality.
 - (ii) Expenditure of Government in the municipality for general purposes, which will, when Bill comes into force, be borne by municipality.
 - (iii) Total of (i) and (ii).
- (e) The estimated revenue of the municipality from the following sources:—
 - (i) Estimated endowment under rights conferred by existing Municipalities Act, 1897.
 - (ii) Estimated endowment under Local Government Extension Bill.
 - (iii) Estimated receipts from general rate of 1d. in £ on unimproved capital value (on the imposition of which the present Land Tax is to be suspended).
 - (iv) Total of (i), (ii), and (iii).
- (f) Balance remaining to be raised to provide for estimated expenditure for general purposes—deduct (e) from (d).
- (g) Estimated additional general rate which it will be necessary for each Council to levy in order to raise the amount of balance (f) by either—
 - (i) Rate on unimproved capital value; or
 - (ii) Rate on improved capital value.
- (h) What the general rate would be if total of (d), the estimated general purposes expenditure, were raised on present municipal rating system, *i.e.*, on nine-tenths of annual rental value.

Return No. 2.—Return showing the amounts of special rates at present levied in the various municipalities on nine-tenths of annual rental value; and the rates in the £ which it would be necessary to levy on either—(a) the unimproved capital value, or (b) the improved capital value, in order to raise same amounts.

Return No. 3.—Return showing—

- (a) Present Government expenditure in each municipality on works of local character, the responsibility of which will be cast on municipalities by the passage of the Local Government Extension Bill.
- (b) Estimated amount at present received by Government from taxation of lands within municipality.

* Not reprinted.

- (c) Difference between (a) expenditure handed over to municipality, and (b) revenue handed over, shown as either—
- (i) Deficit—or amount which will need to be made up either by the grant of an endowment from State funds, or by increase of rates.
 - (ii) Surplus—or amount by which rates may be reduced, or taxation decreased.

Return No. 4.—Return showing expenditure of municipalities classified under various headings, from which figures required in part (d) of Return No. 1 are taken.

Return No. 5.—Return showing the probable necessity for special endowment.

2. In addition to these, the Government Statistician has furnished further returns,* as hereunder specified:—

Return No. 6.—Return showing, for each municipality, the general rate struck, the amount leviable as general rate, for the year ended February, 1906, and the present general purposes expenditure of the municipality.

Return No. 7.—Return showing the position of the general purposes account of each municipality, whether in debit or credit, in February, 1905.

Return No. 8.—Return showing, for each municipality, the amount in the £ on the rental value which would be equal to 1d. in the £ on the unimproved value.

Return No. 9.—Return showing for each municipality the rate in the £ on rental value which would be necessary if the total estimated expenditure for general purposes (*i.e.*, present expenditure of municipality, *plus* Government expenditure proposed to be handed over—making no allowance for amount of Land Tax remitted, nor for endowment accrued under Municipalities Act, or probable under Local Government Extension Bill), were raised on present system of taxing annual value instead of unimproved capital value.

PURPOSES FOR WHICH THE RETURNS WERE PREPARED.

3. The purposes for which these returns were asked for were—
- (a) To be available for publication, if approved, in fulfilment of the promise made by the Premier in the Legislative Assembly on 29th August, 1905, 30th August, 1905, and 20th September, 1905, (*vide* pages 1704, 1778, and 2278 of *Hansard*), when he stated that he would have returns of this nature printed;
 - (b) To afford information on which it might be ascertained whether it would be possible to insert in the Bill a limit to the rate for general rates in municipalities; and, if so, what that limit should be;
 - (c) To see whether they would afford an indication of the financial position of the municipalities upon which an estimate of the endowment which will be necessary under the Bill might be arrived at;
 - (d) To afford proof that the new system will not cause any general or appreciable increase of taxation;
 - (e) To afford information as to whether the new financial system proposed in the Bill, involving the transfer to the municipalities of local works now maintained by the Government, and the transfer of the local tax (Land Tax) collected by the Government, with an alteration of the basis of rating, would be likely to seriously prejudice the financial stability of any municipality; and
 - (f) To afford an indication of the effect of the above-mentioned changes on the finances of the State.

QUESTION OF THE PUBLICATION OF THE RETURNS.

4. Attention is drawn to paragraph (a) above; and the question whether the returns, or any specified portion of them, shall be printed ready to lay upon the tables of both Houses of Parliament when required is submitted for consideration.

THE ESTIMATED EXPENDITURE OF THE MUNICIPALITIES.

5. Before proceeding to the consideration of the questions with a view to elucidate which the returns were compiled, it is necessary that an explanation be

* Not reprinted.

afforded of the basis upon which the estimated "Expenditure of the Municipalities for General Purposes" was prepared. This estimate is the sum of three constituents, viz. :—

- (a) The present expenditure of the municipalities for general purposes.
- (b) Government grants to municipalities.
- (c) The expenditure in municipalities on local works at present maintained by the State Government, the responsibility for which will, under the new scheme, be transferred to the municipalities.

6. With respect to the first of these, (a), the present Municipal Expenditure for General Purposes, the figures were taken from the latest available returns, viz., those for the period ended February, 1905. To these figures certain corrections have been applied. Thus, when any object of expenditure is also a source of revenue, as, for instance, in the case of a town hall, the total expenditure for general purposes, which includes the expenditure upon that object, is reduced by the amount of the revenue derived therefrom. There are other respects, however, in which, owing to the imperfect information at present supplied by the councils, and to the varying methods of book-keeping adopted in the different municipalities, adjustments which are equally necessary cannot be made. Thus, in some municipalities a "Plant" Account is kept, to which is debited all expenditure for machinery and other plant, which should be charged against the particular service for which it was obtained, such as the Water Supply Account, or the Lighting Account, for which special rates are levied. Yet, as details of what these charges for "Plant" consist of are not available, they must perforce be included here in "General Purposes Expenditure." Other accounts which are sometimes similarly overloaded are the "Salaries Account" and the "Miscellaneous Account," and, in all cases where the details are not available, the Government Statistician has had to include the whole of the expenditure under these heads as "General Purposes Expenditure."

7. With regard to item (b), Government Grants to Municipalities, the expenditure which was taken was that for the twelve months' period ended February, 1905. The works for the carrying out of which, in the past, the councils have obtained grants of money from the State Government, have been considered as to be paid for in the future from municipal funds, and have been included in the estimated municipal expenditure. Discrimination has, however, been exercised, and only such grants as were required for the maintenance of roads or other works, or for expenditure of a recurrent character, were included, while grants for special purposes of a non-recurrent character were excluded. Thus, a grant for the erection of a band-stand in the local park would be excluded. Grants for special deviations of certain roads, for the reduction of grades on certain roads, or for the construction of a new road, are also omitted, as such works, once constructed, are there for all time, and require only good maintenance.

8. Respecting item (c), Expenditure by the Government which will be transferred to the Municipalities, the sum set down in each case is not that of any particular period, but a careful estimate prepared by the Local Government Engineer (Mr. R. E. Jones, M. Inst. C.E.), based upon the experience of the Department for past years. The expenditure of the Department for any one year consists of (i) cost of maintenance of all works; (ii) cost of renewal of some works. (i) The cost of maintenance of works varies from year to year, according as the seasons are wet or dry, and according to other causes of variation. A fair average estimate of the cost of maintaining the works now maintained by the Government, but to be handed over to the municipal councils, was therefore allowed, rather than the actual expenditure of a particular year. (ii) The cost of renewal of works must vary from year to year, according to the number whose life expires in each year. Thus, some bridges have a life of twenty years, others less, others more; some require redecking every ten years, others more frequently, others less. Similarly with culverts and other works. In preparing the estimate of expenditure, therefore, the Local Government Engineer took into consideration the age and history of each work of any appreciable magnitude or cost, and made a fair estimate of the average annual cost of maintenance and renewal.

9. It is submitted, therefore, that the estimate of the probable municipal expenditure under the new conditions, prepared in the manner thus explained, makes full provision on a fair basis for the expenditure which will be necessary upon existing works, which are under the control of the municipalities, and upon

those which are to be transferred to their control. If new works are desired, or expenditure upon a greater scale than in the past, the assumption is that they will be provided for by an increase of rates upon the local properties, whose values will be enhanced by the expenditure, instead of by special grant from Government funds, in providing for which people at a distance who will reap none of the benefits are taxed, as well as the residents of the municipality. When the funds for all such new expenditure are provided for by an increase of local taxation, proposals to enter upon such expenditure will probably arouse a keener interest in the rate-payers than has sometimes been evinced in the past.

QUESTION WHETHER A LIMIT OF RATE CAN BE IMPOSED ON GENERAL RATES IN MUNICIPALITIES.

10. To ascertain the general rate which may be required in each municipality to provide for the probable expenditure on existing works, estimated as explained in the preceding paragraphs, it is necessary to add 1d.—the rate in the £ of the present Land Tax—to the rates given in the twelfth column of Return 1. The information thus obtained may be summarised as follows, with regard to the 191 municipalities in existence in February, 1905:—

Rate on Unimproved Capital Value at—	Is necessary in—			
	Metropolitan Suburbs in the following number of Municipalities.	Newcastle and Suburbs in following number of Municipalities.	Rest of Country in following number of Municipalities.	Whole State in following number of Municipalities.
1d. in £	—	—	2	2
Over 1d., but under 2d. ...	9	1	22	32
2d. to 3d.	21	3	47	71
3d. to 4d.	8	2	28	38
4d. to 5d.	1	2	18	21
5d. to 6d.	1	3	11	15
6d. to 7d.	—	—	5	5
7d. to 8d.	—	—	2	2
8d. to 9d.	—	1	2	3
9d. to 10d.	—	—	—	—
10d. to 11d.	—	—	—	—
11d. to 12d.	—	—	1	1
12d. to 13d.	—	—	1	1
Totals	40	12	139	191

11. Thus it would appear that, while a limit of 4d. in the £ on the unimproved capital value would suit, perhaps, thirty-eight of the metropolitan municipalities, there are two of these municipalities for which such a limit would be insufficient; that, to provide for the necessities of the majority of the Newcastle and suburbs municipalities, the limit would need to be 6d. in the £, and even then there would be one municipality in that group unprovided for; while a limit of 6d. in the £ would leave eleven of the country municipalities in a position in which they could not meet their present necessities. Further, though two municipalities, viz., Gulgong and South Shoalhaven, are in the pleasant position that a rate equal to the present Land Tax is all they will probably need to levy, there are others which will need general rates of 9d., 12d., and 13d. To admit of every existing municipality being able to finance itself on present conditions, therefore, the limit, if one be fixed at all, will need to be 13d. in the £.

12. It is to be remembered, further, that the expenditure upon which the above figures are based may be said to be the present average expenditure in the municipal areas; and that in it allowance has not been made for the reasonable margin of increase which is really necessary to provide elasticity, nor for the increase of expenditure which a number of the existing councils would probably be authorised by the ratepayers to undertake if they had, at the present time, power to levy a higher rate than 1s. in the £ on nine-tenths of the rental value. That such an increase may occur is shown by the fact that municipal councils have approached the Public Works Department for grants of money to carry out road or other works, and that, when it has been pointed out to them that the

works mentioned are of a municipal character, being for the benefit of the local people rather than of the State at large, and that they should therefore be paid for from municipal funds, the reply has been that, while recognising the truth of this proposition, the councils have no funds, that they have levied the highest rate allowed by the existing law, and that if they had power to levy a higher rate they would do so, and thus raise the money for local improvements for which they are, in present circumstances, compelled to ask the Government.

13. That the limit of rating which is provided in the existing Municipalities Act is too low is shown by the fact that the total amount of general rates leviable in the municipalities for the year under consideration was insufficient, to the extent of £50,677, to meet the actual expenditure incurred in the same period for general purposes (*vide* Local Government Engineer's report herewith), and, if further proof be needed, it may be found in the fact that (*vide* Return No. 7), in no less than 77 out of 191 municipalities, the General Purposes Account was, in February, 1905, in debit (in some cases to a very large sum), thus indicating that the receipts from general rates had been much less than the expenditure which the councils found to be necessary for general purposes—so necessary, in fact, that they ran into debt, by overdraft, to meet it.

14. In view of all these considerations it would seem that, in omitting a limit of rate from Clause 51 of the Local Government Extension Bill, the correct course has been followed. The arguments which could be brought against the absence of a limit would apply equally well to whatever limit might be chosen, except one so low as to demonstrate its own absurdity by financially strangling the majority of the municipalities. Thus, if the limit were fixed at 13d. in the £, that limit, while reasonable for two of the municipalities, would leave the other 189 such a margin of rating power as to be practically unlimited. If the maximum were fixed at 6d. it would put 12 municipalities in an impossible position, would apply with varying degrees of suitability to 75, and would leave the remaining 105 a margin of rating power which would for all practical purposes be equivalent to the absence of restraint. Rather, it would seem better to depend upon the electors of the municipalities to watch their own interests and to vote into power aldermen who will, while caring fully for local needs, keep a careful control upon the expenditure and levy only such rates as are really necessary. The knowledge which the aldermen will have that they must face the electors on the one day, and the shortening of the tenure of office from three to two years, will act as a salutary check upon councils which might otherwise be prone to unnecessarily increase expenditure.

PROBABLE AMOUNT NECESSARY FOR THE ENDOWMENT OF MUNICIPALITIES.

15. The provisions of the Local Government Extension Bill as to endowment deal with two classes of municipalities. Those whose fifteen years' statutory rights to endowment under the existing Municipalities Act have not run out are to continue entitled to endowment as though that Act were not repealed (*vide* Clause 18 (1), Local Government Extension Bill). The amount of endowment required to pay claims for the forthcoming financial year will be included in the Treasury estimates, and will, I am informed, be about £6,500.

16. With respect to municipalities whose endowment rights under the Municipalities Act, 1897, have expired, and to municipalities which shall be incorporated after the passage of the Local Government Extension Bill, Clause 18 (3) of the Bill provides that they may be granted "an endowment based upon the results of an investigation which the Governor may cause to be made into their financial necessities, but not exceeding 3s. 4d. in the £ on the receipts from the general rate Provided that no endowment shall be paid in cases where the revenues of the councils are sufficient, in the opinion of the Minister, to meet the reasonable requirements, under proper management, of such municipalities."

17. Until the Local Government Engineer has made an inspection of each municipality, and until each council has furnished information which the Department will not be in a position to obtain until after the Bill has been passed into law, it will not be possible to say what are the "reasonable requirements under proper management" of the various municipalities. For present purposes, however, it may perhaps be taken that the estimated probable expenditure of municipalities shown in Return No. 1, and prepared in the manner previously explained herein, is a fair monetary estimate of the "reasonable requirements" of the municipalities;

and also, for present purposes only, it may be assumed that all the municipalities are properly managed.

18. The expenditure thus taken to be that which will meet the reasonable requirements of the municipalities consists of (a) money derived from municipal rates, and (b) money derived from State Government funds. The responsibility for the latter class of expenditure is to be transferred from the State to the Municipalities; and, unless there were a corresponding transfer of revenue, it might be argued that the additional responsibility would plunge the municipalities into such "financial necessity" as to entitle them to endowment. The Acting Government Statistician was therefore instructed to take it as a working hypothesis that where the expenditure to be transferred to a municipality will exceed the Land Tax to be remitted therein, the difference will be made up by way of endowment. Return No. 5, prepared on this basis, shows that there are sixty-five municipalities which will come within this class.

* * * * *

*Summary.**

Municipality.	Estimated necessity for Expenditure transferred from Government.	Estimated Remission of Land Tax.	Estimated Endowment under L.G.E. Bill (not exceeding 3s. 4d. in £).	Amount not Provided for by Proposed Endowment.	Rate of Endowment required to provide for full Amount of Difference between Expenditure and Revenue transferred.
	£	£	£	£	
Metropolitan Suburbs	4,603	3,619	943	41	.....
Newcastle Suburbs	591	312	279	.....	.....
Country	17,144	9,764	4,739	2,641	.....
Total	22,338	13,695	5,961	2,682	.....

* The detailed tables have been omitted.

19. A perusal of this table will show that there are fifteen municipalities in which, supposing the principle enunciated in the preceding paragraph to be approved, the maximum rate of endowment now in the Bill, viz., 3s. 4d. in the £ on general rate receipts, will not provide sufficient to cover the difference between transferred expenditure and transferred Land Tax. To enable a sufficient amount to be granted in each case the maximum would need to be raised to 13s. 7d. in the £ on the general rate receipts.

20. There is, however, another small group of cases which should be brought under notice for consideration. Under Clause 18 as it now stands a municipality whose subsidy rights under the existing Municipalities Act have not expired will have those rights continued unimpaired, but will not have the right to any further endowment under the Local Government Extension Bill, even though the transferred expenditure may be greater than the transferred revenue. Such cases are tabulated hereunder:—

Municipality.	Estimated Endowment under rights conferred by existing Municipalities Act.	Estimated necessity for expenditure transferred from Government to Municipality.	Estimated Remission of Land Tax.	Amount of deficiency not otherwise provided for.	Rate of Additional Endowment which would be necessary to provide for deficiency.
	£	£	£	£	
Castlereagh	44	185	103	82	9/1
Corowa	807	331	238	93	2/4
Dungog	80	106	90	16	-/6
Murwillumbah	532	153	75	78	2/10
Peak Hill	31	36	19	17	2/0
Warialda	101	73	47	31	1/6
Warran	78	261	98	163	10/5
Wyalong	169	77	67	10	-/4
Total	1,842	1,227	737	420	

21. If provision were to be made for further endowment in such cases, the rate of the endowment in the £ of the general rate receipts which would be required would be:—

Castlereagh	...	...	...	...	9/1 in the £.
Corowa	...	...	...	...	2/4 „
Dungog	...	...	...	...	-/6 „
Murwillumbah	...	...	...	...	2/10 „
Peak Hill	...	...	...	...	2/0 „
Warialda	...	...	...	...	1/6 „
Warren	...	...	...	...	10/5 „
Wyalong	...	...	...	...	-/4 „

22. Briefly then, if endowment be granted to an extent sufficient to cover the excess of transferred expenditure over transferred revenue, the sum required for this purpose alone may be estimated at £8,643 plus £490, or a total of £9,133.

23. Another question which has been brought forward for consideration is as to whether municipalities to which compulsory additions have been made under the Shires Act should be granted a special subsidy in respect of the areas added. This is dealt with specially on other papers. (*Vide* my report of 4th July, 1906.)

WILL THE NEW SYSTEM INVOLVE AN INCREASE OF LOCAL TAXATION?

24. In any discussion of a new basis of municipal taxation, one of the first and one of the most important questions raised is as to whether it will, of necessity, involve the levying of additional taxation. In the following paragraphs this question is investigated.

25. At the outset it should be stated that, in one respect, an increase of taxation would at first sight appear to be unavoidable. In the levying of the present Land Tax, the first £240 worth of unimproved land value possessed by each landholder is exempted from taxation. In the Shires Act already passed, Parliament has approved of the principle that, when the Land Tax is suspended and the local government rates are levied on unimproved capital value, this exemption shall not be allowed; and this principle is embodied in the Local Government Extension Bill to apply to municipal rates. To this extent, therefore, there will be an apparent increase of taxation; but only apparent, for the amount (as a total) which must be provided for by general rates under the new system, is merely the same amount as is now expended in the municipal areas. The mere fact that the *basis* of rating is altered does not, of itself, involve an increase in the total amount levied.

26. In a number (118) of municipalities it will be possible for the taxation to be definitely reduced, or, if not reduced, for a larger expenditure to be incurred for municipal purposes while maintaining taxation at its present level. That this is so will be rendered clear by a perusal of Return No. 5, which shows that, in a number of cases, the Government expenditure to be transferred to the municipalities is less than the Land Tax to be remitted. If, therefore, the Council of a municipality levies only such a rate as will yield a revenue equivalent to the present municipal expenditure in the area plus the transferred expenditure, the total amount of taxation in the municipality will be less than at present. The following table, extracted from the Acting Government Statistician's return above cited, will show the extent of the possible reduction of taxation in each such case:—

* * * * *

*Summary.**

Municipality.	Transferred Expenditure.	Land Tax remitted.	Possible Reduction of Taxation, viz., Excess of Land Tax remitted over Expenditure transferred.
	£	£	£
Metropolitan Suburbs	13,071	46,494	33,423
Newcastle and Suburbs	1,336	6,279	4,943
Country	9,594	21,015	11,421
Total	24,001	73,788	49,787

* The detailed tables have been omitted.

The amount by which it will be possible for taxation to be reduced is, therefore, £49,787.

27. It will be seen that, in the cases of the municipalities of Picton, Deniliquin, Bingara, Hill End, East Maitland, Raymond Terrace, St. Mary's, and Scone, the Land Tax remitted and the expenditure transferred balance each other, either exactly or within £10, so that, while the change of system will not result in reduction of taxation, it need not involve an increase.

28. In paragraphs 18-20, inclusive, of this report, attention is drawn to those cases where the expenditure transferred will exceed the relief from State land taxation which will follow the adoption by municipal councils of the new basis of taxation, and an estimate is there given of the amount which it would be necessary to provide by way of endowment to make up the deficiency in each case. If endowment be not granted as there outlined, it will be necessary for the councils to follow one of two courses, viz.:—(1) To reduce their expenditure to the extent of the deficiency (either by reducing the number and magnitude of road and other works carried out, or by carrying out the works transferred at a less cost than that estimated as a fair allowance); or (ii) to increase their rates to an extent sufficient to yield the additional revenue required. In the latter case there will be increased taxation to the extent of a total amount of £9,133. If the sum be provided by way of endowment, increased taxation need not necessarily be imposed.

29. Though, with expenditure on the present scale, and with endowment as suggested above, the aggregate amount of taxation in any municipality need not be increased, there is no doubt that, in individual cases, municipal taxation will undoubtedly be increased, while in others it will equally certainly be diminished. This will be the result of the change in the incidence of the rates from rental value to unimproved capital value. Taking two actual cases as an illustration, this will be more clearly seen. In a certain municipality there are two allotments of land side by side, one occupied by a small cottage, and the other vacant, but fenced. Both allotments are of 33 feet frontage, assessed for Land Tax at £3 per foot. The vacant allotment is let at 1s. per week as a run for a pony; the cottage for 10s. per week. The following table furnishes a comparison of the present system of rating with that proposed, the existing general rate in the municipality being 1s. in the £ on nine-tenths of the rental value, while the probable general rate under the new system will be 2·57d. in the £ on the unimproved capital value:—

Property.	Nine-tenths of Rental Value.	Rate of 1s. in £.	Unimproved Capital Value of Land.	Rates under New System.		
				General Rate of 1d. in place of Land Tax.	Additional General Rate of 1·57d. in place of present Municipal Rate.	Total.
Vacant allotment...	£ s. d. 2 8 0	£ s. d. 0 2 5	£ 99	s. d. 8 3	£ s. d. 0 12 11·43	£ s. d. 1 1 2·43
Allotment with cottage.	23 8 0	1 3 5	99	8 3	0 12 11·43	1 1 2·43
Total rates ...	...	1 5 10	...	16 6	1 5 10·86	2 2 4·86

Under the present system of rating, the owner of the vacant allotment pays 29 pence, and the owner of the occupied allotment pays 281 pence, out of a total rate of 310 pence. Under the proposed system of rating, each will pay 254·43 pence out of a total of 508·86 pence. The following table shows this result in percentages:—

Property.	Of the total taxation under Rental System pays—	Of total taxation under Unimproved Capital Value System will pay—
Vacant allotment ...	9·35 per cent.	50 per cent.
Occupied " ...	90·65 "	50 "

The example taken is a simple one, typical of a large number of suburban municipalities; if properties in a busy city block were taken for an example, the result would probably be still more striking. Taking the same municipality, but considering it as a whole, the following interesting tables have been prepared:—

TABLE showing incidence of existing Municipal Rates and of Land Tax in municipality taken as an example.

Property.	Municipal Rate on Rental Value.			Present Land Tax.		Total Rates and Land Tax.	Average percentage.
	Rental Value.	Rate of 1s. in £ on nine-tenths of Rental Value.	Percentage of rates leviable.	1d. in £ on Unimproved Capital Value, with exemption up to £240.	Percentage of Tax leviable.		
Unimproved lands	£ 8,907	£ s. d. 445 7 0	17·0	£ 455	47·0	£ s. d. 900 7 0	25·6
Improved lands ...	46,968	2,113 12 0	83·0	502	53·0	2,615 12 0	74·4
Totals ...	55,875	2,558 19 0	100·0	957	100·0	3,515 19 0	100·0

TABLE showing the expenditure to be provided for in same municipality under new system of rating.

Item.	Present.	To be transferred.	Total.
Expenditure ...	£ 3,657	£ 351	£ 4,008
Rates ...	2,559		
Deficiency ...	1,098		
Land Tax ...		957	3,516
Surplus ...		606	
Net deficiency caused, not by excess of transferred expenditure over transferred land-tax, but by excess of present expenditure over present rates.			492

TABLE showing the incidence of the probable Municipal Rates on unimproved capital value under the Local Government Extension Bill in same municipality:—

Property.	Unimproved Capital Value.	Rate on Unimproved Capital Value necessary to provide for present municipal expenditure of £3,657.		Rate on Unimproved Capital Value necessary in lieu of Land Tax to provide for transferred expenditure, £351.		Total rate of 2·57d. in £ on Unimproved Capital Value.	
		2·34d. in £.		·23d. in £.		Amount.	Per centage.
		Amount.	Per centage.	Amount.	Per centage.		
Unimproved lands ...	£ 178,140	£ s. d. 1,741 17 3	47	£ 168	47	£ s. d. 1,909 17 3	47
Improved lands ...	195,802	1,915 2 9	53	183	53	2,098 2 9	53
Totals ...	373,942	3,657 0 0	100	351	100	4,008 0 0	100

From these tables it will be seen (1) that, under the existing system of rating the rental value, the vacant lands bear only 17 per cent. of the total General rates, while the improved lands bear the remaining 83 per cent.; (2) that, taking the existing Land Tax and general rates together, the vacant lands furnished 25·6 per cent. of the total land taxation, while the improved lands supply 74·4 per cent.; and (3) that under the system proposed, the rates imposed on vacant lands will be

increased to 47 per cent. of the total local taxation, and those on the improved lands reduced to 53 per cent. Unless the municipalities decide to increase their expenditure, the total decreases on improved lands will balance the total increases on unimproved lands; and though the aggregate burden will be redistributed so as to fall differently on the shoulders of individuals, any increased taxation which may be imposed on the ratepayers as a whole will not be due to the change in the basis of rating. This redistribution of the burden of taxation is one of the objects aimed at in the introduction of the new basis of taxation, so that the increase of taxation involved in the case of unimproved lands is not a defect in the scheme; and there is no need to pursue the subject further.

30. There is one other probability of increased taxation which should be mentioned. In paragraph 12 of this report attention is drawn to the apparent fact that some municipalities have found that the present limit of rating is so low as not to yield sufficient revenue to enable the Councils to carry out works which are really needed and which the ratepayers are willing to pay for. This statement is supported by the information given in paragraph 13, which shows that the municipalities are spending for General Purposes £50,677 more than the amount of the general rates leviable; and by the opinions of the Acting Statistician (*vide* paragraphs 8, 9, and 10 of his report herewith), who states, *inter alia*, that "the amount leviable as a general rate has been far from adequate to meet requirements," and "if the expenditure of the year adopted has been reasonable, the Councils must face the fact that . . . the General Purposes rating must be considerably increased to enable them to meet their obligations." The information on which the Acting Government Statistician bases these conclusions will be found in Returns Nos. 6 and 7. Perusal of Return No. 6 will show that in 153 municipalities the amount expended for "General Purposes" exceeded the amount of General Rate levied, and from Return No. 7 it will be seen that, in 77 of these cases, the deficiency thus caused not being made up from other sources of revenue, the General Purposes Accounts show a debit balance. Though the statement cannot be definitely made, it is presumed that the money thus expended in excess of revenue received has been obtained by means of overdrafts on the local banks, and support is lent to this view by the fact that at 6th February, 1905, there were 89 municipalities which had obtained unsecured overdrafts to the extent of £63,072. Such a state of affairs cannot continue indefinitely; sooner or later the liabilities thus incurred must be met, and to provide for them the rates must be increased. Therefore, though, in the returns now presented, the probable general rates shown are those which will be necessary to provide a sum sufficient for present expenditure (instead of merely a sum equal to present rates levied) the increase of rating which the adoption of these rates will involve cannot be attributed to the operation of the Local Government Extension Bill nor to the new system of municipal finance. A large portion of the total deficiency on this account will be provided for by the excess of transferred Land Tax over transferred expenditure, so that the net amount of the increase of general rates will be as indicated in Return No. 11, herewith, prepared by the Local Government Engineer, where it is shown that the amount of Land Tax now collected by the State in the municipalities is £88,220, whereas the amount which the municipalities will need to levy over and above the amount of the present general rates levied is £91,322, the difference being £3,102. Notwithstanding this, however, the effect of the transfer of responsibilities and of taxing power from the State to the municipalities will be that, instead of the State levying a tax of 1d. in the £ on the unimproved capital value of all individual holdings of land exceeding £240 in value, the Councils in the metropolitan suburbs (as a whole) will need to levy an average of only $\frac{1}{2}$ d. in the £, without exemptions; and the Councils in the country municipalities (including Newcastle and its suburbs) will need to levy an average of but $\frac{1}{4}$ d. in the £, also without exemptions, in addition to the amount now levied as municipal rates.

31. One of the reasons which have operated to cause the deficiencies referred to in the preceding paragraph, and to render necessary higher rates than would otherwise suffice, is to be found in the fact that the great majority of the municipalities either neglect, or are unable, to recover moneys due to them. Thus, while the total general rates leviable in 191 municipalities were £292,486 for the period ended February, 1906, the total amount of general rates collected was £285,633, leaving uncollected a total of £6,853. The sums outstanding in respect of lighting, water, and other rates are not shown separately in the returns. The fact that the aggregate accumulated outstanding rates and charges as at 6th February, 1905,

amounted to £182,355, an amount approaching two-thirds of the year's general rates collections for 1905-6, points distinctly to the inference that in some municipalities overdrafts are rendered necessary by the non-collection of rates struck, and that in those municipalities where the rates collected are sufficient to meet the expenditure incurred, the persons who do pay are rated more heavily than would be necessary if those who do not were compelled to contribute the sums due by them.

EFFECT ON THE FINANCIAL STABILITY OF MUNICIPALITIES.

32. Consideration of the preceding paragraphs will show that the financial stability of a number of municipalities will be prejudiced by the passage of the Local Government Extension Bill if provision be not made whereby endowment can be granted sufficient to cover the excess of transferred expenditure over transferred revenue; while the finances of at least some others will be disorganised if any limit less than 13d. in the £ be put on the general rates. As each of these subjects has been fully treated earlier in this report (*vide* paragraphs 13-20 and 10-14), it is not necessary to say anything further with regard to them here.

33. On the other hand, by the transfer of the land tax the finances of a large number of municipalities will be greatly improved by the passage of the Bill. (*Vide* paragraphs 25-26.)

34. The provisions of the Bill as to recovery of rates, account-keeping, auditing, the levying of loan rates whenever money is borrowed, the provision of sinking funds, and the guaranteeing of municipal loans by the Government, will also result in a distinct improvement of the financial position of all the municipalities.

EFFECT ON THE FINANCES OF THE STATE.

35. From the information furnished by the Acting Government Statistician in the returns referred to herein, and from additional information compiled by himself, the Local Government Engineer has prepared a statement and report (No. 10) forwarded herewith, designed to indicate, as nearly as can be estimated, the probable effect of the Local Government Extension Bill on the finances of the State. Briefly summarising the conclusions therein set out, it may be stated that the expenditure of which it is anticipated the State will be relieved is:—

	£
Annual cost of works, the responsibility for which will be transferred to municipalities	44,241
Grants for parks, &c., anticipated to be discontinued	3,325
Estimated saving in Public Works Department and Taxation Department	10,596
Total decrease in State expenditure	£58,162

Against this there must be set:—

	£
Loss of revenue by discontinuance of collection of Land Tax in municipalities	88,220
Estimated special endowment	9,133
Estimated additional expenditure in Local Government Branch on taking over municipal matters	1,500
Total loss of revenue and increase of expenditure	£98,853

The effect on the finances of the State is, therefore, estimated as a net loss of revenue of £40,691.

I have, &c.,
J. GARLICK,
Officer-in-Charge, Local Government.

The Under Secretary,
Public Works Department.

II.

REPORT AND RETURNS FURNISHED BY THE ACTING GOVERNMENT STATISTICIAN.

The probable effect of the Local Government Extension Bill on both municipal and State finances.

1. In the consideration of this question the principles which were laid down in the communications of the 29th January and 10th March, 1906, from the Under-Secretary, Department of Public Works, have been followed. Briefly they are as follows:

Endowment.—The endowment payable under the Bill is assumed to be the difference between the amount of Land Tax remitted and the Governmental expenditure in the municipality, inclusive of grants to the municipality for general purposes.

General Works.—Where the expenditure by a municipality on town hall, park, nuisance prevention, common, public bath, &c., appears at present in the accounts as a charge for general purposes, the excess of expenditure over receipts only is to be charged in estimating the probable general rate required to be levied to cover expenditure.

Salaries and Office Expenses—Plant and Office Furniture—Miscellaneous Expenditure.—All expenditure under these headings is to be treated as expenditure for general purposes, except where the accounts specifically show it to be attached to the lighting or water accounts.

2. The data for the investigation were abstracts of accounts furnished by the municipal councils for the year ended February, 1905, the latest complete year available, and the detailed statement of expenditure by the Department of Public Works during the financial year ended June, 1905, forwarded under cover of the communication of the 26th April, 1906, by the Under-Secretary of that Department. It must, however, be borne in mind that the particulars of the Silverton Municipality relate to the year ended February, 1897, as that body has been defunct since that date.

3. The following returns,* which were asked for by the Advisory Board, are attached:—

No. 1. Financial position of municipalities under Local Government Bill, showing for each municipality:—

- (a) The unimproved capital value.
- (b) The improved capital value.
- (c) The rental value.
- (d) The expenditure in the municipality for general purposes, comprising:—
 - (i) Present general purposes expenditure of the municipality.
 - (ii) Expenditure of Government in municipality for general purposes, which will, when Bill comes into force, be borne by municipality.
 - (iii) Total of (i) and (ii).
- (e) Revenue of municipality from the following sources:—
 - (i) Endowment under existing Municipalities Act.
 - (ii) Endowment under Local Government Extension Bill.
 - (iii) Receipts from general rate of 1d. in the £ on unimproved capital value, showing total in a fourth column.
- (f) Balance remaining to be raised—deduct (e) from (d).
- (g) Additional rate which it will be necessary for each council to levy to raise amount of (f) by either.
 - (i) Rate on unimproved capital value.
 - (ii) Rate on improved capital value.
- (h) What rate would be if total of (d) were raised on present municipal rating system (rate on rental value).

No. 2. Return showing the amount of special rates at present levied on rental value, and rates which it would be necessary to levy on (a) unimproved capital value, or (b) improved capital value, to raise same amounts.

No. 3. Return showing:—

- (a) Present Government expenditure in each municipality on works of local character, the responsibility of which will be cast on municipalities by the passage of the Local Government Extension Bill.

* Not reprinted.

(b) Estimated amount at present received by Government from taxation of lands within municipality.

(c) Difference between (a) and (b) shown as either (i) deficit or (ii) surplus (i.e., decrease of taxation).

No. 4. Return of expenditure of municipalities (under detailed headings) from which figures required in Return 1 above may be taken.

No. 5. Return showing probable effect of Local Government Extension Bill on finances of State.

4. I was also asked to furnish a list of the municipalities which are in necessitous circumstances, together with such information as can be obtained from the returns furnished by those municipalities to me, as may serve to explain the cause of their difficulties. In view of the direction contained in the memorandum covered by your communication of the 29th January last, wherein it is stated that I was to determine the "financial necessity" of the municipalities by ascertaining the amount by which the expenditure transferred by the Public Works Department to the incorporated bodies, together with grants to those bodies, was in excess of the Land Tax remitted, it will be seen on reference to Table No. 3 that no less than seventy-three municipalities are shown to be in such circumstances of "financial necessity." The following are the municipalities in question. In ten cases the amount in excess does not exceed £10.

Name.	Excess of transferred expenditure over relief from Land Tax.	Name.	Excess of transferred expenditure over relief from Land Tax.
	£		£
1. Botany	69	38. Kempsey	113
2. Camperdown	534	39. Lismore	28
3. Kogarah	149	40. Liverpool	7
4. Randwick	3	41. Maclean	85
5. Vacluse	229	42. Molong	56
6. Aberdeen	2	43. Morpeth	209
7. Ballina	220	44. Moruya	363
8. Balranald	3	45. Murrumburrah	7
9. Berry	822	46. Murrurundi	72
10. Blayney	9	47. Murwillumbah	78
11. Bourke	325	48. Muswellbrook	16
12. Braidwood	87	49. Narrabri, West	43
13. Broken Hill	17	50. Adamstown	48
14. Broughton Vale	72	51. Lambton	56
15. Burrowa	15	52. Lambton, New	46
16. Campbelltown	354	53. Plattsburg	129
17. Carcoar	37	54. Nowra	8
18. Casino	201	55. Peak Hill	17
19. Castlereagh	82	56. Port Macquarie	53
20. Cooma	122	57. Queanbeyan	40
21. Cootamundra	124	58. Rookwood	65
22. Coraki	21	59. Shellharbour	33
23. Corowa	93	60. Silverton	22
24. Cowra	114	61. Taree	168
25. Cudal	191	62. Tenterfield	504
26. Cudgegong	855	63. Ulladulla	238
27. Dungog	16	64. Ulmarra	165
28. Gerringong	60	65. Uralla	2
29. Glen Innes	89	66. Walcha	65
30. Gosford	60	67. Warialda	31
31. Grafton	2	68. Warren	163
32. Grafton, South	525	69. Wentworth	15
33. Greta	28	70. Wilcannia	20
34. Gundagai	18	71. Wingham	170
35. Illawarra, North	85	72. Wyalong	10
36. Jamberoo	175	73. Yass	125
37. Jerilderie	55		

5. In the computation, an amount of £606 only as expenditure by the Public Works Department has been allowed for in the case of Campbelltown, inasmuch as the present expenditure of £1,646 within the municipality, is due to a vote of £1,200 for the Main South Coast Road, but when the Cataract dam is finished, about two years hence, the vote will be reduced from £1,200 to £160. Meanwhile, special consideration, in the circumstances, will be required to be shown to the Council. No allowance has been made in the case of Camden, as the Council entered into a bond

to maintain the roads, and there is no obligation on the Department to keep them in repair.

6. In estimating the amount of endowment payable under the Local Government Extension Bill for the purposes of Tables Nos. 1 and 5, due regard has been paid to the fact that the endowment is not to exceed 3s. 4d. in the £ on the general rate collected. Furthermore, no endowment under the proposed Bill has been allowed in the case of the municipalities of Castlereagh, Corowa, Dungog, Murwillumbah, Peak Hill, Warialda, Warren, and Wyalong, inasmuch as they are in receipt of endowment under the existing law.

7. The unimproved capital value adopted is that furnished by the Taxation Department, while the improved capital value is that estimated by the council clerks of the municipality, based on the knowledge of local conditions.

8. Table No. 1 shows the municipal expenditure for general purposes for the year ended February, 1905, and the increased liability that is at present met by the Department of Public Works, and which the Councils will have to take over on the passage of the Bill. On reference to the three concluding columns of the table, it will be observed that, no matter what the system of rating adopted, the taxation in the case of several of the municipalities, will be such as to place them in, what ordinarily may be termed, necessitous circumstances. This view, which apparently on the surface is a reasonable one, should not, however, be accepted without a close analysis of the position and management of the Councils, as disclosed by their abstracts of accounts. It must be borne in mind that, under existing law, municipalities can only rate up to 1s. in the £ on nine-tenths of the rental value of property. I have had prepared a supplementary Table No. 6, which shows the amount leviable as a general rate for the year and the amount actually expended for general purposes during that year. This shows that, in very few cases have the Councils lived within their legitimate income. With the view that the Advisory Board should thoroughly understand the financial position of the municipalities, I have had Table 7 prepared, which shows the position of the General Purposes Accounts at February, 1905. From this the statement already made, that the Councils in many cases are not living within their income, is clearly demonstrated.

9. To determine whether the expenditure for the year adopted is a normal one, would necessitate an analysis of the details which are only in the possession of the Councils, and would entail an enormous expenditure of time. It may be that the services grouped under the designation, "General Purposes," were starved in previous years, thus entailing increased expenditure during the year under review, but the fact remains, that the amount leviable as a general rate has been far from adequate to meet requirements.

10. I would invite the attention of the Advisory Board to that part of Return No. 4 which sets forth the interest on loans, salaries, and office expenses and miscellaneous expenditure, and point out that much of the unfinancial position of many of the Councils is due to the fact that they have to meet services and obligations in this direction irrespective of the ordinary demands of the municipalities. If the expenditure of the year adopted has been reasonable, the Councils must face the fact that under the Local Government Extension Bill the general purpose rating must be considerably increased to enable them to meet their obligations.

11. Table No. 8 has been prepared to indicate the amount in the £ on the rental value equivalent to 1d. in the £ on the unimproved value in respect of each municipality.

12. A supplementary Table—No. 9—indicates the rate in the £ on the rental value that will be necessary to meet the General Purposes Expenditure, and also shows the decrease or increase of taxation determined according to the method mentioned in paragraph 4. In the cases of the municipalities of Camperdown, Ballina, Berry, Bourke, Broughton, Vale, Campbelltown, Castlereagh, Cudal, Cudgegong, Grafton, Grafton South, Morpeth, Moruya, Taree, Tenterfield, Ulladulla, Warren, and Wingham there will be an increase of taxation cast upon the ratepayers.

13. In conclusion, it may be stated that the effect upon the finances of the State will be that the State Government will be relieved of an expenditure of £47,566, while, on the other hand, the remission of Land Tax and the endowment under the conditions laid down in the Bill will total £97,404, of which, however, £3,225 is payable as endowment under the existing law. The net sum that will be demanded from the Government will therefore be £46,613.

W. H. HALL,
Acting Government Statistician.

III

REPORT AND RETURNS FURNISHED BY THE LOCAL GOVERNMENT ENGINEER.

LOCAL GOVERNMENT EXTENSION BILL.

Public Works Department, Local Government Branch,

July 12, 1906.

A glance at the information provided by the Acting Government Statistician, and compiled from the published statement of each municipality, clearly shows that in the majority of cases the expenditure coming under the heading of "General Purposes" is in excess of the revenue derived from a general rate of 1s. in the £ on the usual rental basis; and so far as can be gathered, the deficiency is no less than £50,677 per annum, of which £23,380 belongs to the metropolitan municipalities, forty in number, and £27,297 to the country towns; of which 151 are incorporated. To get rid of these deficits, the general rate on rental assessment values would have to be 13½d. in the £ in the former, and 14½d. for the country municipalities; but, of course, in several cases these rates would have to be exceeded, which can be seen on reference to the statistical returns annexed, and the very full and clear description of the various classes of municipalities given by the Officer-in-Charge. It is proposed to transfer services, in the shape of the care of the main roads, many bridges, wharves, ferries, &c., now paid for by the State, to the control of the municipalities in which such works are situate, the councils of same to be responsible for all necessary expenditure in connection therewith, including renewal. In the amounts set down as the cost of these transferred works, provision has been made for reconstruction, when such becomes necessary. In the case of bridges and wharves, a large number of important structures, either within municipalities or on their boundaries, have been omitted, and have been set down as (tentatively) "national," it being considered that most of them are too important and costly to be within the reasonable financial ability of the Councils to, at any rate, renew. For the purpose of this statement, the whole cost in connection with these structures has been omitted. Of these, bridges in the City of Sydney and suburbs (13 in number) cost about £424,070, whilst in the country municipalities 106 cost, approximately, £652,000. Of wharves, the most important proposed to be retained by the State are Newcastle, Wollongong, Kiama, Port Jackson, Hay, Wentworth, Bourke, and Moama; also, jetties at Botany, Sans Souci, and La Perouse, with other minor wharves used by the Harbours and Rivers Branch for construction purposes. With respect to those to be handed over to the municipalities, liberal allowance has been made for repairs and renewals, whilst it is extremely probable the local authorities will get far more revenue than is at present received by the Crown. Punts and ferries have in no case been treated as "national," and whilst in those of Grafton, Taree, Ulmarra, Raymond Terrace, and Tom Ugly's Point, the expenditure for maintenance and working, with necessary provision for renewal when needed, exceeds the revenue; full allowance for this has been made in the cost of transferred services. The Spit Ferry, on the other hand, is a paying concern. The total cost of the works transferred from the State, and which will, by the Bill be thrown upon the municipalities, is £44,241, the metropolitan suburbs accounting for £16,905, and the country towns for the balance, £27,336. These amounts include the sum paid in the way of subsidies by the Government to the Councils, for the maintenance of the main roads, and towards that of the extension of what are termed in the Schedules "Minor Roads." The calculations have been based on 1905-6 Estimates, which were higher than those of the previous year, on which the "Shires" Interim Statement was founded. The accompanying financial returns give the amounts for the various transferred items in the metropolitan area and the country. The Government has hitherto made grants for parks and works, other than roads and bridges; these came to £3,325, of which country municipalities absorbed £2,556, and Sydney suburbs £769. In future these services will not be assisted, if the "Bill" conditions be adhered to.

To bring the incorporated towns in line with the recently created Shires, it is contemplated to relieve the ratepayers of the former from the payment of the Land Tax, which, as given by the Acting Government Statistician, amounts to £88,220, made up of £50,113 for Sydney suburbs, and £38,107 for country municipalities; so that, although the Crown burdens the municipalities with £47,566

* The Returns attached to this report are not reprinted.

worth of transferred services, the ratepayers in general, gain considerably by the change of taxable conditions; and were it not that so many towns need the help of additional rates to balance their present general purposes expenditure, they would be very well off by the changes proposed; and it must be admitted the Government is not responsible for the excessive annual deficits which are shown by so many municipalities in their general purposes expenditure. To remedy this state of matters, it is proposed to extend the rating powers of the Councils, so that a sufficiently high general rate can be levied to cover the cost of transferred works and the deficiencies alluded to. This additional rate is but $\frac{1}{2}$ d. in the £ of unimproved land values in the metropolitan area, and 4-5ths of a penny in the country municipalities, the net sum needed being £40,915 and £50,407, respectively. It is found there are seventy-three incorporated towns where the remitted Land Tax will not cover the burden of transferred works, and to remedy this it is proposed to provide the deficiency as a special endowment, which amounts to but £984 in five metropolitan municipalities, and £8,149 in sixty-eight country towns. It will thus be seen the Government gives £97,353 to pay for £47,566, cost of transferred services. Without an inspection of the various municipalities, it is impossible to say what is being done in the way of carrying out needed improvements to the streets and roads; but it is apparent from the small amount spent on such work, that the crippled condition of the Council's finances, in many cases, has been the cause of the restricted expenditure on the highways; and it is to be hoped, with the help now proposed to be given by the Government, and the increased rating powers provided by the Bill, that the streets and roads of municipalities will receive their full share of attention, and thus obviate the need for the constant appeals that are now made to the Government, to carry out or give help for works required for inter-municipal traffic or use.

I append four Statements (Nos. 10, 11, 12 and 13). The first shows the effect of the Bill, if passed, on the finances of the State, and it will be seen the amount of probable loss to the latter will be £40,691, chiefly represented by the difference between the surrendered Land Tax and the cost of the transferred works.

Statement No. 11 shows how the Municipal Councils will be affected by the Bill as now submitted, and by which such an elasticity in the rating conditions will be allowed, that each municipality should be able to live within its means and carry out an increased amount of useful works.

Statement No. 12 gives the effect of the Bill from a ratepayer's point of view. It shows that after allowing for the remitted Land Tax, metropolitan area taxpayers will benefit to the extent of £9,198 after paying the increased general rate required to make up the deficiency on the expenditure under that head. The country municipalities are less fortunate, as the Land Tax remitted falls short of their wants by £12,300. In the statements furnished it is assumed the several Councils will, under the new conditions, levy sufficient to balance the account of revenue and expenditure for general purposes. There being no exemptions in municipal rating; those who now do not pay Land Tax will only be called upon to contribute, beyond the 1s. in the £ they now pay, $\frac{1}{2}$ d. in the £ on the unimproved land value in the metropolitan area, or 3d. if based on the rental assessment, whilst in the country municipalities those not at present liable for Land Tax will be required to contribute 4 $\frac{1}{2}$ d. in the £ on rental basis, or $\frac{3}{4}$ d. in the £ of unimproved land value, in addition to their present levy for general rate. As previously pointed out, the Crown is in no way responsible for this extra taxation, and it is only required to put the municipalities on a sound footing, which should amply compensate for the very slight payment needed to obtain so desirable a result. In the accompanying statements the City of Sydney is not included. New municipalities, formed since February last, such as Barraba and Homebush, are also not dealt with, nor are the areas recently added to certain municipalities under the Shires Act, for the reason that it is likely they will be specially dealt with under the Bill. The addition made to Berry, too, has not been considered, but with the Land Tax remitted the ratepayers will generally greatly benefit in most of these cases.

Statement No. 13 gives the details of the works proposed to be handed over in each municipality. The cost of roads has been based on the amounts set down in the Schedules of the Public Works Department for 1905-6, but does not include special grants given to a few municipalities from the Unclassified Vote.

ROBERT E. JONES,
Local Government Engineer.

July 12, 1906.

REPORT BY OFFICER-IN-CHARGE OF LOCAL GOVERNMENT ON LEGISLATIVE COUNCIL'S AMENDMENTS *re* BASIS OF RATING AND LIMIT OF RATES UNDER LOCAL GOVERNMENT EXTENSION BILL.

LOCAL GOVERNMENT EXTENSION BILL.

Basis of Rating—Limit of Rates—Legislative Council's Amendments.

Local Government Office, December 7, 1906.

1. The Honourable the Premier having promised to lay before Parliament a report as to the probable effect of the Legislative Council's amendments in Clause 62 and new Clause 66 of the Local Government Extension Bill, I have the honour to report as follows:—

Amendments to Clause 62—Limit of General Rates.

2. The amendments are as follow:—

~~Sec.~~ 65. (1) Subsection three of section thirty-three of the Shires Act is hereby repealed. The provisions of section thirty-three, as hereby amended, of Division 4 of Part VI of the Shires Act shall apply to municipalities:

Provided that the limit of two pence in the pound provided in subsection one of section thirty-three of the Shires Act shall not apply to municipalities, except in the case of a rate on a mine worked for the purpose of mining for any mineral other than coal or shale, in which case the said limit shall apply.

* * * * *

(2) A council of a municipality which has levied a general rate of not less than one penny in the pound on the unimproved capital value of all rateable land in its area, may raise any additional sum which may be required by an additional general rate on either the unimproved or the improved capital value of such land, as may be determined by the council: Provided that notice shall be given as prescribed of the proposal to levy such additional general rate, and that, if within the prescribed period, one hundred persons on the roll of ratepayers make a written demand for a poll on the question whether the basis of assessment for such rate shall be the unimproved or the improved capital value, the council shall forthwith meet and fix and notify, as prescribed, a day, not being less than seven nor more than fourteen days after such meeting for the holding of such poll, shall hold the poll on such day and shall abide by the decision of such poll. At the poll all ratepayers of the area may vote.

Provided also that in any municipality the sum of the rates so made and levied on the unimproved capital value and the rates of any kind already made or levied on the unimproved capital value shall not in any year exceed twopence in the pound on the unimproved capital value of the rateable land.

Provided further that the Council of a municipality may also make and levy a general rate on the improved capital value of all rateable land in its area. Such general rate shall not exceed one penny farthing in the pound on the improved capital value of the rateable land.

3. The object of this amendment is twofold, viz., (a) to take away from Councils the power of absolute choice as to which basis of rating shall be adopted; and (b) to limit the amount of the *general rates*.

The basis of rating.

4. As the Bill stood when presented to the Legislative Council, the Councils of municipalities would have had perfect freedom; either to put all the general rate on the unimproved capital value, or to put 1d. (in lieu of Land Tax) on the unimproved capital value and the whole of remainder on the improved capital value. If any considerable section of the ratepayers of any municipality thought that the proposals of their Council as to the basis of rating were injudicious or unfair they could demand that a poll of ratepayers be taken to settle the question.

5. The choice of a basis of rating lies between taxing only land, the value of which is enhanced by municipal expenditure, or taxing the land and the improvements which have been made upon it, the argument being that if there were no improvements there would not be need for municipal expenditure, and therefore the improvements should be rated. This matter is one on which there is much

Application of s. 33 of Shires Act.

No limit in municipalities.

Council may levy additional general rate.

Poll on basis of assessment of additional general rates.

difference of opinion; and the course followed by the Legislative Assembly was to leave it to the people concerned, the people who have to pay the rates, to say what basis they would be taxed on.

6. A similar option is allowed in New Zealand, and, so far as published reports show, the results have been good.

7. Under the clause as amended councils will not be able to levy more than 2d. in the £ on the unimproved capital value, even though a higher rate would be required to raise the amount of the necessary expenditure for general purposes on the present scale.

The limit.

8. The limit proposed to be put on the *general rates* is 2d. in the £ on the unimproved capital value, plus 1½d. in the £ on the improved capital value of all rateable land.

9. If compared in the *aggregate* with the present powers of general rating the limit proposed appears to give a fair margin.

10. The present maximum general rate, 1s. in the £ on rental value, is estimated to yield £319,538; add to this the estimated Land Tax in municipalities, £88,220; and the total at present leviable for "General Purposes" may be estimated at £407,758.

11. A general rate of 2d. in the £ on the unimproved capital value is estimated to yield £287,160; add 1½d. in £ on improved capital value, £492,590; and the total which would be leviable under the amendment may be estimated at £779,750, so that, *in the aggregate*, there is a margin of rating power, for *general purposes*, of £371,992.

12. But when the limit proposed in the clause is applied to individual municipalities it will be found to be inadequate, as will be seen by reference to Statement A,* herewith.

13. This statement shows that, in ten municipalities, there would, under the limit proposed, be a deficiency of rating power varying from £47 to £3,443.

* * * * *

14. In the case of Broken Hill, probably the provision for a better assessment of mines which is contained in the Bill may to some extent swell the revenue, but not sufficiently to make up so large a deficiency as £3,500.†

15. In the cases of the other nine municipalities which would have deficits, it might be argued that, if the maximum rates were insufficient, they should be treated as in necessitous circumstances, and therefore be granted endowment under the Bill.

16. In three of the above cases, the municipalities may possibly on investigation be found to be entitled to endowment under Subclause 4 of Clause 19 because of the excess of the responsibility for expenditure transferred from the Government to the municipality over the Land Tax transferred. On this point, the following information taken from my report of 12th July, 1906, which was printed and laid before Parliament, is of interest, and proves that in only one case will the deficiency of rating power be due to excess of transferred expenditure:—

Municipality.	Transferred Expenditure.	Transferred Land Tax.	Difference which may be given as endowment.	Effect of preceding table as to deficiency of general rating power.
Broken Hill†	£ 583	£ 566	£ 17	Deficiency of 3,426†
Grafton South	579	54	525	Margin of 255
Narrabri West	55	12	43	Deficiency of 4

NOTE.—In the remainder of the cases cited in paragraph 13 above, the land tax transferred exceeds the transferred expenditure.

† The Statistician's figures for the unimproved and improved capital values of lands in municipalities necessarily do not include values of mining leases. The figures quoted therefore exclude probable revenue from mines. Since writing this report, I have had an opportunity of obtaining information as to the probable effect of rating mining leases in these municipalities, and find that these deficits will probably be covered by the rates from mines. J. G., 16/12/06.

Further, a scrutiny of the figures respecting the other municipalities shows that in a number of cases, though there will not be an actual deficit, the limit rates are

* Not reprinted.

only barely sufficient for present needs for general purposes, and do not leave a sufficient margin for future expansion.

18. In view of these facts, I submit that, if a limit is to be provided, it should be a higher one, so that each of the existing municipalities would have sufficient rating power to provide for necessary expenditure on the present scale. To do this for Broken Hill, the additional general rate on the improved capital value would need to be 1.9d. or, say, 2d. instead of 1½d. in £.

19. In any case, however, the words "and the rates of any kind already made and levied on the unimproved capital value" should be omitted from the amendment. It is difficult to exactly define what they mean; their intention is covered by the new Clause 66 inserted by the Council; and if, as I recommend, new Clause 66 be struck out, these words would go as a consequential amendment.

New Clause 66—Limit on all rates (General, Special, Local, Loan).

20. By the new clause inserted after Clause 65, it is provided that *all* rates (general, special, local, and loan) taken together, shall not exceed the sum of—

- (a) 2d. in £ on unimproved capital value;
(b) 1½d. in £ on improved capital value.

21. As has already been shown, this limit is insufficient for some of the municipalities for *General Purposes* Expenditure alone; and, when *Special Purposes* Expenditure is added, the limit is still less sufficient.

22. At the present time under the Municipalities Act the following rates may be levied :—

	s	d.	Limit.
General Rate	1	0	in £ on Annual Value.
Special Rates	1	0	" " "
Libraries and Educational Rates	0	3	" " "
Street Watering Rates	0	6	" " "
Water Rate			Not more than 5s. per room of house.
Total	2	9	and Water Rate of 5s. per room.

23. A rate of 2s. 9d. in £ on Annual Value would yield a sum of £878,731. The total which might be levied under the limit proposed now by the Legislative Council is (a) 2d. in £ on unimproved capital value £287,160; plus (b) 1½d. in £ on improved capital value £492,590; total, £779,750. The Special and General Rates, taken together, are limited under the existing Municipalities Act to 2s. in £ on rental value, though there is some doubt on the question whether the "Libraries and Educational Rates" above mentioned come within this restriction. Taking the limit as 2s., however, the possible rates would be £639,077, plus present Land Tax £88,220, total £727,297. Considered *in the aggregate*, therefore, there appears to be a margin of rating power of £52,453.

24. Here also, when the proposed limit is applied to the municipalities individually, a different light is thrown on the subject. The effect of the clause on individual municipalities is shown in Statement B herewith.*

25. This statement shows that in some municipalities the margin of rating power over present needs would be large, as, for example, in Balmain (£15,257), Newtown (£13,555), North Sydney (£20,470), and Woolahra (£10,475). In others it would be fair, but in yet others, even in the suburbs, the margin is not a sufficiently wide one, as in the cases of Botany (£298), Erskineville (£836), and several others.

26. It is when the amendment is considered in relation to the country municipalities, however, that its worst effects are seen. The municipality of Broken Hill will require for general purposes expenditure, £11,587, and for special expenditure, £469, a total of £12,056. The rates possible under the Bill as amended are, on unimproved capital value, £1,840, on improved capital value, £6,304, making a total of £8,144. The deficiency in Broken Hill, therefore, would be £3,912. Bathurst will require £3,589 for general purposes, and £3,880 for special purposes, making a total of £7,469. The rates under the amendment would be limited in the gross to £7,226. The deficiency in Bathurst would therefore be £243. Similarly Armidale would be left with a deficiency of £298.

27. The following is a list of the municipalities for which the proposed limit would be quite insufficient :—

* * * * *

28. Apart from these cases of absolute deficits, a large number of the remainder of the municipalities would, if the proposed limit were put on all rates, be either

barely able to meet expenditure on present scale only, or would have a very slender margin to come and go upon.

29. It is submitted that the provision of the bill that when it is proposed to levy a new special, local, or loan rate, the proposal cannot be given effect to unless approved at a poll of ratepayers, is a quite sufficient and effective provision for a limit; and much better than the insertion of a limit in figures.

30. If, however, a figure must be inserted, then, to enable all municipalities to finance themselves on present requirements alone, the limit should be about $2\frac{3}{4}$ d., instead of $1\frac{1}{4}$., for the rate on improved capital value, in addition to the 2d. on the unimproved capital value. Even this, however, would leave Broken Hill,* South Grafton, Nyngan, Cobar, Narrandera, Wellington and Wrightville* without a margin for reasonable expansion of expenditure, except such as might be the consequence of expansion in the values of properties.

31. Appended hereto are two additional tables† of calculations with respect to rates required in the municipalities for which the limits proposed by the Legislative Council are unworkable. These tables may be useful for reference.

The drafting of the clauses re the limitation of rates.

32. The amendment which limits the general rate reads as follows:—

Provided also that in any municipality the sum of the rates so made and levied on the unimproved capital value and the rates of any kind already made or levied on the unimproved capital value shall not in any year exceed twopence in the pound on the unimproved capital value of the rateable land:

Provided further that the council of a municipality may also make and levy a general rate on the improved capital value of all rateable land in its area. Such general rate shall not exceed one penny farthing in the pound on the improved capital value of the rateable land.

33. The amendment which limits all rates reads thus:—

Notwithstanding anything contained in this Act, the total amount of all rates which may be made and levied under this Act on the unimproved capital value of any land shall not in any year exceed twopence in the pound of the unimproved capital value of the said land, and the total amount of all rates which may be so made and levied on the improved capital value shall not in any year exceed one penny farthing in the pound of the improved capital value.

34. It will be seen that there is a certain amount of justification for the doubt which has been expressed as to what the effect of the clause will be. In some quarters it is interpreted to mean that the rates may be levied as follows:—

(a) Improved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on improved capital value.

(b) Unimproved land, 2d. on unimproved capital value, and nothing on improved capital value (because the land is not improved).

35. Another interpretation which is placed upon it is as follows:—

(a) Improved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on value of improvements (*i.e.*, on the difference between unimproved capital value and improved capital value).

(b) Unimproved land, 2d. on unimproved capital value, and nothing on improved capital value.

36. The interpretation which will meet requirements (and it is the interpretation on which the figures given in the preceding paragraphs are based) is that the clause means:—

(a) Improved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on improved capital value.

(b) Unimproved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on improved capital value (which, in the case of the unimproved lands, is the same as the unimproved capital value).

37. If the words "and the rates of any kind already made and levied on the unimproved capital value" are omitted from the amendment to Clause 62 (previously quoted), there is no doubt, I think, but that the clause must be interpreted in the third of the above ways.

38. But, when considered in connection with new Clause 66 (quoted above), the question is seen to be a very doubtful one. The clause says: "the total amount of all rates which may be made and levied under this Act on the unimproved capital

* See notes on page 33, *re* probable revenue from mines.

† Not reprinted.

value shall not in any year exceed twopence in £ on the unimproved capital value." The improved capital value includes the unimproved capital value, and, therefore, if a rate is put on improved capital value, after twopence has been levied on unimproved capital value, it will be fairly open to argument that the rate is illegal under new Clause 66; so that then the second method of interpretation given above may be adopted, and the rate proposed to be levied on improved capital value may, in fact, be levied only on the value of improvements ex land (*i.e.*, the difference between the unimproved capital value and the improved capital value).

39. If the new Clause 66 is not struck out, therefore, it will, I submit, be well to re-draft it.

40. The following would put the matter beyond doubt :—

" 66. Notwithstanding the provisions of the four last preceding sections the sum of all rates which may be made and levied on the unimproved capital value of all rateable land, except rates levied under Sections 94, 95 and 100, shall not in any year exceed pence in the £ on such unimproved capital value: Provided that, in addition to any rates so made and levied on the unimproved capital value, other rates may be made and levied as in this Act provided on the improved capital value of all rateable land, and that the sum of all rates so made and levied on such improved capital value, except rates levied under Sections 94, 95 and 100, shall not exceed pence in the £ thereon: Provided also that all rates levied on improved capital value may be levied on the unimproved land, notwithstanding the fact that its improved capital value as defined by this Act is not greater than its unimproved capital value as so defined."

J. GARLICK,
Officer-in-Charge, Local Government.

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QUEENSLAND.

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PAPERS

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RELATIVE TO THE

WORKING OF TAXATION ON THE UNIMPROVED VALUE OF LAND IN QUEENSLAND.

(In continuation of [Cd. 3761] September, 1907.)

Presented to both Houses of Parliament by Command of His Majesty.

January, 1908.



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QUEENSLAND.

PAPERS

RELATIVE TO THE

WORKING OF TAXATION ON THE UNIMPROVED VALUE OF LAND IN QUEENSLAND.

No. 1.

THE SECRETARY OF STATE to THE GOVERNOR.

(Sent 4.45 p.m., April 5, 1906.)

TELEGRAM.

April 5, 1906. Please send home as soon as possible any reports or other information available as to working of taxation on unimproved value of land, both for Municipal and State purposes, in Queensland. Information specially desired as to effects of land value taxation on building trade, on rent, on incidence of taxation, on house property and vacant sites, respectively, and on land speculation.—ELGIN.

No. 2.

THE DEPUTY-GOVERNOR to THE SECRETARY OF STATE.

(Received June 25, 1906.)

Government House, Brisbane, Queensland,

My LORD,

May 15, 1906.

In reply to your Lordship's telegraphic despatch, received on the 6th April ultimo,* asking for information as to the working of taxation on unimproved value of land for Municipal and State purposes in Queensland, I have the honour to submit a letter from the Premier, in which he states that he has been unable to obtain the particulars desired.

2. To-day I sent your Lordship a cablegram† to the above effect.

I have, &c.,

JOHN COOPER,
Deputy-Governor.

* No. 1.

† Not printed.

Enclosure in No. 2.

SIR,

Chief Secretary's Office, Brisbane, May 8, 1906.

ADVERTING to a telegraphic despatch which your Honour received from the Secretary of State for the Colonies on the 6th April last, asking for information as to the working of taxation on unimproved value of land for Municipal and State purposes in Queensland, I beg leave to inform your Honour that neither from any Public Department nor from the Local Authorities Association can I get the particulars desired. It is understood, however, that Mr. L. G. Corrie, the late Mayor of Brisbane, is preparing for the Association referred to a report on the subject, and I shall endeavour to obtain from him as soon as possible what information he has been able to collect on the matter.

I have, &c.,
A. H. BARLOW,
Acting Premier.

His Honour
The Deputy-Governor,
Brisbane.

No. 3.

THE GOVERNOR to THE SECRETARY OF STATE.

(Received September 16, 1907.)

MY LORD, Government House, Brisbane, Queensland, August 8, 1907.

ADVERTING to your Lordship's telegraphic despatch of the 6th April, 1906,* relative to the taxation in Queensland on the unimproved values of land, I have the honour to forward herewith a copy of a letter received on the subject as a result of enquiries made by the Treasury Department of this State.

I have, &c.,
CHELMSFORD,
Governor.

Enclosure in No. 3.

SIR,

The Treasury, Brisbane, July 23, 1907.

WITH further reference to cable message of the 6th April, 1906, from the Secretary of State for the Colonies, asking for information as to the working of taxation on unimproved values of land, I have the honour to point out that there is no such tax collected by the Government of this State.

I may add that the State is divided into Local Government areas. These areas are governed by elective Local Authorities who are charged with the construction and control of all roads, bridges, ferries, wharves, jetties, and other necessary public works. The Local Authorities have power to levy for these purposes general rates not exceeding threepence in the £ on the unimproved land value of the properties in the area; also special rates for such purposes as water supply or tramway construction, &c.

The effect of this land value taxation has been to depreciate the value of land held for investment or speculative purposes and to stimulate the utilization of vacant land when practicable so as to obtain some return for the rates paid. The exemption of improvements from taxation has a tendency to encourage building operations.

As regards the effect on rents, it is obvious that the rentals from improved properties can be lower with taxation on land only than they would have to be to give the same percentage of return if the improvements were also taxed.

I have, &c.,
T. W. CONNAR,
Under-Secretary.

The Under-Secretary,
Chief Secretary's Department,
Brisbane.

No. 4.

THE GOVERNOR to THE SECRETARY OF STATE.

(Received December 28, 1907.)

MY LORD, Government House, Brisbane, Queensland, November 19, 1907.

I HAVE the honour to forward herewith a copy of Mr. Corrie's report on the taxation of land values as requested in your Lordship's despatches of the 7th of March and the 25th of September last.*

The report in question has only quite recently been published and the apparent delay in forwarding it was due to this cause.

I have, &c.,
CHELMSFORD,
Governor.

Enclosure in No. 4.

UNIMPROVED LAND VALUE TAXATION IN QUEENSLAND

By LESLIE GORDON CORRIE, F.L.S. (LON.), President, Queensland Institute of Architects.

(Brisbane, 1st August, 1907.)

*By Authority:**George Arthur Vaughan, Government Printer, William Street.*

1907.

UNIMPROVED LAND VALUE TAXATION IN QUEENSLAND.

PROVISION OF LEGISLATION.

Queensland was constituted a colony in 1859 by separation from New South Wales, and in 1901 was constituted one of the States of the Commonwealth of Australia.

Local government in the new colony was at first conducted under the then existing New South Wales laws.

The Queensland Parliament duly formulated its own local government statutes, such as the "*Municipal Institutions Act of 1864*," with its various amending Acts, &c.

In these early statutes the usual annual value mode—including improvements, if any—was provided as the means for local government rating, the income so raised being more or less endowed out of the colony's consolidated revenue.

In 1878 (GRIFFITH, Premier), "*The Local Government Act of 1878*" was passed for the consolidation and amendment of the existing laws relating to municipal institutions, and to provide more effectually for local government.

This principal statute dealt with all the existing areas controlled by local government—eighteen in number—and also made provision for the optional extension of the system to the rest of the colony.

In the case of ordinary rateable property, the valuation was to be computed on the net annual value, including improvements.

Pastoral tenants were to be rated on the annual value of those Crown lands leased to them.

In 1879 (McILWRAITH, Premier), a Bill was introduced to provide for local government in areas outside municipalities, these latter to remain controlled by the existing Act.

The new statute was intitled "*The Divisional Boards Act of 1879*," the areas coming under it to be called Divisions.

In this new Act will be found the initial steps in the direction of the exclusion of the values arising through improvements.

Its framers were charged on the one hand with bias in favour of the squatting industry, because the Bill provided for the annual rents payable on the leased Crown lands, in place of the annual value of the same being taken as the valuation basis. On the other hand, it was contended the introduction of any such measure

* Not printed.

was a direct attack upon the country districts, the settlement and improvement of the lands within which (consisting as they almost entirely did upon lands leased from the Crown) was of such vital importance to a young and practically unsettled country, that it was considered the national funds ought to provide for local expenditure.

The discussions on this measure form instructive reading, as the same centre round the question of the inequity, under certain conditions, of rating improvements.

Through these debates came some little advance towards unimproved land value rating, though the essence of the principle was imperfectly grasped, the strongest advocates for concession on improvements in the country districts declaring themselves solidly in favour of full toll on improvements elsewhere.

It was suggested in the Legislative Assembly that, as considerable areas of country lands were either under lease or in process of conditional purchase, or by homestead selection, from the Crown, with certain improvements obligatory, it was only fair that such improvements be excluded from any incidence of value for rating purposes, if for no higher reason than that conditional purchasers might otherwise delay carrying out those obligatory improvements to the great disadvantage of the district and colony.

An endeavour to exclude all improvements other than houses and buildings, in regard to the annual value of country lands, was defeated, and the Bill, when transmitted to the Legislative Council, went no further than to provide, in the case of general rateable property, for having a separate valuation made of houses and buildings only, and for the deduction from the total annual rent value of "an amount equal to one-half that portion of such rent as shall be deemed to arise from any house or buildings that may be situated on such rateable property."

In the case of homestead or conditional selections, the capital value of the land was to be taken as no greater than its selection price, and in the instance of Crown lands under pastoral leases the annual rent payable was to form the basis for any valuation—in both cases, as before, one-half only of the value incidental to the existence of houses and buildings was to be taken into consideration.

Mines were to be valued as for the annual value of the surface use of the land only, along with the annual value of any buildings on the land, all mineral value being excluded, as well as any value arising from machinery.

The amendments made by the Legislative Council did away with the exemption of minerals, provided in the case of country lands for exclusion of improvements other than houses and buildings, and that, in the valuation of pastoral leases consideration should be given, in any estimate of their annual value, *beyond* the mere item of rent payable to the Crown.

The Assembly, which might in any case have combated these amendments, raised an unanimous objection to the Council's proposals; members who had been dissatisfied with the Bill as sent from the Lower House joining issue with the Government upon what was regarded as the bigger question raised through the Council infringing upon the privileges of the Assembly, it being held that the amendments made in these valuation clauses altered the principle of taxation. Upon its retransmission the Council returned the Bill again to the Assembly.

The Assembly, while reiterating its constitutional right, supplied fresh reasons why the Council should not insist upon its amendments. With these new reasons the Council, after prolonged debate, confessed to being satisfied.

In 1886, the Government (GRIFFITH, Premier) brought in a Bill to consolidate and amend the laws relating to local government outside the boundaries of municipalities.

Owing to the desire expressed for the stimulation of improvements in country districts, an endeavour was made by the Government to further discriminate as between rural and urban rating.

As introduced, the Bill provided for valuing country lands much as was afterwards provided in the valuation Bill of 1887, viz.:

While the mode of valuing was not to be altered, the amount of tax leviable on the annual values was to range from 5 per cent. to 10 per cent., with a special concession in favour of any land "fully" improved. For homestead and conditional selections, agricultural farms, and pastoral leaseholds special allowances were made because of the specific conditions controlling each.

Mines to be treated as before.

As the debate proceeded, the Premier introduced an important amendment that the capital value of country land, upon which any annual value was to be based, should be taken at the fair average value of unimproved land of the same quality in the same neighbourhood. This meeting with general acceptance, was passed in the Assembly. It covered a distinct advance towards the exclusion of improved values, and went further than the Legislative Council's proposal, made in its amendment to the 1879 Bill, which had provided for the exclusion of improvements other than houses and buildings.

When this 1886 Bill reached the Council, while little exception was taken to the proposed exclusion of improvements in the valuation of country lands, various amendments were carried, modifying the limits fixed by the Assembly as to the rates to be levied, so once again the Constitutional question came up, and, after some cross-firing, the Council disposed of the business by a summary resolution postponing further consideration for six months.

In 1887, Sir Samuel Griffith succeeded in passing a Divisional Boards Act, consolidating and amending the laws relating to local government outside the boundaries of municipalities.

The question of valuation was excluded from this Bill, the same being anticipated and provided for in a Bill passed in the same session of Parliament, intitled "*The Valuation Act of 1887*," which repealed all the clauses dealing with valuations contained in any previous local government statute.

This general valuation statute of 1887 provided in case of town and suburban lands for very slight alteration in the previous method of valuation, the rates having to be based upon the annual value on valuations which included improvements, and made as follows:—

In the case of ordinary rateable property, the annual rental was to be estimated as a sum equal to two-thirds of the rental value, including improvements, the other third being written off to cover taxes, upkeep, &c.

In this measure advance towards the exclusion of improvements came through the limits of taxation fixed, for, while the same could be only as low as 5 per cent. upon the fair capital value of ordinarily improved land held in fee-simple, should such land be improved "to the extent that might reasonably be expected, having regard to the situation of the land and the nature of other improvements upon other lands in the same neighbourhood," then in the case of such so-called "fully" improved land, the minimum of five pounds per centum was *not* insisted upon. While if the land was unimproved, eight pounds per centum was the minimum fixed.

In this way was provided a small penalty upon unimproved land, and a permissive rebate in the case of "fully" improved land.

With respect to country land, the notable advance proposed in the 1886 Bill was reintroduced, viz., that such lands should be all estimated at the fair average value of unimproved land of the same quality in the same neighbourhood, the annual value to be taken at a certain percentage upon this capital value, thus eliminating any question of value coming through improvements.

The annual value of pastoral properties, viz., Crown land held under lease or licence or as a grazing farm, was to be taken as equal to the annual rent payable.

Mining lands were to be valued as had been laid down in 1879.

In 1890, the finances of Queensland cause grave concern. The Government of the day (MOREHEAD, Premier), in open acknowledgment of the good to the colony arising through local government expenditure suggested no interference with the endowment for local bodies, and was providing for an expenditure of £265,000 in this connection.

To increase the consolidated revenue a tax upon property of all description was proposed, the unfavourable reception of which led, in great measure, to this Government's resignation.

The Morehead Government was succeeded in the same year (1890) by the Coalition Government (Sir SAMUEL GRIFFITH, Premier, and Sir THOMAS McILWRAITH, Treasurer).

A leading feature of its programme was the early submission to the Assembly of a Valuation and Rating Bill, described by the Premier as "The complement of the proposals made to reduce the Endowments paid to Local Authorities."

It is interesting to note that it was for no reason arising within local government itself, nor through any dissatisfaction on the part of the public with the obtaining

order of things that a change was proposed, but simply to afford relief to the consolidated revenue of the colony.

This Valuation and Rating Bill of 1890, as introduced, provided in the main for securing to local authorities extended powers for the raising of revenue in order that assistance from the central Government might be largely reduced.

As explained by the Premier, it was further considered preferable for local authorities to raise their own revenues directly themselves.

The threatened increase of local taxation attracted immediate attention. The existing procedure was working without any complaint whether from residents in the towns paying more or less rates upon improvements as well as upon the land value, or from dwellers in the country, who, it would appear, hardly recognised that their local taxation conformed to a simple land tax.

In this relation, it should be noted that so considerable an endowment was received from the Government, *i.e.* £2 for every £1 raised locally by the divisional boards, that no very critical attention was directed to any principle of local rating.

Under the new proposals a very different position was to be set up.

Parliament had more or less semi-unconsciously led or been led in the direction of taxing land only for the purposes of local government, and the Premier was able to state, when he was introducing the new Bill, that he believed taxing improvements was always distasteful to the Queensland Assembly; but while he frankly admitted that it would be more symmetrical to place the whole burden on the unimproved value of the land, all the same it was proposed to provide for rating all lands upon the annual value, improvement to be counted in the valuation, with the proviso, however, that no greater rate than one shilling in the pound of annual value could be so levied, any additional rate to be based upon the unimproved capital value.

Had these provisions been carried, there would have been an advance in the direction of some exclusion of improvements in the case of town and suburban properties, and there would have been a return in country areas to the inclusion of improvements.

In the House of Assembly, as the question was debated, member after member, for one reason or another, expressed himself more or less in favour of generally excluding improvements. The reason given for such an opinion was in some cases no higher than that unimproved value rating would be simpler for the local authority's officials.

It is exceedingly interesting to note in a House composed of members so many of whom were or had been intimately connected with local government, how exceedingly little argument was available against, or for the matter of that in favour of, so drastic a proposal; it would appear as if the community had become gradually prepared for the introduction of this important innovation.

Considerable opposition was offered to the exclusion of improvements by some members, themselves also members of local authorities, whilst other members similarly situated ranged themselves as "content."

The Premier himself was quick to make up his mind in the direction to which it would appear he had been previously inclined, and noting the temper of the House, actively promoted the general exclusion of improvements, except in the case of mining lands, and had the Bill amended in this direction.

Sir Samuel Griffith from this out allowed no hindrance to the unimproved basis for valuation, and later, when the historic dispute between the two Houses again arose over this particular Bill, while the Assembly was prepared to modify its provisions in other directions, the rating upon unimproved land values was declared by the leader of the Government to be vital, and that no interference with it could be accepted, so that finally the Legislative Council, which had previously refused to entertain what it had termed the leading principle of the Bill, gave way, and at the finish affirmed the innovation.

So the basis for the valuation of property from which Queensland local authorities were empowered to raise revenue was carried a further step towards the culmination adopted in "*The Local Authorities Act of 1902.*"

"*The Local Authorities Act of 1902*" (PHLP, Premier), was a most comprehensive statute. With the exception of health—to deal with which a special Act had recently been brought in—it consolidated the whole of the laws relating to local government, repealing all old ones, including the special valuation and rating Acts.

In this statute the total exclusion of improvements in any valuation was confirmed with little opposition from within and none from without the Legislature. All rateable property, no matter of what description or where situated, was to be valued "at the fair average value of unimproved land of the same quality held in fee-simple in the same neighbourhood."

Any question of the annual value was in this 1902 statute finally dropped.

Some provisions in this Act must be noted. These do not affect the principle involved, relating as they do solely to Crown lands held under peculiar tenure on gold or mineral fields or similar lands rented from the Government:—

1. Leased Crown lands on goldfields were now to be valued at twenty times the rent payable to the Crown.

2. Land held under other tenure peculiar to gold or mineral fields was now to be estimated as of the same value as similar unimproved land in the neighbourhood held in fee-simple or, in the absence of any such, then at one and one-half times the fair average value of the land of the same quality and held under the same tenure in the same neighbourhood, always without any regard to any improvements or mineral value.

3. Land held under lease or licence from the Crown was now to be valued at a sum equal to twenty times the amount of the annual rent payable; with the proviso that, in the case of land in respect of which an estate in fee-simple could be acquired by the owner or other person, then this land to be valued as provided for ordinary privately-owned land.

In this 1902 statute was swept away the last shred of consideration as regards improvements as a factor in any valuation of rateable property for local government purposes.

Thus, slowly, in successive steps, has an unimproved land tax been accepted by land-owners and the general public, as a basis upon which to carry on the general functions of local government.

That the rates raised thus from the land are spent again locally, it is believed largely to the enhancement of the land, doubtless carries the acceptance of what would otherwise be far from a popular mode of raising revenue.

It is interesting to note how the existing order of things was affected as the new mode of valuing came into operation.

So long as the Government endowment was so considerable—averaging as it did for an extended period a payment of £1 for every £1 locally raised in the municipalities and shires and £2 for every £1 locally raised by the divisional boards—scant attention was paid to the mode of valuation.

The advent of "*The Valuation and Rating Act of 1890*" excluding improvements, along with the knowledge that endowment was going to be immediately curtailed, caused great uneasiness in local government circles, accentuated in the case of municipalities, which had not only to prepare for striking increased rates, but also to considerably modify their basis for doing so.

The usual forebodings of disaster were not wanting.

The Legislative Council, in 1890, had only concurred in the innovation under the strongest pressure. In that House the unimproved land value basis for rating had been termed "experimental legislation," and was considered as an attempt to thrust a new principle upon the people without proper consideration. For the latter charge there were substantial grounds. This so-called single tax upon unimproved land values, as the basis for raising revenue for the principal operations of local government in a colony holding the extensive and diversified areas and interests existing in Queensland had, as a fact, developed *during* the discussions on the 1890 Bill in the Assembly.

This principle had neither been introduced in the new Bill nor was it at first advocated by its framers. The local authorities had in no way been consulted, and to this great and reasonable exception was taken—a postponement of the measure being strongly advocated, so that the local bodies might give consideration to the novel proposition. The necessary time for any postponement, in the opinion of the Government, could not be conceded, and the House affirmed the immediate proceeding with the measure.

There was no precedent in any British-speaking or other community as to the proposed mode of valuation to raise such extensive revenues.

Quite a shock was given to some of the older parliamentarians to discover,

through the candid utterances of one strong advocate* of the principle that it was a simple land tax.

The ablest debater† in the Legislative Council, at the initiation of the debate, spoke as follows:—

He thought the question had not been properly considered by the country.

It was an attempt to thrust a new system upon the people without proper consideration.

And the same speaker, at that time facetiously termed "the leader of the Opposition" in the Upper House, when the Council finally gave its consent, while expressing regret at the adoption of the principle, said:—

It is now becoming the law that the system of taxation should be upon the unimproved value, but I have no doubt but experience of that system will enlighten us very quickly as to its effects.

Whether those who advocate this system are right in saying that its effects will be the gradual extinction of capital value of freehold land—that is, the basis upon which advanced thinkers who are in favour of certain views advocate the tax upon unimproved values—we shall see, and before many years are over many of us will have learnt a new lesson in political economy.

Numerous were the opponents to the measure outside the Legislature, and varied the prognostications of disaster.

The local authorities themselves had the briefest time for consternation. It had been generally believed that the Upper House under no circumstances would adopt the innovation.

The consent of the Legislature not being secured until early in December, and the statute coming into operation within a few weeks, general confusion was experienced, and most anxious work devolved on the local bodies.

To take the instance of Brisbane city, wherein some millions of pounds in value were involved: Unless the requirements of the statute—viz., having the valuation made on the new basis, and approved, and due notice of the same served, with full allowance for legal appeal on the part of every property-owner, could all be put through with celerity—viz., within a few months—then the receipt of rates must inevitably be so delayed as to cause considerable embarrassment of an acute financial nature.

Little of a concrete character is in evidence concerning the initial working of the new statute. A good many of the local bodies found their hands so full owing to the innumerable appeals made against the new valuations that scant time was afforded for criticism or grumbling.

Referring to this period, in a mayoral report submitted to the Brisbane City Council in 1903, the writer included the following:—

In the first year of its application the new system caused considerable difficulty over the colony in the attempt to arrive at equitable comparative values, and in educating ratepayers in the new principle involved.

The necessity for securing an aggregate revenue under the new equivalent to what had been proved requisite under the old method, gave the Council in those days no little anxiety, especially in view of the wholesale appeals lodged by ratepayers in 1891 against the valuations before they became seized of the position.

The following table gives the valuations from 1890 to 1902:—†

Year.	Valuation.
1890 (under old system)	£9,061,450
1891 (under new system)	8,800,351
1892 " "	7,814,185
1893 " "	6,745,553
1894 " "	6,363,308
1895 " "	5,807,541
1902 " "	5,882,055

It will be noted in the first year only some £261,000 was written off on account

* Hon. B. B. Moreton.

† Hon. A. J. Thynne.

‡ In 1903, Brisbane was enlarged by the absorption of the Division of Booroodabin. For the land in the same area—viz., the five old wards which had constituted the City before its enlargement, the valuation last year (1906) amounted to £5,502,988.

of improvements, and that it took several years to bring the city valuations upon a basis to stand the ordeal of the appeal courts.

It must be pointed out in this relation that the reduced valuations of 1895—viz., a reduction as from 1890 of some three and a-quarter millions—is not all accountable for on the score of the exclusion of improvements, it being to some extent due to the Australian financial crisis of 1893 causing serious shrinkage in land values, from which, indeed, they are only now beginning to recover.

While in the towns the new system caused such a radical upsetting of the old order of things—of what had come to be regarded as the hereditary burden of improved property—in country districts, except that heavier rates had to be struck to compensate for the endowment loss, very little change was involved.

ATTITUDE OF THE LOCAL GOVERNING BODIES.

A search through the available documents proves how little evidence can be met with concerning the working of the Queensland system of rating upon unimproved land values for the general revenue purposes of local government.

To such pertinent evidence as is available it appears desirable to make fairly extensive reference.

In the face of the knowledge that the various local authorities by silence seemingly consent to this mode of valuation, the attitude of these bodies in favour of the system must necessarily be based largely in a negative way.

NORTHERN OPINION.

In the North of Queensland very great interest has always been evinced in matters appertaining to local government, and the various statutes and amending Acts came in for due criticism by the individual authorities, and again by the various authorities in conferences assembled for the purpose.

The third sitting of the Conference of Northern Local Authorities was held in the Town Hall, Charters Towers, in June, 1893.

This was after two years' experience of "*The Valuation and Rating Act of 1890*," which had eliminated all incidence of improvements except in the valuation of land held under any tenure peculiar to goldfields in which the value of buildings erected on the land was to be included.

Various resolutions were passed by this Northern conference embodying suggested improvements in the law, and it is notable that the only one touching upon the basis of valuation was the proposal to reduce the only incidence of improved value left—viz., that in the case of land on goldfields—so that only one-third of the value of the buildings should be taken into consideration.

ROYAL COMMISSION OF 1896.

In the year 1896—viz., some five years after the general inception of the new valuation system—an important Royal Commission, having an extensive and representative *personnel*, was summoned by Parliament, and commissioned to go fully into all matters appertaining to local government in order that all the laws relating to the same might be consolidated and amended.

The Commission sat in Brisbane, was occupied for two months, examined many witnesses, gave consideration to information received by circular or otherwise from the local governing bodies, and had under review a mass of official correspondence which had been from time to time received by the Government departments from local authorities and others, covering suggestions as to amendments in the existing law.

In addition to the recommendations made in its report, the Commission submitted for the consideration of the Government a draft Bill* to provide for the consolidating and amending of the laws relating to local authorities.

In this draft Bill the principle of raising revenue solely upon an unimproved land value is fully confirmed.

At the various sittings of the Commission, while all the multifarious operations of local government were open for discussion, and opportunity given to bring forward any actual or supposed disadvantage or suggested improvement, the exhaustive proceedings of the Commission disclose only four relevant references to the valuation question.

* Really overhauled and further amended a draft Bill already prepared.

Two of these occur in the evidence—one, when Mr. W. H. G. Marshall (the Town Clerk of Brisbane city), in reply to questions, said that he did not consider it would be desirable to revert to annual rental upon improved values as a basis for valuation; the other, when Mr. J. W. Hill (the Town Clerk to the Borough of South Brisbane) stated he considered the old mode of rating on improved values to be fairer than the new, and that he did not think ratepayers held any sentimental objections to the rating of improvements.

These individual opinions are remarkable, coming from the sources they do, for the reason that, while the Mayor of Brisbane* in his seat in the House of Assembly in 1890 had been genuinely opposed to the new mode of rating for fear of some unsatisfactory incidence in respect of city properties, a South Brisbane alderman,† also in the Assembly, was all along one of the warmest advocates of the proposed new system.

The Royal Commission's circular to all local authorities requesting information as to the administration of the local government laws, and soliciting suggestions for the improvement of the same, elicited replies to the number of ninety-six, including various volunteered local communications and some information sent from the other colonies; all were fully considered by the Commission:

Two local authorities only touched on the unimproved land basis for valuation—one, *inter alia*, writing it considered that in small townships an advantage would accrue were the local authority permitted to strike a rate upon the improved rental value in such area as might be specially proclaimed by the Governor in Council, while the other considered that such objection as it had to the loss of revenue arising through improvements being no longer rateable, would be met if a slightly higher minimum of valuation was conceded.

These were the only criticisms evoked upon the principle, and, in face of the implied approval of the unimproved land value basis for rating on the part of everyone else, do not seem to have been seriously considered by the Commission.

The principle laid down in the 1890 Act for the valuation of Crown lands on goldfields and elsewhere held under some peculiar or inferior tenure, considerably exercised the Commission, and various suggestions were submitted in the report, the most important of these being afterwards embodied in the 1902 statute.

LOCAL AUTHORITIES ASSOCIATION.

In 1896 was formed the Local Authorities Association of Queensland, "To watch over and protect the interests, rights, and privileges of local authorities; to take action in relation to any subject affecting local bodies or local legislation; and to promote the efficient carrying on of local government throughout the colony."

Some twenty-six of the most important local authorities were the association's first members, and the roll has gone on until it now embraces 135 out of 160 local authorities in all Queensland.

In addition to holding an annual conference, always representatively attended,‡ the association has a permanent executive, which meets at about six-weekly intervals to consider and give effect, so far as possible, to the various requests coming from its members.

This executive naturally took keen interest in the last amendment of the local government laws, as embodied in the general Act of 1902. Save in the direction of endeavouring to secure some modification to assist the local authorities in the vexed instances of the valuation of Crown lands held under some tenure inferior to fee-simple, the executive urged no departure from the final symmetrical proposal as to unimproved land valuation, which is embodied in the statute.

In proof of the attention given to this business, quotation is made from the presidential report of 1902:—

In the expectation that the Government would introduce the Local Authorities Bill in 1901 for the codification and amendment of the existing local government statutes, the executive gave its provisions earnest consideration, and invited suggestions from every member of the association. This invitation met with ready response from a considerable number of authorities, and many very useful improvements in the Bill were the result.

Again, in a similar report in 1903, written after the statute of 1902 was

* John McMaster, M.L.A.

† Wm. Stephens, M.L.A.

‡ Last year 191 delegates, representing 106 local authorities, were present.

enacted, attention of the local authorities was drawn to the fact that the past year had been full of work—

Especially while the Local Authorities Bill was under consideration by the Legislature; exhaustive meetings were held by the executive for the consideration of this measure in its various stages, and although the whole of the amendments known to be desirable were not secured, many alterations and improvements, all in the general interest of local government, were obtained through the efforts of your executive.

As the author of the foregoing, the writer can testify that amongst all the numerous suggestions received at this time by the executive from the association's members and others, none raised any dissatisfaction with the proposed system of valuation.

In the year 1898, the Premier of Victoria requested, through the Home Secretary, information as to Queensland's experience with unimproved land valuation. This being forwarded to the association as the body best qualified to answer, the executive approved its secretary writing, on behalf of local government, altogether favourably concerning the system.

The British Government seeking similar information last year, the request was referred by the Premier (Hon. Wm. Kidston) to the association. Being then treasurer of the association, the writer suggested the matter should be discussed at the coming annual conference, and offered to open a debate upon the incidence of unimproved land valuation. The executive, however, considered the question to be so "non-contentious," the local governing bodies resting "so satisfied with the principle," it was undesirable to occupy the time of the conference in this connection.

It having fallen to the writer to be intimately connected with the management of the association, including the preparation of three annual presidential reports, and, in addition, having recently searched the whole of the association's transactions and correspondence from its inception to date, the statement can be made that no evidence is to be found to substantiate dissatisfaction being felt with the principle of valuation now in force, save in the isolated instance of the peculiarly circumstanced Crown lands on mineral fields, and the desire of some authorities to have the present minimum* of valuation raised, which exceptions can hardly be accepted as directed against the principle at large.

OTHER POWERS OF RATING.

The Queensland law allows considerable latitude to local government in the instance of various works of the nature of "services rendered," and imposes certain limitations.

With water supply, only land within 300 feet of a main is rateable; but the rate can be, at the local authority's option, either upon a land valuation or upon any other principle of calculation.

In the performance of sanitary services—removal of rubbish, &c.—a sanitary rate can be struck, always limited to land in occupation; but, if so desired, this can be upon any basis the local authority thinks fit; or, in place of any rate, an order can be substituted, under which occupiers become liable to pay such sums and in such manner as the local authority may prescribe.

The local authorities further have power to levy certain special rates applicable to the whole or part of any area for health purposes, and for the construction and maintenance of a variety of works.

In the case of a portion of an area only being taxed, the rate is termed a separate rate.

Such a rate must be grounded upon the fact of a particular benefit to a particular district, called the benefited area, to be defined and declared by the Minister.†

SOME LIMITATIONS.

A study of local taxation in Queensland necessitates some recognition of the scope of the governing bodies.

Though the many public duties performed need not be quoted, reference is desirable to various services—often undertaken by the local bodies in other countries—from which they are exempted in Queensland.

* In towns £30, in shires £20.

† Home Secretary.

These exceptions can be broadly stated as more or less onerous duties of a national benefit, such as are generally admitted, when administered by local government, to be entitled to substantial subvention out of the national exchequer.

These include—

Poor Relief, Orphanages, &c.

Education, including Free Libraries.*

†Police, Criminal Prosecutions and Prisons, Hospitals,‡ and Asylums.

Registration of Deaths, &c.

Other duties conferring national benefit *are* undertaken by the local authorities, such as—

Main roads,

Bridges,

Sanitary inspection,

Noxious weeds.

In the foregoing connection, it must be remembered that local government in Queensland no longer receives any endowment assistance from the State, and in effect is only permitted the one mode—an unimproved land value tax—of raising revenues for general purposes.

Nothing is received from occupiers as such; nothing from property other than land; nothing on account of personalty or estate duties.

All Crown properties, Federal as well as State, are exempted from taxation, save as by way of refund for a specific service rendered, such as water supply, sanitary services, rubbish removal, &c.

Roads, streets, and footpaths, their formation, maintenance, watering, and lighting; the provision of sewers and drainage, sanitary inspection, &c., are all a charge upon local government, albeit for the direct benefit of much valuable property, which, under the shield of the Crown, is absolutely exempt from any contribution.

In addition to the Crown properties, the following are also exempt from any local government tax:—

Commons.

Land in occupation of any person or corporation used for public purposes.

Land used for showgrounds or for public recreation or athletic sports or games.

Land vested in or in occupation of any local authority.

Land used for purposes of public charity.

Land used for public worship.

Land used for public worship and educational purposes.

Land used for orphanages.

Land used for mechanics' institutes.

Land used for schools of arts.

Land used for technical schools or colleges.

Land used for schools of mines.

Land used for public schools.

Land used for public libraries.

Land used for cemeteries.

Further, local government receives nothing on account of hotel or club licenses or the liquor traffic.

SOME DISABILITIES.

The imposition of local taxation solely upon land values has not worked satisfactorily in all instances.

1. *Lands on Mineral Fields.*

With occupied Crown lands on mineral fields difficulty is experienced in valuing these comparably with other lands in the same neighbourhood, owing to the inferior non-negotiable title appertaining to the former.

Under a miner's right, for instance, costing but 5s. per annum, land can be held and used as fully for the erection of buildings as can other lands for which, if in private ownership, a high purchase price or rental would have to be paid.

* It is permissive to contribute towards libraries, and some local authorities do so.

† Including in Brisbane, control of traffic; the Government taking all fees and fines.

‡ Under the Health Act certain obligation as to hospital maintenance in infectious diseases is implied, which, to a great extent, has been a dead letter.

For a time the inclusion of buildings in the valuation of these Crown lands was continued, in order, in a rough way, to make up for the lack of marketable capital value in the land, but this was resented upon the score of the differential treatment.

The final exclusion of improvements in favour of the 1902 compromise provisions for arriving at the value of these lands has not entirely solved the problem.

Considering that the Crown excludes all mineral values from local taxation, and itself receives all fees and licences as well as heavy rentals from certain classes of these lands, and also levies a tax upon dividends declared by mining companies, a remedy should not be far to seek in order to place the local authorities in the position of obtaining an equivalent contribution from these mineral lands to that which land held in fee-simple has to pay.

2. *Services Rendered.*

For such services, for instance, as the removal of garbage, the attempt to levy upon the intrinsic value of the land was rating run mad. Yet for many years this was attempted to be carried out in Brisbane.

As was inevitable, even under the most carefully thought out apportionment, the most grotesque inequalities resulted. The incidence of this mode of rating for such a purpose was unfairly against highly-priced land.

It is a notably unsatisfactory commentary as to the apathy of those who should be interested in local government management to record how difficult it was to get this unjust sanitary rate altered to the more equitable arrangement now obtaining in Brisbane.*

Owing to the bubonic plague scare in 1900, the Government created a joint board to take over the individual responsibilities of the metropolitan local authorities in connection with epidemic diseases. Without due consideration, the basis for the necessary revenue was arbitrarily fixed upon an unimproved land value basis, and resulted in the most unjust incidence against Brisbane city lands.

More recently, persistent endeavours have been made to secure the treatment of infectious diseases by the Brisbane General Hospital on account of the metropolitan areas generally. By those likely to be unfairly benefited thereby the land-value basis for payment has been strongly advocated.

Brisbane has so far stood out for a fair basis of payment by each area, to be estimated upon the number of days of hospital treatment accorded to cases arising in each area, or upon some reasonable compromise based upon a mean taken as upon—

- †(1.) Rateable property (supposed ability to pay).
- †(2.) Population (supposed necessity for expenditure).
- †(3.) Cases treated (actual expenditure).

3. *Undertakings.*

Difficulty in dealing with the valuation of lands—such as the streets of the local authority—used by electric power transit and light, gas, and hydraulic undertakings, was anticipated in the 1902 statute, so that special clauses were inserted under which tramways are rateable on the gross earnings proportionate on the mileage of route, and the other undertakings upon the mileage of pipes or lines installed, proportionate upon the dimensions of the services.

In addition, it was left optionally open for the local authority, with the consent of the Governor in Council, to enter into any special mutually satisfactory agreement with the owners of such undertakings as to their taxation.

4. *Mixed Values.*

When uniform rating is obligatory or desirable in any area, should the lands therein be of widely divergent value; difficulties arise; these were touched upon by the writer in a mayoral minute to the Brisbane City Council in 1904:—

So far as the capital of the State is concerned, owing to the enlargement of the city, the Queensland principle of rating upon unimproved land

* Payment for services rendered.

† Such a basis would be much upon the lines suggested by Sir T. Dyke-Acland and Lord Balfour, of Burleigh, in connection with rating in England.

values is receiving a severer test than has been hitherto applied to this unique system. In last year's report I wrote:—

“While the system of rating upon unimproved land value has worked satisfactorily in Queensland, whether in application to city, suburban, or country areas, it is by no means certain, except, perhaps, under some arrangement of differential rating, that the system will be found to give equal satisfaction when it may be necessary to apply it to mixed sorts of lands, such, for instance, as city and suburban land taken together. Because of this, and in view of future enlargements of our city, I recently tabled a motion to ensure this important question receiving consideration.”

Through the amalgamation with Booroodabin, something approaching the “mixing” of suburban with city lands has been brought about. The result of this is not yet clearly apparent, owing to the differential rate struck last year.* One significant fact, however, is recorded, inasmuch as the total amount of rates upon the higher scale received from the two new wards had to be considerably over-spent to provide for the demands viewed from a city standpoint.

By area we know that the two new wards are practically equal to the rest of the city, while upon a basis of even rating they will only yield about a ninth of what the remaining wards or the other half (by area) of the city will yield.

Now that we are getting experience of the mixing of the various classes of land, an interesting and important new aspect is being forced under review.

It is quite clear that the proportionate value of improvements by comparison with the land value varies greatly as between city and suburban properties. If city and rural properties were taken together the contrast would be greater still.

If the expenditure, based upon a city standard, is to be applied equally to low-priced as to higher-priced land, an inequality of benefits given as against rates received is inevitable.

This would, of course, be particularly noticeable until such time as the general expenditure brought up the values of the less valuable land.

The disparity referred to would not be so great under the almost universal improved property system of rating. With, say, suburban town lands, the improvements average more in value than the land itself while in the case of city property the reverse is true.

The question arises whether, to secure fairness, some system of zonal differential rating or some other expedient will not have to be adopted to bring satisfactory results.

The foregoing cover the leading difficulties so far met with under the application of the unimproved land value mode of rating. As indicated, each can, by some special procedure, be surmounted without interference with the general application of the principle of the system.

SOME EFFECTS OF THE UNIMPROVED LAND TAX IN THE TOWNS.

The exclusion of taxation upon property other than land was apparently expected to lead to the promotion of improvements, while the application of the tax upon land only might reasonably have been expected to discourage land speculation.

From the standpoint of Queensland city holdings it is believed that such expectations have been borne out.

With urban and suburban property, up to 1890, local taxation was upon the annual improved rental value, and was of a somewhat negligible quantity, owing to the considerable amount of endowment received from the Government.

In 1891 came the change to the rating upon the unimproved land value system, the effects of which became more apparent as the Government endowment diminished, which it rapidly did.

The case for comparison under the two systems would have been simpler had

* 1½d. in five old wards; 2½d. in two new wards.

the colony continued to prosper and advance in something like the same ratio as during the eighties, or even had anything like normal times been maintained.

As it happened, coincident with the application of the new system of taxation, property values of every kind went to pieces, and there has been no substantial rally since.

The new system, although introduced in 1891, cannot be estimated as in full operation until 1894-5, by which time the Government endowment to local authorities, which, under the old system had reached an annual payment of £276,000, was reduced to £63,000;* and, in addition to this, by the same year considerable sums of money, previously annually expended by the Government upon main roads and bridges, finally ceased.

At this period (1894-5) the colony was in the midst of the depression consequent upon the Australian financial crisis of the previous year, with the result that, except in the instance of certain busy mining and other smaller centres, building was brought practically to a standstill, and there has not been—with some individual exceptions—anything like a return to prosperity in the building trade since.

The financial collapse in 1893 wiped various land banks and building societies out of existence, and it is only within the last year or two that the majority of the surviving institutions of this class have commenced to be busy once more.

These facts indicate how the special conditions of the times have complicated any comparison as between the new and the old order of things.

Personal acquaintance with the operations of leading financial and building institutions, and with private firms and individuals dealing largely in real estate, both improved and unimproved, enables the opinion to be expressed that the absence of any tax upon improvements considerably relieved the tension imposed upon the holders of improved properties during the depression, and also encouraged building operations being undertaken at an earlier period and to an extent that would not otherwise have happened.

More than once it fell to the writer, in the instance of property owned outside the colony, when the question of some projected buildings was under consideration, to point out the peculiarity of the Queensland system in exempting the improvements from taxation, this fact counting as an encouragement to the expenditure of money to render unimproved land revenue producing.

To raise certain revenue in any given area by taxing improvements as well as land, the incidence of the taxation is necessarily lighter on the land than it would be were the tax upon the land value only.

The tendency, therefore, under the new order of things was to depreciate the values of unimproved lands regarded as land only, accentuated in the neighbourhood of towns, on account of the negligible rental value of such land.

The new system of taxation, falling as it has, entirely upon the unimproved value of land, owners have felt the strain severely, especially during the bad times, and this incidence of the new system has tended in the direction of delaying recovery in the values of urban and suburban unimproved lands, and, it is believed, will always have a deterrent effect upon the holding of land for merely speculative purposes.

In the light of Queensland's experience, in the writer's opinion, after making due allowance for the disruption of 1893, and the general depression which has since continued through the prolonged droughts, &c., the new system can be accepted as distinctly against the maintenance of fictitious values in land.

The stimulation to improve land, owing to the appreciable rating of the same, is more clearly established whenever the outgo is very direct and visible, such as in the instance of highly-priced city lands.

When an owner has it brought annually home through his cheque book that he is paying out just as much in rates upon, say, a fifty-foot frontage of vacant land as he has to contribute upon a similarly sized piece, carrying, as it may do, his entire business establishment, or may be improved with buildings giving him fair rentals upon both land and improvements, it becomes a mere question of time until

NOTE.—As some grounds for the introduction of individual information under this heading, it appears desirable to state that for the past twenty-one years the writer has carried on the practice of his profession as an architect and valuer in the capital of Queensland, the duties appertaining to which have had application in country and suburban as well as in city areas.

* It has since 1903 entirely ceased.

he either takes steps to render the unimproved land also rent-producing or decides to let someone else have the chance to do so.

That previous attention has been directed to this phase, the writer may quote from his mayoral report to the Brisbane City Council in 1902.

Referring to certain corporation* lands occurs the following:—

No private citizen could afford to hold such properties as belong to the Council, with their valuable business locations and long street frontages, without turning them, as could easily be done, into distinctly revenue-producing assets.

The fact that the Council's city lands have lain during the last dozen years lacking any improvement is a significant example how the absence of taxation on land value prevents that interest being taken in their development which would almost certainly have followed had the lands been a recognisable charge upon the corporation.

To state this case more particularly: These unimproved city lands, having in round figures an aggregate book value of some £160,000, would, if in private ownership be liable for, say, £1,350 a year in rates. Now, were such an annual obligation laid visibly upon the corporation, can it be doubted but that the Council would be stimulated to improve the land?

In the provision of the unimproved-value-of-land basis for taxation, one of the principles involved, viz., the stimulus expected to accrue toward the promotion of improvement, was very early recognised in this State, and encouraged as Queenslanders became better acquainted with the idea.

The discussions† that took place in Parliament upon the various local authority Bills stand in proof of this.

A conspicuous instance of the direct tendency of this legislation is the statute of 1887, which, as finally passed, not only afforded some relief upon improvements generally, but very specifically provided what amounted to a permissive premium in the case of fully improved land, and, going a step further, when fixing the minimum and maximum of rate allowable on unimproved land, imposed what will be noted to be practically a penalty upon land altogether unimproved.

While the law laid down in 1890, and as amended in 1902, gives symmetrical rating, the necessary stimulus has been maintained by the exclusion of *all* improvements from *any* tax.

Coming now to rentals, it would appear obvious that with taxation on the land only, the rentals from improved properties can be lower than they would otherwise require to be were the improvements also taxed, and yet give as good a percentage of profit to the owner on his investment; or, put in another way, that a better building could be provided without the owner having to be penalised for his enterprise. If there is truth in the argument against land taxation on the score that it will lead to the excessive utilisation of the land, then the removal of the tax off the improvements should be some inducement for liberal construction on the part of the building-owner.

The taxation of the unimproved values of land in any area, omitting altogether a tax on improvements, necessarily lightens the burden in the instance of improved properties. This should, and does, enable the rent charge to be lessened.

Reverting again to the instances quoted as to advice tendered land-owners resident outside the State and projecting improvements upon their holdings, it also became necessary in such instances, when explaining the Queensland system of local taxation, to emphasise the fact that it was not requisite to add anything extra to the rent or interest looked for, to provide for fresh taxation, as none would arise through the property becoming more valuable owing to its further improvement.

Logically—other things being equal—money should be more profitably expended upon improvements in Queensland than anywhere else,‡ owing to their exemption from local taxation, and, other things being equal, there is less incentive to expend

* Reference is made to lands of a business nature only, not to reserves, parks, &c.

† These discussions also exhibit strange inconsistencies on the part of the two Houses. Any advance on the part of one House in the particular direction of the exclusion of improvements from taxation being jealously regarded by the other, so that we find what the Assembly sees fit to advocate stoutly opposed by the Council, and the very same ideas, if promulgated in the Council, strongly condemned by the Assembly.

‡ No attention is paid herein to the isolated instances in which unimproved land value taxation has been applied under the half-hearted permissive legislation in New Zealand, where the question, not being decided by the Government and with every facility provided to allow any area to keep changing its principles of rating, no stability of values can be relied on.

money in land in Queensland than anywhere else, owing to the unimproved value of land having to bear all the local tax.

It also follows that one incidence of the unimproved land value system of rating is the imposition of a tax on the unearned increment in respect to land; or, to carry this a step further, it amounts to the shifting of a considerable portion of any increment from the individual land proprietor to the property owner at large.

In considering any beneficial incidence of the system as regards real estate, it must be remembered that, in Brisbane, for instance, the tax on land values is expended in the main upon services that may be regarded as more or less beneficial from a property owner's standpoint; that services of a personal nature, such as sanitary services, are not rated upon the land, and that a variety of services, of an onerous or national character, often undertaken by local government in other countries, are not a burden upon our local authorities.

One argument used against taxation on unimproved land values, viz., that the same must lead to over-utilisation of the land—has not been, so far, tested in this State. This question of overcrowding land must always be to some extent affected in accordance with the liberality or otherwise which controlled the original cutting up. Legislation on the lines of the Queensland Undue Subdivision of Lands Act could always beneficially lessen dangers in this connection.

Except in the instance of individual properties, the question of an excess of value in the improvements compared with the land value, has not been acutely presented to date in Queensland. The condition of things obtaining in large cities wherein improvements largely exceed the land values, would, under an unimproved land value basis for taxation, bring into prominence the disproportion of the value of the property responsible for the rates in comparison with the total value of the property benefiting under the expenditure of the same.

One sharp incidence under any sudden introduction of the Queensland system of unimproved land value rating to highly-improved centres cannot be avoided, however intangible the same may appear—viz., an immediate appreciation of the capital value of existing improvements, owing to the sweeping away of so much of the hereditary burden of taxation from this class of property, while the opposite result must occur with land which has in the past only borne a portion of the tax in common with the improvements—and most markedly will this operate in the places wherein unoccupied land has been held altogether exempt from taxation.

Expressed in its personal application, the introduction of the Queensland system would require some property owners to be taxed more heavily in the future, in order to make good the reductions in the contributions of other property owners.

THE BASIS OF VALUATION.

There appear to be no means of estimating to what extent practical experience, or even solid belief, may have supplemented mere theory when the principle of rating on unimproved land values as the basis for raising local revenues was being evolved in Queensland.

There was certainly no advocacy upon extreme lines such as "that it was suggested to exact payment according to advantages conferred," or that "the benefit received should be a controlling factor of the charge made," though this principle was to some extent recognised and approved.

Very little consideration appears to have been given to the fact that a beneficial incidence to land, arising from the expenditure of revenue raised through a tax on the same land, approximates to an earned increment.

The principle of a distinctly traceable improvement or return for a particular tax is provided for in the statutes, under the head of "Separate Rates."

A separate rate in Queensland is, however, like the general rates, restricted to land only, and does not look for contribution from other forms of property which may also be benefited.

Another name for such a rate would be a "Betterment Tax." In the United States it would be termed a "Special Assessment."

Of a similar class is the "Site-value Tax," so much debated at home.

This principle is as old as local government. A statute, dating back to 1427,* in England empowered the collection of the expenses involved over repairs necessitated by the inundation of the sea, from all whose landed interests received benefit therefrom.

* 6 Henry VI., chapter V.

Special clauses, embodying the principle, were introduced into an Act in 1667, regulating the rebuilding of London after the great fire.

Such statutes provided the genesis of the principle which has made considerable headway in America.

While the power to levy special assessment has application over most of the United States, it has by no means there, or elsewhere, been applied as any guiding principle in general municipal taxation.

It was left to the youngest of the Australian colonies to evolve, or, at any rate, to practically apply, for general local taxation purposes a system which, however far it may go or fall short, was believed to embody to a considerable extent the promotion-of-improvements principle, a principle which, while it had been theorised upon by many, was never so convincingly stated as to persuade any people to its extensive adoption on any broad lines.

It is a system neither borrowed by their legislators nor accepted by the people of Queensland ready-made from others, but one educed, as the gradual development of legislation proves, more or less subconsciously from the germ of the idea, which in its integrity is an excellent belief—viz., that a premium should be held out, or, at worst, no discouragement offered, to the improvement of the unexploited lands of a new country.

It is a system that in its Queensland application is intended to provide for some reasonable advantage accruing to the land taxed, and which has worked in operation with fewer difficulties than its most sanguine supporters could have anticipated.

Although raising considerable local revenues on unimproved land values has so far met with little objection, it by no means follows that very profound study has been accorded to the subject by those most interested—viz., the ratepayers themselves.

As further duties come under local government jurisdiction the present system cannot escape from very critical examination, for manifestly there is a limit to the burden which will be accepted upon any single class of property.

Should any other land tax come into force, the contributions now more or less cheerfully paid for local government purposes would be very differently regarded. While discontent has to date been so limited, when the Government proposed a couple of years since to make the Brisbane General Hospital a partial charge upon the local authorities in the metropolitan areas, the greatest exception was taken to one form of property—land only—being saddled with such hospital maintenance, and, partly for this reason, in the end the proposal was dropped.

No unreasonable opposition to the extension of the duties and powers of local government bodies is anticipated in Queensland, and in the case of such the sound principle would doubtless be conceded that, to secure economic administration, a portion of the moneys to be expended must be locally raised; yet it may be accepted that ratepayers will stoutly resist the imposition of fresh duties, especially such as are of a national character, unless the State is prepared to make due allowance for this aspect.

So long as the local tax raised from land is not excessive and is expended upon services from which the land rated derives reasonable benefit—and always provided no other land tax is imposed—there does not appear at present much likelihood of discontent in Queensland.

Recognition is assumed of the fact that increment in land value is not solely derivable from municipal out-go nor land always benefited by such expenditure; that if expenditure be excessive, and to provide for the same an excessive tax be requisitioned to the diminishment of the land-owners' net return, this may imply actual depreciation of the capital value of the land.

As taxes increase, however, and especially as fresh duties have to be undertaken, all the issues will be less simple; other forms of property—as was instanced in the fight over the Brisbane hospitals question—will be looked to for contribution as well as land, and the equally valid question of the equity of the State bearing its fair share of all expenditure upon duties partaking of an onerous or national character cannot be ignored.

While it may be inexpedient for local government to trespass into the domain of customs, excise, or income taxes, there is no apparent adequate reason why a portion of the State-raised funds should not be handed over to local government.

Through the State funds the local authority should reasonably look to secure some revenue which would include due recognition of two important factors in municipal finance (not satisfactorily accounted for under a land tax)—viz., “ability to pay”—and the now equally recognised principle that “persons as well as things” should contribute.

~~V 474~~ S 2029

ESTATE DUTY.

RETURN to an Order of the Honourable The House of Commons,
dated 18 April 1894 ;—*for*,

COPY "of Paper explanatory of the Proposals of MR. CHANCELLOR OF THE
EXCHEQUER with respect to the ESTATE DUTY."

5

(Mr. Chancellor of the Exchequer.)

*Ordered, by The House of Commons, to be Printed,
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PAPER EXPLANATORY OF RESOLUTION.

THE estate duty will be payable upon the capital value of all property which passes on the death of a person dying after the 31st May 1894.

The existing probate and account duties, and the additional succession and estate duties under the Acts of 1888 and 1889 will cease as respects the property which pays estate duty. So also will the succession duty on lineals.

Property passing on death will include both real and personal property—

- (a) Over which the deceased had a disposing power ;
- (b) Which was settled, and an interest in which accrues on the death to some other person ;
- (c) Property which would be subject to account duty under the Acts of 1881 and 1869 if those Acts were extended to real property and to settlements which are not voluntary.

Of the property passing at death all which was at the deceased's own disposition, or goes to his family, will be aggregated, and pay the graduated rate of duty in the Schedule on the aggregate value.

Settled property having paid estate duty will be exempt from further payment of that duty during the continuance of the settlement, but in consideration of that exemption, will pay an additional estate duty of one per cent.

But that additional duty is not to be paid where the only life interest is that of the deceased's wife or husband.

The estate duty on real property will be paid by eight yearly instalments with interest at three per cent. from the date of the delivery of the account.

The value of the property is to be determined by the Commissioners of Inland Revenue, subject to appeal to the High Court.

The tenant for life who pays the duty will be able to charge the amount on the capital of the property.

Settled money can be used in order to pay the estate duty on settled property.

Estates under 1,000*l.* having paid estate duty will be free from any charge for legacy or succession duty.

Legacy and Succession Duty.

The rates of legacy duty remain unchanged.

Succession duty, as respects both the rate of duty and the valuation of property, *i.e.* (the charging of it on capital value), will be the same as legacy duty.

Probate Duty Grant.

The probate duty grant to local authorities will be replaced by a grant out of the estate duty of a sum of one and a-half per cent. on the net value of the property which would, but for the substitution of estate duty, have been chargeable with probate duty. In this way the local authorities will retain the same interest as heretofore in the increase of the amount of such property.

SCHEDULE OF RATES.

Where the Principal Value				At the Rate for every full Sum of 100l., and for any Fractional Part of 100l. over any Multiple of 100l. of
	£.		£.	
Exceeds	- 100	and does not exceed	- 500	- One pound.
"	500	" "	1,000	- Two pounds.
"	1,000	" "	10,000	- Three pounds.
"	10,000	" "	25,000	- Four pounds.
"	25,000	" "	50,000	- Four pounds ten shillings.
"	50,000	" "	75,000	- Five pounds.
"	75,000	" "	100,000	- Five pounds ten shillings.
"	100,000	" "	150,000	- Six pounds.
"	150,000	" "	250,000	- Six pounds ten shillings.
"	250,000	" "	500,000	- Seven pounds.
"	500,000	" "	1,000,000	- Seven pounds ten shillings.
"	1,000,000	- - -	- - -	- Eight pounds.

Note.—The above is a general summary, and is necessarily incomplete in the details, which can only be explained by the Bill itself.

ESTATE DUTY.

COPY of Paper explanatory of the Proposals of
Mr. CHANCELLOR of the EXCHEQUER with
respect to the ESTATE DUTY.

(Mr. Chancellor of the Exchequer.)

Ordered, by The House of Commons, to be Printed,
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PART I.

**SPECIAL MEMORANDA PREPARED FOR THE
CHANCELLOR OF THE EXCHEQUER**

ON

LAND TAXES AND INCOME TAX, &c.

I.

TAXATION OF INCREMENT VALUE

IN

FRANKFORT AND OTHER GERMAN CITIES.

BY

Mr. BERNARD MALLET,

ONE OF THE COMMISSIONERS OF INLAND REVENUE.

as above similar taxation :
B.M., 5/7/09.

REPORT BY MR. BERNARD MALLET, ONE OF THE COMMISSIONERS
OF INLAND REVENUE, UPON TAXATION OF INCREMENT VALUE
IN FRANKFORT, HAMBURG, COLOGNE, AND DRESDEN, TOGETHER
WITH A TRANSLATION* OF THE BYE-LAW RELATING TO THE
TAX ON CHANGES OF OWNERSHIP OF REAL PROPERTY IN
FRANKFORT. [OCTOBER 19, 1908.]

FRANKFORT-ON-MAIN.

FRANKFORT was the first municipality to devise and put in force a scheme for the special taxation of the increase in land values which has been a marked feature in the growth of German cities during the last few years, though the question has in a more general sense been attacked, it is claimed successfully, in a large number of communes ("Gemeinde") by the substitution of market or capital value for annual value in the assessment of the land taxes in accordance with the recommendation of the Prussian Government in 1899. (See Section II of this Memorandum.)

The special taxation initiated by Frankfort, copied by other municipalities, notably Cologne, and about to be introduced in such important cities as Hamburg, Dresden, and Leipzig,† is still, of course, in an experimental stage, but it has been in operation in Frankfort for nearly four years, it is considered to be already a success there and likely to be increasingly successful in the future; and it is in Frankfort, therefore, that the new principle can best be studied. In my recent visit to that place I was indebted to His Britannic Majesty's Consul-General (Sir Francis Oppenheimer) for the most active personal assistance in my inquiry; he supplied me with the necessary documents, and placed me in communication with the city officials responsible for the tax, notably with Dr. Woell, the member of the Upper Town Council in charge of the finances, with whom I had two long discussions. The following account is based upon the information thus obtained, and upon the various laws, administrative forms, and finance accounts bearing on the question.

The Frankfort increment tax ("Wertzuwachssteuer") is based on the idea of taxing real property on the occasion of a change of ownership by purchase or exchange, and in this respect is a development of an old Frankfort impost called "Währschaftsgeld."

I.—Provisions of Bye-Law ("Steuerordnung") of the 19th February, 1904, as amended by that of the 11th September, 1906.

Every change of ownership (except as afterwards indicated) in land situated within the boundaries of Frankfort, where transactions in real property are practically confined to sales and purchases of freehold property, is subject to a municipal *ad valorem* tax calculated on the basis of the price in voluntary sales, and in the case of compulsory sales by auction (e.g., on bankruptcy) on the amount of the highest bid. If the amount of the consideration is obviously out of proportion to the value of the property, the market value is substituted for the agreed price as the basis of taxation. For the purposes of the tax, charges payable periodically on the property (such as rent-charge) are capitalized and added to the actual price, the liability to pay such charges assumed by the purchaser being regarded as part of the real consideration. This, however, is not the case with the public taxes charged on the property.

* See Appendix, p. 20.

† In Prussia alone similar taxation is now either in actual operation or under consideration in over fifty communes. B.M., 5/7/09.

Rates
Basis
tax 2 per
cent. on sale
price.

1. To begin with, there is a tax of 2 per cent. on the *purchase price* in all cases. This is simply a tax on change of ownership, irrespective of whether the property has been increasing in value. Though the *rate* of 2 per cent. only dates from the "Steuerordnung" of 1904, a tax on change of ownership of real property ("Währschaftsgeld"), similar in nature though less in amount, had been levied in Frankfort for many years—certainly since 1801.

Additional rates
specially
hitting in-
crements in
value.

2. The "Steuerordnung" of 1904 introduced a special form of taxation of the increase in value of the property, such increase being taxed, not annually or periodically, but on the occasion of any change of ownership (excluding inheritance, see § 9 of the bye-law). This was done by way of *additions* ("Zuschlag") to the 2 per cent. tax, the additions being calculated according to two different scales, as follows:—

"Auto-
matic" scale
for gradual
increase in
value.

(i.) If the property has remained in the same hands for at least twenty years the scale set out in section 3 of the "Steuerordnung" applies. A distinction is drawn between land which is built on and land which is still unbuilt on, in the latter case the assumed increase in value over a period of years being considerably greater than in the former. The present rates of charge on *purchase price* are as follows:—

(a.) Land which is built over:—

	Per cent. of sale price.
If more than 20 years, but not more than 30 years, have elapsed since a previous change of ownership	1
If more than 30 years, but not more than 40 years, have elapsed since a previous change of ownership	1½
If more than 40 years	2

[There is no separate valuation of land and building. The charge is on the purchase price of land and building together.]

(b.) Land not built over:—

	Per cent.
More than 20 years, but not more than 30 years since last change of ownership..	2
" 30 " " 40 " " ..	3
" 40 " " 50 " " ..	4
" 50 " " 60 " " ..	5
If more than 60 years	6

The additional tax according to this scale is not, however, exigible if it can be shown that the present purchase price is not above the former purchase price, taking into account the cost of any building or rebuilding that may have taken place, or that the difference between these prices is not more than the amount of the tax.

Experience had shown that, in general, a great increase in ground values had taken place in the previous century, and, accordingly, in the case of each piece of property, it was assumed that an increase had accrued to the owner which could be estimated according to the number of years the property had remained in his hands, and the onus of proving that no such increase had taken place rests on the owner.

Scale for
rapid
increases in
value, or
land specu-
lation.

(ii.) The above-mentioned "automatic" scale met the case of property which had remained in the same hands for many years, and in which a gradual increase in value had taken place. But another phase of the question of increase in ground values had to be dealt with—cases where speculators in land buy property and resell it, reaping large profits in a short time. To deal with these cases it was considered necessary to go into the *actual* increase in value in each case and to take in taxation so much per cent. of the *increase*. These charges come into operation only where less than twenty years have elapsed since a previous change of ownership, and where an increase in value of at least 15 per cent. has taken place. They are according to the following scale:—

2 per cent. of the increase in value, if such increase amounts to between 15 per cent. and 20 per cent.	
3	20 " 25 "
4	25 " 30 "
5	30 " 35 "
6	35 " 40 "
7	40 " 45 "
8	45 " 50 "
9	50 " 55 "
10	55 " 60 "

and so on, 1 per cent. for every 5 per cent. of increase in value up to a maximum of 25 per cent.

It was thought that by not taxing very small profits and by taking only a small percentage of the profit at the beginning of the scale unfairness would be largely avoided. For this reason at its first institution the tax was only levied when the profit amounted to 30 per cent., but by the later "Steuerordnung" profits amounting to 15 per cent. were subjected to taxation.

For the sake of clearness, it may perhaps be pointed out that the above scales 2 (i) and 2 (ii) are in addition to the tax of 2 per cent. (1), which was first mentioned; and that they are, of course, mutually exclusive.

The original purchase price is to be taken as the basis for calculation of the tax under 2 (ii), but certain additions to this are to be made. These are:—

Mode of calculating "Wertzuwachs" (allowances, &c.).

(a.) Expenditure on permanent improvements of the ground, including cost of making streets, sewers, also building and rebuilding. Such expenditure, if covered by insurance, is, however, not admissible.

(b.) Five per cent. of the original purchase price as compensation for legal costs and stamp and transfer taxes.

(c.) In the case of unbuilt land which has not been used by the owner himself for agriculture or business, loss of interest at 4 per cent. is allowed for, and also cost of repairs and maintenance (any income derived from the property being set off against such allowances).

If during the period in which the land belonged to the vendor there were buildings on it for part of the time only, the loss of interest is calculated only for the time in which there were no buildings, *i.e.*, in the case of new buildings up to the time when they began to be used; in cases where buildings had been pulled down, from the time the site was completely cleared.

When a part of the land has been taken by the municipality for streets (this may be done in Frankfort without any money compensation being paid to the owner) regard is had, for purposes of taxation, only to the proportional part of the land which remains.

No other allowances are admissible, and tax under 2 (ii) is payable on the present sale price, *minus* the previous purchase price, with the above-mentioned additions.

Vendor and purchaser are jointly responsible for the payment of the 2 per cent. tax and also of the "Zuschlag" (i). For the "Zuschlag" (ii) the vendor only is held responsible.

Liability for payment.

The reason for this at first sight rather puzzling distinction is stated to be that the 2 per cent. tax and the "Zuschlag" (i) are both amounts which can be calculated with comparative ease by the purchaser, and can therefore be taken into account by him in arriving at the amount which he is willing to pay for the property. The "Zuschlag" (ii) depends, however, on facts which he cannot so easily ascertain and therefore it was considered unfair to impose any liability on him in respect thereof.

In practice half of the amount of the 2 per cent. tax plus the "Zuschlag" (i) is usually demanded from the vendor and half from the purchaser, the full amount of Zuschlag (ii) being demanded from the vendor, the right being, of course, reserved to collect the whole of the 2 per cent. tax and the "Zuschlag" (i) from either of the parties in the event of the failure of the other to pay.

If one of the parties is exempt half of the duty is to be paid by the other party.

In the case of compulsory auctions the person to whom the property is knocked down pays the 2 per cent. If he is exempt no duty is payable. The "Zuschläge" are not exigible in any circumstances in the case of compulsory auctions.

In cases where the person to whom the property is knocked down has held a mortgage on the property for at least three months before date of sale, if he can prove that he has merely taken part in the bidding to protect his own interests, he is exempt. This exemption, however, does not apply if the property has been knocked down to him at a figure higher than necessary to protect his rights.

Where the change of ownership in property is effected with the object of dividing up a piece of property held by joint owners, tax is payable only in so far as the part which now becomes the sole property of one of the (formerly) joint owners exceeds in value his undivided share of the whole property when it was joint property. This applies both to cases where the division takes place by voluntary agreement and to those where it is done by way of compulsory auction ("Zwangsversteigerung").

Division of property held jointly.

Where one piece of land in the boundary of Frankfort is exchanged for another, a single tax is payable. The amounts of tax which would be payable on a change of

Exchange.

ownership of *each* of the pieces of property are compared, and of these two amounts the higher *only* is taken.

Exemptions.
See
p. 299 of
"Bürger-
buch der
Stadtge-
meinde
Frankfurt
a/Main."

The tax is not chargeable in the following cases :—

1. According to a law of the 23rd July, 1902, provision is made for a sort of redistribution of property in cases where for the public advantage some adjustment is necessary to open up new building land or to make sites of suitable shape. Roughly speaking, the operation is carried out by throwing the properties of the different owners into hotchpot, marking off the land necessary for streets and squares, and assigning to each of the interested persons the remaining available land in lots proportionate to their shares of the land originally brought into hotchpot, a certain amount of compensation being given for loss entailed. In these cases the tax with which we are dealing is not levied.

2. Exemption is also granted where one or more of those entitled jointly to an inheritance acquire as their separate property a piece of land which forms part of the inheritance.

3. In cases where the Stamp Law (heading "Gifts") grants exemption from stamp duty, exemption from the tax now in question is also granted. This exemption is one in favour of transfers to certain persons or for certain purposes, e.g., to the Emperor, or for purposes of a hospital.

(*Cf.* also as to mortgagees.)

Definition of
"Unbe-
baut."

For the purposes of this tax pieces of land are considered as unbuilt which at the time of the contract of sale or change of ownership are either entirely unbuilt or are only occupied by summer houses, sheds, or such temporary structures. Yards and gardens are included in built land, if they are conveyed with and as adjuncts to a dwelling-house or workshop (unless they are capable of being built on separately, and have an area more than five times as great as the portion actually built on).

Series of
contracts of
sale.
(Section 8
of the Law.)

In cases where there is a series of contracts of sale, and finally as the result of these the property in the land passes from the first vendor to the last purchaser, according to the law the 2 per cent. tax should be paid on the *total* of the agreed prices. This case, which is one presenting considerable difficulties in practice, will be discussed more fully in a later portion of this Memorandum.

Assess-
ment. The
"Grund-
buch."

Of great importance in the carrying out a system of taxation having retrospective effect such as that above described is the system of land registration which is universal in Germany. This system dates back to very early times, and has played a prominent part in much of the legislation relating to land since the latter part of the eighteenth century. A register ("Grundbuch") is kept containing an exact description of the situation, &c., of each piece of property, the name of the owner, mortgages, servitudes, easements, and other particulars, including in many districts the purchase price paid on the various changes of ownership by way of sale. In the case of a sale, the property in the land does not pass until the proper entry has been made in the "Grundbuch."

The contract of sale gives the purchaser a *claim* against the vendor to have the land transferred to him; but the property only *passes* when the name of the purchaser has been entered into the "Grundbuch."

It is easy to see the importance of this system in securing payment of such a tax as has been described.

As property in land cannot pass without the entry in the "Grundbuch," no transaction which involves liability to the tax can escape the notice of the authorities intrusted with its assessment and collection. In accordance with the law the liable parties are obliged to give notice of the sale to the taxing authorities and to produce all the relative documents. If, however, the parties or their solicitors fail to do so, the taxing authorities will in any case receive notice from the Land Registry Office. When notification of a sale has been received by the taxing authorities inquiries are made of the parties who are required to produce the notarial deed and such other evidence as may be necessary. The taxing authorities are not bound by the evidence produced; but if they do not accept it they are to notify the liable parties in order to give them an opportunity of further explanation. If the authorities and the taxpayers cannot come to an agreement the opinion of an expert may be taken.

An assessment is then made, notice of which is sent to the liable parties. If the assessment is considered excessive the parties must appeal within four weeks. In the first instance the appeal is heard by the taxing authorities, but a further appeal lies

to the Court at Wiesbaden, and a final appeal may be made to the Supreme Court at Berlin.

In practice appeals to the Courts are not very numerous, and in the course of four years only four of these have been decided against the taxing authorities.

II.—Other Local Taxation of Real Property in Frankfort *

The above-described increment taxes (payable on change of ownership) do not, of course, exhaust the taxation of land and buildings in Frankfort (and other German towns). The effect of the German Communal Rates Act of 1893, which revolutionized the system of local taxation in Germany, on the basis of assigning certain sources of revenue to towns or local communities as distinguished from the State, is clearly summarized in Appendix 31 of the Report of the Committee on the Land Values Taxation, &c., Scotland Bill (House of Commons, 379 of 1906, pp. 767-772). In pursuance of the principle then laid down, the old State land, house, and business taxes ("real" taxes) were handed over to the local communities, and were, in the case of the two first, to be levied as percentages on the State assessment of land and buildings, "if a new valuation of real estate is not introduced by the commune" ("Gemeinde"). Further, it was enacted, with a view to the maintenance of some State supervision of local expenditure, and also to limit the recourse by local authorities to the income tax, that the above-mentioned taxes must exceed 100 per cent. of the State assessment before a local income tax (which takes the form of a percentage of the State income tax) could be imposed. The growth of local expenditure, however, has necessitated a general recourse to the local income tax which, in Frankfort, now stands at 105 per cent. of the State (Prussian) income tax, at Homburg it is 160 per cent., and in some cities of Northern Germany rises to 200 per cent., or even 300 per cent.

As regards the taxes on (1) land and (2) houses, thus now become local taxes, it may be observed that since 1893 considerable diversity has been allowed, and indeed encouraged, by the State in the assessment and imposition of these taxes (especially the "Grund-" or "Landsteuer"), with the object not only of developing local revenue to spare the income tax, but to adjust the incidence in accordance with the modern ideas of which Dr. Adolf Wagner has been the exponent in Berlin. It was with the object of stimulating this development that the Prussian Ministry of the Interior issued the Circulars of the 2nd October, 1899, and the Memorandum of 1904 (translated and published in the House of Commons Paper 173 of 1906), enjoining the introduction of the assessment of real estate on the basis of its *market* value for local purposes instead of on the basis of the old State assessment on *annual* value. According to the Memorandum of 1904, the object aimed at of taxing building sites in improving districts more severely has been fully attained, the increase "being often as much as fifty times as great as the contribution obtained" under the old system, while the statistical table printed with these documents showed that the change had also led to a diminution of from 30 to 40 per cent. in the assessment of dwellings for the poorer classes, to some diminution in that of buildings destined for the "middle" classes, and to an "increase in the assessment of the better class residential house, suburban villas, factories, and large business houses."

The system of "market value" assessment has been emphasized because of its great importance as lying at the basis not only of the land taxes in all progressive communes like Frankfort, but also of special taxes designed to take toll of the increment of land values like the Frankfort "increment" tax ("Wertzuwachssteuer") above described. I was told that an attempt had been made in 1894 at Frankfort to tax increase of site value on the basis of annual yield. If the increase was over a certain percentage an increased percentage was to be added to the house tax. But this proposal was never carried into effect.

In Frankfort, then—

1. The *land tax* is taken on the average of the last three years of the market value of unbuilt-on land at the uniform rate of 2 marks per 1,000 m., or 2 per mil., or one-fifth per cent.; but

2. The *house tax* ("Haussteuer") is assessed on the "gross yield" of the last twelve months of a built-on site, i.e., on the rent, when this is not notoriously below

* No mention has been made in this or the following section of the stamp tax on transfers of real property (1 per cent.), because this is a State, not a communal tax. It should be added that the income tax (State and local) also taxes profits from land, &c., like other profits.

the rental value. If the owner is also the occupier, it is assessed on the annual value the house would fetch if let. The tax is 4 per cent. of the gross rent (9 $\frac{3}{4}$ d. per l.), no deduction being allowed for mortgage interest.

In connection with the land tax (not the increment tax) a somewhat important point was mentioned to me, and should be noted here.

By a modification of the law in February, 1904, it was further provided—

(a.) That the tax should be raised to five per thousand in the case of all land which changed hands, the increase to take effect from the 1st April following the date of the transfer; and

(b.) That in the case of other land it should be raised to three per thousand from 1910, to four per thousand from 1915, and five per thousand from 1920.

The reason for this alteration was that it was shown that, while the charge of two per thousand took in taxation a proportion of the regular increase in ground values, it was not effective in checking the holding of land out of the market for speculative purposes. The changes in the law were meant to deal with this latter difficulty in its two aspects:—

(a.) Where the old proprietors held on to the land, they would be hit in course of time by the gradual increase taking effect at the dates above mentioned.

(b.) Where the land was sold, if building operations were not immediately commenced, it was presumed that the purchaser had bought as a speculation, and he was hit at once by the 5 per mille tax. (If, of course, he built at once, the land ceased to be unbuilt, and the "Landsteuer" ceased to apply.)

It may be added that land not exceeding certain limits in area and value is exempted from these *increases* in the "Landsteuer" if used by the owner himself for agriculture or market gardening. It was found that the market value principle would often lead to a material increase in the assessments traceable to potential building-site values inherent in such land, which would impose an excessive burden upon it.

III.—The Yield of the Increment Taxes ("Wertzuwachssteuer") on Transfers of Real Property in Frankfort, and its Proportion to the Total City Revenue.

The total gross revenue of the city from all sources—taxes, municipal enterprises and property, interest on loans, fees, and contributions of all kinds—seems to have amounted in 1906 to 37,084,756 marks (1,854,237*l.*); of this sum the total of the tax revenue was 19,441,280 marks (972,064*l.*), of which the main items were:—

	Marks.	£
Local income tax	9,149,376	(457,468)
Land tax, unbuilt (see section II)	385,531	(19,276)
House tax and rent tax (see section II)	3,567,284	(128,364)
Business tax ("Gewerbesteuer")	1,863,136	(93,156)

and, finally, the taxes with which we are specially concerned, termed generically in Frankfort, "Währschaftsgeld," and described in the first section of this Memorandum. The total sum which these taxes on the change of ownership of real property ("Eigentumswechsel") produced in 1906, the last year of which the figures are published, was 3,991,996 marks (199,598*l.*).

This sum was derived as follows:

(a.) The 2 per cent. on changes of ownership of real property, to which neither of the additional rates ("Zuschläge") apply, because (1) the property, though it has been in one hand for over twenty years, has not increased in value, or because (2) the property has been held for less than twenty years, but has not increased in value beyond 15 per cent., produced 2,046,958 marks (102,346*l.*).

(b.) Changes of ownership in the case of property which has been held for over twenty years, and to which the automatic scale of increment taxation applies (section 3 of the Law), produced:—

	Marks.
The original 2 per cent.	515,687
And the addition for increment ("Zuschlag")	473,672
Total	989,359 = (49,467 <i>l.</i>)

(c.) Changes in the ownership of property held for periods less than twenty years which has increased in value more than 15 per cent. (section 4).

	Marks.
The original 2 per cent.	304,972
And additional for increment	632,082
Total .. .	<u>937,054 = (46,852l.)</u>

Therefore, the *total produce of the "increment" tax* ("Wertzuwachssteuer") was 1,105,754 marks, or 55,282l., or over a quarter of the whole yield of the land transfer tax.

IV.—General Remarks.

The result described in the last section exceeded, I was told, the expectations of the authors of the tax; and it was not equalled by the result of 1907 owing to the local depression of trade conditions in Frankfort in that year. But the officials are of opinion that it will become increasingly productive as years go on, and they assert that the theoretical difficulties which had appeared so formidable had largely disappeared in practice. Such was, for instance, the case of a property being sold in lots, when the valuation of the increment due to each particular lot might have been thought impossible to ascertain. In practice this difficulty is surmounted partly by indication given by the existence of mortgages on the separate lots, and by estimation of the particular value of these lots, judged according to their respective suitability for use for building purposes.

A case, arising in connection with speculative dealings in land, which presents more serious difficulty is that in which, to take a hypothetical example, *A* agrees to sell a piece of land to *B* for 100,000 marks; *B* agrees to sell to *C* for 110,000 marks; *C* agrees to sell to *D* for 120,000 marks.

There is a contract to sell in each case, but the property cannot actually pass until the entry of the name of the new owner has been made in the "Grundbuch." In the case supposed, instead of the names of *B*, *C*, and *D* being entered in the "Grundbuch" in turn, in practice the property is conveyed direct from *A* to *D*, *B* and *C* not appearing in the "Grundbuch" at all.

Now according to section 8 of the Law, the 2 per cent. tax should be paid on 100,000 + 110,000 + 120,000 marks; but, as *B* and *C* do not appear in the "Grundbuch," the transaction appears on its face as if it were a sale from *A* to *D* for 120,000 marks, and tax is frequently paid on this amount only, the intermediate transactions not coming to the notice of the taxing authorities. To meet this difficulty it is proposed to tax the *contract for sale* instead of the *passing of the ownership*, as at present. (As regards the "Zuschlag," according to scale 2 (ii) this is legally payable on the difference between the price for which *A* acquired the land and that for which it is sold to *D*, and no difficulty arises with regard thereto.)

Another difficulty was the formation of Companies to own and effect the transfer of a property without such a sale as would become taxable under this law. Some amendment of the law to meet this case, by which some evasion of the tax has taken also, was in contemplation.

On the whole, however, it was stated that the tax was worked without friction, and it was specially commended on the ground of facility and cheapness of collection.

Official opinion would naturally be favourable to a new and ingenious device which has already been a model for other communes (*e.g.*, Cologne). I therefore asked a few independent Frankfort citizens what they thought of it. I did not discover any reprobation of it as "socialistic" or oppressive, or as having checked business transactions in real estate.

The three distinguishing marks of the Frankfort increment tax, which take it out of the category of anything which may be immediately practicable in this country, may be summarized as follows:—

1. The employment of market or capital value, as distinguished from annual value, as the basis of assessment, which is of course, contrary to our whole practice, both in the Imperial and local taxation of real property, except in regard to the estate duty.

The point has been a good deal discussed in recent economic and official literature

on the subject, with a general agreement that in no other way than on a capital value basis can building land in the neighbourhood of towns ("terrains d'attente," as the French call it), or gardens and parks attached to large town houses (e.g., Holland House, be taxed in accordance with its real potential value.

2. The practice of specially taxing real property on the occasion of a change of ownership by sale. This is not a new idea, but appears to be traditional in German fiscal legislation, and has been naturally utilised in recent legislation aimed at the "unearned" increment. It is specially applicable to German conditions because of the general prevalence, at all events in Frankfort and Hamburg, of freehold tenures of land. Transactions in real estate are therefore practically confined to sales and purchases of freehold property; not as in this country, complicated by the existence of long leases and the consequent creation of separate interests in lands and houses, that of the leaseholders, and that of the ground landlord.

3. A further obstacle to the application of the Frankfort plan is the fact that even where sales of freehold building land occur, no official record of such transactions at present exists in this country. If the provisions of the Land Transfer Acts were made compulsory, we should have something like the "Grundbuch" of German Imperial legislation, but even then it would be necessary to require the notification and registration by the parties to a sale or transfer of the price at which such sale was effected, in the same manner as the Frankfort municipality has added this requirement to the particulars recorded in the "Grundbuch" of the city.

HAMBURG.

After visiting Frankfort I proceeded to Hamburg as directed. Though no "Wertzuwachssteuer" in the Frankfort sense exists there at present, and there is consequently no actual experience, however short, of the working of this tax in that place to record, I was fortunate in arriving at the moment when such a plan was under discussion, and was on the point of being submitted by the Senate (the Executive body) to the "Bürgerschaft," or City Council. The Consul-General, Sir William Ward, took me to visit Senator Schäfer, who was in charge of the proposed Bill, and who on that evening (7th October) succeeded in securing its acceptance in the Council. He explained its provisions to me, and gave me a copy of the draft Law and other documents, from which the following short account has been compiled:—

The Hamburg "Wertzuwachssteuer."

Though, as I have said, the "Wertzuwachssteuer" has not up to this time been known in Hamburg under that name, the principle, as the draft Law explains, was not new there, having been already contained in the Hamburg Income Tax Law of 1903. In accordance with paragraph 6 and Appendix (10) of the Income Tax Law, profit made on any transaction of sale of real property was to be reckoned as income for purposes of income tax, the amount taxable being the difference between the selling price and the purchase price, expenditure on permanent improvements being added to the purchase price in making the calculation. Thus the income tax was designed to hit every increase in ground values which accrued, on the occasion of such increase being realized on a change of ownership by sale. But while this was the case in Hamburg, in Prussia such profits on sale were hit by the income tax only to a very limited degree. Now, in accordance with the Imperial Law of the 13th May, 1870, dealing with double assessments, the income tax on such profits on sale, being a direct tax, is required to be assessed at the place where the liable person resides. Further, the income tax is levied for any year on the basis of the income of the year preceding the year of assessment. If, therefore, a person residing in Hamburg in the year 1907 made a considerable profit by selling real property and removed his residence before the end of the year to the neighbouring commune of Altona, or to some other district in Prussia, his profit would not be taxed by the Hamburg income tax, as he would not for 1908 be a resident in Hamburg, nor would it be taxed by the Prussian income tax, as this does not apply to such profits.

The geographical position of Hamburg of course made it easy to evade the tax on profits arising from the sale of real property by a removal to some suburb situated, like Altona, in Prussia, and it was found in practice that this facility was not infrequently taken advantage of. Hence the present proposal for a "Wertzuwachssteuer," which being a "real" instead of a "personal" tax could not be evaded by a change of residence on the part of the liable person.

The Bill proposes on a change of ownership of real property to levy a tax according to the following scale on the amount of the increase in value, such increase being calculated in the same manner as it was previously done for income tax purposes:—

(A) On any increase in value—	Per cent.
Up to 2,000 marks	1
Between 2,000 marks and 4,000 marks	1½
Between 4,000 marks and 6,000 marks	2
Between 6,000 marks and 8,000 marks	2½
Between 8,000 marks and 10,000 marks	3
Between 10,000 marks and 20,000 marks	3½
Between 20,000 marks and 30,000 marks	4
Between 30,000 marks and 40,000 marks	4½
Over 40,000 marks	5

(B) In addition, if the "Wertzuwachs" or increment is over 10 per cent. of the purchase price a further tax is to be paid:—

	Per cent. of the Rates under (A) additional.
If the "Wertzuwachs" is more than 10 per cent. and not more than 20 per cent.	10
" " " 20 " " " 30 " "	20
" " " 30 " " " 40 " "	30
" " " 40 " " " 50 " "	40
" " " 50 " " " 60 " "	50
" " " 60 " " " 70 " "	60
" " " 70 " " " 80 " "	70
" " " 80 " " " 90 " "	80
" " " 90 " " " 100 " "	90
If "Wertzuwachs" more than 100 per cent. of purchase price	100

If, however, the property had been in the same hands for over thirty years, relief is to be granted to the extent of one-fourth of the amounts leviable according to the two scales above given.

If it has been less than *ten* years in the ownership of vendor, the amount leviable is *increased* by one-fourth.

The effect of these rates will be to hit increases in the value of real property (on such property changing hands) to an extent varying between $\frac{1}{4}$ and $12\frac{1}{2}$ per cent. of the increase.

It will be observed that the first scale (A) hits even the smallest gains, and thereby the proposed Hamburg tax is differentiated from the "Wertzuwachssteuer" in Frankfort and Cologne, where only such profits as exceed 15 per cent. and 10 per cent. respectively are taxed by the *ad valorem* scale on increase in value. This has been criticised unfavourably by the "Land-owners' Union."

It is interesting to note that section 1 of the Bill provides that the same principles of taxation shall be applied to leaseholds as to freeholds. This, however, has been only introduced as a precaution, and can have little practical application for the present at least, as leasehold is practically unknown in Hamburg.

Where land is divided up and sold in portions, the tax need not necessarily be collected on the occasion of each sale; but may, if the vendor desires, be held over till the whole is sold.

The case of a series of contracts of sale ending in the property passing from the vendor in the first contract to the purchaser in the last contract (a weak point of the Frankfort tax), is proposed to be dealt with in Hamburg as follows:—If *A* agrees to sell real property to *B*, and *B* to sell to *C*, and *C* to *D*, and the ownership then passes direct from *A* to *D*, and if each of the parties mentioned makes a profit on the transaction, it is proposed that each should bear an amount of tax corresponding to the amount of profit realized by him. In order to effect this purpose, the law provides that liability is entailed by the execution of every *contract for sale*, or by a transfer of a right to a conveyance of real property, subject, of course, to a change of ownership actually taking place.

It is scarcely necessary to go further into the details of the Bill, which do not present any other important points of difference with those of the Frankfort Law.

It may, however, be added that in Hamburg there has also been for a considerable time back an *ad valorem* tax of 2 per cent. on contracts for the sale of real property ("Immobilienumsatzabgabe"). Half is paid by each of the parties. This is important as helping to fix the previous purchase price of the property for the purpose of the new "Wertzuwachssteuer," particularly as in Hamburg the "Grundbuch" does *not* contain purchase prices.

It may be noted that, unlike the case of Frankfort, no allowance is made for loss of interest in the case of land which has not been yielding any income.*

COLOGNE.

The example of Frankfort in imposing a "Wertzuwachssteuer" was followed in 1905 by Cologne. I made some inquiries by letter about the Cologne tax from Mr. C. A. Niessen, the British Consul, who was so good as to furnish me with the Regulations on the subject and some figures as to the yield.

"Umsatzsteuer."

Generally speaking, the provisions of the Cologne Law follow closely the corresponding provisions of the Frankfort Law. There is a basis tax (called in the Law "transfer tax"—"Umsatzsteuer") on every change of ownership of real property at the rate of 2 per cent. on the value of the property. It is definitely laid down that the market value is to be the standard; but where the agreed price does not materially differ from the market value, the tax is to be calculated on the price. Liability to the tax arises on the entry in the "Grundbuch" of the change of ownership.

"Wertzuwachssteuer."

In addition there is an increment tax ("Wertzuwachssteuer") exigible on the amount of increase in value which has accrued since the date of the previous change of ownership if such increase exceeds 10 per cent. This increment tax is calculated according to the following scale:—

Section 6 of the law.

(a.) Where not more than five years have elapsed since a previous change of ownership:

If the increase in value exceeds—		Rate of Tax.
10 per cent., but does not exceed 20 per cent. ..		10 per cent. of the increase.
20 " " " 30 " ..		11 " "
30 " " " 40 " ..		12 " "
40 " " " 50 " ..		13 " "
50 " " " 60 " ..		14 " "
60 " " " 70 " ..		15 " "
70 " " " 80 " ..		16 " "
80 " " " 90 " ..		17 " "
90 " " " 100 " ..		18 " "
100 " " " 110 " ..		19 " "
110 " " " 120 " ..		20 " "
120 " " " 130 " ..		21 " "
130 " " " 140 " ..		22 " "
140 " " " 150 " ..		23 " "
150 " " " 160 " ..		24 " "
If the increase in value exceeds 160 per cent. ..		25 " "

(b.) Where more than five years, but not more than ten years, have elapsed since the previous change of ownership, two-thirds of the scale under (a).

(c.) Where more than ten years have elapsed, one-third of the scale under (a).

Allowances.

Allowances are admissible for loss of interest in the case of unbuilt land, for outlay on permanent improvements, including street-making, and for the legal costs and stamp duty incurred on the previous change of ownership, and for such costs in connection with the present sale as fall on the vendor.

If an estate is sold in portions the loss, if any, incurred on the sale of one portion may be deducted from the profit realized on the sale of the others.

It may be noted that, except for the purpose of the allowance for loss of interest, no distinction is drawn in the Cologne Law between built and unbuilt land.

The incidence of the tax.

The purchaser is liable for the 2 per cent. tax, and the vendor for the tax on the increment in value; but if one of the parties has no effects, or if the transaction is one of exchange, both are made liable.

In cases where there is a series of contracts of sale, and property passes from the first vendor to the last purchaser, the 2 per cent. tax is calculated on the total of the

* This law came into force on 12th October, 1908, and was made to apply to all sales effected since 31st December, 1907. B.M., 5/7/09.

purchase prices in the various contracts. The increment tax, payable under section 6 of the Law, is calculated on the profit made on each contract, and these amounts of tax are totalled. The tax payable is borne by the first vendor and last purchaser, according to the provisions of the preceding paragraph.

A number of exemptions are given in section 7 of the Law, but it is scarcely necessary to give these in detail here, as they are similar in principle to those set out in the Frankfort Law. Exemptions.

The net amount raised by the tax in 1905 was 287,176 marks (14,358*l.*). In 1907 the amount was 385,133 marks (19,256*l.*). The figures for the year 1908 are not yet available, but it is thought that the net yield will be less than in the previous years, owing to many appeals having been decided in favour of the appellants. Mr. Niessen was of the opinion that the time during which the tax had been in force in Cologne was not long enough to enable one to judge of its success.

DRESDEN.

I also found that a scheme for the introduction in Dresden of a tax on increase in ground values had been prepared, and was about to be submitted to the City Council.

The main outlines of the draft Law resembles closely the provisions of the Frankfort and Cologne Laws. Thus there is a basis tax amounting to 1 per cent. of the sale price in all cases of changes of ownership of real property, and an additional tax (to be calculated in Dresden according to a very elaborate scale) on any increase in value exceeding 10 per cent. since the previous change of ownership. This additional charge starts at 2 per cent. and rises to as much as 23 per cent. of the increase in value, the higher rates hitting speculators who have made very large profits in a very short time. Basis tax.
Increment tax.

But while the framers of the Dresden scheme have used the laws in force in other cities as a model, they have also profited by the experience of the actual working of the laws of the other cities, and have introduced some interesting modifications with a view to strengthening their measure.

One of the dangers which the administrators of the Frankfort Law mentioned to me was the formation of Land Companies. Such Companies would, of course, pay tax under the Frankfort Law upon buying real property originally; but the future transactions would, as a rule, be of the nature of transfers of shares and not changes of ownership of pieces of land, and so would not attract the tax. In Dresden, however, it is proposed to make the tax exigible on a new shareholder coming in or an old shareholder going out on the entry of the transaction being made in the Company's register. Sections 6
and 17 of
draft Bill.

The Dresden scheme also deals in a simple, if rather drastic, manner with the difficulty which might arise in arriving at the proper basis of charge in cases where an estate is broken up and sold in parcels. It is provided that the purchase price of each parcel shall be taken to be its proportion of the purchase price of the whole, having regard to the relative areas only, and not to the comparative values of the different parcels for building or other purposes.

As regards another difficult class of cases, viz., those in which there is a series of contracts of sale followed by an actual conveyance from the first vendor to the last purchaser, the Dresden Bill provides for the calculation of both basis tax and increment tax in respect of each separate contract, and for holding all the parties jointly liable for the total amount. The fact that the Bill attaches liability to contracts for sale of real property instead of to the actual passing of ownership as in Frankfort, will probably make it easier to secure the tax in such cases.

I was informed by Dr. Beutler, the Bürgermeister, that the Bill would certainly be carried, and that he expected the new tax to be productive.

The city has been growing very rapidly, having practically doubled its population in the last ten years, and in Dr. Beutler's opinion the amount chargeable under the existing taxes on land was far too little.

APPENDIX.

**BYE-LAW RELATING TO THE TAX ON CHANGES OF OWNERSHIP OF REAL PROPERTY
("WÄHRSCHAFTSGELD") IN FRANKFORT.**

In accordance with sections 13, 18, 69, 70, and 82 of the Law of the 14th July, 1893, relating to municipal taxes, the following bye-law has been enacted for the town of Frankfort-on-Main :—

Section 1. A municipal tax (Land Transfer Tax) at the rate of 2 per cent. of the value as reckoned according to section 2 ("purchase price") shall be payable on every change of ownership of an estate, or part of an estate, situated within the municipal boundary of Frankfort.

Section 2. This tax shall be calculated in the case of voluntary sales on the basis of the agreed price, in the case of compulsory auctions on the basis of the highest bid at which the property is knocked down, including the liabilities and obligations assumed by the purchaser.

The public charges attaching to the property shall not be included in the calculations; rent charges and other liabilities recurring at definite intervals shall be capitalized according to the provisions of the Imperial Inheritance Tax Law of the 3rd June, 1906, sections 17 to 20, and the relative administrative orders of the Federal Council.

In cases other than those mentioned in the first paragraph of this section, or in those cases if the consideration manifestly does not represent the true value of the property, the calculation shall be based on the market value of the property at the time of the change of ownership.

Section 3. An addition to the tax mentioned in section 1 shall be payable when not less than twenty years have elapsed since the last preceding change of ownership excepting in cases falling within sections 9 and 10. This additional tax shall consist also in a percentage of the "purchase price" (section 2), and be calculated according to the following scale :—

(i.) In the case of estates which are built on—

											Per cent.
After more than 20 years, but not more than 30 years	..	..	..	..	..	..	..	..	..	..	1
" " 30 " " " 40 " " " " " "	..	..	..	..	..	..	..	..	..	..	1½
" " 40 " " " " " " " " " "	..	..	..	..	..	..	..	..	..	..	2

(ii.) In the case of estates not built on :—

											Per cent.
After more than 20 years, but not more than 30 years	..	..	..	..	..	..	..	..	..	..	2
" " 30 " " " 40 " " " " " "	..	..	..	..	..	..	..	..	..	..	3
" " 40 " " " 50 " " " " " "	..	..	..	..	..	..	..	..	..	..	4
" " 50 " " " 60 " " " " " "	..	..	..	..	..	..	..	..	..	..	5
" " 60 " " " " " " " " " "	..	..	..	..	..	..	..	..	..	..	6

In assessing this additional tax, as well as that mentioned in section 4, it shall make no difference whether the last preceding change of ownership took place before or after the coming into force of this bye-law.

The additional tax imposed by this section shall not be levied in cases in which it is proved that the present "purchase price" (section 2) of the estate does not exceed the previous "purchase price" (cf. next paragraph) after taking into consideration expenditure, as calculated according to section 5 (1), on the erection of new buildings, or on such alterations of buildings as are equivalent to the erection of new buildings, or that at the most it does not exceed such previous "purchase price" by more than the amount of the additional tax.

As the previous "purchase price," for the purposes of this bye-law, shall be taken, the amount on which the Land Transfer Tax ("Währschaftsgeld") was assessed on the last preceding change of ownership (paragraph 1 of this section), in accordance with the law in force at the time such change of ownership took place. If this previous assessment shall have been in accordance with section 8 of this bye-law, or section 9 of the bye-law of the 19th February, 1904, then the previous "purchase price" shall be taken to be the "purchase price" which formed the basis of such previous

assessment. If on the preceding change of ownership there was no assessment to the transfer tax, or if there was an assessment according to section 11 of this bye-law, or section 11 of the bye-law of the 19th February, 1904, the previous "purchase price" shall be taken to be the market value of the property at the time of such preceding change of ownership.

Section 4. If since the previous change of ownership less than twenty years have elapsed, and if there has been an increase in value amounting to at least 15 per cent. of the previous "purchase price" after adding the sums mentioned in section 5, an additional tax shall be levied according to the following scale:—

2	per cent. of the increase in value, if such increase is at least 15 per cent. and is not more than 20 per cent.	25
3	" " " " " is more than 20 "	30
4	" " " " " 25 "	35
5	" " " " " 30 "	40
6	" " " " " 35 "	45
7	" " " " " 40 "	50
8	" " " " " 45 "	55
9	" " " " " 50 "	60
10	" " " " " 55 "	

and so on, 1 per cent. for every 5 per cent. of increase in value up to a maximum rate of 25 per cent.

Section 5. In ascertaining the increase in value for the purpose of section 4, the previous purchase price (section 3, paragraph 4) shall form the basis of calculation, but the following additions shall be made to it:—

(i.)—(a.) All expenditure on permanent improvements on the estate, including cost of street construction and sewer charges. The cost of new buildings, or alterations to buildings, if such work has been carried out since the coming into force of the Regulation of the 7th December, 1883, dealing with the levying of fees and dues in connection with the public superintendence of buildings, shall be calculated in accordance with the amount assessed under that Regulation. To the extent, however, to which such expenditure is covered by insurance against damage by fire, water, &c., no account shall be taken of it.

(b.) Five per cent. of the previous purchase price as compensation for the cost incurred in connection with the present and the previous transfer, *e.g.*, stamp duty, transfer tax ("Währschaftsgeld"), Court and Solicitor's fees, commission, &c.

(ii.) In the case of unbuilt land, which the vendor did not himself use for purposes of agriculture or industry, loss of interest to the extent of 4 per cent., but excluding compound interest. Also cost of repairs and maintenance, after making a set-off of any income derived from the property.

If the property in the interval between the previous and the present changes of ownership has been occupied by buildings for part of the time only, interest according to (ii) shall be calculated by reference to the time during which it was unbuilt only. This period shall, in the case of new buildings, be calculated up to the date when the building was wholly or partially taken into use, or in the case of a clearance of a site, from the date when the old structure was wholly demolished.

Land surrendered for streets and squares shall be allowed for, by apportioning the total purchase price by reference to the area remaining.

No other additions shall be admissible. The increase of value (for the purposes of the tax) shall be taken to be the difference between the previous purchase price, with the addition of the amounts above mentioned, and the present purchase price.

Section 6. Vendor and purchaser shall be jointly liable for the payment of the [basis] tax [section 1] and the additional tax [under section 3].

The vendor only shall be liable for the additional tax chargeable under section 4.

If one of the parties has a claim to exemption under the provisions of the law of the State (section 10, paragraph 2), one-half of the duty shall be paid by the other party.

Agreements regarding the incidence of the tax shall have no effect as against the taxing authorities.

When an estate is acquired at a compulsory auction, the tax [under section 1] shall be paid by the person to whom it is knocked down.

If such person is exempt from payment of stamp duty (section 10, paragraph 2), the tax imposed under this bye-law shall not be chargeable.

If the purchaser at a compulsory auction [*e.g.*, bankrupt sale] is in the position of

a mortgagee of the property, and has been in such position for at least three months before the date of the order for the auction (section 15 of the Law relating to compulsory auctions and coercive proceedings of the 24th March, 1897), and if he can prove that he took part in the sale merely in order to guard himself against loss by running up the price, he shall be exempt from the tax. This exemption, however, shall not have effect if the property has been knocked down to him at a price higher than that necessary to protect his interests.

In the case of compulsory auctions, the additional taxes under sections 3 and 4 are not chargeable.

If the compulsory auction has taken place in order to dissolve a partnership, the calculation of duty shall be made according to the provisions of section 11.

Section 7. Estates, or portions of an estate, shall be regarded as 'unbuilt' within the meaning of this bye-law if, at the time of the contract of sale, or, in the absence of such a contract, at the time of the passing of ownership, there are no buildings at all thereon, or only summer-houses, sheds, huts, and similar structures, serving only for temporary use, or other transitory purpose. Yards and gardens are to be regarded as built on if they are transferred at the same time as, and as appurtenances to, a dwelling-house or building used for trade purposes, unless they are more than five times greater than the areas [of the sites] covered by such buildings, and are capable of being built on separately.

Section 8. If the passing of the ownership in an estate takes place, as the result of a series of successive agreements for sale, from the first vendor to the last purchaser, the purchase prices (section 2) in all the agreements shall be added together for the purpose of assessing the tax under section 1, and duty shall be charged on the total.

As contracts [for sale] shall be treated [notarial] attestations of transfers of the rights of a purchaser in an agreement for sale, and [similar] attestations of subsequent declarations made by the persons entitled to the benefit of an agreement for sale, such persons having acquired rights for a third party, or undertaken obligations for a third party.

If, however, the first purchaser shall prove that he concluded the agreement for sale under a power of attorney, or, without a power of attorney, as agent for a third party, this sale shall not be subject to taxation, if within a year after the conclusion of the agreement the property passes from the first vendor to the third party.

For the tax (paragraph 1 of this section) the first vendor and the last purchaser shall be jointly liable.

Section 9. The tax shall not be payable on the passing of property at death or by a gift *inter vivos* in the sense of the Imperial Inheritance Tax Law of the 3rd June, 1906.

Section 10. No tax shall be payable—

1. When for the public welfare in order to open up a building estate, or to make building sites of suitable shape an adjustment of the properties of different owners is carried out either in accordance with the Law of the 28th July, 1902, relating to the adjustment of estates in Frankfort-on-Main, or by agreement.

2. When an estate passes to a descendant of the previous owner by an onerous covenant, or when one or several of those jointly entitled to an inheritance acquire as their separate property an estate forming part of the inheritance. The surviving member of a married couple, who has to divide with the heirs of the deceased spouse a property held in common, shall be regarded as falling within the case last mentioned.

In addition, the exemptions in sections 4 and 5 of the Stamp Law of the 31st July, 1895, in favour of certain persons and purposes shall apply in the case of this tax.

Section 11. In the case of a transfer of ownership, which has for its object the division among the joint owners of a property held in common (other than the case of a joint inheritance), the tax shall only be chargeable in so far as the value of the property which now becomes the sole property of a previous joint owner exceeds in value his undivided share in the common property.

Section 12. On an exchange of properties a single tax only shall be chargeable, and when both properties are within the boundaries of Frankfort this shall be calculated according to the value of the property on which the greater amount would be assessable.

Section 13. The assessment shall be made by the magistracy (Accountant's Department).

Section 14. The party or parties liable to the tax shall give notice to the Accountant's Office within four weeks after a change of ownership, and submit all documents affecting the liability.

If required by the magistracy, the liable parties shall, within a period to be appointed, give information in writing, or by declaration, on any definite matters affecting the assessing of the tax.

Section 15. The magistracy (Accountant's Department) shall not be bound by the statements of the parties in assessing the tax. If the information which is given is disputed, notice shall be given to the liable party before the assessment is completed, stating the reasons of the objection, and leaving it to him to deliver a further declaration within a fixed time (*cf.* section 69 of the Municipal Taxation Law).

If the taxpayer and the authorities cannot come to an agreement, the latter may fix the amount payable on the advice of experts.

Section 16. The assessment shall be notified to the liable party in writing.

The tax shall be paid within four weeks at the Collecting Office.

When payment is demanded without result, the tax shall be collected compulsorily according to the usual proceedings.

Section 17. Notice of appeal against the assessment must be given in writing to the Accountant's Department within four weeks from the delivery of the notice of assessment.

The magistracy (Accountant's Department) shall hear the appeal. It shall be open to the taxpayer to appeal against their decision within two weeks to the Court in accordance with the procedure in administrative cases.

Section 18. Contraventions of this bye-law shall be punishable with a fine not exceeding 30 marks, so far as a heavier penalty is not exigible under existing laws.

Section 19. This bye-law shall take effect as from the day of publication.

If, however, ownership of an estate shall pass by virtue of an agreement for sale duly concluded before the 1st April, 1904, the provisions of the law in force up to the 6th May, 1904, shall apply.

If it pass by virtue of an agreement duly concluded between the 1st April, 1904, and the 1st May, 1906, the provisions of the Law of the 19th February, 1904, shall apply.

Frankfort-on-Main, September 11, 1906.

II.

THE LAW REGARDING INCOME TAX IN GERMANY

AND

MORE PARTICULARLY PRUSSIA.

BY

Sir FRANCIS OPPENHEIMER,
H.B.M. CONSUL-GENERAL, FRANKFORT-ON-MAIN, GERMANY.

British Consulate General,
Frankfort o/M.,
20th February, 1909.

SIR,

In reply to your request, dated February 11th, for a report upon the law regarding Income Tax at present in force in Germany, and more particularly Prussia, I beg to report as follows.

I have the honour to be,

Sir,

Your most obedient humble Servant,

FRANCIS OPPENHEIMER.

The Right Hon'ble.

The Chancellor of the Exchequer,
Treasury Chambers,
London, S.W.

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Special Report upon the Law regarding Income Tax in Germany, and more particularly Prussia.

INTRODUCTION.

When the German Empire was constituted in 1871, the financial needs of this new entity had to be provided for by taxation over and above the taxation already levied in the various Confederate States, for state and local purposes. Roughly speaking, indirect taxation (the yield from Customs duties and Excise dues) was set apart for the needs of the Empire. That the arrangement then made has not in the long run been entirely successful is proven by the financial straits in which the Empire at present finds itself. Though there is nothing in the constitution of the Empire to prevent it as such from raising taxes by direct taxation, there was in the past a general inclination to allow such taxes, and more especially the income tax, to remain the backbone of the revenue of the various Confederate States. The Imperial financial reform at present under consideration will, it is most likely, for the first time apply branches of direct taxation for Imperial revenue purposes, but it is not likely that it will raise the direct taxes itself. The sum thus to be raised will amount to, roughly, 150 million marks out of a total of at least 300 millions at present needed to put the Imperial finances upon a sounder permanent basis. These financial reforms of the Empire are still the subject of delicate political negotiations. So far the parties united in the bloc (the Conservatives and the Liberals) have not been able to agree upon a scheme acceptable to all. But there are rumours current that they will shortly come to an agreement on the understanding that the Confederate States shall be compelled to raise each its share of the above-mentioned 150 millions by direct taxation, leaving it to the discretion of each State to choose the form of direct taxation most acceptable. The result of this will be a further addition to the burden of direct taxation in each State—in addition to the new taxes already voted in several—as far as Prussia is concerned only as recently as February 20th, 1909. If each Confederate State is to be at liberty to raise the additional sums needed for Imperial purposes in its own way of direct taxation, then it will be correct also in future to say that the Empire as such has abstained from any form of direct taxation—and, as a consequence, has abstained from raising any income tax.

A system of income taxation prevails in practically every German Confederate State, but to explain the system at present in operation in Germany it will suffice to treat of the system prevailing in Prussia.

Prussia had, in its system of a direct Government taxation, lagged behind some of the smaller Confederate States in Germany, such as Saxony, Baden, Hesse; but by the Finance Law of June 24th, 1891, it more than made good this deficiency. The new Prussian law, in fact, in turn stimulated this branch of legislation in other German States, for which it became the model. The then Prussian Minister of Finance, Miquel, claimed, and perhaps not without some justification, that the law, for which he was responsible, was devised, not for an increase of the supplies, but for a more equitable distribution of the burden.

The income tax in Prussia is to-day based upon the law of June 24th, 1891; the law of July 14th, 1893, regulating the income tax to be levied by local bodies—municipal and rural (“Kommunal-Abgaben-Gesetz”); and the law of June 19th, 1906; the latter embodies the former; it also introduced a number of changes which, in the body of this Report, will be italicised as shown. The further changes which were voted in the Prussian Diet only to-day have not yet become law; they still require the Royal sanction, and are to come into operation only as from April 1st, 1909.

STATE INCOME TAX IN PRUSSIA.

(Law of June 19th, 1906.)

PART I.

WHO PAYS TAXES?

(Subjective Steuerpflicht, par. 1-3.)

The following are liable to pay taxes :—

A. Physical Persons :

1. Prussian subjects.

Exceptions—

(a) Those who have no domicile in Prussia and reside in one of the other Confederate States ;

(b) Who, with a domicile in Prussia, have an *official* domicile in another German Confederate State ;

(c) Who, without a domicile in Prussia, have permanently resided abroad for more than two years.

2. The subjects of Confederate States other than Prussians, who, without a domicile at home, are domiciled in Prussia, or who, with a domicile at home, have an official domicile in Prussia.

3. Foreigners domiciled in Prussia or so sojourning in Prussia for commercial purposes or having resided in Prussia for a year.

B. Institutions with the Legal Status of Persons, provided their Registered Offices are situated in Prussia :

1. Share companies, share partnerships without limited liability, mining concerns, registered societies whose commercial activity extends beyond the circle of its members.

2. *Co-operative societies*, whether their commercial activity extends beyond the circle of their members or not.

This constitutes an innovation introduced by the law of 1906, for these co-operative societies were liable to income tax only if their activity extended beyond the circle of their members, *e.g.*, selling in open shops (par. 1 (5)).

3. *Limited liability companies* (par. 1 (6)).

Exceptions :

(a) Those, the members of which are public corporations in Prussia (*e.g.*, various communities combining for the construction of a small gauge railway) ;

(b) Those, the income of which is by their own bye-laws devoted exclusively to charitable, scientific, and artistic purposes.

This No. 3 is perhaps the most important innovation of the law of 1906. The companies with limited liability were not included in the law of June 24th, 1891, because the law giving them legal status dates only from April 20th, 1892. This form of company has become very popular in Prussia ; to this popularity the former immunity from taxation had undoubtedly contributed very considerably.

These limited liability companies are for purposes of taxation *not* put on the same footing as other non-physical persons. The income of these limited liability companies is constituted by the profit yield calculated on the basis of the calculations applicable to physical persons engaged in trade and commerce (par. 16). The rate of the income tax payable by these companies is higher (par. 18) than the rate applicable in all other cases (par. 17). It is important to note that the shareholders of these limited liability companies

situated in Prussia are exempt from paying income tax upon the income derived from their shares in these companies. To submit the amount of the profit of these limited liability companies to the assessment of income tax before it is divided amongst its shareholders is all to the advantage of the Exchequer, since the income tax in Prussia is calculated on a graduated progressive scale.

C. Regardless of Nationality, Domicile or Sojourn, the following are liable to Payment of Income Tax :

1. Those receiving from the Prussian Exchequer salaries, pensions, annuities, &c.
2. Those deriving income from Prussian real property or from Prussian commercial or industrial institutions.

Exemption from the payment of income tax is limited to members of the Royal Family, members of certain other princely families, diplomatic representatives, &c.

PART II.

ON WHAT IS INCOME TAX PAID ?

(Objective Steuerpflicht, par. 4—10.)

The liability to the payment of income tax begins with an income of M. 900.

Exceptions :—

No income tax accrues from incomes derived—

- (1) From real properties situated, or commercial enterprises carried on, in other German Confederate States.
- (2) By foreigners from real property or industrial enterprise, if such foreigners are not domiciled in Prussia for commercial purposes.
- (3) From military pay of privates and non-commissioned officers and of those officers whose pay does for the time being not exceed the pay of such non-commissioned officers ; nor from the income of all active members of the army and navy, if they belong to a part thereof which is "under orders" (among the latter is reckoned any ship of the Imperial navy navigating alone in foreign waters). *The terms of this paragraph 3 are greatly due to innovations introduced by the law of 1906.*
- (4) From certain payments received by Imperial and Prussian officials abroad over and above their salary ; nor from payments made to military invalids.
- (5) *Exempt from income tax* are also those payments which accrue to the insured from their insurance against sickness. This is an innovation of the law of 1906.
- (6) *Exempt is also interest* accruing upon amortisation funds deposited with agricultural and other public credit institutions for the reductions of debts, redeemable under some scheme of amortisation, provided that under the terms of the amortisation scheme the time has not yet come for drawing out the particular fund. This clause also is an innovation introduced by the law of 1906.

PART III.

WHAT CONSTITUTES INCOME ?

(Par. 11—16.)

(NOTE.—The law does not define "income liable to taxation" ; it enumerates it under four headings ; nor is it stated that net income only is liable to income tax ; but the general regulations admit such deductions from the gross annual receipts, that, as a matter of fact, it is the net income which becomes subjected to the tax.)

Income consists of the total annual receipts (by those liable to pay income tax) of money or money's worth out of:—

A. (Income out of) Capital.

What is Capital? (Par. 11).

As income from capital are reckoned interest, annuities and monetary advantages resulting from capital demands (such payments are not included under this heading if

they have to be brought into account as part of the business profits from agriculture, trade, and commerce to ascertain the dutiable income under the headings of income accruing out of ground values (C), trade, and commerce (B).

The law of 1906 has introduced a new differentiation for assigning the profits from various trading societies either to this heading or to the heading under income from trade and commerce (C). As the German law differentiates between "Actiengesellschaften" (share companies), "Gesellschaften mit beschränkter Haftung" (share companies with limited liability), "Gewerkschaften" (trade societies), "Commanditgesellschaften auf Aktien" (partnerships in the form of share companies, in which the liability of some holders is limited and others is not), it does not appear advisable here to enter into this purely technical change of the law. (See par. 11 of the law of 1906.)

B. Income out of Ground Values, including the Rent Value of the Habitation in One's Own House. (Par. 12.)

The income from ground values includes the yields from all lands, which the person liable to income tax owns or from which he derives any kind of income. In the case of properties which are let or leased, the rent constitutes the income, to which are to be added all other contractual obligations in kind, &c., cast upon the lessee; there must be added also any rights reserved unto the lessor; certain deductions provided by law are to be deducted.

For buildings not let, but utilised by the owner, the income is calculated on the basis of the letting value. The letting value is not included under this heading of such buildings or parts thereof which are utilised for agricultural or business purposes (when they figure under income out of the latter heading).

In the case of properties which are not let, the net profit yield constitutes the basis for the assessment to income tax.

In case of forests which are not managed on recognised forestry lines, the result of cuttings do not figure under income, if they in one year surpass one-tenth of the value of the existing wood. This latter provision is an innovation of the law of 1906.

C. Income out of Trade and Commerce, including Mining. (Par. 13.)

The income is constituted by the working profits, in accordance with the requirements for keeping books under the "Handelsgesetzbuch."

The profits earned by persons not engaged in trade or commerce out of business transactions concluded for speculative purpose is liable to income tax on the general lines applicable to the income from trade and commerce.

D. Income out of any Profitable Occupation Generally. (Par. 14.)

Under this heading are included:—

Wages of workmen, servants, and apprentices; the salaries of officials; the gain from literary, artistic, scientific, educational occupation, pensions, and such annuities which are not to be regarded as accruing as income from capital sums.

General remarks applicable to the calculation of income from the four preceding sources:—

A difference is made between income and increase of capital; the latter is constituted by inheritance, gifts, life insurance, profit out of the sale of properties, if such sales are not carried on as a regular business or for speculative purposes (par. 7)—

- (a) From the gross yield given under III may be deducted expenditures incurred for acquisition, security, and maintenance of these four sources of income (par. 8).

The law of 1906 has introduced as new deductions under this heading the following:—

- (1) *Contributions* towards public irrigation works; *contributions* for the maintenance of such waterways to which special laws apply for the prevention of danger from floods.
- (2) *Amounts payable* towards direct municipal taxation by way of ground tax or building tax or industrial tax.
- (3) *Contributions* payable to official trade associations (e.g., Chambers of Commerce).

The following old deduction still holds good :—

The annual allowance for wear and tear of the buildings, of machines, &c.

From the total income there is to be deducted :—

- (1) The interest payable on debts.
- (2) Annuities and permanent obligations due upon private contractual obligations or *church patronage* (the latter under the law of 1906).
- (3) The legal and contractual contributions towards the insurance against sickness, accident, old age, invalidity; insurance for widows, orphans; payments towards pension funds, provided their total does not exceed M. 600 per annum.
- (4) Premiums on life insurance payable by the person liable to income tax, or by a member of his household not separately taxed, provided they do not exceed M. 600 per annum.

In this paragraph the fact that the insurance premium for a member of the household not separately taxed may be deducted is an innovation introduced by the law of 1906.

- (5) *Payments made under contractual obligation* for the gradual redemption of a mortgage debt, provided such payment does not exceed 1 per cent. of the capital and the amount of M. 600 per annum.

This is an innovation of the law of 1906.

Calculation of the Income of Physical Persons.

Decisive for the assessment of physical persons is the status of the various sources of income at the beginning of the fiscal year. *The assessment rests upon the results of the calendar year* immediately preceding the fiscal year; if there are no actual data for the period of a year from any one of the sources, the assessment rests upon the "estimate" of a year's working (par. 9).

The business gain on trade, commerce, and mining is, in the case of physical persons, who are bound to keep commercial books, assessed by the average of the three working years immediately preceding the fiscal year; if books have been kept for a shorter period only, it is estimated upon the average of such shorter period; in calculating the average, the loss of any year (if any) is to be deducted from the profit of the others.

The regulations concerning the calculation of the income of physical persons liable to income tax have been entirely remodelled by the law of 1906 (par. 9). The former differentiation between fixed, uncertain, or vacillating receipts and expenditure has been abandoned. *The assessment now rests generally upon the working result of the year immediately preceding the fiscal year.* Only the income of physical persons from trade, commerce, and mining, and from agriculture and forests, is assessed according to the average of three years if the person liable keeps proper books.

The head of the household is assessed upon his own income, to which is added

- (1) the income of the wife :

Except she be permanently separated from him, in which case she is separately assessed (par. 10).

- (2) and the income of the children in so far as the income is under parental control or the parent has the usufruct thereof (par. 9).

NOTE.—By German law the father, or after his death the mother, has the usufruct of the children's property until they attain majority or get married.

Exceptions :—

The income of children is separately assessed (par. 10).

- (a) If derived from work done by the child.
- (b) If the child acquires property by gift, or death of a third person, with the special proviso that it be withdrawn from the legal usufruct.

The whole provision is entirely to the advantage of the Exchequer (as a number of smaller assessments are thus collected under one higher assessment), for the assessments are on a graduated progressive scale.

Calculation of the Income of Non-physical Persons.
(Par. 15.)

The assessment of non-physical persons rests upon the average results of the three working years immediately preceding the fiscal year. The liability of these non-physical persons to pay income tax begins only from such time at which surpluses exist. The assessment operates as from the 1st of the month immediately succeeding this acquired profit.

The income of non-physical persons, other than companies with limited liability, is constituted by the profits which are divided as dividends, to which must be added amounts utilised for the writing off of debts or ground capital, for the improvement or extension of the business, for the formation of a reserve fund (except in so far as insurance companies destine them as reserve for the sums insured), and after deduction of $3\frac{1}{2}$ per cent. of the paid-up share capital; the latter (*i.e.*, paid-up share capital) is represented in the case of registered societies by the sum of the paid-up shares of the members—in the case of mining concerns by the ground capital, formed out of the purchase price, the cost of installation and equipment.

In partnerships in the form of share companies without limited liability that part of the surplus is not calculated as income of the company, which is paid to the personally liable shareholders in respect of their subscriptions other than to ground capital.

NOTE.—These payments constitute taxable income of individuals under par. 13.

This provision constitutes an innovation of the law of 1906.

The taxable income of companies with limited liability is constituted by the working profits of the company (par. 16). This paragraph, as well as the paragraph 18, which fixes the rates applicable to the income of these companies with limited liability, are new insertions under the law of 1906 for reasons above set out (p. 5).

NOTE.—*The deduction of $3\frac{1}{2}$ per cent. clear interest* allowed in the calculation of the income of non-physical persons is *not allowed* in the calculation of the income of companies with limited liability. This is a provision of the law of 1906.

PART IV.

THE RATES OF THE INCOME TAX.

(Assessment rates applicable in all cases, except in the case of incomes of companies with limited liability.)

The Income Tax amounts to:—

For Incomes exceeding	To inclusively	Tax.
Marks.	Marks.	Marks.
900	1,050	6
1,050	1,200	9
1,200	1,350	12
1,350	1,500	16
1,500	1,650	21
1,650	1,800	26
1,800	2,100	31
2,100	2,400	36
2,400	2,700	44
2,700	3,000	52
3,000	3,300	60
3,300	3,600	70
3,600	3,900	80
3,900	4,200	92
4,200	4,500	104
4,500	5,000	118
5,000	5,500	132
5,500	6,000	146
6,000	6,500	160
6,500	7,000	176
7,000	7,500	192
7,500	8,000	212
8,000	8,500	232
8,500	9,000	252
9,000	9,500	276
9,500	10,500	300

The tax rises in the case of higher incomes as follows :—

Incomes exceeding	To inclusive	In grades of	By
Marks.	Marks.	Marks.	Marks.
10,500	30,500	1,000	30
30,500	32,000	1,500	60
32,000	78,000	2,000	80
78,000	100,000	2,000	100

In the case of incomes above M. 100,000 to M. 105,000 inclusive the tax amounts to M. 4000, and rises in the case of higher incomes in grades, for every M. 5,000 by M. 200.

It follows, then, that the tariff contains, for incomes from M. 9,500—M. 30,500, and for incomes above M. 100,000, proportionate rates : in the former case 3 per cent. of the arithmetical mean of each grade ; in the latter case 4 per cent. of the initial amount of the grade. Between these two horizontal lines the rate is progressive ; on incomes below M. 9,500 it is degressive down to a rate of 0.62 per cent. in the lowest grade.

In the case of companies with limited liability the Income Tax amounts to :—

For Incomes exceeding	To inclusively	Tax.
Marks.	Marks.	Marks.
900	1,050	6
1,050	1,200	10
1,200	1,350	14
1,350	1,500	18
1,500	1,650	24
1,650	1,800	30
1,800	2,100	36
2,100	2,400	42
2,400	2,700	48
2,700	3,000	56
3,000	3,300	66
3,300	3,600	76
3,600	3,900	86
3,900	4,200	96
4,200	4,500	112
4,500	5,000	132
5,000	5,500	148
5,500	6,000	164
6,000	6,500	180
6,500	7,000	200
7,000	7,500	220
7,500	8,000	240
8,000	8,500	260
8,500	9,000	280
9,000	9,500	300
9,500	10,500	340

The tax rises in the case of higher incomes as follows :—

Incomes exceeding	To inclusive	For every	By
Marks.	Marks.	Marks.	Marks.
10,500	46,500	1,000	40
46,500	48,000	1,500	60
48,000	100,000	2,000	100

In the case of incomes above M. 100,000, to M. 104,000 inclusively, the tax amounts to M. 4,600 ; it rises in the case of higher incomes, for every grade of M. 4,000 by M. 180.

REDUCTION OF THE APPLICABLE RATES.

(Par. 19.)

Generally speaking, the law of 1906 has considerably extended the relief applicable to persons liable to pay income tax and who are bound to support children or other relatives.

If a person assessed for a taxable income of not more than M. 3,000 is legally bound to support children or other relatives, a reduction of M. 50 is granted for each such member of the family from the taxable income; when three or four such members have to be supported, the reduction amounts to a whole grade of the table of rates (par. 17); the reduction amounts to two grades when five or more such members have to be supported.

In case of an assessed income from M. 3,000 to not exceeding M. 6,500 similar reductions take place; of one grade in case three or four children or relatives have to be so supported; of two grades if five or more have to be supported.

In fixing the number of members so to be supported there are not included the wife nor those children above the age of 14 years who are permanently occupied in the agricultural or industrial enterprise of the assessed, or who enjoy an income of their own of more than half the ordinary local wage calculated with due regard to age and sex. (This relief provision has been again greatly extended by the Bill of 1909 during the composition of this report.)

In assessing the tax, regard may be had to special facts damaging the economic capacity of the assessed, so that in the case of assessed incomes of not more than M. 9,500 a reduction of not more than three grades may, under certain circumstances, be granted. The cause for such reductions may be found in lasting illness, special calamities, indebtedness, liability to support impecunious relatives, &c.

PART V.

THE ASSESSMENT.

(Par. 21—60.)

1. Where the person liable is assessed :

The assessment takes place at the place of domicile at the time of the preparation for assessment; in case of several domiciles the assessed has the option. Prussians neither domiciled nor sojourning in Prussia are assessed at their last domicile. Companies are assessed at the place of their registered offices. Foreigners deriving income from Prussian real estate or industrial enterprises in Prussia are assessed at the place where the income accrues.

2. Preparation for the assessment (par. 22—24) :

The official head of every community (mayor, &c.) must prepare, before the official assessment, a complete return of all persons, physical and legal, within his district, who are liable for the payment of income tax; also of all real properties and commercial enterprises within the district for which income tax is payable by persons not resident within the district (par. 22).

Every owner of an inhabited site or his representative must supply the person responsible for the above return with a schedule of the persons upon such property, giving their names, occupations, date, and place of birth and religion; in the case of workmen, servants, and apprentices giving also the name of the employer and the place of employment.

For this purpose every head of a household is bound to supply the owner of the inhabited site with a schedule of the persons under his charge (including those who are resident away from home as pupils, apprentices, &c.).

By a supplementary law of June 18th, 1907, workmen, servants, assistants are bound to supply the head of the household with the necessary information concerning their employers and place of employment.

The innovations of the law of 1906 introduced into this paragraph (23) concern the place and date of birth and religion which must figure in the return; the addition of the date of birth is of importance, especially for the grant of relief when the head of the household has to support children below the age of 14 years.

Whoever employs in his household or in connection with his profession or trade

other persons permanently and by payment of salaries or wages is bound, if that income so paid does not exceed the sum of M. 3,000, to make a return thereof to the official head of that community within whose district his trade or profession is carried on; this return to include names and domiciles and wages and salaries paid since January 1st to those employed.

This provision concerning the return by the employer of salaries, &c., not exceeding M. 3,000 per annum paid to employed, constitutes, with the taxing of the companies with limited liability, the most important innovation of the law of 1906.

On the strength of all this information received, the official heads of the various communities must make returns of the probable income of all those persons within their district who are liable for the payment of income tax (par. 24). The official head of every community obtains his information concerning the probable taxable income from sources of his own; he may address himself to those concerned direct, but they are free to refuse any information.

3. Declaration of income (par. 25—31):

Everybody with an income exceeding M. 3,000 and liable to pay income tax is by public advertisement requested and bound to make a declaration on special forms within a stated limited period. These declarations are made "to the best of the knowledge and belief" (par. 25). For non-physical persons the declaration must be accompanied by annual reports, minutes of general meetings, &c.; *companies with limited liability are bound to hand in also their balance sheets.*

The declaration contains the total income divided under the four headings of its sources (in conformity with par. 6). *The incomes derived from limited liability companies is separately returned.* Permissible deductions must also figure in the return.

In case the income can only be estimated, the declaration may be accompanied by documents certifying the estimate submitted (par. 28). If the return is not made within the period limited by the authorities, *a fine is incurred amounting to 5 per cent. of the income tax payable; this fine increases to 25 per cent. when a second period fixed by the authorities has been disregarded.* (This "fine" and "period" is an innovation of the law of 1906, par. 31.)

The declarations of income of persons under parental control, under guardianship, and declarations for non-physical persons, are made by the proper representatives. Should such representative be legally excluded from the administration of the property, then his legally substituted representative is bound to make the return. (Innovation of the law of 1906, par. 30.)

4. Officials engaged upon the assessment (par. 32—42):

Between the preparatory statement above referred to and the final assessment, a provisional assessment through a special commission ("Voreinschätzungs-Commission") takes place. This commission, presided over by the local authority (mayor, &c.), consists of a number of members, nominated partly by the Government, partly by the municipality. This commission examines the statements supplied by the local authorities and decides upon the dutiable incomes below M. 3,000.

For the assessment proper similar commissions are constituted ("Veranlagungs-Commission") presided over by an official of the Government. Their work chiefly concerns the income returns of M. 3,000 and over. The president of this commission examines the returns made by the "Voreinschätzungs-Commission" and fixes the rates applicable when he approves the returns; if he disapproves he refers the matter to his commission, which decides upon the return and fixes the rate applicable.

Should the returns made by those enjoying incomes above M. 3,000 be open to doubt, the president of the commission refers the matter to the person who has made the statement with a request to revise it within a given period. The commission can call witnesses and demand the production of documents. As a result of the negotiations the commission fixes the applicable rate.

In any case the rates fixed as applicable by the president of the commission must be communicated to those liable.

5. Legal redress (par. 43—54):

There lies an appeal against the finding of this commission to the so-called Commission of Appeal ("Berufungs-Commission"). It is presided over by a commissioner appointed by the Minister of Finance and consists of members partly

nominated by the Government and partly elected for the duration of six years from among the inhabitants of the district. The president of this commission of appeal can cause the witnesses to be sworn before the court.

A further appeal in case of incomes exceeding M. 3,000 lies to the "Oberverwaltungs-Gericht." The appeal to the "Oberverwaltungs-Gericht" lies only in cases of misapplication of the existing laws, or on the ground that the procedure of assessment has been liable to gross mistakes.

In any case the supreme direction of all matters connected with the assessment appertains to the Minister of Finance.

As far as the legal redress is concerned, the law of 1906 introduced an innovation only concerning the incomes below M. 3,000. Their first appeal now lies to the "Einschätzungs-Commission"; their second and last appeal to the "Berufungs-Commission" (par. 43).

6. Procedure :

In all these commissions (Voreinschätzungs-Commission, Veranlagungs-Commission and Berufungs-Commission) the findings are by a majority of votes, the president having the casting vote. The members of the commission are bound to secrecy. Its notices are served by post—in case of unknown addresses, by advertisement in certain public places with an allowance of 14 days, in which time the law presumes the advertisement to have reached those concerned.

PART VI.

CHANGE OF ASSESSED TAXES WITHIN THE FISCAL YEAR.

(Par. 61—66.)

The income tax is assessed for the fiscal year. An increase of the income during that period is no ground for a change in the completed assessment. If the increase is due to inheritance, *transfers, gifts*, additions due to marriage, *legacy*, a new assessment pro tanto takes place, and the payment of the increased tax operates from the 1st of the month following the increase of the capital. (*In this provision the increase by transfer, gift, legacy, are added under the new law of 1906, par. 62.*)

When it is proven that the income has been reduced by more than one-fifth, a reduction of the income tax can be claimed as from the 1st of the subsequent month. (This is an addition of the law of 1906. Similarly, requests for reduction are, under the same law, now granted irrespective of the amount of the reduction, if the quantum of the reduction becomes in other ways liable to taxation, par. 63.)

New assessments in the course of the fiscal year take place only through the fact that "new" persons become liable to the tax, *e.g.*, changed domiciles, establishment of independent household, retirement from military service, &c. For the reverse reasons, assessments in operation become void; the change in either case operates from the 1st of the subsequent month.

The claims for a reduction of the assessment are handed to the president of the commission of assessment and are decided upon by the Government; an appeal lies to the Minister of Finance; *the claim itself lapses after three months after the end of the fiscal year. (New provision law, 1906, par. 65.)*

PART VII.

PAYMENT OF THE TAX.

(Par. 67—71.)

The tax is payable in quarterly instalments within the first half of the second month of each quarter. Payments are not arrested through any claims for redress, but the amount is payable under protest within the legal period.

Under the law of 1906 the wife becomes separately liable for that amount of the income tax which becomes leviable in consequence of the addition of the wife's income to the husband's income. (Addition of the law of 1906, par. 68.)

Shareholders in limited liability companies are not liable for income tax on dividends accruing from their shares in such companies, if such companies have themselves been assessed for income tax for the year preceding.

Once the amount payable has been fixed, a printed form with the amounts due per quarter for both State and Municipal taxes is sent by post to the person liable. The form contains a statement of *all* taxes due by the payer; they are all paid in quarterly lump sums; on payment of these quarterly amounts this one form is receipted (four times a year) and retained by the payer.

The remaining paragraphs of the law of June 19th, 1906, deal with the fines and punishments incurred by those making wrongful declarations, and concerning the costs generally incurred by the assessments. It may be noted that the members of the various commissions receive monetary compensation for their work. *The law of 1906 provides that only the members of the "Veranlagungs-Commission" and "Berufungs-Commission" draw travelling expenses and daily allowances; the members of the "Voreinschätzungs-Commission" receive for their attendance only compensation for loss incurred by such attendances (par. 78.)*

PART VIII.

THE ASSESSMENT FOR PRUSSIAN STATE INCOME TAX.

Year.	In Million Marks.				
	1894.	1904.	1905.	1906.	1907.
Physical persons	114·27	177·60	188·04	201·42	223·04
Among whom, from incomes M. 900 to M. 3,000	84·26	53·47	56·80	60·45	73·54
From incomes over M. 3,000	80·01	124·13	131·24	140·97	149·50
Non-physical persons	7·76	13·63	13·73	15·37	21·07
Among which, companies with limited liability ..	—	—	—	—	6·02
Total of receipt under State Income tax from physical and non-physical persons	122·03	191·23	201·77	216·79	247·11

The above table shows the great increase which took place in the assessment in 1907, in consequence of the new law of 1906. This increase is particularly remarkable:—

1. The increase in the income tax collected from physical persons with an income below M. 3,000 is no doubt due to the law that the employer must make a statement concerning the wages and salaries of those he employs with an income of less than M. 3,000. This innovation proved at the time so unpopular among that part of the community affected—the employed—that to it was attributed at the time the gain of four social-democratic seats in the elections to the Town Council of Berlin—a success without precedent in the annals of the capital.
2. The increase under the heading of non-physical persons is due to the fact that the figures for 1907 for the first time contained the income tax payable by companies with limited liability.

THE INCOME TAX IN PRUSSIAN COMMUNITIES.

(Rural and Municipal, hereinafter called for Brevity's sake:

"MUNICIPAL INCOME TAX.")

PART IX.

The regulations concerning municipal income tax in Prussia rest upon the law of July 14, 1893 (Kommunal-Abgaben-Gesetz). Communities are thereby empowered to levy an income tax; it is levied as percentages upon the amount levied by the State. The law applicable for the time being to the State income tax is ipso facto the law

also applicable to municipal income tax ; the same regulation then applies concerning the liability of physical and non-physical persons ; concerning the property liable to assessment ; concerning the mode of assessment, &c.

As the law requires, however, that a certain relationship should exist between the various taxes levied for municipal purposes, the percentages to be fixed under the various headings of municipal taxation are not left entirely to the discretion of individual municipalities. In the following the principle of the law of 1893 will therefore be shortly explained as far as its knowledge is necessary for understanding the system at present in operation for levying income tax in the various Prussian Communities.

The law of 1893 differentiates between four kinds of public municipal dues :—

1. "Fees" (Gebühren) paid for individual services (*e.g.*, canalisation, water supply, collection of refuse, &c.).
2. "Contributions" (Abgaben), *i.e.*, payments levied from ground owners and those engaged in trade and commerce for advantages accruing from works carried out by the community (*e.g.*, widening of streets, building of bridges, provision of open spaces, &c.).

These two dues have that in common that they are payable for services rendered by the community: "Fees" are paid for specially defined services; "contributions" are paid as equivalents for advantages which accrue to the person liable for this tax in conjunction with others. In opposition hereto there are levied the taxes proper, *viz.* :—

3. By direct taxation fixed by law under the headings of—

- (*a.*) Income tax ;
- (*b.*) Tax on capital ("Vermögens-Steuer" or "Ergänzungs-Steuer.")
- (*c.*) Taxes upon ground property ("Grund-Steuer" and "Gebäude-Steuer").
- (*d.*) Tax on industrial enterprise.

(*c* and *d* are, in the law of 1893, spoken of jointly under the common heading of "Real-Steuern.")

4. By indirect taxation—

As such the law regards all other taxes (beyond all those already mentioned) they are levied by the municipality under the headings of "tax on the transfer of property ("Besitzwechsel-Steuer"); tax on the increase in the value of property ("Werthzuwachs-Steuer"); dog licences; horse licenses; taxes on entertainments ("Lustbarkeits-Steuer").

The law of 1893 starts from the assumption that the communities are above everything Economic Unions, and that in consequence the maxim should prevail that those chiefly interested in the economic aspect of communities should bear the burden of taxation (by way of payments for benefits received) rather than those capable of paying taxes but who are not as directly interested in the services which the communities render as economic entities. In consequence, the law directs the communities to provide for its financial needs, as far as they cannot be met from the taxes under 3 (*c*) and 3 (*d*) ("Ground tax and tax upon industries"), chiefly from the dues under 1 (fees) and 2 (contributions). It follows that the law desires that the use of direct taxation be limited as far as may be possible.

Among the direct taxes the law of 1893 entirely excludes from the grasp of the municipality the tax under 3 (*b*) ("Vermögens-Steuer"); it leaves open for the use of the communities, 3 (*a*) income tax, 3 (*c*) and 3 (*d*). The former, as we have seen in the first part of this Report, the Prussian State Government also claims for itself; the uses of the taxes under 3 (*c*) and 3 (*d*) it has entirely abandoned to the communities, though the Government undertakes for the communities the assessment of the latter taxes also. It is said that this is done chiefly for statistical purposes and with the intention that the rates levied under this heading by the various communities can be easily compared by the central authorities.

In accordance with the principle above set out, the law of 1893 has recommended to the municipalities, among direct taxes, in the first place the exploitation of the taxes under 3 (*c*) and 3 (*d*), because it is chiefly those owning real property and those engaged in trade and commerce who cause the municipal expenditure and who benefit from

such expenditure. Only when the taxes levied under 3 (c) and 3 (d) have exceeded 150 per cent. of the assessment is the municipality enjoined to rely to a greater degree upon the income tax. Under no circumstances must the taxes raised under 3 (c) and 3 (d) exceed 200 per cent. of the Government assessment, whereas it is permissible to exceed this percentage in the application of the income tax.

I think the foregoing remarks will sufficiently explain the paras. 54 and 55 of the law of 1893, which are those limiting the free discretion of the municipalities in the quantum of the municipal taxes raised under the various headings.

(Par. 54.)

The "Real-Steuern" (*i.e.*, taxes under 3 (c) and 3 (d)) assessed by the State are to be levied for municipal purposes at least at the same percentage, and at the utmost at a percentage half as high again as the percentages levied for municipal purposes upon the Government income tax. As long as the "Real-Steuern" do not exceed 100 per cent. it is permissible to remit the income tax altogether, or to levy it at a percentage below the rate above set down.

When 150 per cent. of the State-assessed "Real-Steuern" are levied, and when 150 per cent. of the State income tax is levied also, then is it permissible to levy, over and above this amount, for every per cent. of the "Real-Steuern" 2 per cent. of the income tax.

NOTE.—This means that up to 150 per cent. the burden is primarily to fall upon the "Real-Steuern," and secondarily only upon income tax; once 150 per cent. has been reached the order is inverted and the income tax becomes responsible at a higher ratio, namely, double that of the Real-Steuern.

As a rule more than 200 per cent. of the "Real-Steuern" may not be levied.

(Par. 55.)

An excess over the full rate of the State income tax (*i.e.*, 100 per cent.) must be officially sanctioned by the superior authorities, *viz.*, the Ministers of Finance and the Interior respectively, likewise any deviations from the general rules set down in para. 54.

From the foregoing it is seen that, within certain proportion, the quantum of the municipal income tax is left to the discretion of individual communities. It is one of the disadvantages of this system that people, more especially if not bound to certain communities by the ownership of land or settled industries, migrate to communities where a lower percentage of municipal income tax is in operation. Such migrations become more frequent as the municipal taxation increases.

NOTE.—Cases to the point have occurred in Frankfurt, where wealthy taxpayers have migrated to Gonsenheim, about 10 miles from Frankfurt, where no municipal tax is levied at all.

PART X.

It must be noted that it is permissible in the case of a municipal income tax to levy an income tax upon incomes of M. 900, and less. The assessment in such cases operates upon the following assumed normal rates:—

For a yearly income—

Not exceeding	To inclusively	Annual Tax. per cent. of the assessed income liable, rising to a maximum of
Marks. —	Marks. 420	Marks. 1·20
420	660	2·40
660	900	4·0

If the needs of the community can be provided for without raising income tax upon incomes below M. 900, a municipal revenue from this source may be renounced

altogether; in any case it is permissible to levy upon incomes below M. 900 percentages lower than those levied upon the State income tax upon incomes exceeding M. 900 (para. 79 of the Finance Law of June 19, 1906). That this differentiation actually takes place can be seen from the following table:—

PART XI.

TABLE showing the Rate in Percentages which Prussian Communities levy under the heading of Income Tax (irrespective of other municipal taxation) upon the amount levied by the Government as Income Tax.

(This assessment operates from 1st April, 1908, to 31st March, 1909.)

Percentage of the Government assessment upon incomes of:—

Town.	M. 420—660.	M. 660—900.	M. 900 and over.
	Per cent.	Per cent.	Per cent.
Aachen	—	—	135
Altona	315	270	special scale
Barmen	—	100	210
Berlin	—	—	100
Bochum	—	190	190
Breslau	—	116	146
Cassel	—	120	120
Charlottenburg	—	—	100
Cologne	—	—	147
Crefeld	180	180	180
Danzig	196	196	196
Dortmund	210	210	210
Düsseldorf	—	—	140
Duisburg	—	—	200
Elberfeld	125	150	195
Erfurt	—	—	143
Essen	—	—	200
Frankfurt a.M.	—	—	99
Frankfurt a.O.	177	177	177
Gelsenkirchen	125	180	202
Görlitz	—	130	130
Halle	—	154	154
Hannover	125	125	125
Kiel	—	180	180
Königsberg	—	200	200
Liegnitz	120	120	120
Magdeburg	—	164	164
Posen	170	170	170
Potsdam	110	110	110
Rixdorf	100	100	100
Schöneberg	—	—	100
Spandau	150	150	150
Stettin	—	180	180
Wiesbaden	—	—	100

It follows from the foregoing table that in incomes of M. 900 (where the Government assessment begins) and over, the municipal quantum, levied in addition to the Government income tax, averages in the 30 odd most important Prussian cities, 154 per cent! That means, *e.g.*, that on an income of £5,000 and over the income tax payable in Prussian towns to State and municipality already amounts to 10 per cent., or 2s. in the £! To this further additions will become due under the Finance Law, 1909, and possibly under the Finance Law of the Empire (see Introduction).

PART XII.

TABLE showing the Receipts from Municipal Income Tax in relation to Receipts from total Municipal Taxation.

(This assessment operated from 1st April, 1904, to 31st March, 1905.)

Town.	Population.	Income Tax.	Total Receipts from Municipal Taxation.
			Marks.
	Heads.	Marks.	Marks.
Aachen	144,095	2,044,316	4,613,003
Altona	168,320	1,746,353	5,011,708
Barmen	156,080	2,687,977	4,791,443
Berlin.. .. .	2,040,148	31,018,468	69,309,154
Bochum	118,464	1,348,200	2,382,894
Breslau	470,904	7,121,000	15,751,976
Cassel.. .. .	120,467	1,348,505	3,383,117
Charlottenburg	239,559	4,401,958	8,487,656
Cologne	428,322	6,223,608	12,513,571
Crefeld	110,344	2,027,753	3,620,656
Dauzig	159,648	1,735,734	3,508,763
Dortmund	175,577	—	5,311,452
Düsseldorf	253,274	3,902,431	7,295,617
Duisburg	192,346	1,619,189	2,798,112
Elberfeld	162,853	3,774,814	6,639,206
Erfurt.. .. .	98,849	1,263,904	2,416,785
Essen	231,330	3,687,656	6,245,755
Frankfurt a.M.	334,973	7,795,291	14,936,788
Frankfurt a.O.	64,304	719,573	1,274,134
Gelsenkirchen	147,005	2,380,292	3,611,547
Görlitz	83,766	886,516	1,617,253
Halle	169,916	2,461,733	4,395,714
Hannover	250,024	3,263,100	6,737,658
Kiel	163,772	1,884,901	3,893,781
Königsberg	223,770	2,846,700	5,376,480
Liegnitz	59,706	457,070	923,899
Magdeburg	240,633	3,620,896	6,961,623
Posen	136,808	1,352,000	3,816,003
Potsdam	61,414	678,807	1,679,450
Rixdorf	153,513	742,357	2,580,129
Schöneberg	141,010	1,755,629	3,829,345
Spandau	70,295	631,609	1,431,922
Stettin	224,119	2,839,117	6,148,261
Wiesbaden	100,953	2,257,135	4,671,076

It follows that the municipal receipts from *all* classes of municipal income tax (below and above incomes of M. 900) amount to 48.50 per cent. of the total revenue from municipal taxation, or, roughly speaking, the receipts from income tax make up half the municipal revenue from taxation.

PART XIII.

THE REVISION OF THE INCOME TAX LAW (STATE), 1909.

The year 1909 will be unpleasantly remembered by the German tax payer. There are vast additional financial needs to be provided for out of taxation in the various Confederate States for own purposes and for the purposes of the Empire. The case of Prussia will again be more fully dealt with as characteristic also of the circumstances prevailing in other German Confederate States.

The deficit in Prussia, amounting roughly to 145 million marks, is due partly to the necessity of increasing official salaries owing to the increase in the cost of living, and partly to the effects which the commercial depression has had upon the receipts from the Government railway system as a source of revenue. If a modification of the Prussian budget will render it possible to compensate a part of the difference between receipts and expenditure (*e.g.*, greater economy in the various Government departments), a not inconsiderable part of the deficit will have to be provided for out of new

revenues. This amount the Government has roughly calculated at 50 million marks. Out of these 50 million marks there are to be raised—

- 22½ million marks out of additional payments under the headings of income tax ;
- 12½ million marks out of additional payments under the heading of the property tax ;
- 15 million marks out of additions under the heading of stamp duties.

(NOTE.—Under this heading are not included those stamp duties which are levied as Imperial stamp duties, *e.g.*, stamp duty on bills of exchange.)

The Government had proposed to levy these additional taxes retrospectively also for the year 1908 ; but the Prussian Diet has very considerably modified the Government proposals and has declined this suggestion absolutely.

The Diet, in its sitting of February 20, 1909, has approved the following changes, to operate from the 1st day of April, 1909 :—

1. The additions (“Zuschläge”) to the present rates applicable for the payment of Income Tax are to amount to :—

For Incomes amounting to exceeding	To inclusive	In case of Physical Persons.	In case of Non-physical persons.	
			Companies with Limited Liability.	Share Companies, Share Partnerships, Mining Companies.
Marks.	Marks.	Per cent.	Per cent.	Per cent.
1,200	3,000	5	7·5	10
3,000	10,500	10	15	20
10,500	20,500	15	22·5	30
20,500	30,500	20	30	40
over 30,500	—	25	40	50

These additional rates are only provisional, until a complete reorganisation of direct State taxation in Prussia has taken place. Such a bill of reorganisation the Government is bound to introduce into the Diet within three years. (These new rates, consisting of the old rates plus a percentual addition, have been fixed in that form because the additions to the rates are *not* to apply to the operation of the Prussian income tax as levied in the Communities ; if rates on a new scale had been fixed this new scale would ipso facto have operated also as part of the Municipal tax law ; in the form above chosen that has been avoided ; the percentual amount fixed in the various communities remains as heretofore on the old rates fixed by the law of 1906 for purposes of municipal income tax.)

2. Concerning the stamp duty rates the Diet has decided that the rates are to be so raised as to yield an additional annual revenue of 15 million marks. Towards the additional revenue of 15 million marks under this heading a stamp duty upon the first establishment (foundation—“Errichtung”) of share companies and companies with limited liability is to yield 7½ million marks.

3. The relief granted in the case of persons assessed for the payment of income tax having to support children and other relatives has been greatly extended ; the deduction granted under this relief is in future no longer optional, but obligatory. In case the person assessed has an income not exceeding M. 6,500, he is entitled to a reduction of the income tax payable by :—

- One grade if bound to support 2 children or relatives.
- Two grades if bound to support 3 or 4 children or relatives.
- Three grades if bound to support 5 or 6 children or relatives.
- One further grade for every additional 2 children or relatives.

In the case of incomes exceeding M. 6,500 but not exceeding M. 9,500, the reduction operates as follows :—

- One grade in the case of 3 children.
- Two grades in the case of 4 or 5 children.
- One additional grade for every additional 2 children.

This relief constitutes a great advance upon the one so far in operation under the law of 1906, and its "fiscal" effect is expected to be considerable, as the Finance Minister has calculated the probable loss to the Exchequer under this relief at about 16 million marks per annum.

4. The tax on property is to be raised by 25 per cent.; its present rate was $\frac{1}{2}$ per cent., which was exceedingly moderate.

The Government has undertaken to bring in a new Bill within the time specified (three years); as far as can be gathered from remarks which have fallen during the debate, the spirit of the next Government Bill dealing with the income tax in Prussia will aim at a more thorough progressive principle applicable to the assessment; as seen in an earlier part of this report, there is at present no progression in the amount of the tax to be levied on incomes between M. 9,500 and M. 30,500 (3 per cent.), and on incomes of M. 100,000 and above (4 per cent.).

PART XIV.

REMARKS ON THE WORKING OF THE PRESENT INCOME TAX LAWS IN PRUSSIA.

The debates on the finance law, 1909, would have made it quite clear, had a proof been required, that the Prussian people has become entirely reconciled to the spirit of the present income tax laws and satisfied therewith as far as anyone can be satisfied with any laws of taxation. The merit of this state of affairs lies no doubt with the Finance Minister, Miquel, who, as stated in the introduction to this whole report, endeavoured for the first time to attain an equitable distribution of the burden of taxation (1891). Before 1891 the state of things, if viewed in comparison to the latter-day success, had something decidedly archaic. Complaints about the injustice of the taxes never ceased, the bailiff was uninterruptedly at work, a large proportion of the taxes due could not be levied at all and escaped the Exchequer. It is to-day generally recognised that the system prevailing in Prussia is thorough and just. The limit of incomes relieved of all taxation has been raised to M. 900, against formerly M. 600. This measure not only relieved additional members of the poorer classes but simplified the operation of the whole system. The law of 1891 also introduced the self-assessment or "declaration" of those enjoying an income of M. 3,000, and more. The results of this innovation have proved nothing short of splendid. One of my informants directly engaged in the administration of the income tax laws has assured me that the honesty prevailing in these self-assessments was a surprise even to the optimists. The fines and punishments for a dishonest declaration are heavy, but only in very rare cases need they be applied. The law and regulations concerning the self-assessment are complicated, and though the printed forms (of which copies are annexed) endeavour to facilitate their understanding, mistakes occur. Yet the mistakes in most cases are *bond-fide* mistakes. It occurs frequently, on the other hand, that mistakes to the *advantage* of the Exchequer are made, because permissible deductions have been overlooked, or waived in cases of doubt. It is characteristic of the whole demeanour of the "Agrarians" (as opposed to the "Industrials") that they have established a Bureau in Berlin, the main purpose of which is the verification of their income tax returns so that no legally permissible deductions may be overlooked, at least by them. I have heard of no similar institution at the disposal of those chiefly engaged in trade and commerce. These self-assessments are said to have had no small educational value as fostering honesty generally. It is certainly remarkable what a serious view members of the community generally take of a wrongful declaration when its facts become known from the publication of the consequent legal proceedings.

As has been pointed out in another part of this report, the burden of taxation is at times honestly avoided, viz., by the migration of the taxpayer into communities where the proportion of the State income tax levied for municipal purposes is less onerous.

The Exchequer has also benefited from the present system; the income tax yields annually increasing revenues, the returns being withal more stable than had been anticipated. The income tax has become the backbone of Government and municipal finance in more senses than one. The complaints of unjust taxation have subsided; only occasionally they are heard, and then they proceed not from individuals, but from entities whose very *raison d'être* seems to lie in a voice indignantly raised on every occasion as, e.g., the Society constituted for the protection of the interests of companies with limited liability.

The extension of the relief to the poorer classes has not only proven sound from a social point of view, but has benefited the Exchequer in as far as the expenditure incurred in collecting the income tax from these sources was not justified by the receipts. The expenditure of the machinery necessary for the assessment and collection of the income tax is still considerable if compared to that entailed by other sources of revenue, *e.g.*, the tax on the increased value of property; a characteristic example (Frankfort) will serve as an illustration: in 1906 the municipal income tax of this city yielded 10½ million marks, for the assessment of which about 100 officials were necessary; the taxes levied on the transfer of property and on the increased value of property amounted together in the same year in Frankfort to 4 million marks, the assessments having been made by two officials only! The faults of the present law (1891—1896) lie chiefly in the absence of a perfectly systematic progression; this is to be remedied by the new finance law to be brought in within the next three years. The great principles underlying the law at present in operation are not likely to be altered; the new law will deal with details.

III.

TAXES LEVIED ON CAPITAL VALUE

IN

FOREIGN COUNTRIES.

Taxes Levied on Capital Value in Foreign Countries.

MEMORANDUM COMPILED FOR THE CHANCELLOR OF THE EXCHEQUER, JUNE, 1909.

SUMMARY.

1. Death Duties.
2. Stamp Duties.
3. Property Tax in Prussia, the minor German States and Scandinavia ; and also in Holland, Switzerland and the United States.
4. Land Tax in the Swiss Cantons and in the German Municipalities.

TAXES LEVIED ON CAPITAL VALUE AS OPPOSED TO REVENUE FROM CAPITAL.

I. *Death Duties.*—These duties which exist in all the principal European Countries (except Russia) and in many of the States of America are naturally levied on capital value.

II. *Stamp Duties.*—Where these duties are more than a fixed fee on certain legal transactions, they tend to take the form of a percentage on the value concerned. In France and in the countries under French financial influence (Italy, Spain, etc.), registration stamps on the ownership of property form an important source of revenue, the duty being proportional to the value of the property registered.

III. *Property Taxes.*—Many countries levy a tax on the capital value of property as a means of differentiating earned and unearned income. This tax may be either (A) *in addition to* the ordinary income tax, or (B) *in lieu of it*. In Prussia a capitalist pays first ordinary income tax on all his income, earned or unearned, and secondly supplementary tax on the capital value of his property. In Holland, on the other hand, he pays income tax on his earnings and property tax (at a rather higher rate) on his capital, but not both in respect of the same income.

A. Countries which have a property tax on capital in addition to income tax on interest from capital.

1. *Prussia.*—The supplementary tax (*Ergänzungssteuer*) is levied on every person liable in point of domicile, etc., to Income Tax, and embraces all movable and immovable property in Prussia, viz. : landed property, mining rights, invested capital, cash, capitalised value of annuities, etc. (other than earned pensions). The tax.

Deductions are made for debts and entail charges, and household furniture, artistic collections, etc., are free.

The following persons are exempt :—

Exemptions

- (i) Those whose taxable property does not exceed £300.
- (ii) Those whose annual income does not exceed £45, and whose property is less than £1,000.
- (iii) Women, orphans, etc., in certain cases, if their income does not exceed £60, and their property is less than £1,000.

The tax is at the rate of $\frac{1}{2}$ per 1,000* on the lowest fortune of each of the many grades into which it is divided. Thus, fortunes from £300 to £400 pay 3s., fortunes from £401 to £500, 4s., and so on. At an assumed normal interest of 4 per cent. the tax works out at $1\frac{1}{2}$ † per cent. on the income derived from property. Rate.

* Under the new Prussian Law of May, 1909, the rates have been increased by 25 per cent.

† Under the new Law about $1\frac{1}{2}$ per cent.

Assessment. The tax is assessed for a period of three years by the Assessment Committee of each district, an elected body with an official chairman and a strong official minority. Personal declarations may be handed in, but are not obligatory.

2. Similar taxes with minor modifications exist in Saxony, Baden, Hesse and several of the smaller German States; and also in Norway ($\frac{1}{3}$ per 1,000 on the estimated value of property over 1,000 kroner), Sweden ($\frac{2}{3}$ per 1,000 on agricultural property, $\frac{1}{4}$ per 1,000 on town property), Denmark and some of the Swiss Cantons.

B. Countries which have a tax on capital value in lieu of income tax on interest from capital.

1. *Holland.*—The property tax (*Vermögensbelasting*) is levied on all individuals whose property exceeds 10,000 florins (£830). Married women's capital counts as their husbands, and deductions are made for debts and permanent annual charges for pensions, etc. (capitalised at 20 years).

In the case of mixed income—*e.g.* where money is invested in a business by a partner—4 per cent. on the capital is assumed to be interest on property and only profit in excess of that amount is taxed as professional income.

The rate is $1\frac{1}{4}$ per 1,000 on property in excess of 10,000 florins (£830) up to 200,000 florins (£16,600), and 2 per 1,000 on property in excess of 200,000 florins; or assuming a normal 4 per cent. interest, $3\frac{1}{2}$ per cent. and 5 per cent. respectively on the income derived from property.

The value is based on actual market price, where possible. Real property is capitalised at 20 times its annual value for land tax, or, especially in the case of building land, at its estimated selling price; rents at 20 years' purchase, shares at current rates and so on.

2. *Switzerland.*—In most Cantons, taxation of property is separated on the Dutch principle from taxation of earned income, and is levied on capital value. The rates, limits of exemption (if any), and details of graduation vary greatly in different Cantons. (Details are given in Cd. 2587 of 1905.)

3. *United States.*—A tax on income is forbidden by the constitution of all but 8 States, and in fact only exists in 3 States. But throughout the Union a tax on property, movable and immovable, is one of the main features of the State Budget. As a rule, property under 1,000 dollars is exempt. The rates vary from '38 per 1,000 in Massachusetts to 8'05 per 1,000 in Arizona.

The valuation is made in some cases by a single assessor, in others by an elected commission. In the case of movable property it depends on the sworn declaration of the taxpayer, which is checked, so far as it is checked, by officially employed lawyers, commonly known as "tax-ferrets." These men are paid by a heavy commission on the undeclared taxable property which their researches bring to light, and they have power to examine books, banking accounts, etc.

IV. *Land Taxes.*—In those countries where there is no property tax, a land tax naturally takes its place. This is notably the case in France (*Impôt Foncier*) and Italy (*Fondi Rustici*), and to a lesser extent in Austro-Hungary, Belgium, Spain, Portugal, Bavaria, and most of the smaller German States; but in all these cases the tax appears to be levied on the real or estimated income rather than on capital value. The reason appears to be that most of these State taxes are historic survivals.

The principle of levying on capital value seems to be confined to municipal or quasi-municipal authorities—to the Swiss Cantons, and to the German towns. In Hamburg, for instance, rents or produce are capitalised and taxed at 5 per 1,000 of the capital value thus reached. In Bremen, land is taxed on its income, but built-on land on capital value. In Prussia the municipalities tax land in addition to the State property tax. In the typical case of Frankfort on the Main the town levies a tax on the selling price of land on its transfer, varying according to (1) the nature of the land (built or not built), (2) the period since the last sale, and (3) the increment since the last sale. As the sale price in normal cases is evidence of value, an official valuation is not usually needed.

IV.

DIRECT TAXATION

IN

GERMANY.

Direct Taxation in Germany.

Compiled for the Chancellor of the Exchequer.

This Memorandum is largely based on the White Books presented to the Reichstag in connection with the German Finance Reforms.

[Denkschriftenband zur Begründung des Entwurfs eines Gesetzes betreffend Änderung im Finanzwesen.]

GERMAN DIRECT TAXES.

To make any profitable comparison of direct taxation in England and Germany, it is necessary to take into consideration in the case of the latter not merely the Imperial taxes but also the taxes levied by the Federal States. It is also important to remember that a large portion of the States' expenditure, in Prussia as much as 47 per cent., is covered by the profits of railways and other industrial undertakings, the State being thus enabled *pro tanto* to dispense with taxation. Imperial taxation (of the kind with which we are concerned) is the same throughout the Empire, but the State direct taxation varies to a certain extent in the different States. Prussia, for instance, has a property tax based on capital value, and leaves house and trade taxes to the local authorities; Bavaria retains land, house and trade taxes, and has a less complete income tax system; Prussia has no inheritance duty beyond its share in the Imperial Legacy Duties (*Erbschaftssteuer*), Hamburg has an additional surtax for State purposes, and so on. Some form of income tax exists in practically all the States. For the sake of simplicity, this Memorandum deals only with Prussia, which is not only the richest and largest of the German States (population 38,000,000 out of a total of 60,000,000), but also has one of the most comprehensive systems of income tax.

I. EXISTING TAXES.

The Prussian subject of the Empire pays on the existing basis the following direct taxes :—

- A. Income Tax (*Allgemeine Einkommensteuer*) to the State.
- B. Property Tax (*Ergänzungssteuer*) to the State.
- C. Inheritance Tax (*Erbschaftssteuer*), two-thirds to the Empire, one-third to the State.
- D. Stamps—partly Imperial, partly State.

Certain small taxes on hawking, &c., which only produce about £150,000 a year, are omitted in this enumeration.

PRUSSIAN INCOME AND PROPERTY TAXES.

A. *Income Tax.*

RATES* :—(i) For individuals and Companies with unlimited liability—

Scale of Income.		Tax.		Scale of Income.		Tax.	
Over—	Up to and including—	£	s.	Over—	Up to and including—	£	s.
£	£ s.	£	s.	£	£ s.	£	s.
45 0	52 10	0	6	82 10	90 0	1	6
52 10	60 0	0	9	90 0	105 0	1	11
60 0	67 10	0	12	105 0	120 0	1	16
67 10	75 0	0	16	120 0	135 0	2	4
75 0	82 10	1	1	135 0	150 0	2	12
Summary Group I.—Income: From over £45 up to £150. Tax: 6s. to £2 12s.							
£	£	£	s.	£	£	£	s.
150	165	3	0	210	225	5	4
165	180	3	10	225	250	5	18
180	195	4	0	250	275	6	12
195	210	4	12	275	300	7	6
Summary Group II.—Income: From over £150 up to £300. Tax: £3 to £7 6s.							
300	325	8	0	400	425	11	12
325	350	8	16	425	450	12	12
350	375	9	12	450	475	13	16
375	400	10	12				
Summary Group III.—Income: From over £300 up to £175. Tax: £8 to £13 16s.							
475	525	15	0	1,025	1,075	31	10
525	575	16	10	1,075	1,125	33	0
575	625	18	0	1,125	1,175	34	10
625	675	19	10	1,175	1,225	36	0
675	725	21	0	1,225	1,275	37	10
725	775	22	10	1,275	1,325	39	0
775	825	24	0	1,325	1,375	40	10
825	875	25	10	1,375	1,425	42	0
875	925	27	0	1,425	1,475	43	10
925	975	28	10	1,475	1,525	45	0
975	1,025	30	0				
Summary Group IV.—Income: From over £475 up to £1,525. Tax, £15 to £45.							

The tax rises in the case of incomes of—

More than—	Up to inclusively.	For every—	By—
£	£	£	£
1,525	1,600	75	3
1,600	3,000	100	4
3,000	5,000	100	5

In cases of income of more than £5,000 up to £5,250 the tax is £200, rising by £10 for every additional £250.

* But see additions on p. 55 opposite.

(ii) In the case of Companies with limited liability the income tax is as follows :—

Scale of Income.		Tax.	Scale of Income.		Tax.
Over—	Up to—		Over—	Up to—	
£ s.	£ s.	£ s.	£ s.	£ s.	£ s.
45 0	52 10	0 6	195 0	210 0	4 16
52 10	60 0	0 10	210 0	225 0	5 12
60 0	67 10	0 14	225 0	250 0	6 12
67 10	75 0	0 18	250 0	275 0	7 8
75 0	82 10	1 4	275 0	300 0	8 4
82 10	90 0	1 10	300 0	325 0	9 0
90 0	105 0	1 16	325 0	350 0	10 0
105 0	120 0	2 2	350 0	375 0	11 0
120 0	135 0	2 8	375 0	400 0	12 0
135 0	150 0	2 16	400 0	425 0	13 0
150 0	165 0	3 6	425 0	450 0	14 0
165 0	180 0	3 16	450 0	475 0	15 0
180 0	195 0	4 6	475 0	525 0	17 0

Then—£525 to £2,325 in grades of £50 by an additional £2 for each grade.
£2,325 to £2,400 by an additional £3.
£2,400 to £5,000 in grades of £100 by an additional £5 for each grade.
Above £5,000 " £200 " £9 "

To these original rates must be added as from April 1st, 1909, further increases under the law of May, 1909, the percentages being on the amounts due according to the above tariff. The increases are to be temporary in character pending a proposed complete reorganisation of direct State taxation in Prussia.

For Incomes exceeding	To inclusive	In case of Individuals.	In case of Companies.	
			Companies with Limited Liability.	Share Companies, Share Partnerships, Mining Companies.
£	£	Rate of Increase. Per cent.	Rate of Increase. Per cent.	Rate of Increase. Per cent.
60	150	5	7.5	10
150	525	10	15	20
525	1,025	15	22.5	30
1,025	1,525	20	30	40
over	£1,525	25	40	50

There are in most towns very considerable additional surcharges on the State income tax rates for municipal and local purposes. These vary in Prussia from 100 to 210 per cent. of the State tax, the average increase being 154 per cent.

To sum up, the income tax on individuals is progressive up to £475, practically proportional at 3 per cent. from £475 to £1,525, and then rises progressively again to a fixed 4 per cent. on incomes over £5,000, at which figure it again becomes proportional. To these principal rates must be added the percentage increases given above under the law of May, 1909, which raise the tax on incomes from £525 to £1,025 to nearly 3½ per cent., on incomes from £1,025 to £1,525 to 3¾ per cent., and on incomes over £5,000 to 5 per cent., with heavier rates on companies. For purposes of comparison it should further be noticed that the property tax described below (which roughly amounts to a further 1½ per cent. on income derived from capital) is really the Prussian method of arriving at a differentiation between earned and unearned income.

Prussian income tax statistics for 1907 give the number of income tax payers in the groups £45 to £150 per annum as 4,825,065 persons, or 89 per cent. of the total, and the proportion of tax levied upon these classes as £3,677,219, or 32.59 per cent. of the total tax.

The number of income tax payers over £150 per annum was classified as follows:—

Classes.	Numbers.	Amount of tax.
£	£	£
150—325	386,376	1,773,438
325—475	72,815	776,608
475—1,525	79,630	1,852,089
1,525—5,000	17,109	1,480,676
over 5,000	3,561	1,722,800
Total..	559,591	7,605,611

The total produce of the tax on individuals was thus (1907) £11,282,830.

The net produce of the income tax on companies in the same year was £1,203,318.

B. Property Tax.

On all *capital*, movable and immovable, in excess of £300, or if yearly income does not exceed £45, in excess of £1,000. The tax is in addition to income tax paid on the income derived from the capital. It is paid by individuals only, not by companies, &c.

Rates.—The tax is reckoned at $\frac{1}{2}$ per thousand on the lowest fortune of each stage of the following scale, plus an all-round increase of 25 per cent. under the Prussian law of May, 1909.

For fortunes of—

£	£	£	s.
More than 300	up to 400 inclusive, it amounts to ..	..	0 3
" 400	" 500 " " ..	..	0 4
" 500	" 600 " " ..	..	0 5
" 600	" 700 " " ..	..	0 6
" 700	" 800 " " ..	..	0 7
" 800	" 900 " " ..	..	0 8
" 900	" 1,000 " " ..	..	0 9
" 1,000	" 1,100 " " ..	..	0 10
" 1,100	" 1,200 " " ..	..	0 11
" 1,200	" 1,400 " " ..	..	0 12
" 1,400	" 1,600 " " ..	..	0 14
" 1,600	" 1,800 " " ..	..	0 16
" 1,800	" 2,000 " " ..	..	0 18
" 2,000	" 2,200 " " ..	..	1 0
" 2,200	" 2,400 " " ..	..	1 2
" 2,400	" 2,600 " " ..	..	1 4
" 2,600	" 2,800 " " ..	..	1 6
" 2,800	" 3,000 " " ..	..	1 8
" 3,000	" 3,500 " " ..	..	1 10

Plus a further increase of 25 per cent. under the law of May, 1909.

From hence it rises in the case of fortunes up to £10,000 by 5s. for every £500 begun. For fortunes of more than £10,000, up to £11,000, the tax amounts to £5, and rises for still higher fortunes by 10s. for every £1,000 begun.

This tax is not graduated in a progressive sense, the rate being in all cases about $\frac{1}{20}$ th per cent., or $\frac{1}{2000}$ th of the assessed value. The only way of expressing the effect of this on income is to assume an average rate of interest on capital. Taking this at 4 per cent., the tax, allowing for the new rate, would be equal to a rate (additional to the income tax) of $\frac{1}{16}$ ths per cent. on the income derived from property.

The produce of this tax in 1905 was £2,013,437, and the total amount of property brought into assessment £4,120,514,345.

The estimated produce of the tax for 1908–10 was £2,250,338.

C. The Imperial Inheritance Tax (Erbschaftssteuer).

The tax, which dates from the law of 3rd June, 1906, is levied on all legacies over £25, except those to immediate relatives, according to the following tariff. Two-thirds of the proceeds go to the Empire, one-third to the States:—

Rates.—(i) *Class I*: 4 per cent. of the legacy if inherited by—

1. Parents.
2. Brothers and sisters and their descendants of the first degree.

Class II: 6 per cent. of the legacy if inherited by—

1. Grandparents and their ascendants.
2. Step parents and parents in law.
3. Step children and children in law.
4. Descendants of brothers and sisters in the second generation.
5. Adopted children and children born out of wedlock but recognised by the father.

Class III: 8 per cent. of the legacy if inherited by—

1. Uncles or aunts.
2. Uncles and aunts in law.

Class IV: 10 per cent. of the legacy in all other cases, except charitable bequests which pay 5 per cent.

(ii) If the legacy exceeds £1,000 the above principal rates are increased as follows:—

£	£
1,000 to	1,500 by 1/10th.
1,500 to	2,500 by 2/10ths.
2,500 to	3,750 by 3/10ths.
3,750 to	5,000 by 4/10ths.
5,000 to	7,500 by 5/10ths.
7,500 to	10,000 by 6/10ths.

and by an additional 1/10th for every £5,000 up to £50,000, where two and a-half times the original rate (or 25 per cent. of the legacy) is reached.

Abatements.—The following are the most important:—

- (a) A legacy falling in Class I *supra* is only subject to the increased rates under (ii), if it exceeds £2,500.
- (b) Agricultural land and buildings pay only 75 per cent. of the normal rates, and if bequeathed to parents (Class I) are exempt if they have paid duty within five years, or pay only 50 per cent. if they have paid duty within 10 years.

Exemptions.—The following are entirely exempt:—

1. Legacies not exceeding £25.
2. Legacies to employes not exceeding £150.
3. Legacies from husband or wife or to children.
4. Legacies not exceeding £500 to parents, grandparents, and adopted or recognised children.

The States are empowered to levy further surcharges for their own revenues, and this has been done in the Hansa towns and in Alsace, but not elsewhere.

D. Stamps corresponding to British Duties affected by the Budget.

	Per cent.
(1) <i>Conveyance</i> (Prussian)	1
(2) <i>Leases</i> (Prussian)	1/10th
(3) <i>Gifts inter vivos</i> (Prussian)—	
Between lineals and spouses	Nil
,, brothers and sisters, nephews and nieces	2
,, uncles and aunts	4
,, other relations and strangers	8

(4) *Stamps on securities* (Imperial).

A German Company would pay—

- *(a) If the issue were of shares, 2 per cent. on the amount issued.
- (b) If the issue were of bonds, $6 \frac{7}{100} = 12s.$ per cent.
- (c) Railway company's bonds, $2 \frac{7}{100} = 4s.$ per cent.
- (d) Mining companies, 1.50 marks each share warrant, with 1 per cent. on funds raised for extension.

* There would be payable besides 1 per cent. capital duty as against 5s. per cent. payable on English share capital.

A foreign company making a similar issue would pay—

- (a) $2\frac{1}{2}$ per cent.
- (b) 1 per cent.
- (c) $6\text{ ‰} = 12s.$ per cent.

A German municipality would pay on bonds to bearer $2\text{ ‰} = 4s.$ per cent.

A foreign municipality would pay on bonds to bearer 1 per cent.

A foreign government would pay on bonds to bearer $6\text{ ‰} = 12s.$ per cent.

(5) *Contract Notes* (Imperial).

On the sale of German industrial bonds, bonds of Foreign States and Railway Companies, and of bonds to bearer of German Communes and Railway Companies issued with State sanction, $2/10\text{ths ‰} = 5d.$ per £100.

On sales of shares in mines $1\text{ ‰} = 2s.$ per £100.

On sale of any other securities (*e.g.*, shares of German and Foreign Companies, bonds of Foreign Corporations, &c.), $3/10\text{ths ‰} = 7\frac{1}{2}d.$ per £100.

Carrying overnotes liable to single duty.

NOTE.—Many of the larger municipalities levy heavy duties on land values, either as an increment tax or by means of transfer duties or both.

II. PROPOSED REFORMS OF 1908-9.

(a) *Original Government Proposals.*

The Government proposals of last autumn, which have been rejected by the Budget Commission, only proposed to raise £5,000,000 out of the required £25,000,000 by direct taxation. This sum was to be raised entirely from a revision of the Death Duties. For this purpose three Bills were introduced, one of which dealt only with minor exemptions, &c., in the existing law. The second (*Über das Erbrecht des Staates*) limited the right of succession to *intestate* estates to relations in the first two degrees (wife and children), and to grandparents, in whose default the inheritance fell in to the State. The third (*Nachlasssteuer*) introduced an Estate Duty on all estates exceeding £1,000, whether left to immediate relatives or not. Both *Erbschaftsteuer* and *Nachlasssteuer* were to be divided between the Empire and the States in the proportion of 3 to 1. The proposed rates of the *Nachlasssteuer* were as follows:—

(§8 of the law.) On all estates exceeding £1,000 net value:—

Value of Estate £ Sterling.	Rate of Tax.
1,000—1,500	$\frac{1}{2}$ per cent.
1,500—2,000	$\frac{3}{5}$ "
2,000—2,500	$\frac{7}{10}$ "
2,500—3,000	$\frac{4}{5}$ "
3,000—3,750	1 "
3,750—5,000	$1\frac{1}{5}$ "
5,000—6,250	$1\frac{2}{5}$ "
6,250—7,500	$1\frac{7}{10}$ "
7,500—10,000	2 "
10,000—15,000	$2\frac{3}{10}$ "
15,000—25,000	$2\frac{3}{5}$ "
25,000—37,500	$2\frac{4}{5}$ "
37,500—50,000	$2\frac{9}{10}$ "
Over 50,000	3 "

Agricultural land taxed for death duties within five years is exempt, and, if taxed within 10 years, it receives an abatement of 50 per cent.

An additional surcharge of $1\frac{1}{2}$ per cent. is levied on estates of persons who have not served in the Army (*Wehrsteuer*).

(b) *Conservative Proposals in Lieu of Estate Duties, &c.*I. *Land Taxes*—

1. *Tax on transfer of land* (Umsatz-steuer) payable by any person acquiring land, whether built-on or not, at the rate of $\frac{1}{2}$ per cent. of the value of the land acquired. Inherited land is not acquired within the meaning of the Act. Valuation is to be at the common value of the land at the time of acquisition, or at the purchase price, whichever is higher.

The tax to be collected in connection with the entry of the new owner's name in the land register. States and Communes may add surtaxes up to 2 per cent., but not more.

2. *Tax on increment* (Wertzuwachssteuer) leviable on the seller of land, whether built-on or not. By increment is meant the difference between the last price of acquisition and the price now realised. To the last prices are to be *added*: (a) 4 per cent. interest in cases of unbuilt-on land not used in the time between the sales for agriculture, forestry, or industry yielding a fair return; (b) improvement expenses; and (c) 5 per cent. on the last price as the equivalent of stamps, transfer tax, legal expenses, &c. From the present price is to be *deducted* the cost of the sale.

Rate: 10 per cent. of the increment on an increment of under 10 per cent., rising by 10 per cent. for every 10 per cent. of increased increment up to 150 per cent., then a uniform 25 per cent. on the increment.

These rates apply when not more than 5 years have elapsed between the two sales. They are reduced by $\frac{1}{10}$ th in each case if the period is more than 5 years but less than 10, by $\frac{2}{10}$ ths if more than 10 and less than 15, $\frac{3}{10}$ ths if more than 15 and less than 20, $\frac{4}{10}$ ths if more than 20 and less than 25, and $\frac{5}{10}$ ths if over 25 years.

Tax to be collected by the communes, who receive 20 per cent of the produce.

The chief exemptions from both taxes are:—

- (i) Forced sales, where the buyer is a party to the proceedings and buys to protect himself from loss.
- (ii) Adjustments, *i.e.*, exchanges to re-arrange estates, provided no payment over £25 passes between the parties.
- (iii) Gifts to ascendants, descendants, and between husband and wife.
- (iv) Legacies.

3. *Entailed property* to pay 1 per cent. of the common value every 25 years, in lieu of 1 and 2.

Temporary Provision.

In the case of the first transfer under the law where land has not been sold or exchanged since October 1st, 1884, the value, as determined by the purchase prices paid in 1884 for land of similar nature or position, is to be substituted for the "previous price."

II. *Taxes on Securities*—

1. An *annual* capital duty of from 1 to 4 per mille on the average quotation value of securities admitted to transactions on the Bourse.

2. Contract notes—

Securities (other than those of mining companies) admitted on the Bourse to pay $\frac{2}{10}$ ths or $\frac{3}{10}$ ths per mille, as before.

Mining companies to pay 5 per mille, in lieu of former rates.

Securities *not* admitted to the Bourse to pay—

If German bonds or bonds of foreign companies and railway companies	...	...	...	...	...	...	...	2 per mille
If shares of German or foreign companies or bonds of foreign corporations	...	...	...	...	...	...	...	3 „

These proposals as to land and securities have both been rejected by the Government, whose latest scheme, however (see (c) *infra*), includes a duty on land transfers and certain changes in the stamp laws.

(c) *Amended Government Proposals, June, 1909.*

In place of the Conservative proposals, the Government proposed the following new taxes:—

1. The extension of the existing legacy duties to wives, husbands, and children. Personal property other than securities is to remain exempt, and no tax will be payable by the survivor of a marriage of which there is living issue.
2. Stamp duty on transfer of real estate at the rate of 1/3 per cent. *ad valorem*.
3. A tax on fire insurance policies at the rate of 1/4 per mille of the amount insured.
4. Increased stamp duties on bonds and on bills of over 3 months' currency, and a 1d. tax on cheques.

Of these the inheritance tax was definitely rejected by the Reichstag on June 24.

V.

DIRECT TAXATION

IN

FRANCE.

Direct Taxation in France.

Compiled for the Chancellor of the Exchequer.

FRENCH DIRECT TAXES.

1. EXISTING TAXES.

A Frenchman would pay the following direct taxes to the State:—

A. The four so-called "direct" taxes—

- (a) Impôt Foncier on land and buildings.
- (b) Contribution Personnelle-Mobilière.
- (c) Portes et Fenêtres.
- (d) Patentés.

B. Tax on Valeurs Mobilières (4 per cent. on dividends, &c., from loans and securities other than French Rentes and Foreign Government securities).

C. Registration (on the transfer of property)—

- (a) By sale.
- (b) Gratuitously (donations and successions).

D. Stamps proper and tax on stock exchange transactions.

A and B. *The "Direct" Taxes and the Dividend Tax.*

The four "direct" taxes and the tax on dividends (Valeurs Mobilières) are roughly equivalent to the English income-tax, and produce rather over £25,000,000 a year. The "direct" taxes are extremely complicated, and hardly admit of being summarised. The "Impôt foncier" on land, the "Contribution personnelle-mobilière" and the door and window tax are "repartition" taxes, *i.e.*, each Department provides a certain quota of the fixed total sum to be raised in the year: the "Impôt foncier" on non-agricultural buildings is levied as percentages of rent, and the Patentés are an annual duty on the exercise of a trade or profession assessed according to the size of the town, rent of premises, style of living, etc. The Patente has been estimated to represent an average rate of 3 per cent. on the revenue derived from the exercise of the profession in question. The net result of all these taxes is said to be equivalent to the result of the proposed income-tax described below, which professes to be little more than a consolidation of the existing taxes.

C. *Succession Duties.*

The French Succession Duties in their present form date from the law of February, 1901, and the Budget Law of 1902-3. They are based on a double progression—(1) according to the kinship of testator and legatee and (2) according to the value of the legacy. The rates for all except near relatives are comparatively high, especially in the case of small legacies; but, on the other hand, it is to be noticed that the tax is levied, not on the amount of the whole estate, but on that of the legacy, and also that it is levied on each fraction of the legacy separately, according to a progressive scale. To the rates, which are shown in the following table, must be added certain minor taxes for registration, &c., incidental on the winding-up of an estate. These charges are of little consequence to a large estate, but may easily absorb 5 or 6 per cent. of a small property. The succession duty produces about £10,000,000 a year:—

Fraction of legacy between—		Direct descent.	Husband and Wife.	Brother and Sister.	Uncle and Nephew.	Great Uncle and Great Nephew and cousin german.	Relations of 5th and 6th Grade.	Other persons.
£	£	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1 and	80	1	3½	8½	10	12	14	15
81 "	400	1½	4	9	10½	12½	14½	15½
401 "	2,000	1¾	4½	9½	11	13	15	16
2,001 "	4,000	1¾	5	10	11½	13½	15½	16½
4,001 "	10,000	2	5½	10½	12	14	16	17
10,001 "	20,000	2½	6	11	12½	14½	16½	17½
20,001 "	40,000	2½	6½	11½	13	15	17	18
40,001 "	80,000	3	7	12	13½	15½	17½	18½
80,001 "	200,000	3½	7½	12½	14	16	18	19
200,001 "	400,000	4	8	13	14½	16½	18½	19½
400,001 "	2,000,000	4½	8½	13½	15	17	19	20
above	£2,000,000	5	9	14	15½	17½	19½	20½

Bequests for charitable and educational purposes are taxed at a fixed rate of 9 per cent.

D. Stamps corresponding to the English Duties affected by the Budget.

1. *Transfer of land—*

Conveyance on sale 7 per cent.

2. *Leases (limited period) ¼ per cent.*
(for life or indeterminate period) 5 per cent.

3. *Gifts "inter vivos" :—*

	Marriage Settlements.	Other Donations.
	Per cent.	Per cent.
Direct descent	2	3½ (in certain cases 1·70 p. c.)
Husband and Wife	3½	5
Brother and Sister	7	9
Uncle and Nephew	8	10
Grand Uncle and Grand Nephew, cousins german	9	11
Relations of 5th and 6th degree	10	12
Other Persons	11	13½
Charitable Gifts	—	9

4. *Tax on securities :—*

(1) On shares or bonds (in lieu of stamps on issue)—

1s. 3d. per £100 annually.

(2) a. On shares or bonds to bearer (in lieu of stamps on transmission)—

5s. per £100 annually.

b. On transfer of registered shares or bonds—

15s. per £100.

(3) On bonds of Foreign Governments (in lieu of the above annual taxes and of dividend tax at 4 per cent.)—

£2. per £100 on issue or negotiation.

5. *Contract notes—*

1d. (10 per cent.) per £40 (1,000 francs) = 2½d. per cent.

For carrying over transactions the charge is at half the rate, but as there are four operations in each transaction the real tax is 2d. per £40.

2. The New Income-tax Bill.

The effect of this Bill will be to substitute for the four "direct" taxes and the dividend tax (i) an income-tax, and (ii) a surtax, and to alter some of the stamp duties.

(i) Income-tax.

All income above £50 (with some slight exceptions) will be taxed in seven categories based on the nature of the source from which the income comes.

Categories 1, 2, and 3, income from buildings, land, and securities (say *unearned incomes*) will pay 4 per cent. Income from Rentes will no longer be exempt.

Category 4, income from commercial and industrial pursuits (say *mixed incomes*) will pay $3\frac{1}{2}$ per cent.

Categories 5, 6, and 7, income from agriculture, pensions and salaries, and the exercise of liberal professions (say *earned income*) will pay 3 per cent.

The main abatements are as follows:—

Income from land (Category 2). Freeholders cultivating their own land receive exemption up to £25, if their whole income in all categories does not exceed £50.

If their whole income exceeds £50 but not £200, $\frac{3}{4}$ ths abatement up to £25, $\frac{1}{2}$ on the fraction from £25 to £40, and $\frac{1}{4}$ th on the fraction from £40 to £50.

Income from securities (Category 3). Exemption if revenue from securities does not exceed £25, and total revenue does not exceed £50.

Income from commerce and industry (Category 4). Exemption if total income does not exceed £50.

Abatement if income in Category 4 does not exceed £800—

	6/7ths	on fraction	under	£60.
	2/3rds	"	from	£60—£100.
	1/4th	"	"	£100—£200.

Income from agriculture (Category 5). Exemption up to £50.

Abatement—

	2/3rds	on fraction	from	£50 to £80.
	1/3rd	"	"	£80 to £120.

Income from pensions, salaries, &c., and from liberal professions (Categories 6 and 7).

Exemptions, pensions up to £80, salaries up to £60, £80, £100, £120, according to place of residence.

Abatements—

	5/6ths	on fraction	not exceeding	£120.
	4/6ths	"	from	£120 to £140.
	3/6ths	"	"	£140 to £160.
	2/6ths	"	"	£160 to £180.
	1/6th	"	"	£180 to £200.

(ii) Surtax.

All incomes in excess of £200 per annum will further pay a surtax on the amount exceeding £200 as follows:—

	1 per cent.	on the fraction	from	£200 to	£400
	2	"	"	400 "	600
	3	"	"	600 "	800
	4	"	"	800 "	1,000
	5	"	"	over	1,000

(iii) Stamp Duties on Securities.

1. French Companies, &c.—

(a) In lieu of 1s. 3d. per £100 annually (cf. 4 (1) *supra*), shares or bonds of French Companies, Municipalities, &c., will pay an annual duty of 2 per cent. on dividends or interest (in addition to 4 per cent. income-tax).

(b) In lieu of 5s. per £100 annually (*cf.* 4 (2) (a) *supra*), bonds to bearer will pay 6 per cent. annually on dividends or interest (in addition to 4 per cent. income tax).

French Government issues are exempt from stamp duties, whether on issue or transmission. But under the new income-tax law, the interest will pay 4 per cent.

2. *Foreign Companies, &c.*—

(a) In lieu of the same two annual taxes there will be payable in respect of the shares or bonds of Foreign Companies, Municipalities, &c., a duty of 2 per cent. on issue, and an annual supplementary tax of 1 per cent. on the dividend or interest (in addition to the 4 per cent. income-tax).

(b) Foreign Government issues will pay the above-mentioned 2 per cent. on issue and 1 per cent. annually on interest, together with 4 per cent. income-tax, in lieu of the existing *single tax* of 2 per cent. on issue or negotiation (*cf.* 4 (3) *supra*).

VI.

LAND TAXES AND RATES

AND THE

VALUATION OF LAND

IN

NEW ZEALAND.

BY

The Hon. W. PEMBER REEVES,

LATE HIGH COMMISSIONER FOR THE DOMINION OF NEW ZEALAND.

Land Taxes and Rates and the Valuation of Land in New Zealand.

The receipts in the last financial year in New Zealand under the head of land tax amounted to £605,000. The annual sum collected by municipal and rural councils in rates on the unimproved value of land is, moreover, nearly £400,000. In rates and taxes, then, unimproved values yield a round million yearly. This is about equal to a levy of £1 a head on the present white population of 980,000. It is, roughly, one-sixth of the total revenue received from rates and taxes. The gross selling value of the real property in the colony is estimated at 253 millions.

Yet it is far from being true that the theories of Henry George, or anything approaching thereto, have been experimentally tested in the Dominion. As already shown, land taxes, though important to the Treasury, are by no means the chief source of the general revenue, which amounts in the gross to more than nine millions. Our first land tax, indeed, preceded the date of Mr. Henry George's celebrity, for it was imposed in October, 1878, at the instance of Mr. John Ballance, Treasurer in the Government of Sir George Grey. Under it a levy of $\frac{1}{2}d.$ in the £ was made on the capital value of real estate, less the assessed value of improvements. It did not apply to machinery or live-stock. It was, therefore, a tax upon land values; but though it was neither heavy nor graduated, it aroused intense opposition among the larger and middling land-owners and their friends. They carried the day, though, by a narrow majority, and the tax was abolished 13 months after its enactment.

Succeeded as this first land tax was, twelve years afterwards, by land taxation of a very much severer kind, it may seem curious that the milder first impost was given such short shrift. It may be explained that no attempt was made in 1878 to tax directly either personal property or income. The novel land tax stood alone, and its critics were able to argue that its proposer was hitting at land especially, and was picking out the farmers, the most valuable class in the young community, for harsh treatment. The revenue was falling, moreover, at the time, and the land tax did not by itself supply the deficiency. Commercial depression and the eloquent but sometimes violent speeches of Sir George Grey combined to irritate property owners of all classes.

In 1879, then, the land tax was superseded by a property tax, a uniform impost of 1*d.* in the £ on the capital value of all property real and personal above the amount of £500 in each case. Further taxation was imposed by way of customs duties. The requisite revenue was provided. For bringing in revenue the property tax was an efficient instrument. It soon became, however, exceedingly unpopular, not only among Radical theorists, but among commercial men, shopkeepers, and manufacturers. Even more bitterly was it resented by the working farmers, who complained with justice that every month's labour expended in improving their holdings meant an addition to their tax—a tax which, moreover, hit them almost as hard in bad seasons as in good. They contrasted their lot with that of comfortable town-dwelling professional men whose substantial incomes went wholly untaxed, and who paid merely on savings and investments. It is necessary to draw attention to the severity and unpopularity of the property tax, for it was these which enabled the land-taxers to win the day in 1891. Had not the Conservatives, after abolishing the land tax in 1899, been forced to impose heavier direct taxation in lieu of it, the imposition of a graduated land tax in 1891 would probably have been impossible. As it was, Ballance, when he returned to office in the last-mentioned year had not to face the unpopular task of imposing fresh taxation. He had merely to recast direct taxation, and to substitute a new form for one existing and detested. He made no effort to increase his revenue; his object was to extract about the same sum as the property tax was then yielding—£350,000 a year—by a more equitable method and, to some extent, from a different class of tax payers. This time he did not repeat the chief mistake of his first attempt. In 1891 an income tax was introduced side by side with a land tax. It was to apply to incomes other than those derived from landed property, rents, farming, or pastoral pursuits. As before, the new taxing bill was stoutly resisted. It was forced through the Lower House of Parliament in the face of keen and detailed criticism, and impassioned speeches of condemnation. The more influential newspapers denounced it, and though the Upper

House—then almost wholly a Conservative Chamber—reluctantly permitted it to pass, since it was a money bill, the feeling against it in the country only slowly died down. It was not until 1893 that the Government ventured to exempt improvements entirely from land tax and throw the whole burden thereof on the bare land value. When this was done, and a successful general election had demonstrated the popularity of the new law, the land and income taxes became, what they now are, a settled part of New Zealand finance which may be, and is, from time to time amended, but which seems altogether unlikely to be done away with.

Agriculture and grazing are the chief sources of wealth production in the colony. Landowners, great and small, are politically the most influential class there. The popularity of a heavy and elaborate land tax, therefore, may seem a paradox. The explanation, however, is simple. In the first place it was a welcome substitute for the much-disliked property tax. In the next place it is so contrived that six-sevenths of those holding land in New Zealand pay no land tax at all. The aim of its framers was to exempt the peasant farmer and the smaller sort of working rural settler, and to transfer and lay their share of direct taxation on the backs of the owners of large estates. It was intended that the companies or persons occupying these vast and almost unpeopled tracts should pay more in proportion to their ability than they had paid hitherto. Furthermore, they were to be taxed in such a fashion that the tax should impel them to use their land as profitably as possible. Finally, it was to be an annual stimulus to subdivision. If still resolute to continue holding wide and almost unpopulated areas of land as cattle runs and sheep walks, they were to pay for the privilege. The extra contribution thus extracted from them was to be some compensation for the check which land monopoly gave to settlement and progress. Such, at any rate, were the avowed designs of the supporters of the impost.

To achieve these objects the land tax was separated into two divisions. The first of these was a tax of 1*d.* in the £ levied on the capital value of all land over a certain value. From the assessed value of real estate the value of the improvements thereon was deducted. This went tax free. Live stock was not taxed. Even the bare land value of properties worth less than £1,500 escaped to the extent of £500. It was partially exempt if, though more than that figure, the total amount of it belonging to the tax payer did not exceed £2,500. Furthermore, in the case of mortgaged estates the proprietor was allowed to deduct the amount of his mortgage. On this he paid nothing; but his mortgagee was treated as his partner to the extent of any subsisting mortgage, and paid thereon 1*d.* in the £. Thanks to the £500 allowance and the concession in regard to his mortgage the small working farmer found the land tax pass harmlessly over his head. Nor had he to pay income tax. His fears of an exaction which was to be the thin end of the wedge, and gradually introduce something like the single tax, vanished. The exemption of the smaller properties was, of course, entirely inconsistent with the main principle of the single tax. One excuse for an arrangement of so one-sided a character is found in the heavy custom duties exacted from the New Zealand consumer. Though no little care has been taken that these duties shall fall more lightly on the small farmer than on most other colonists, he still, like all of the poorer class in New Zealand, feels their weight, and in them, in rates, and in stamp and beer duties he contributes a certain share to the revenue.

On the larger owners, too, the flat land tax of 1*d.* in the £ fell more lightly than had the property tax. They, likewise, escaped from paying on their live stock, their improvements, and their mortgages. Under the head of improvements were included buildings, drains, fences, plantations, and generally all subsisting and obvious value which an owner's labour and expenditure of capital added to his property.

After 1893, therefore, had the ordinary land tax stood alone, the direct taxation of the larger estate owners would have been lighter than before. For, as above indicated, they paid no income tax on their receipts from real estate. But they now had to pay the graduated land tax. This was a special contribution exacted from owners of land, the ground value of which was assessed at £5,000 and upwards. On a property the unimproved value of which was reckoned to be anything between £5,000 and £10,000 the landlord paid one-eighth of a penny in the £; on an estate between £10,000 and £15,000 he paid a farthing in the £. Levied like the ordinary land tax on the capital value, the graduated tax mounted by steps of one-eighth of a penny until it amounted to 2*d.* on the highest grade, that levied on estates of a ground value of £210,000 and upwards. The holders of such properties, therefore, would have to pay yearly 3*d.* in the £, or one-eightieth of the capital value of their land. Moreover, they were allowed no deduction for their mortgages.

The following scale of graduation was agreed to in 1893 and remained in force for 10 years:—

When the value is	£ 5,000 and is less than £ 10,000,	$\frac{1}{8}$ of a 1d. in the £ sterling.
" "	10,000	" 15,000, $\frac{3}{8}$ "
" "	15,000	" 20,000, $\frac{5}{8}$ "
" "	20,000	" 25,000, $\frac{7}{8}$ "
" "	25,000	" 30,000, $1\frac{1}{8}$ "
" "	30,000	" 40,000, $1\frac{3}{8}$ "
" "	40,000	" 50,000, $1\frac{5}{8}$ "
" "	50,000	" 70,000, 1d."
" "	70,000	" 90,000, $1\frac{1}{4}$ d."
" "	90,000	" 110,000, $1\frac{3}{8}$ d."
" "	110,000	" 130,000, $1\frac{5}{8}$ d."
" "	130,000	" 150,000, $1\frac{7}{8}$ d."
" "	150,000	" 170,000, $1\frac{9}{8}$ d."
" "	170,000	" 190,000, $1\frac{11}{8}$ d."
" "	190,000	" 210,000, $1\frac{13}{8}$ d."
" "	210,000 or exceeds that sum,	two pence.

This, it is needless to remark, was not light taxation, and the uneasiness roused by the angry speeches and newspaper articles against it was for a time real enough. In any fierce political battle heated language is apt to be used and the public, as it looks on, usually makes allowance for this. But in New Zealand in 1891 the denunciations of the graduated tax, exaggerated as they now appear, were to a large extent sincere. For one thing many on first examining it made the mistake of confusing the gross saleable value of real estate—which was not taxed—with the bare land value, which was. In consequence, wildly incorrect estimates of sums to be exacted from unfortunate landowners were drawn up by amateur calculators, and passed from hand to hand or printed in the newspapers. Even cooler-headed opponents of the measure declared that it overstepped the line where taxation ends and confiscation begins. For many years the influential and comparatively wealthy class opposed to the land tax had been educated to believe that progressive or graduated taxation meant "robbery plus ruin," and some of them at least were honestly alarmed. "Punitive," "absolutely ferocious," "grossly tyrannical," "vindictive," "crushing," "murderous," were some of the epithets flung at the new tax. It was condemned as equally bad for capital and labour. Its utility even as a source of revenue to the Treasury was questioned. For it was pointed out with some force that in proportion as this "bursting-up tax" forced land into the market and terrified estate owners into sub-division, so its own productiveness would diminish; the fewer the great estates became the less money would a graduated tax bring in. The promise of the Government to exempt improvements was met with the complaint that a fair separation of the value of improvements from the ground value of real estate was impossible. Human ingenuity, it was said, could not cope with the task of discerning and calculating the true value of improvements gradually effected by the labour and capital of many years. Even the most honest and merciful of assessors might fail to estimate accurately the increased value given by improvements which might be scarcely visible to the eye of casual inspection. Moreover, who could be certain that the assessors—servants of a Radical Government much in need of money—would be merciful or even just? Might not a bureaucracy of extortion, headed by some modern John of Cappadocia, make life unbearable for plundered farmers? Beyond and above these doubts and dangers it was prophesied that the graduated tax of 1891 and 1893 might be but the thin end of the wedge. Even if its burdens were at first laid only on the rich, who was to say that, later on, the smaller land holders would not be attacked in their turn? Finally, the larger owners were warned that severe as was the tax now proposed it might in days to come be made severer still. That another Treasurer might "give another turn to the screw of graduation" was freely predicted, and as the result has shown, with good reason. Almost all the prophecies made concerning the graduated tax have signally failed of fulfillment. But in 1903 and again in 1907 the graduated tax has been remodelled and increased, for reasons presently to be indicated. The apprehensions of the larger landowners, land-owning companies, and their friends in 1891 were, therefore, to this extent justified. They miscalculated the weight of the actual proposals of 1891-3; they believed that the "bursting-up" process, which these proposals would begin, might be much more rapid than Mr. Ballance professed to expect. But they were right in believing that the new taxes were the beginning of an elastic fiscal system which will probably make it extremely difficult for very large expanses of land to be held with profit in New Zealand in the future.

The mortgage tax came in for a full share of condemnation. The suggestion that such a tax would be paid by the moneylender was stated to be contrary to the experience of political economy; the sole result must be to drive capital out of the country, to increase the price of money and by so doing cripple the enterprise of a valuable producing class. As a matter of experience, however, it would seem that the mortgage tax has in fact usually, if not always, been paid by the lenders. Rates of interest, instead of rising, fell shortly after 1893 and remained unprecedently low until the end of 1907 despite an active demand for money. It is but right to point out that the fall had nothing to do with the land tax and was chiefly caused by the establishment in 1895 of a state land bank or money-lending department. It may likewise be noted that a rise in rates of interest in the year 1908 was equally unconnected with the tax under discussion. This rise was brought about by a general tightness of money (the result of a fall in the prices of certain staple products), by over-importation, and by a good deal of land speculation into which sanguine persons had been tempted by easy money and many years of prosperity. So marked was the fall in the rates on mortgage loans between 1895 and 1899 that it was then considered equitable to reduce the mortgage tax; and after the latter year it was lowered from 1*d.* to $\frac{3}{4}$ *d.* in the £ as some slight compensation for the reduced profits of the money. For the rest, the suggestion that enterprise would be checked by the mortgage tax is sufficiently met by pointing to an official computation which shows that between 1891 and 1909 some £50,000,000 of improvements have been made by labour and with materials and added to the value of real estate in New Zealand by the exertions and outlay of the owners and occupiers of the soil. Between the same years the gross capital value of landed property has risen from £122,000,000 to £253,000,000.

In extenuation of the gloomy prophesying by critics of the land and graduated taxes in 1891—3, it may be pointed out that the colony had then been suffering for many years from severe industrial depression, affecting virtually every class in the community. Wheat had fallen to a price at which export to England had almost ceased to pay. The output of gold had shrunk, and was but half what it now is. Wool was low; and dairying, now the mainstay of the smaller farmer, was but beginning to expand. The export of frozen meat was already considerable, but the prices between 1883 and 1893 were not always satisfactory to the flock-owners. By an unlucky coincidence an important industry, the manufacture of hemp, collapsed in 1891. Further, the chief bank in the colony was almost fatally embarrassed; and in 1893 the shadow of the Australian bank-panic darkened the outlook in New Zealand. For seven years the colony—which in 1891 contained but 625,000 whites—had been losing people by emigration; nor was employment always to be found by the labour that remained behind. Only about one-seventh of the country was cultivated, and most of that was in grass. Finally, the Maritime Strike of 1890 had embittered the normally friendly relations of employers and employed, and had exacerbated political feeling. A recapitulation of these conditions is necessary. They explain to some extent both the apprehensions of the opponents of the land and income taxes and the hesitation of the politicians who imposed them. They explain how both critics and apologists—the critics especially—over-rated the effect of the new imposts, a miscalculation which at the end of a decade was plainly apparent.

The two main forces which impelled the majority in the parliament of the colony to force the taxes through were the unpopularity of the property-tax and the pitch to which land monopoly had come in the islands. Not half the 66 million acres which these contain were then settled upon even in the sparsest way. Yet 585 companies or persons owned between 10 and 11 million acres. 684 companies or persons owned or occupied real estate the unimproved value of which was only a little less than £22,000,000. Two-thirds of 1 per cent. of the landowners held 40 per cent. of the land values. Putting urban land on one side, a return of rural holdings of more than 5 acres in extent showed that one-eightieth of the country landholders held two-fifths (in value) of the land. The price of land had fallen in 1891; some of the large owners were by no means prosperous; but pity for them did not get rid of the necessity for challenging monopoly, settling the soil, and peopling the country.

The new taxes were first levied in the financial year 1892—3. In 1889 the number of persons paying property tax had been 26,327. Only 12,360 persons paid the ordinary land tax in the first year of its imposition. To the graduated tax 1,491 landowners contributed. The income tax was paid by 3,448 persons, many of whom had paid nothing under the property tax. The number of small farmers, therefore, who escaped altogether or paid much less than before was large. This number went on increasing. In 1907 the number who paid one or both the land taxes was but

28,991, while the number of landowners was estimated at 174,000 (150,000 freeholders and 24,000 tenants of the Crown).*

Of the income tax it is sufficient to say that it is graduated, though not elaborately. Incomes below £300 a year are exempted except in the case of absentees and companies. On those between £300 and £1,300 the tax is 6*d.* in the £, with a deduction of £300; on those above £1,300 it is 1*s.* The income tax has proved a good and rapidly-increasing yielder of revenue to the Treasury, for in 16 years the return from it has risen from £67,000 to £321,000. It is now paid by about 11,000 persons.

It was decided in 1891 that absentee landowners should be taxed at a higher rate than residents. An extra contribution of 20 per cent. was to be claimed from every owner who had been absent from the colony for three years before the due date of any annual payment. The period of absence was afterwards reduced to 12 months. As it was found that certain absentees took the trouble to return to New Zealand for a few days in order to defeat this provision, another stipulation was enforced in 1907. It was then enacted that an owner should become liable to pay absentee tax unless he had lived in the colony during two years out of the four years preceding any year in which he might become chargeable with land tax. The tax has also been increased from 20 to 50 per cent above that paid by residents. The absentee tax does not apply to companies, but does apply to shareholders in companies.

The first levying of the taxes was managed with much less friction than had been anticipated. In the case of one large property, indeed, which was assessed at £305,000, the owners refused to accept the State valuation, and demanded its reduction to £260,000. On this being refused, they gave the Government the option of making the reduction, or purchasing the estate. The Government therefore paid them £260,000, subdivided the property, and settled it with farmers. No other large owner forced such a choice upon them. Generally speaking, the assessments were low rather than high. The explanation is that they were made in the trough of a depression, and that when, after 1896, the price of land rose steadily through a series of years, the assessments did not for some time keep pace with the rise. The yield of the land tax declined by £30,000 from £297,000 in 1902—3, to £267,000 in 1897—8. The loss was partly due to subdivision, following sometimes on re-purchase of estates by the Government. Sometimes it was due to mortgages lent by private companies being displaced by advances from the State land bank, on which mortgage tax was not paid. In 1898 the Government resolved to establish a valuation office. An inspector of valuers was appointed, and a thorough revision of assessments undertaken. The improvement in the returns from land tax which followed was marked and continuous. By 1902 it was also manifest that the owners of the large estates had paid graduated tax for more than 10 years, and were doing so in most cases with ease. A rapid revival of prosperity had upset political calculations made in days of depression. So far as contributions to the revenue went, the Treasury was not dissatisfied; at any rate, it could take care of itself by careful re-assessment. But the policy of the party which had enacted the land taxes had been to use them as a stimulus to subdivision. Some subdivision there was, but not as much as had been hoped by one side and feared by the other. In the year 1900 the occupied lands in the colony extended over 34½ million acres. Of this, no less than 20,665,000 acres were still held in blocks of from 5,000 acres upwards. Eight hundred and fifty-four holdings comprised more than four-sevenths of the occupied land of the country.

In the four years, ending with 1900, the reduction in the number of these holdings was but 10, and the total acreage had not been reduced at all. What was happening was that some of the largest estates were being divided into holdings which, while still large, were of more moderate size. The Government, therefore, decided to reshape the graduated tax, and from 1903 its rates were raised on all estates of more than £7,000 of unimproved value. Above that the tax increased by steps of one-sixteenth of a penny reaching, finally, 3*d.* on the largest estates, instead of 2*d.* as hitherto.

The effect of this redrawing of the scale combined with the reorganising of the Government valuation office was, from a fiscal point of view, excellent. In 1902—3 the land taxes had made up the drop of £30,000 and yielded the same amount as they had returned 10 years before. After 1903 the increase quickened its pace, and in four years the yield rose in amount from £296,000 to £447,000.

The following gives in detail the receipts from the several divisions of land tax

* The number of freeholders having five acres or more of rural land apiece is 46,000.

from 1892—3 to 1906—7. The year 1907 was that in which the taxing law was given the shape which it now has :—

Year.	Ordinary.			Graduated.			Absentee.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1892—3.. .. .	226,223	5	4	70,289	0	8	668	14	5	297,181	0	5
1893—4.. .. .	201,928	17	3	82,350	14	8	1,046	18	6	285,326	10	5
1894—5.. .. .	197,609	12	2	81,696	12	7	882	0	2	280,188	4	11
1895—6.. .. .	196,056	13	10	74,680	2	7	567	11	9	271,394	8	2
1896—7.. .. .	197,151	6	10	74,588	6	8	569	8	5	272,309	1	11
1897—8.. .. .	193,347	18	4	73,352	18	11	585	13	0	267,286	10	3
1898—9.. .. .	213,871	0	5	83,219	18	2	961	15	9	298,052	14	4
1899—1900 .. .	215,955	0	9	76,682	10	6	989	12	6	293,627	3	9
1900—1.. .. .	222,353	7	5	71,405	9	9	824	18	4	294,583	15	6
1901—2.. .. .	233,545	7	6	78,214	9	2	1,075	13	3	312,835	9	11
1902—3.. .. .	217,307	3	10	77,832	5	9	922	12	2	296,062	1	9
1903—4.. .. .	232,774	4	11	98,680	8	1	3,535	17	6	334,990	10	6
1904—5.. .. .	254,726	10	11	94,702	11	11	3,424	11	6	352,853	14	4
1905—6.. .. .	277,143	18	11	104,948	18	9	3,662	18	4	385,755	16	0
1906—7.. .. .	317,175	12	0	125,929	4	7	4,237	7	7	447,342	4	2

[The total receipts from the three classes together in 1907—8 were £537,848, and in 1908—9, £604,901. The net taxable amount of mortgages and assessed land values, after allowing for all deductions, is now about £100,000,000.]

Still, however, the owners of the great estates as a body were holding out in 1907. The price of land, after rising remarkably in the years from 1896 downward, remained high, and the staple products of the grazier and dairyman continued to give excellent returns. In certain districts something of a land "boom" was to be seen. The very rise in values which helped to swell the receipts which the taxes brought into the Treasury, tended to delay sub-division. Some sub-division there was, but it was not always genuine, or, where it was genuine, was caused by another influence than taxation. In 1892 the Government came into the market as a repurchaser of estates for the purpose of closer settlement. In 17 years it has spent six millions with this object, and has brought back some 1,400,000 acres. One way and another, the size and number of the greater properties have undoubtedly shrunk since 1891, as the following table shows, a table from which, unlike one given above, pastoral leases from the Crown are excluded.

Country Freehold Estates of 10,000 Acres and over.

Year.	Number of Owners.	Total Areas.	Total Capital Value.	Total Unimproved Value.
		Acres.	£	£
1891	262	7,840,202	17,457,598	12,200,329
1902	216	6,115,491	13,494,164	9,568,422
1906	204	4,704,542	12,250,074	9,278,153

That, of course, from the land reformers' point of view, is not unsatisfactory. But it will be well to glance at the subjoined list, showing the variation between the numbers of country freeholds when the land taxes were first imposed and 14 years afterwards.

Number of Rural Freeholds in the Years 1892 and 1906.

		1892.	1906.
acres.	acres.		
5 and under	10	2,820	8,512
10	20	3,015	8,775
20	30	2,267	2,575
30	40	1,428	1,623
40	50	2,318	2,106
50	60	2,612	2,399
60	70	1,463	1,378
70	80	1,162	1,160
80	90	1,423	1,314
90	100	1,061	1,118
100	200	8,267	8,740
200	320	4,575	5,560
320	500	2,531	3,520
500	640	1,022	1,587
640	1,000	1,143	1,862
1,000	2,000	992	1,553
2,000	3,000	311	490
3,000	4,000	146	227
4,000	5,000	109	147
5,000	6,000	66	78
6,000	7,000	50	75
7,000	8,000	38	56
8,000	9,000	29	27
9,000	10,000	25	42
10,000	20,000	148	129
20,000	30,000	45	40
30,000	40,000	30	14
40,000	50,000	9	8
50,000	75,000	14	8
75,000	100,000	6	4
100,000	150,000	4	—
150,000 and over ..	..	6	1
Total .. ..	..	38,935	45,068
Increase, holdings ..	..	6,133	

It will be noted from the above that substantial estates of between 3,000 and 10,000 acres show a striking increase, though in the still larger sizes there was diminution. An addition of nearly 200 to the number of estates of between 3,000 and 10,000 acres was not precisely what the land taxers had wanted. Moreover, some of the sub-division was more or less collusive, and evasion in this way began to increase rapidly after 1903. It was not fraudulent, it was perfectly legal, and the expedients adopted were varied and ingenious enough to make it worth while to quote a description of them. I extract it from a speech delivered in the Legislative Council in 1907 by Dr. Findlay, K.C., Attorney-General in the Ministry of Sir Joseph Ward. He said:—"These expedients are: First, a system of what may be called bogus partners, where a man forms a fictitious partnership and declares that the land is held under partnership. You know under the present system there is a separate assessment for the partnership and a separate assessment for the individual partners. So the scheme of partnership, though quite legal, effected an evasion of the law. Then there was the practice of forming companies—ordinarily original companies, but since the Companies' Law was altered in this Dominion, by, if desired, private companies, one-man companies, and so on—a system by which companies might be formed in order to transfer to the company as much land as you like. The company is practically yourself, and yet you escape taxation. Then there was the principle of joint occupation. Those interested in this subject will see how very cleverly this could be worked out in one or two well-known cases which reached the Court of Appeal. I can commend to those who are interested a case which was argued in the Court of Appeal. There they will see how very cleverly and yet completely legally, by a process of joint occupation, the taxation was evaded. Then there was the system of collusive sales. You know the process by which a man sells a portion of his estate to another, taking £1, and giving a scrap of paper—an agreement for sale—in return for it. In law, under such a document as that, he is the owner. He would scribble upon the back

of an envelope, if you like, the sale of 20,000 acres to John Smith, show where it is, hand it over to the man, and thereafter he is in equity the owner of that estate. So by a simple process of that sort—what we call collusive sales—the tax was evaded. Then there were collusive leases much on the same principle. Then there were cases of mortgages in possession. As you are aware, the mortgagee in possession is easily made for all purposes the owner. He does not sell the place; he does not sue under the covenant; he simply continues in possession by an arrangement with the mortgagor; he does not ostensibly alter his character, but in point of fact he may really be the owner for all purposes, and so has escaped the graduated tax in the past. Then there is the seventh expedient—a declaration of trust—an expedient well known to lawyers, and one which has been used all down the centuries for getting round the law. These declarations of trust have frequently been made to avoid one or other rule of law. Then we have the last gifts with retention of possession. He has all the fruits. She is merely the nominal owner, but the process is sufficient to effect the defeat of the graduated tax. There are other expedients a little more complex, but I have mentioned enough, I think, to show how easy it has been in the past to effect an evasion of the law.”

Though these evasions had something to do with the resolve of Sir Joseph Ward's Ministry in 1907 to refashion the graduated tax once again, they were not the chief impelling cause. This was found in the strong and loud demand for land for settlement, a demand which the Crown Lands Department was finding it more and more difficult to meet. The Government, too, was naturally unwilling to sell much of the diminishing public estate, preferring to lease it for long terms. Buyers with capital, eager to acquire land in freehold, looked wistfully at the wide, almost empty tracts still held in grass by the great proprietors. A proposal to force by means of a limitation law these owners to sell out within 10 years met with a mixed reception. Ultimately it was resolved to raise the graduated tax once more and to do it in a thorough-going fashion. At the same time elaborate precautions were designed to prevent further legal evasions.

An official account of the present law (the Consolidating Land and Income Tax Assessment Act of 1908), thus summarises the provisions against evasion:—

1. Life tenants are liable as if owners of fee-simple.
2. Lessees are liable as if owners (except lessees of Crown, Native, or exempt land, and where lease has been in existence for more than five years prior to the passing of the Act).
3. Shareholders are liable as if owners of the company's land in proportion to their interest in the paid-up capital.
4. Two companies having practically the same shareholders are deemed one.
5. Joint owners are assessable jointly as if the whole land was owned by a single person, and, in addition, the joint owners are liable for their interests in the joint estate taken in conjunction with any values of the lands so severally owned bear to one another; and if the said lands are occupied, worked, or managed by any one of such persons on behalf of all of them or on a joint account, or if they are worked or managed by any other person as trustee or otherwise on behalf of the owners, then joint occupancy shall have been established.
7. Buyer in possession is liable, although conveyance has not been executed.
8. Seller remains liable until 15 per cent. of the purchase-money is paid, or the Commissioner of Taxes is satisfied that the subdivision actually creates closer settlement, except in case of agreement of sale made five years before the passing of the Act, or made by a seller not the owner of more than £40,000 land unimproved value.
9. No disposition is to be effective so long as possession is retained.
10. Equitable owners are liable as if legal owners.
11. A trustee is liable as if beneficially entitled, excepting that when he is the owner of different lands in trust for different beneficial owners the graduated tax shall be separately calculated and assessed in respect of each trust, unless by reason of joint occupancy or for any other reason he is likely to be jointly assessed.
12. No deduction is allowable on account of mortgage money or unpaid purchase money.
13. Mortgagees are not liable, but mortgagees-in-possession are liable like lesses.

It is significant of the change which sixteen years had wrought in public feeling that the graduated tax bill of 1907 did not arouse a tithe of the opposition excited by the relatively mild proposal of 1891. The much smaller number of proprietors adversely affected by it partly explains the comparative calm. It was passed without much difficulty or delay and in the year after the tax was levied on a new scale. The increases were confined to estates of £40,000 and more of unimproved value. At the value of £40,000 the rate is now 8s. per cent. and for every additional £1,000 of unimproved value the rate mounts one-fifth of a ls. At £200,000 the highest rate is reached. All estates of that value and over pay at the rate of £2 per cent. This, however, is not to be all. After March, 1910, the new progressive scale for estates over £40,000 is to be added to by 25 per cent. The only exemption allowed is in the case of business premises. This was intended to meet the case of corporations like the Bank of New Zealand which may hold many widely separated offices in different towns. There could be no excuse for applying the "stimulus to subdivision" to such serviceable and inevitable possessions. Even now analysts are found who are at pains to prove that the landowners will be able to pay the tax of 1910 and hold out against it as stubbornly as they defied its predecessors. In two years, however, the land tax has increased nearly £160,000, and a perusal of the subjoined table would seem to show that the inducement to break up the greater properties will, after next year, be very strong indeed. The table sets out the actual increase in money to be paid by the estates in 1910 as compared with their owners' payments in 1906:—

Comparison of Payments under Present Scale of Graduated Land Tax.

Unimproved Value.	Graduated Tax at 1906 Rate.	Graduated Tax at New Rate increased by 25 per cent.	Increase.
£	£	£	£
40,000	145	200	55
45,000	175	258	78
50,000	208	313	105
55,000	243	378	135
60,000	281	450	169
65,000	321	528	207
70,000	365	612	247
75,000	410	702	292
80,000	458	800	342
85,000	509	902	393
90,000	562	1,012	450
95,000	618	1,127	509
100,000	677	1,250	573
105,000	738	1,377	639
110,000	802	1,512	710
115,000	868	1,652	784
120,000	937	1,800	863
125,000	1,009	1,952	943
130,000	1,083	2,112	1,029
135,000	1,160	2,277	1,117
140,000	1,240	2,450	1,210
145,000	1,322	2,627	1,305
150,000	1,407	2,813	1,406
155,000	1,493	3,002	1,509
160,000	1,583	3,200	1,617
165,000	1,676	3,402	1,726
170,000	1,771	3,613	1,842
175,000	1,868	3,827	1,959
180,000	1,969	4,050	2,081
185,000	2,071	4,277	2,206
190,000	2,177	4,512	2,335
195,000	2,285	4,752	2,467
200,000	2,396	5,000	2,604
205,000	2,509	5,125	2,616
210,000	2,625	5,250	2,625*

The effect of the forthcoming increase of 25 per cent. may be judged in 1911, hardly sooner. Something will turn, doubtless, on the condition of the Dominion at that date and for a year or two following. The resistance of the landowners to fiscal pressure has been made possible by a long period of prosperity. Whether they would care to pay a very heavy capital tax, should a succession of depressed years visit them,

* In addition to the sums mentioned in the table the proprietors pay ordinary land-tax at the rate of 1d. in the £.

is at least open to doubt. So far the land taxes have shown themselves good sources of revenue, though their growth has not kept pace with that of the income tax. They have not been costly taxes to collect; the cost of collection has been about 4 per cent. They have been the means of shifting taxation off the smaller working farmers on to the large corporations and proprietors. They have freed improvements from burdens and have certainly stimulated the outlay of capital and labour by farmers and others. They have been the means of obliging the Government to organise and much improve the valuation of land. They have done something, though not as much as was expected, to accelerate sub-division and sale, chiefly to the Government. They have been to some extent outflanked by legal expedients—to what extent is not certain. They have certainly not ruined the landowners though they have caused a few proprietors after parting with their estates to leave the colony and go elsewhere in search of large tracts of cheap land. Save in this way they have not driven capital out of the country. They were first adopted in a time of depression which made their adoption difficult and venturesome. The full effect of the graduated tax as an act of policy has, on the other hand, been retarded by a long term of great prosperity.

Rating of Unimproved Value.

Until 1896 the local bodies of New Zealand, of which there are some hundreds with rating powers, levied their rates either on the full capital value or on the annual value of property. In that year an Act was passed giving ratepayers the option of deciding that equivalent rates on the unimproved value of land in their districts should be substituted. For some years little use was made of the permission. At that time the municipal franchise was less liberal than the Parliamentary. Moreover, several obstructive "safeguards" have been inserted in the optional Rating Act. In 1889 these were somewhat relaxed, and as the municipal franchise was extended at about the same time, the option to rate on unimproved values began to be exercised. At the present time the new system is in force in 77 localities in the colony. As, however, the boroughs, counties, town districts, and road districts in New Zealand number about 450 it will be seen that the reform has not yet proved acceptable to the majority. Some of the boroughs which have adopted it are large, notably the towns of Wellington and Christchurch. Altogether about 31 per cent. of the rates collected in the colony are now levied on unimproved values. A greater number of persons pay these rates than the number who pay land tax.

The testimony of districts which have adopted the new plan is favourable to it. The best proof that it gives satisfaction is that there is scarcely a case of any district reverting to the old method after adopting the new. It is claimed for the latter that it tends to discourage the speculative holding of land for a rise; that it forces urban and suburban land into the market, and obliges the owners to build on their lots or dispose of them. Generally, it is thought to encourage improvement and prevent crowding and congestion. It certainly helps to diminish the number of those eye-sores of colonial towns—vacant lots littered with rubbish. These defaced sites, often the property of absentees, have been nuisances in many places for two generations. The precise extent to which the shifting of rates on to unimproved values has stimulated construction, and improvement is open to question; but that it has had an appreciable influence in promoting them is admitted on all sides. It has not hindered land speculation; on the other hand, it seems to have caused little hardship to individuals. Two arguments have been influential in retarding the wider adoption of it in the colony. The owners of small shops and cottages with gardens attached thereto—a very numerous class of ratepayers—are apt to suspect a change which relieves from rates imposing or expensive dwellings, factories, and houses of business. Again, owners of inferior soil, who are not prepared to put much money into improving their land, believe that the exemption of improvements may mean heavy additional burdens on their land values.

The Valuation of Land.

The Government of New Zealand has many reasons for requiring a uniform and scientific valuation of land. From what has gone before, it is plain that the success or failure of the land taxes largely turns on the skill of the Assessing Officers whose duties are far from being confined to determining the gross saleable value of the properties which they inspect. In addition to this, the levying of the rates on the unimproved value of land is not a work which can be left to the casual servants of small local bodies. Then the Government is the largest land buyer and largest lender

of money on mortgage in the Colony. Its land bank, public trustee, life insurance department and post office may all lend on real property, so that its interests therein amount in various ways to many millions. Yet until 1898 no uniform system of assessment for public purposes prevailed. Each Government department, municipality and local council could work independently and employ whom it thought fit. Most of the valuers were odd job men of widely varying degrees of judgment, firmness, and experience. The same land might be assessed several times at several values.

The Government Valuation of Land Act put an end to this chaos eleven years ago by establishing a central department, which now carries out the whole work of assessing property for taxation and other public purposes, including the calculation of death duties. Its assessments may also be, and are, made use of by trustees, executors, and private lenders and purchasers. They may, of course, be objected to when made, and an appeal carried to an impartial tribunal; but should the assessment court decide against the Government on any appeal, the valuing department, if not prepared to acquiesce in the lower valuation, has the right of buying the land at the higher figure contended for by its officials. The real property of the colony has now all been valued on a uniform system.

The duty of the Assessors is to determine the capital value of each property, and also its unimproved value. In doing so they have to determine the value of the improvements upon it. To these ends certain guiding principles are laid down by the Valuation Act and by departmental custom. Capital value is defined to be the sum which the owners' unencumbered interest might be expected to realise at the time, if offered in good faith for sale on reasonable terms and conditions. In other words, an attempt must be made to ascertain the fair selling value of the property as distinct from forced sales or sales effected in moments of extravagant speculation. It is noteworthy that no distinction is drawn between the rates at which large and small holdings are valued where the quality of the soil and other conditions are similar.

The unimproved value of any piece of land means the fair selling value which the owner's unencumbered interest therein might be expected to realise if no improvements existed thereon. This is, of course, quite a different thing from the original value of the piece as a portion of the wilderness. The extent to which it is fairly ascertainable depends upon the interpretation given to the word "improvements." The act defines improvements on land as work actually done or material used thereon by the expenditure of capital or labour in so far only as such work or material tend to increase the value of the land, and in so far as the benefit is unexhausted at the time of valuation. It is specially provided that the value of improvements means only the extent to which these improvements have increased the value of the land on which they are situated. In no case are they assessed at more than their cost, however good their effect may have been. On the other hand, where money has been wastefully or erroneously expended, the assessment may be very much below their cost. Luxuries may not be valuable improvements. There are cases when money expended instead of benefiting land, positively detracts from its value, and the result has to be estimated accordingly. As already said, improvements include all works of construction, irrigation, and drainage, as well as tree planting and the laying down of permanent pasture. Machinery is not an improvement, but is not subject to land tax inasmuch as it is not reckoned a part of the capital value of a property. A private road is an improvement, but a public road, though given by the owner to the community, is not. It may be mentioned that the officers of the valuing department are not servants of any of the tax departments or of rating municipalities. Their business is to supply assessment rolls, not to fix or collect rates or taxes. They have therefore no direct interest in assessing at unduly high figures. Although there has been a considerable rise in assessments generally since the valuing department has been fully organised, there does not appear to be any widespread discontent with, or distrust of it. The Treasury and the municipal bodies have received better returns, but there is no reason to suppose that the property owners have been oppressively assessed.

W. P. REEVES.

June, 1909,

VII.

TAXATION AND RATING OF LAND IN
NEW SOUTH WALES.

BY

The Hon. T. A. COGHLAN,
AGENT-GENERAL FOR NEW SOUTH WALES.

June, 1909.

TAXATION AND RATING OF LAND IN NEW SOUTH WALES.

[1. THE STATE TAX.]

The first serious attempt to obtain revenue for public purposes from land was made in 1895, when a tax of 1*d.* in the pound on its capital value was imposed. This tax was not devised as a means of recompensing the State for the cost of works carried out in districts which were not under local government, as all lands were taxable whether already rated for local purposes or not, but as part of a general scheme of direct taxation. The tax was levied on the unimproved value, which was defined as "the capital sum for which the fee simple estate in the land would sell, under such reasonable conditions of sale as a *bond fide* seller would require assuming the actual improvements, if any, had not been made." The measure authorising the collection of the tax was passed through Parliament only after much opposition, with the result that, in its final shape, it allowed various exemptions and deductions not originally contemplated by its framers, which greatly reduced its yield. All estates of less value than £240 were absolutely exempted from taxation, and there was besides a general exemption of £240 in favour of every taxpayer; where land was mortgaged a remission of taxation was allowed to the owner equal to the income tax chargeable to the mortgagee on the interest derived from the mortgage of the whole property; where land was in process of purchase from the Crown an exemption was allowed from taxation equal to the balance owing. There were also special exemptions in favour of churches, charitable and educational institutions, municipal corporations and other public bodies.

According to the latest assessment made by the Taxation Department the value of land in New South Wales was £133,500,000, but this sum was greatly reduced for purposes of taxation by reason of the various deductions and exemptions to which reference has been made. The exemption of estates whose individual value was less than £240 caused a deduction from the total of £17,500,000; the exemption of £240 allowed on each estate amounted to £10,250,000, the allowance in respect of mortgages to £17,000,000, and the deductions by reason of balances due to the Crown on sold lands amounted to £9,250,000. The residual taxable value after these various deductions had been made was £79,500,000 or 60 per cent. only of the original assessment, the number of taxpayers being reduced to 43,000 from an original total of 187,000 landowners. In the last year for which the tax was levied the revenue amounted to £330,000, and the cost of obtaining that revenue was somewhere about £35,000 or over 10 per cent. on the amount raised.

The results of this first experiment in land taxation were undoubtedly unsatisfactory. The revenue was small, the cost of obtaining it large, and the formation of large estates—which the Act ostensibly sought to prevent—was not discouraged. When the land tax was imposed in 1895, there were 4,488 estates, ranging in size from 1,000 to 10,000 acres and comprising an area of 11,800,000 acres; in 1907 the number of such estates had increased to 6,000, with an area of 15,000,000 acres; of holdings of 10,000 acres and upwards there were in 1895, 656, embracing an area of 20,300,000 acres, whereas in 1907 the number had grown to 729, with an area of 23,000,000 acres.

The principal and perhaps the only economic effect of the tax was to increase the breadth of land devoted to cultivation. During the twelve years the tax was in operation the cultivated area was increased from 1,310,000 acres to 2,605,000, or by one hundred per cent., while the growth of population was barely twenty-one per cent. Part of this increase in cultivation was undoubtedly due to the general development of the country, but part, and a considerable part too, may rightly be attributed to the operation of the land tax.

Dividing the land of New South Wales into two categories, those with an area of less than 400 acres and those with a larger area, it will be found that the breadth of land cultivated on the smaller areas increased from 608,000 to 796,000 acres, or from 12·7 to 13·3 per cent., while on the larger estates the cultivated area was increased from 702,000 to 1,808,000 acres, and the proportion cultivated from 1·9 to 4·14 per cent. The improvement will be more clearly seen by taking the larger areas in sub-groups. Thus, the official returns show that on estates ranging from 400 to 1,000 acres the proportion of land cultivated increased from 6·1 to 11·6 per cent. ; on estates from 1,000 to 10,000 acres the improvement was from 2·6 to 5·6 per cent., and on the great estates over 10,000 acres there was an improvement in cultivation of from 0·5 to 1·4 per cent. The holdings under 400 acres in extent were already fairly developed before the imposition of the tax, indeed, owing to the operation of the exemptions they hardly touched by it ; the larger class of holdings, however, were considerably affected by the tax, and on them there was a marked tendency towards increased cultivation.

Speaking generally, it may be said that the direct effect of the tax was to bring vacant land into use, and this to a larger extent than the figures relating to cultivation would seem to indicate. There was, also, a very important indirect effect which came from the familiarisation of the people with land taxation, this was the introduction of full local government based on the taxation of land values.

[2. THE MUNICIPAL LAND CHARGES.]

Nearly every Government that had held office in New South Wales was pledged to extend the principle of local government as far as possible to the whole State, and various measures designed to give effect to these pledges were from time to time laid before Parliament. Few of these, however, were proceeded with beyond the preliminary stages or could be looked upon as serious efforts towards reform. It is not difficult to discover the reasons for these failures. In the first place the people of the country districts were as a whole naturally opposed to any system of local government, so long as the central authority would undertake the construction and maintenance of roads, bridges, and other means of communication without charge to the districts benefited, and in the second place the various proposals that had been placed before Parliament were cumbrous and inelastic, and on these grounds did not commend themselves to the legislature.

In 1905, however, a measure was proposed which had the merits of great elasticity, conciseness and adaptability, and this was gladly accepted. It involved a complete revolution in the policy of the Government in regard to local government and the concession of many important powers not previously delegated by Parliament. The reform, however, was not carried through at once ; first an Act was passed dividing the unincorporated portions of the State, except the sparsely peopled area in the extreme west, into shires or local government districts, and this was very shortly afterwards supplemented by an Act repealing all legislation in regard to existing municipalities other than the City of Sydney. By the same Act the municipalities were reconstituted and endowed with very important powers based on the same general principles of self-government as had already been conceded to the shires. Anticipating somewhat the chronological sequence of events it may be stated that a measure was passed in December last which, while retaining for Sydney its peculiar form of government, changed the methods of rating and assessment so as to bring them into agreement with those applied to the rest of the State.

A description of the powers and duties entrusted to the shires and municipalities would be foreign to the objects of this paper, which is concerned with the mode and extent of local taxation, but it may be said that within the wide circle covered by their constitutions, the municipalities and other local governing bodies have complete control of their own affairs. As regards taxation, the powers, especially those given to the municipalities, are extensive and elastic, and based on certain well defined principles. One of the most important of these is that the taxation of the land should be in the hands of one authority, and one authority only, and obedient to this principle, Parliament repealed, or rather suspended the State land tax of 1895, passing it over to the shires and municipalities for their own absolute use. This tax is a fixed charge which the shires and municipalities cannot change or refuse to levy. This statutory rate of a penny in the pound of unimproved value does not, however, afford sufficient revenue for any of the municipalities, and Parliament has given them considerable powers of additional taxation, leaving to each district complete discretion as to the manner of rating to obtain the necessary revenue. The limit of taxation for shires

has been placed at 2*d.* in the pound of unimproved value; in municipalities the taxation for general purposes is limited to the amount which would be obtainable from 2*d.* in the pound of unimproved value together with eighteen pence in the pound of rental value, and for the City of Sydney 3*d.* in the pound of unimproved value together with 2*s.* in the pound of rental value. The precise extent of these powers of taxation varies of course in different districts, according to the proportion which the improved values bear to the unimproved, but it may be assumed that for the City of Sydney the maximum rate if levied on unimproved values alone, would be about 6*d.* in the pound of capital value; in the suburbs of Sydney and the municipalities it would be about 5*d.*

It has been mentioned that Parliament has given to every local government area the privilege of determining for itself in what manner any additional revenue required in excess of the yield of the Statutory penny in the pound, should be levied. The law provides that when the Council decides to impose a rate in excess of the minimum, it shall determine also whether the rate is to be levied on the unimproved value of the land, or on the improved value, or partly on one and partly on the other. This decision of the Council is not, however, final. Notice of its determination must be published, and if one hundred ratepayers, or one-sixth of the total on the roll, if that total is less than six hundred, require it, the question as to whether the tax shall be on the unimproved or the improved value must be referred to the ratepayers for decision and a poll is taken. It will be observed that the decision is left not to the electors or persons qualified to vote at elections of councillors or aldermen, but to the ratepayers who as their name implies, are owners or ratepaying lessees.

The law as it affects the City of Sydney has been in operation for a few months only, and there has not been sufficient time to give due effect to its provisions in regard to rating, but these provisions are in full operation in all other municipalities. It is a singular circumstance that in every municipality of the State the ratepayers have adopted the principle of rating for general purposes on the unimproved values, every attempt to place a rate on improvements having been defeated; indeed, the principle has been carried still further, and local rates for special purposes have in the great majority of cases been placed upon the land also.

The State tax was open to objection on account of the character and magnitude of the exemptions allowed; to these the local bodies had always steadily opposed themselves, and the bulk of public opinion was on their side. Under the State tax exemptions brought the yield down by 40 per cent.; under the new law all the more important of these exemptions have been swept away, so that practically speaking all properties which are benefited by local government pay their share of taxation. All parties are, moreover, agreed in their discouragement of agitation to revert to the old conditions, and are disposed to allow local government to develop upon the principles embodied in these recent laws. Yet the change that has been made amounts almost to a revolution. From its tax of 1*d.* in the pound the State raised the sum of £330,000, but when the rating of unimproved values is applied to the City of Sydney in the same way that it has been applied to the rest of the State, the probable revenue obtained from the varying rates which will then be levied on land will be about £2,550,000, which is practically eight times the sum obtained by the State from the same source.

The assessments for local government purposes will probably reach £166,600,000 as compared with £133,500,000 which was the State assessment. This increase has arisen, not from any arbitrary action on the part of the local authorities, but from the circumstance that assessments made by local authorities are more near the true value of the land than those made by the officers of the central government. Under the system of State taxation where the amount of tax was fixed, under-valuation was very frequent, and did not arouse any special public interest. It did not seem to a taxpayer who returned his land at a proper value that his interests were being affected by the fact that other landowners contrived to secure a low valuation. Under the system of taxation by the local government, where the rate depends upon the valuations made, it is to the general interest that all persons should make a fair valuation of their lands. If one-half of the landowners in a shire are assessed at their proper value, and the other half at 50 per cent. below the true value, the honest ratepayer will be paying one-third more than he would be called upon to pay if all rating were on a proper basis. Taxpayers alive to this fact insist upon, and obtain, a uniform and just valuation; the effect of this is seen in the difference of 25 per cent. noted above, between assessments for local government and State assessments.

Sufficient time has not elapsed to enable the economic effect of the tax to be determined with absolute certainty, but several predictions in regard to its effects have

been clearly falsified. Opponents of land taxation predicted that the placing of a tax on unimproved values, relieving improvements of all taxation, would tend to a slump in the selling price of land. Such has not taken place. Landowners have been wise enough to see that it is only the unproductive land that feels the burden of the tax, and there is a general agreement that the first effect of placing rates on land has been to force much hitherto unproductive land into use. Another direct effect is that the exemption of improvements from taxation has led to the expenditure of considerable sums in the adornment of buildings and the beautifying of the land. Where every improvement effected added to the amount of taxation, there was a direct discouragement to the making of improvements which had not a rental value, and the exemption of improvements under the present system has had an entirely opposite effect. The people of New South Wales are well satisfied with the change that has taken place, and the holders of idle land do not complain, as they perceive that the remedy for a condition of which they may be tempted to complain lies in their own hands.

T. A. COGHLAN,
AGENT-GENERAL, NEW SOUTH WALES.

June, 1909.

PART II.

**REPRINTS OF OFFICIAL PAPERS BEARING ON LAND
TAXES IN THE COLONIES AND THE UNITED
STATES OF AMERICA.**

1

TAXATION OF LAND VALUES

IN

CERTAIN CITIES

OF THE

UNITED STATES OF AMERICA.

Despatches from His Majesty's Consular Officers respecting
the Taxation of Land Values at New York, Boston,
San Francisco, and Cleveland (Ohio).

*Circular addressed to His Majesty's Consuls-General at New York, Boston, San
Francisco, and to His Majesty's Consul at Philadelphia (Ohio).*

Sir,

Foreign Office, December 15, 1908.

I AM directed by Secretary Sir E. Grey to instruct you to furnish him with a Report, in a form suitable for presentation to Parliament, containing such information as is available in regard to the effect of the taxation of land values at New York,* and the manner in which the valuation was carried out.

You should, if it is possible, without undue labour or delay, include in your Report information relative to the time occupied in making the separate valuation of land and buildings, and as to the degree of accuracy obtained by these valuations.

I am, &c.

(Signed) W. LANGLEY.

* Also at Boston, San Francisco, Cleveland (Ohio).

Replies to preceding Circular.

No. 1.

Consul-General Bennett to Sir Edward Grey.—(Received January 21.)

Sir,

New York, January 12, 1909.

IN compliance with the instructions contained in Mr. Langley's despatch of the 15th ultimo, I have the honour to inclose herewith a Report upon the taxation of land values in New York.

I have, &c.

(Signed) C. W. BENNETT.

Inclosure in No. 1.

Report respecting the Taxation of Land Values in the State of New York.

THE whole law of the taxation of land values is contained in the Tax Law of the State of New York, L. 1896, chapter 908. Under this Law each county in the State of New York is intrusted with its own local taxation for the carrying on of administration of the county. The following is a short synopsis of the clauses in the Tax Law, so far as they refer to the taxation of land values.

The first Article refers to taxable property and the place of taxation. All real property within the State, under subsection 3 of this Article is liable to taxation, unless exempt by law, the exemptions mainly being property of the United States, State property other than wild or forest land in the forest preserves, property of municipal corporations including real property held for cemetery uses, Indian reservations, property of religious, charitable, benevolent Societies, &c., American-owned ships registered at any port in the State and owned by American citizens and Associations, or any Corporation under the laws of the State of New York, engaged in ocean commerce between any port in the United States or any foreign port. The place of taxation (subsection 8) is the district where the owner resides on the 1st July in the current year. Under section 15, reports of exempt property must be furnished by the Board of Assessors to the Clerks of the Boards of Supervisors of their respective counties.

The method of assessment is contained in the second Article of the Law, under section 20 of which assessors can divide up a county into convenient assessment districts. The assessment roll is prepared on the lines laid down in section 21, the list containing the names of all taxable persons in taxed districts, the quantity of real property taxable to each person, the full value of such real property and, in the last column, the total amount of taxes levied against each person therein named. Under section 29, the real property of non-residents of a taxed district must be designated in a separate part of the assessment roll with full particulars as to ownership, the address of all unoccupied lands, the acreage of lands, the full value thereof, and, if necessary, the assessors may, under section 30, have an actual survey made of property owned by non-residents. Under section 35, the assessment roll must be completed on or before the 1st day of August and conspicuously posted in three or more public places so that it may be examined by interested persons. In the event of the tax-payer considering that he has been too highly assessed he may be heard before the assessors in support of his complaint, on oath, and if his complaint is substantiated the tax is reduced to the amount of the assessment roll. Under section 38, the roll must be filed on or before the 1st September in the office of the City Clerk, where it shall remain for fifteen days for public inspection, and the fact of its deposit must be conspicuously posted in at least three public places in the taxed district. On or before the 1st October it must be delivered to the supervisor of the taxation of assessment, and levy of tax, and provides Article 3 deals with the equalization of assessment, and levy of tax, and provides

for the reassessment of property illegally assessed and for the rectifying of errors in the roll.

Article 4 deals with the collection of taxes. Every collector upon receiving a tax roll or warrant must cause notice of the reception thereof to be posted in five conspicuous places in the taxed district specifying one or more convenient places in such district where he will attend from 9 in the morning to 4 in the afternoon at least three days, and if in a city, at least five days, in each week for thirty days from the date of notice, for the purpose of receiving the taxes due. At the end of thirty days the collector must call, at least once, on every person taxed upon such roll whose taxes are unpaid, at his usual place of residence and demand payment of taxes, and, if they are still unpaid, he may levy upon any personal property in the county belonging to, or in the possession of, any person who ought to pay the tax, and cause the same to be sold at public auction after due notice of the fact that such property is to be sold. Taxes received by the collector, who is under bond, must be paid over within one week to the proper authority, and he shall give a receipt therefor, under section 94.

Article 6 deals with the sale of lands by the Comptroller for unpaid taxes and redemption of lands. Under subsection 120, the Comptroller may sell any land for non-payment of taxes if such tax and the interest thereon remain unpaid for one year after the 1st February following the year in which the tax was levied, after taking certain formalities laid down in this and the following subsections.

Article 8 deals with the State Board of Tax Commissioners and the State Board of Equalization. At the expiration of their terms of office the Governors of the State, under subsection 170, appoint three Commissioners, who constitute the State Board of Tax Commissioners, by and with the advice and consent of the Senate, to hold office for three years, and so classified that the term of office of one of them shall expire with the 31st December in each year, and in case of a vacancy the appointment shall be for the unexpired term. Their powers are (subsection 171):—

1. The investigation and examination of assessments.
2. Furnishing local assessors with information necessary to make assessments.
3. To make such rules and regulations as may be necessary.
4. Taking of testimony and hearing of proof.
5. The holding of meetings at Albany at such days as are fixed by the Chairman of the Board.
6. Employment of clerks, &c.
7. To prepare an annual Report and recommend changes and amendments in tax law.
8. To perform the other powers and duties conferred upon them by law.

The State Board of Equalization is authorized by subsection 173, under which the Commissioners of the Land Office and the three Commissioners of Taxes constitute the State Board of Equalization. This Board meets in the City of Albany on the first Tuesday in September in each year for the purpose of examining and revising the valuations of real and personal properties of the several counties, as returned to the Board of Tax Commissioners, and to fix the aggregate amount of assessment for each county upon which the Comptroller computes the State tax. The Board may increase or diminish the aggregate calculations in real property in any county as they may think just and necessary, but they can in no instance reduce the aggregate valuation thereof as so returned. The right of appeal of any superior officer of any town, city, or ward against the decision of the State Board of Tax Commissioners is reserved under subsection 174 and the manner in which the appeal shall be conducted is explained in the following Article.

Article 9 deals with taxations on Corporations, mostly upon personal property, and where upon real property, the action of the Board is governed as in the case of real property owned by private persons.

Article 10 deals with taxable transfers, and does not appear in any way to materially affect the regulations laid down in previous sections as to taxation of land values.

Article 11 deals with questions of procedure.

Article 12 repeals certain laws, and Article 13 lays down six years as the term of legal recovery.

Article 14 deals with mortgages, and under subsection 294 taxes are made payable on recording of each mortgage of real property subject to taxation. Such taxes are paid to the recording officers of any county in which the real property or any part thereof is situated. Sub section 295 provides that no mortgage of real property shall

be reported by any county clerk or registered on or after the 1st day of July, 1896, unless taxes imposed by, and as in this Article provided, shall be paid.

The last Article, No. 15, deals with taxes on transfers of stock, but does not seem to be applicable in any material sense to the taxation of land values.

The provisions of the law quoted above are somewhat modified as regards the taxation of land values in the City and County of New York, by the provisions of the Charter of New York, which are noted hereunder :—

It will be noticed from the foregoing that, with the exception of the Comptroller, all officers connected with the Tax Commissioners' Department are appointed, and not elected.

Taking more particularly the tax of land values in the City of New York the assessment is made by the Department of Taxation (Charter of 1901, section 884), consisting of a President and six other Commissioners (Charter, section 885, as amended by Laws, 1904, chapter 757), who are appointed by the Mayor (Charter, section 118).

The jurisdiction of the Board is substantially the same as that of the assessors throughout the State. The Board is assisted in its work by deputies appointed by it. These deputies are assigned to territorial divisions of the city, and under the direction of the Board make tentative assessments of the property within their districts. A newspaper cutting showing the main items of the tentative assessment for the City and County of New York for the year 1909 is annexed. The assessors' duty is to estimate the full value of all property within their jurisdiction, and to enter that valuation in the manner prescribed upon the assessment roll. Assessors are unrestricted in their means of ascertaining facts necessary to enable them to make assessments. They are expected to be diligent in securing evidence of value, and to act upon the best evidence they are able to obtain. They must assess, although they have no evidence of value. They may not conspicuously disregard evidence, but if it be contradicted, and there is good reason to disbelieve it, they may properly refuse to act upon such evidence. If there is any evidence to support it, the assessment is *primâ facie* legal and proper. It requires a majority of the Board to fix the amount of an assessment.

In estimating the value of property the assessors look at the question in a very broad manner. They will regard the rents of the property, the use to which the property is put, whether the property is situated in a residential quarter, a business quarter, or a tenement quarter, and pay very little attention to the actual cost price of the property. I have come across, for instance, one case where a man bought property for 50,000 dollars, and made no complaint although he was assessed upon a valuation of 100,000 dollars. Estimates of the rate at which land values are taxed in the City of New York vary very considerably. They may in some quarters pay as low as 40 per cent. of the actual value. In others they may run up to 90 per cent., but taking it all round it is estimated that land taxation in New York is calculated roughly upon 80 per cent. of the actual value.

The fact that so few protests are raised against the amount in which real property is valued goes to prove that as a rule property is not over-valued, but, on the other hand, the little comfort gained by appeals to the supervisors and the Supreme Court against excess values must be taken into consideration. No tax is looked upon by tax-payers as just, but there seems to be no reason to believe that the taxation of land values in New York can be considered unjust, so far as the values of the property for taxes are concerned. If a tax-payer fails to appear and make application for reduction of his assessment it has been held that such laches warrant a refusal by the Court to grant him relief.

In the City and County of New York the taxing year begins on the first Tuesday of September (Charter 88889). From that time until the second Monday of January property is examined and their entries made (section 829). From the 1st April to the 1st June the Commissioners may consider and act upon tax-payers' applications. (Charter, section 895.) From the first Monday of July to the 15th day of September the Board of Aldermen spread the taxes (Charter, sections 909-911). The date when taxes become due and payable is the 1st October. The Department of Taxes and Assessments must estimate the full value of all taxable property. Section 895 of the Charter provides that while books are thus open to public inspection a person claiming to be aggrieved may apply for a correction. If it relates to real property, application must be made in writing, stating the grounds of the objection. The Board of Taxes and Assessments examine into the complaint, and if, in their judgment, the assessment is erroneous they cause the same to be corrected.

A writer on the tax laws of the State of New York says:—

“It may be fairly said, however, that the assessors’ duty in all parts of the State, including New York City, is to assess real property at its value. Yet the duty has been observed very rarely and in only a few tax districts. The failure to perform it has been recognized, if not condoned, by the Legislature and by the Courts. It is at best such a peculiar kind of duty that its breach creates no rights against the assessors or in favour of any tax-payer.

“The same Statutes which provide for assessment at full value provide for equalization of assessments between tax districts; and the necessity for equalization can exist only when the assessments in the various tax districts are at different ratios to full value. Courts cannot base a correction of the roll merely upon the fact that some property has been assessed for less than its value (Tax Law, section 250. Charter, section 906).

“The rights of a tax-payer are two: first, that his real property shall not be assessed at more than its value; second, that it shall not be assessed at a higher proportionate value than the other property upon the same roll (Tax Law, section 250), or, in the City of New York, at a higher proportionate valuation than other property of like character in the same ward or section (Charter, section 906). The whole question is one of proportion. A certain sum of money represented by the Budget must be raised by an equal apportionment upon all taxable property, real and personal. The right of each tax-payer is that he should pay no more taxes on account of his ownership of property than others pay on account of property of equal value. Therefore it is immaterial to him that all property be assessed at 50 per cent. or 150 per cent. of value, provided the ratio be the same in all cases. Under the law as it exists an assessment at more than full value can be reduced without showing inequality.”

The question of what is full value as applicable to real estate is a very vexed one, and has never been legally defined. The fair market price may be considered as the rule in its determination. Others contend, however, that the full value should be the value determined by a forced sale. The point, however, is mainly an academic one, as there is no doubt but that real property in the City and County of New York is not assessed at its full value.

Appeals and review of assessment can be requested of the Board of Supervisors, under section 16 of the County Law. In New York City appeals may be made to the Commissioners under section 897 of the City Charter and by *certiorari* upon petition to the Supreme Court, as provided in sections 250–256. An appeal from determinations can be taken to (1) the Appellate Division of the Supreme Court, and (2) to the Court of Appeals.

As regards the time taken to estimate the value of property, it is difficult to express anything beyond a general opinion. In the case of a property which has been valued in the previous year, the value given in that year is generally accepted as correct, or if increased at all, it is not increased to any very great extent, unless, of course, changes in the character of the neighbourhood have occurred in the meantime. Thus the valuation might be arrived at in the course of a few minutes. In other cases the assessors may have more difficulty. They may have to take into account every change in the neighbourhood, appreciation or depreciation of values, and it may be necessary to order one, two, or even more surveys to be held, but even in such a case as this the value would in nearly every instance be arrived at within the course of two or three days.

It may be of interest to note that the value of the property as fixed by the assessors has no legal value whatever except for purposes of taxation. If, for instance, a man wishes to raise money on his property by mortgage through his bankers, the bankers do not in any way consult the amount fixed for tax purposes by the Tax Commissioners, but send their own surveyors to form an entirely independent value of the property in question.

At the present moment the tax upon property in New York is fixed at the rate of 2·45 per cent. of the value of the property.

Annexed to this Report will be found a copy of a letter which I have received from a firm of real estate agents, giving their opinion upon the operation of the Law as regards New York, together with one from two firms of bankers upon the same subject.

It may be of interest to note that, from a statement made by the Corporation of Trinity Church, which is supposed locally to be the richest Church Corporation in

the world, their taxable real property was valued for taxation in 1908 at 13,646,300 dollars, the rents upon which amounted to 752,741 dollars; whereas the city taxes and water rates paid by the Corporation, in addition to taxes and water rates paid by lessees, amounted to 129,501 dollars.

(Signed) C. W. BENNETT,
Consul-General.

New York, January 12, 1909.

Annex No. 1.

Letter addressed by a Firm of Real Estate Agents to Consul-General Bennett.

(Extract.)

January 4, 1909.

YOUR valued favour of the 31st December in relation to the valuation of land and buildings in this city for the purposes of taxation is received. We beg to reply to your inquiries as follows:—

1. No separate valuation for land and building was made by the tax assessors prior to the year 1904, but each property was assessed at what, in the estimation of the assessors, the land and building, considered as one, were fairly worth. Since 1904, however (under a Law passed the 7th May, 1903), there has been a modification in the method of fixing the assessments, in that the assessors are now required to estimate the value of the land, and then to give their estimate of the value of the whole property, land, and building, without, however, specifically valuing the building. For instance, the Law requires the Department of Taxes and Assessments to keep the annual records of the assessed valuation of all properties. We quote them from the Law:—

“In such books the assessed value of real estate shall be set down in two columns. In the first column shall be given opposite each separately assessed parcel of real estate the sum for which such parcel, under ordinary circumstances, would sell if wholly unimproved; and in the second column shall be set down the sum for which the said parcel, under ordinary circumstances, would sell, with the improvements, if any, thereon.”

The Law requiring that real estate in New York City shall be assessed at its full estimated market value went into effect in the year 1903. It has been, however, for obvious reasons extremely difficult to keep to that standard, and we find many inconsistencies and inequalities of assessment, but that is practically inevitable under any schemes of assessment. We think Mr. Purdy, the present President of the Tax Board, is of the opinion that the present tax valuation of properties in the City of New York represents between 85 per cent. and 90 per cent. of their market value.

In our business of appraising properties for lending institutions we have frequently come across instances where, in our opinion, the tax valuation was considerably below the market value of the property, and, on the other hand, have also had a number of instances where the tax valuation has been in excess of our estimate of the value.

On the whole, however, we are inclined to think that a separate valuation of the land is a factor in approaching greater accuracy in tax assessment, in view of the fact that it furnishes a basis on which to discuss the assessed value by any aggrieved property owner.

Annex No. 2.

Letter addressed by a Firm of Bankers to Consul-General Bennett.

(Extract.)

January 4, 1909.

WE have endeavoured to get as exact information as possible on the matters about which you have inquired, and, as far as we can learn, we believe that the assessors who make the valuation are comparatively accurate. Of course they are appointed, or supposed to be, owing to their fitness to do the work, and their valuations come very close to the actual values, say, on an average, within 10 per cent. or 15 per cent. of them,

As to the time occupied, they will of course vary, but the familiarity of the assessors with property values enables them in most cases to make the valuations with little delay. In other cases, however, a longer time will be required. The assessment is supposed to be for the full value of the property, but it is seldom that it is actually so high.

We are not intimately in touch with the subject of real estate in New York through our business, and the information given herewith is not that obtained by actual experience; but we believe it to be fairly accurate, and trust that it may be of some use to you.

Annex No. 3.

Letter addressed by a Firm of Bankers to Consul-General Bennett.

(Extract.)

January 4, 1909.

REFERRING to your letter of the 28th ultimo regarding taxation of land values in this city, we understand that the present method employed by the city officials is as follows:—

Assessors are appointed who are supposed to be familiar with the real estate market in the vicinity of the district in which they assess property. They are also supposed to be in touch with the sales of property in the neighbourhood and of the cost of any improvements.

As to the time it would take to make an assessment on a certain property, that would depend upon the conditions in each case, both as to the nature of the property and as to the familiarity of the assessors with the property to be appraised. Some properties an expert appraiser could value at a glance, while on others it might take several days before the necessary information could be secured.

As to the accuracy, it would seem that assessors would generally come within 10 per cent. of the actual property assessed. At present the city is supposed to assess property at its full value, but as a matter of fact they aim at about 85 per cent. of the actual value.

While the subject to which you refer is susceptible of very great discussion, and much might be said, we hope that the above will give you some of the information which you desire.

With regard to valuation in New York City, at present the great question is how high valuations can be raised. Under the law, New York City can incur a debt of only a certain percentage of the taxable valuation of the property of the city; so whenever the question comes up of this city reaching its debt limit, the question of how high the value of the property can be placed also comes under discussion, and so far it appears to be an unsettled question.

No. 2.

Consul-General Hearn to Sir Edward Grey.—(Received February 2.)

Sir,

San Francisco, January 18, 1909.

WITH reference to your despatch of the 15th ultimo requesting me to obtain such information as is available in regard to the effect of the taxation of land values at San Francisco, and the manner in which the valuation was carried out, I have the honour to inclose a Report on the subject.

I have, &c.
(Signed) WALTER R. HEARN.

Inclosure in No. 2.

Report respecting the Taxation of Land Values in California and the Consular District of San Francisco.

State and Local Taxation.—In California, as well as in the States of Nevada, Utah, and the Territory of Arizona, forming this Consular district, a system of State and local taxation obtains, that is to say, the State itself and the various subordinate self-governing counties, cities, townships, school districts, &c., levy taxes for their several purposes directly from all the property, real and personal, within the area of their several jurisdictions. Public lands and buildings, growing crops, educational, eleemosynary, and religious institutions are exempt from taxation.

National Taxation.—National, *id est*, United States', taxes are not property taxes, but are exclusively excise, customs, and imports, which, under the protective Tariff, provide amply for United States' revenue.

Fiscal Officers.—The fiscal officials of the State are the Comptroller, Board of Equalization, and the Treasurer; those of the counties, cities, and townships are the auditors, Boards of Supervisors, assessors, tax-collectors, and treasurers.

Legislature.—Biennially the Legislature, upon the Reports and estimates of the various State officers, determines the amount necessary to be levied by taxation in order to defray the expenses of the State government, salaries of its officials, public institutions, State prisons, militia, State buildings and works, sinking fund, and interest thereon, &c., for the ensuing two fiscal years, and passes the necessary Bills for that purpose.

Supervisors.—In the various counties, cities, townships, and districts, upon the Reports and estimates of the various county and other municipal officers, the Boards of Supervisors determine the amount which will be necessary to meet the expenditures of their several jurisdictions for the ensuing fiscal year, and by a majority vote direct that amount to be levied.

Assessors.—The amount of taxes to be levied for the State and self-governing counties, cities, townships, and districts having been thus established, the assessors of the cities, counties, townships, &c., ascertain the names of all the taxable inhabitants and of all the taxable property within the area of their authority and they also obtain from the Board of Supervisors maps and plates of the real property within their counties, cities, townships, and districts, and inspect the public registers, which contain a record of all lands transferred, mortgaged, or devised, with a description of each particular piece of real estate.

Mode of Assessment.—The assessors or their deputies, after the first Monday in March of each year, make a house-to-house visit and exact from each person a statement under oath, setting forth specifically all the real property owned by such person or in his possession or under his control at 12 o'clock on the first Monday in March, in writing, showing—

1. All property owned or claimed by, or in his possession or under control of such person, or of any firm of which such person is a member, or Corporation of which he is a managing officer;
2. The county in which the property is situated;
3. An exact description of all lands and parcels and subdivisions, or mortgages and other obligations by which the debt is secured on property in his county.

This statement must show the residence of the person and that he has not transferred or disposed of any property for the purpose of avoiding assessment. The assessors or their deputies present this statement to each inhabitant and swear him and fill it out in his presence, or they may deliver it to him and require him to return it properly filled out within an appointed time. The assessors may require each person to subscribe affidavits and may also subpoena and examine any person in relation to any statement furnished or which discloses property which is assessable. Any person who refuses to furnish a statement or to make such affidavit or to testify when requested by the assessor, forfeits the sum of 100 dollars, one-half of which amount is paid into the Treasury and the other one-half may be retained by the assessor. If any person, after demand, neglects or refuses to make this sworn statement required, the assessor notes the refusal on his assessment book or roll and he makes an estimate of the value of such property, whereupon the Board of Supervisors investigate such valuation fixed by the assessor and requires the tax-payer to make a statement under oath, showing what property he owned or controlled on the first Monday in March, and if he neglects to do

so the supervisors must increase the assessment and valuation to such amount as it may deem just, but the value fixed by the assessor must not be reduced by the supervisors.

Valuation.—From the sworn statements so furnished them and from the examination of witnesses, maps, plans, and records, and from diligent inquiries and examinations the assessors then place the valuation on each particular lot, piece, or parcel of land. All property is supposed to be valued at its full cash value. The term "cash value" is taken to mean the amount at which the property would be taken in payment of a just debt from a solvent debtor. All buildings, structures, and other improvements are valued separately. In appraising and valuing the buildings and improvements the assessor is aided by the fact that all contracts for buildings in cities and towns have to be registered with the price and other particulars in the public records and before they can be erected a permit has to be obtained from the Board of Public Works, stating the class, style, and size of the building which it is proposed to erect. Lands must be assessed in parcels and subdivisions of not more than 640 acres. In cities, however, it is usually assessed by the building lot and as nearly all building lots in cities are of uniform depth, the method of estimating the value is to place a price upon each front foot, according to the value of the property in the neighbourhood. The assessors usually arrive at the value by taking an average of 70 per cent. of all the sales made during the year in the neighbourhood. In American cities streets usually run straight and parallel to each other and streets cross each other at right angles. The lots which are situated at the intersections of streets are here called "corner lots" and have two frontages, one on each street, such lots are usually assessed at a higher figure than inside lots, which have only one frontage. The buildings and structures are valued according to the price in the registered contract for their erection, allowing, of course, for deterioration by age, &c., or according to other evidence obtained.

A mortgage or other obligation on land is assessed against the creditor. The value of the property, less the value of the security, against the owner. Railways which run through several counties are assessed by the State Board of Equalization, other franchises by the assessors in the counties in which they are granted.

If the owner cannot be ascertained, the property is assessed to unknown owners, and no mistake in the name of the owner renders the assessment invalid.

The assessors and their deputies are liable for all taxes on the property in their territories, unassessed through their wilful neglect.

The valuation of land belonging to estates of decedents is ascertained by the assessors from the sworn inventories which are on file in the Probate Courts in each case.

Assessment Book.—When the assessor has completed his valuation he prepares the assessment book, giving the names and addresses of the persons to whom the property is assessed, and a description of the land, buildings, and improvements thereon, also the cash value of the real property and the cash value of the buildings and improvements thereon. When the assessment book is completed the assessor and his deputies subscribe an affidavit, showing that they made diligent inquiry and examination to ascertain all the property subject to assessment, and that it has been assessed equally and uniformly to the best of his judgment and that he has not imposed any unjust or double assessment or allowed any one to escape a just and equal assessment.

When the assessment book is completed it is delivered to the Board of Supervisors of the county, also to cities and towns on request. In the meantime this assessment book remains in the supervisor's office for inspection by all persons.

Protests.—Any person who has been assessed may now appear before the Board of Supervisors, sitting as a Board of Equalization for the county or municipality, and show that he has been erroneously or unjustly assessed, and for that purpose may produce witnesses and other evidence. The assessors may also give their testimony and produce witnesses in rebuttal. Thereupon the County Board of Equalization equalizes and makes the assessment conform to the true value of the property, delivering the corrected assessment book to the auditor, who enters the total valuation of all property on the same and transmits a statement to the State Board of Equalization, showing the number of acres of land, the value thereof, the value of the buildings and improvements thereon, the value of mortgages, deeds of trust, &c.

Board of Equalization.—Upon receipt of the statement of the auditor the State Board of Equalization examines the same and apportions and equalizes the assessment. It has power to increase or lower the whole assessment roll to make it conform to the

true value of the property, after giving notice and, if necessary, hearing testimony. The State Board then fixes the rate of taxes for State purposes, that is to say, it establishes the percentage payable on each 100 dollars' worth of property as a State tax, which must be sufficient to raise the specific amount of revenue necessary for State purposes, and immediately transmits a statement of such percentage so established to the supervisors of each county, city, &c. Thereupon the supervisors of each county, city, town, and district meet and determine the percentage of county and municipal taxes, designating the number of cents on each dollar's worth of property to be levied for State, county, and municipal purposes. Thereafter the corrected assessment book is delivered to the auditor, who prepares the assessment roll, showing the amount and value of all property and the amount in dollars and cents to be paid thereon, and delivers the same to the tax-collector who collects the taxes so imposed.

Collection of Taxes.—Within ten days after receiving the assessment roll from the auditors the tax-collectors publish notice stating when the taxes are due, payable, or delinquent, and also the time when and the place where they are to be paid and when, if unpaid, they become delinquent. Usually one-half the taxes on land are payable in October and the other one-half in April. If delinquent, 15 per cent. is added. Taxes on any particular lot of land may be paid separately. The payment of the taxes is made at the office of the tax-collector, and in the case of the estates of decedents or insolvents the Superior Court directs the administrator or receiver to pay the taxes out of the funds of the estate.

All taxes are a lien upon all the property of every person from the date of the assessment until paid.

Delinquents.—If all the taxes are not paid by June of the year following the assessment, the tax-collector publishes a list of all unpaid taxes, known as a "Delinquent List," giving the names of the persons, descriptions of the property, amount of unpaid taxes, and all costs and penalties, and appends to the list a notice that unless the taxes are paid the property will by operation of law be sold to the State on a day and at an hour not less than twenty-one or more than twenty-eight days from the first publication of the notice, and that the sale will take place at the tax-collector's office. A copy of this notice must be mailed to any person holding a mortgage on the land ten days before the sale.

On the day and at the hour fixed, all land on which taxes have not been paid is, by the declaration of the tax-collector and by operation of a law, sold to the State and so marked on the "Delinquent List."

After the sale is made the property may be redeemed by the owner or any person interested within five years from the date of the sale. Such redemption is made by paying all the taxes, percentages, interest, costs, and penalties due. If not redeemed within five years after the sale, the tax-collector executes a deed of the property to the State, which deed conveys to it an absolute title. The land then becomes subject to resale by the State in the same manner as other State lands, except that the former possessor is a preferred purchaser for six months after the tax-collector's deed is filed.

On the first Monday in each month the tax-collectors deposit all moneys received by them with the county or municipal treasurers with an account under oath. The county and municipal treasurers settle with the State Comptroller, paying over all moneys belonging to the State and retaining all moneys belonging to the county, municipality, district, &c.

Annually, in December of each year, the tax-collectors exhibit the assessment roll to the auditors and make a final settlement with them and are credited with all treasurer's receipts for moneys collected.

The time occupied in making the separate value of the land and buildings is from the first Monday in March of each year until the first Monday of July, in which time all property is valued and assessed.

Accuracy of Valuation.—The degree of accuracy with which the valuation of land and buildings can be accomplished by the assessors is very great, as they not only have the statements of the owners made upon oath and the sworn testimony of such witnesses as they may feel it necessary to examine, but they also have before them records of all sales made during the year and previous years, the registered contracts and contract prices for each building erected and the petitions for leave to erect certain classes of buildings, and the permits of the Board of Public Works to build the same.

In addition to this they have the circulars of real estate agents and the record of all mortgages, liens, and registered leases.

Mortgage loans are made here at about one-fourth to one-third of the value of

the land, and before a Trust Company makes a loan it has the property appraised by expert appraisers.

Another means by which the assessors gain information is through the recorded leases, which shows the rent to be paid, which, roughly speaking, is 10 per cent. of the selling price of the land and building. An annual rent of 1,000*l.* would indicate a value of 10,000*l.* Of course, taxes, repairs, insurance, water, gas, porter, and other expenses would reduce the net income of the owner from the property over one-half.

San Francisco Statistics.—There were 7,418 sales of land recorded in San Francisco in the year 1908, representing a total amount paid of 31,083,571 dollars. These figures represent a monthly average of over 2,500,000 dollars, while the total is practically the same as in 1907, when the number of sales was 8,204, and the total amount paid 31,816,150 dollars. These sales were made in every part of the city, and the assessors, by taking an average of the prices paid in each district, can arrive at a very accurate valuation of other property in the same neighbourhood.

Before the earthquake and fire of 1906, in which 28,000 buildings were destroyed, the number of sales was greater; so, in 1905, there were 9,572 sales, and the total prices paid were 74,926,065 dollars.

The total number of buildings for which building permits were issued since the earthquake is 18,422, and the total prices therefor is 120,866,948 dollars. The total prices for which contracts have been registered was 119,225,692 dollars. Most buildings erected have cost 10 per cent. more than the original contract price.

In 1908 there were 6,257 mortgages registered upon San Francisco real property for a total of 41,841,729 dollars, and it is estimated that the releases amounted to about 25,000,000 dollars. From this it is not difficult for an assessor to estimate the value of the properties, mortgages representing generally one-fourth or one-third of the whole value of the property mortgaged. The total value of the real estate in San Francisco is estimated to be 258,651,434 dollars, and the value of the buildings and structures thereon is estimated at 90,860,558 dollars. The original assessed value of mortgages, 67,361,511 dollars, and the total State and country rate of taxation upon each 100 dollars is 1 dol. 90 c. The above is the assessed value of the real property, but it cannot be taken to be the true value, as for reasons hereinafter given the assessor appraised the values about one-third or one-fourth of the true value.

As to the effect of the taxation of land and other property in the manner described, it would appear that land and buildings being tangible and visible cannot be concealed from the assessor, and therefore must bear the greatest part of the burden of taxation. The owners of small houses and the farmers are heavily over-taxed, as the great proportion of the wealth of the inhabitants does not consist in land or buildings, but in shares, investments, bonds, mercantile profits, debts due, book accounts, notes, &c., which cannot be discovered by the assessors, and are frequently not included in the statements made by the tax-payer, and therefore escape taxation. There is no doubt that the assessed value of the real estate in the State of California for the year 1908, which is 1,116,288,440 dollars, is entirely out of proportion to the value of money and solvent credits, which were assessed only at 54,288,419 dollars, or the total value of the assessed personal property, which was 235,481,764 dollars. Undoubtedly the greater part of the wealth of the State consists of moneys, solvent credits, and other personal property.

As to the effect of the methods of taxation and valuing lands in practice here, it would appear that land is not uniformly taxed in different counties, and that the counties do not uniformly bear the burden of State taxation. The State tax is apportioned among them in proportion to the assessed value of all the taxable property within the county; the higher the assessed value is, the greater the part of the State tax the county has to pay, wherefore a county whose taxing officers assess land (or other property) at the full cash value pays more of the State tax, in proportion, than a county in which the assessor places the value below the market price.

Assessors are elected by popular vote of the inhabitants of the county, who have their local interests at heart and strive to avoid the danger of having to bear too great a share of taxation, it may therefore be supposed that candidates who are known to favour low assessment are generally the ones elected; in any case, land is usually valued at from one-fourth to two-thirds below its real market value, generally at about one-third of its real value.

Another effect of this mode of taxation is that high assessments obtain in one locality and lower ones in another county, which has a tendency to drive rich and influential men and Corporations, whose energy and wealth and influence would be of great value to the community, into less suitable places where assessment is low.

Great power is given by law to assessors, especially in cases of arbitrary assessments in the absence of the owner, and this frequently leads to glaring inequalities in taxation of land and valuation thereof in different parts of the State. Moreover, the system is capable of abuses which there is now no adequate means of remedying, and which no amount of zeal upon the part of the assessing officials, or of the Boards of Equalization, can prevent.

There will be introduced at this Session of the Legislature a Bill for the amendment of the Constitution providing for a new system of taxation, but if accepted, the proposed amendment must be submitted to a vote of the people at the next election for ratification, and even if approved by them cannot become a law for several years yet.

(Signed) WALTER R. HEARN,
Consul-General.

San Francisco, January 18, 1909.

No. 3.

Consul-General Bennett to Sir Edward Grey.—(Received February 4.)

Sir,

New York, January 23, 1909.

I HAVE the honour to inclose in copy a letter which I have received from Mr. Lawson Purdy, President of the Department of Taxes and Assessments in the City of New York, in which he kindly gives me a very interesting Report upon all the questions connected with taxation of land values in New York, and at the same time I forward a Report of the Committee on State and Municipal taxation of the Chamber of Commerce of the State of New York, which deals with the whole system of taxation in this State, and contains also certain information concerning the taxation of land values which may be of interest in connection with the Report which I made to the Department in my despatch of the 12th January.

I have, &c.
(Signed) C. W. BENNETT.

Inclosure in No. 3.

Mr. L. Purdy to Consul-General Bennett.

*Department of Taxes and Assessments,
New York, January 21, 1909.*

Sir,

I TAKE pleasure in answering your letter of the 28th December, 1908, addressed to the Mayor of New York, referred to me for reply, receipt of which I acknowledged on the 6th January.

The inquiries relating to the taxation of land values raised the following points, which I have arranged in the order most convenient for their consideration :—

1. The method of valuing land for purposes of taxation.
2. The time required for such valuation.
3. The accuracy of the values ascertained.
4. The effect of the taxation of land values.

In the City of New York all real estate, and certain forms of personal property are assessed, or valued, at market value. The aggregate of the assessed value of real and personal property thus obtained is divided into the sum to be raised by taxation for city purposes, to obtain the tax rate for each year. The amount of the tax, imposed on each separately assessed parcel of real estate, and on each person assessed for personal property, is obtained by multiplying the assessed value of the real estate, or the assessed value of the personal property, by the tax rate. This year, for example, the tax rate in the Borough of Manhattan, in the City of New York, is 1.61407. Thus the tax on a piece of land assessed for 10,000 dollars would be 161 dol. 40 c.

The Department of Taxes and Assessments is charged with the duty of assessing or valuing all the taxable property. The law provides that real estate shall be assessed at the sum for which, in the judgment of the assessor, each separately assessed parcel of real estate under ordinary circumstances would sell. (See Calendar, p. 68, Report of 1907.)

The Method of Valuing Land for purposes of Taxation.

The phrase "land valuation" and the determination of the value of land connote somewhat different ideas from the phrases "assessed value of land" and the "assessment of land." A land valuation might be regarded as the process of determining what in fact a particular parcel of land might be worth for the best use to which it is adapted. The assessment of land, on the other hand, is rather the process of ascertaining from the best evidence obtainable the opinion, as to the value of the land, held by those who might be able and willing to purchase it. It is the duty of the Tax Department to ascertain the market value. Ordinarily the best evidence of market value consists of the considerations paid for land in the neighbourhood near the time of the assessment. Other evidence of value consists of the prices asked by would-be sellers, and offers made by would-be purchasers, also appraisal made for the purpose of determining the safe value of the property as security for loans, finally the rentals actually paid when the land is improved by a building adapted to the site. Rentals of old buildings or buildings unsuited to the location furnish very little evidence of value, because such buildings would not be considered by a purchaser who would buy solely with the view to destroying the old buildings, and erecting new ones.

In any consideration of the assessment of real estate in New York, it must be borne in mind that the assessment is impersonal, and is made upon the land regardless of its ownership. No account is taken of the division of the ownership of either title or estate. The assessment and taxation of real estate is a proceeding *in rem*. While the owner's name is stated, if known, the city does not concern itself with the owner. The onus of obtaining a tax bill and paying the tax rests upon whomsoever may have sufficient interest in the property to prevent its being sold for the payment of the tax. If the tax is not paid the city proceeds against the property, and by appropriate procedure ultimately sells the property, paying itself the amount of the taxes due, with interest, and paying the surplus to those who may be entitled to it.

Many years ago, in the State of New York, and more recently in the Cities of Baltimore and Philadelphia, leases for ninety-nine years or more were common. The development of the community was retarded and administration embarrassed, especially in respect of taxation. The trouble was remedied in the State of New York by providing that any lease for more than twenty-one years should be taxable to the owner of the property on an amount equal to the annual rent capitalized at 6 per cent. This tax was in addition to the ordinary tax on the real estate itself. No more leases were made for more than twenty-one years, except in rare cases of ignorance. In New York the Constitution was amended so as to provide that leases of agricultural land for more than twelve years should be void. In Baltimore and Philadelphia a law was enacted which provides that the lessee, under a ground lease for a long term of years, may purchase the fee for twenty times the annual rental. No further difficulty has been experienced with long leases. Leases are always made with reference to the tax condition, and provision is made for the payment of the tax, and in some cases by the lessee. If the lease is silent on the subject, the lessor is bound to pay the tax.

The actual work of assessment is performed by Deputy Tax Commissioners, each of whom is assisted by a clerk. The city is divided into sixty districts, and a deputy is assigned to each district for the purpose of assessing real estate. The deputies commence the work of assessment on the first Tuesday of September, and the record of their work is opened for public inspection on the second Monday of January following. During January, February, and March the Tax Commissioners hear the applications of persons who deem themselves aggrieved by the amount of the assessment. These applications are acted upon before the first day of June. In June the deputies and clerks copy the record of assessed valuation, which is then called the "assessment roll." The assessment roll is then sent to the Board of Aldermen in July, the tax rate is fixed the roll is returned to the Department, and the amount of tax on each parcel of real estate is computed. When the taxes are computed the roll is sent to the Receiver of Taxes by the 15th September, and taxes are payable on the first Monday of October.

The direct expense of assessing all the real estate in the City of New York in 1908 was about 290,000 dollars. This is exclusive of the cost of administration. The total expense of the Department, including salaries of Commissioners, who sit as a Board of Review, and the salaries of deputies and clerks employed in assessing personal property is 440,514 dollars. (For statistics in relation to the cost of the Department of the City of New York, and various other cities in the United States, see

pp. 13-15, Report of 1907.) The entire expenses of the Department for all purposes amounts to about 1 dollar per parcel of real estate separately assessed, and to about 71 dollars per million of the assessed value of real estate.

The Time required for Assessment.

From the description already given, it will be seen that the assessment in any year represents, not only the work of the year, but of all preceding years, and the time provided in each year for the work is sufficient, as the number of assessments altered in any year is a small proportion of the total number. Changes are required when the land increases in value or when it declines, but in many sections of the city the change in the value of land from year to year is very slight. Changes in the building assessments are necessary when new buildings are erected, or old buildings improved, and when through the increase in the value of the land in any section, the best use to which this land can be put changes, and the old buildings are no longer suitable for sites.

Prior to 1904, real estate was assessed without distinguishing between the value of the land and the value of the buildings and other improvements upon the land. In the year 1903, the law was amended so as to provide for a separate statement of the value of land. This change was made in imitation of the example of cities in New Jersey and the State of Massachusetts, where for many years the law has required a separate statement of the value of land and improvement throughout the State, as well as in the cities. In 1904, the first assessment was made in the City of New York under the new law. The time required for the assessment was no greater than in prior years, and no greater amount of time was allowed by law. This necessarily followed from the fact that any careful assessment of real estate must consist of two calculations: first, a valuation of the land itself; and, second, a valuation of the improvement upon it. The deputies who assess real estate had always been required to preserve in their notebooks, or, as they are technically called, "field books," memoranda showing the value of the land separately. The effect of the law, therefore, was no more than to require a public record of data necessarily obtained in the previous performance of duty.

It is undoubtedly the fact that the public record of the value of the land has been invaluable in securing a more thorough and faithful performance of duty on the part of the deputies charged with the task of assessment. When an assessment is made without distinguishing between the value of the land and the improvements, it is impossible to analyze and criticize it, and to compare it with other assessments in the manner easily possible when the record shows how the total assessment is reached. (The manner in which the assessments are made is described on pp. 65 to 68 of the 1907 Report.)

As your inquiry doubtless relates to the time required to make the first assessment in a new field, it may be of interest to describe briefly the experience of the City of New York in making the first assessment of real estate in the Borough of Queens, when that borough was consolidated with the old city. The Borough of Queens is 129 miles in area (see map of the City of New York, p. 17, Report of 1907, and map of Queens, p. 35). Prior to 1898 the present Borough of Queens was divided into a city, and a number of towns and villages. The maps were inadequate, according to our city standards, and by consolidation, the former assessors ceased to be officials.

The Tax Department was forced to organize a staff of deputies and clerks to assess the real estate in Queens, and this was done in the year 1898 for the tax of 1899. In the year 1898 the salaries of the deputies and clerks employed in making this new assessment amounted to 27,097 dollars. The assessed value of the real estate, as assessed by this force of deputies and clerks, was 103,752,600 dollars. The number of parcels separately assessed was 113,250. It thus appears that the cost of making an assessment for the first time of all the real estate was less than 27 cents for each parcel, and the work cost about 263 dollars per 1,000,000 dollars of assessed valuation.

The expense of this first assessment in Queens was very greatly increased by the necessity of measuring all buildings in the borough. After the first year, only new buildings had to be measured. If the assessment had been confined to the land alone, the expense would have been very much less.

In considering the time required for the assessment of land alone and the expense of the work, the fact must be borne in mind that in the City of New York, it is necessary to assess buildings as well as land. While in the whole city the value of ordinary land is 63 per cent. of the entire assessed value of lands and improvements, the labour

involved in assessing buildings for the first time is very much greater than in assessing the land. (See p. 18, Report of 1907; p. 22, Report of 1908.) Where it is most difficult to assess land is where the values are highest; that is to say, in the City of New York, in the financial section. Where land has the highest value are also to be found the buildings of greatest value. Nevertheless, the land is usually the larger proportion of total real estate value at this very point. (See p. 8, Report of 1907.)

The Accuracy of the Assessment.

Your question in regard to the degree of accuracy in the assessment of real estate may, perhaps, best be answered in the light of my own experience. I have studied assessments for many years, and during the last two years have heard all the complaints made in relation to the assessed value of real estate, upon which it was my duty to pass, as President of the Board of Tax Commissioners, the Board upon which devolves the duty of hearing and determining the complaints made in relation to the assessed value. Only a small proportion of such complaints are meritorious, and in at least four cases out of five, when a reduction of the assessment is made by the Board of Tax Commissioners, it is made on the ground of an over-assessment of the building. Under ordinary circumstances there are many more complaints as to the assessment of buildings than as to the assessment of land.

In parts of the city where the rise of the value of land is merely ordinary the assessments rarely vary 10 per cent. from the average of the actual prices at voluntary sale. Where values are rising so fast that property is resold within the year for twice the amount of the first sale, it is evidently impossible for the assessments to keep pace. In some parts of the city it would be necessary to assess every three months, in times of rapid increase in the value, in order to keep the assessments close to the actual selling price. (For increase in value, see p. 7, Report for 1907.)

In the light of my experience, I can say unhesitatingly that it is perfectly possible, with proper administration and a sufficient appropriation, to secure an assessment of the value of land which will be so accurate that there can be no reasonable complaint—certainly far more accurate than the assessment of any other class of property. This is so even when the tax is based in the manner of an inheritance tax, or an income tax, as in those cases inequalities arise between individuals similarly situated, through false and misleading statements made by the individuals themselves. Whereas, in the case of the assessment of land, the owner has no part in making the assessment. It is highly desirable to require a statement of the true consideration for the sale of real property to be made in all deeds, as such prices furnish excellent evidence of value. At the same time it is perfectly possible by proper administration to secure excellent results, even if the practice in regard to considerations is what it is to-day in the City of New York, where only about 5 per cent. of the deeds contain the true consideration for the sale.

Effect of Land Value Taxation.

The effect of the taxation of real estate in the City of New York, in so far as the tax falls upon land, is undoubtedly the same as is described by John Stuart Mill, Edwin R. A. Seligman, and other writers on political economy. That is to say, that, a tax on land being paid wholly by the owner does not increase rentals, but decreases selling value. When land is sold the tax is capitalized, the price is reduced, and the subsequent owner does not bear the burden of the tax so long as the rate does not increase. Anyone familiar with New York conditions would say that the tax tends to induce a better improvement of valuable sites than would be the case if there were no such tax.

Three papers were read at the International Tax Conference held at Toronto last October, describing methods of assessing real estate. The proceedings are not yet published. Two of the papers are on the assessment of city real estate. One by Oscar Leser, Judge of the Appeal Tax Court of Baltimore, and one by myself. Another paper by John Perrie described the methods of assessment in the Province of Alberta.

It will give me great pleasure to be of any assistance to you, and beg that you will call upon me if you think I can aid you in any way.

Respectfully yours,
(Signed) LAWSON PURDY, *President.*

Consul-General Leay to Sir Edward Grey.—(Received February 8.)

Sir,

Boston, January 29, 1909.

WITH reference to Mr. Langley's despatch of the 15th December last, I have the honour to submit the following Report on the subject of the taxation of land values at Boston :—

Method.

A Board of Assessors, nominally of nine members, but actually consisting of fewer, is appointed by the Mayor and confirmed by the Aldermen. This Board has jurisdiction over the entire City of Boston.

The city is divided into twenty-five wards, which, for purposes of assessment, are distributed into forty-four districts, and further subdivided into blocks of land. Powers of assessing and levying taxes are granted to municipalities by the State Government.

The Board of Assessors is supplemented by two groups of officials, consisting of—

1. First assistants.
2. Second assistants (practically clerks).

These assistants are not necessarily experts. Salaries are paid to the members of the Board on the following scale :—

*Board of Assessors.**

Chairman	..	..	..	..	..	..	..	£
Other members	..	..	..	..	..	..	..	927
First assistants	..	..	..	..	..	..	..	825
Second assistants	..	..	..	..	..	..	..	206
								41

It should be added that second assistants are employed only during forty days of each year, during which time they are paid the above sum.

On the 1st May of each year, the two classes of assistants are sent out to assess all taxes personal and real. In respect of real estate, their duties are to examine each parcel of land, and to decide upon its value, and that of the buildings erected thereon. The full market value must legally form the basis of assessment. Since 1874 the valuations of land and buildings have been separately made.

The assessors are expected to have a knowledge of the trend of values. Both the superintending and the assistant officials are required, under oath, to estimate the market value of sites and buildings as on the 1st May. The results of the valuation are registered in two sets of books, which are open to public inspection at the City Hall. The first of these sets is arranged geographically, *i.e.*, the assessments are classified by locality and unit of land. The second set is classified according to the names of the owners. These registers are renewed each year, and much time and money are expended in this way which might be economized by so adapting the registers that they would contain schedules for five-yearly periods.

As a rule and on the whole, the assessment are fairly apportioned, but difficulty is experienced in following market changes upwards or downwards as land appreciates or depreciates in value. For instance, it requires considerable knowledge to tell whether the sale of a residence at a sacrifice is due to private conditions or to a decline in the locality in which the property is situated.

Exemptions on real estate are allowed on property of the United States, the Commonwealth of Massachusetts, the City of Boston, houses of religious worship, real estate of charitable, scientific, and literary Corporations.

It has been suggested that experts should be employed in making the assessments. This would, of course, mean a heavy annual outlay, but would undoubtedly expedite the assessment, and to some extent ensure accuracy. The assumed period required for making the assessments is one month, that actually taken is nearer six weeks. It is, however, impossible separately to estimate the time occupied in the assessment of land values, as valuations for all taxes are simultaneously conducted by the same agents.

The rate of taxation is usually published by the middle of August, and the taxes are collected from October to November. Interest at 6 per cent. is charged on unpaid taxes after the 1st November.

* Throughout this Report the rate of exchange is estimated at 4 dol. 85 c. to 1*l.*, and all sums are calculated to the nearest 1*l.* unless otherwise stated.

After the full assessment of the city, the rate is determined by the Superintending Board, on the basis of the estimates of city expenses, which include the State tax and county and municipal requirements for the current financial year.

The following are the estimates for Boston in the year 1908 :—

								£
State tax	..	..	..	..	..	..	..	629,499
County tax	..	..	..	..	..	..	..	290,992
City tax	..	..	..	..	..	..	..	3,563,441
Total	..	..	..	..	..	..	..	4,483,932

The rate of taxation has steadily increased during recent years, and has now reached the abnormally high proportion 1·65 per cent. on the whole valuation.

The following is a statement of the rates per cent. for the years 1900 to 1908 :—

								Per cent.
1900	..	..	..	..	..	..	..	1·47
1901	..	..	..	..	..	..	..	1·49
1902	..	..	..	..	..	..	..	1·48
1903	..	..	..	..	..	..	..	1·48
1904	..	..	..	..	..	..	..	1·52
1905	..	..	..	..	..	..	..	1·6
1906	..	..	..	..	..	..	..	1·59
1907	..	..	..	..	..	..	..	1·59
1908	..	..	..	..	..	..	..	1·65

It should be explained that each municipality levies not only its own city or town taxes, but also a proportion of the State and county taxes. The amount of the State tax to be paid by each city or town is determined by the State Legislature. Boston alone pays 36 per cent. of the whole State tax.

The following is a list of valuations of land and buildings of the City of Boston for the five years 1904–1908 :—

Year.				Land.	Buildings.	Total.
				£	£	£
1904	..	..	..	125,176,588	82,271,433	207,448,021
1905	..	..	..	127,555,103	83,046,485	210,601,588
1906	..	..	..	131,020,454	84,421,340	215,441,794
1907	..	..	..	134,638,206	86,158,639	220,796,845
1908	..	..	..	132,959,649	90,216,701	223,176,350

General Effects.

The general effect of the tax is very difficult to estimate. It varies according to the facts considered. Undoubtedly, however, the consequences of the high tax on land and buildings appears to have had an adverse effect on building and improvements, and thence on trades, and particularly on the establishment of industries at Boston. It is difficult to differentiate specific effects in particular districts of the city or departments of business or enterprise, but the unfavourable influence may be said to have affected the general real estate market of late years.

Accuracy of Assessment.

In the above sense, land values are excessively high at Boston, but, on the other hand, there is a strongly maintained view, probably due to the different class of facts considered, that land and buildings in the central districts are under-estimated, and that allowance has not been made for the enhancement of value due to the vast improvement in local transit during the past ten years. One class of experts seems to look at the effects of the tax on future investments and the development of new business in the comparatively undeveloped districts; the other considers rather the value of highly valuable and developed sites and buildings to their holders at the present time. Possibly both are, in a measure, correct.

The above facts will illustrate the difficulty of making valuations which will be satisfactory from every standpoint. In any case, the methods are perhaps not always absolutely thorough. The registers of the previous year naturally serve as bases for the estimates of the new year; but while regard is paid to marked changes in the value of land and buildings, contractors' statements are not usually consulted, and discrepancies

between assessed and market value are frequent. New buildings are, of course, estimated as they are erected, usually after completion.

A great difficulty is found in adjusting valuation to gradually declining districts, e.g., in the "south end," part of which was at one time a fashionable residential quarter, and is now occupied principally by persons of small means.

The difficulty in adjusting valuation to increasing value is even greater. It is, in this connection, an important question, though perhaps scarcely one for assessors to determine, how far it is desirable to promote or discourage the disproportionate centralization of business, a problem which the geographical contour and highly condensed condition of the financial and commercial quarter makes imminent in Boston. On the other hand, high taxation of outlying suburban districts tends to prevent their proportionate development in certain cases.

The following figures have been compiled by a leading authority on taxation, to test the accuracy of the statistics given by the assessors. The actual net rentals of 751 separate estates were obtained, having an average assessed valuation of 9,830*l.* 18*s.* 6*d.* each.

Aggregate valuation	..	..	..	..	..	..	£ 7,383,258
Value of buildings	..	..	..	..	..	..	2,214,639
Value of land	..	..	..	..	..	..	5,168,619
Net income of all estates, after deducting taxes	..	..	..	..	..	..	469,530
Deducting 10 per cent. of valuation of buildings as a usual fair allowance for interest, insurance, repairs, and depreciation	..	..	..	..	..	..	221,464
Leaving net income from land alone	..	..	..	..	..	..	248,066
Which amount is 5 per cent. of an indicated actual value of (I.e., net income capitalized at 5 per cent.)	..	..	..	..	..	..	4,961,328
Valuation as made by the State	..	..	..	..	..	..	5,168,619
Excess valuation by the assessors	..	..	..	..	..	..	207,291

Statistics of 120 sales were taken from probate records, aggregating 774,569*l.*, which amount was one quarter in excess of the assessed valuation of the same property.

I have, &c.
(Signed) FRED. P. LEAY.

No. 5.

Consul Powell to Sir Edward Grey.—(Received February 16.)

Sir,

Philadelphia, February 8, 1909.

I HAVE the honour to acknowledge the receipt of Foreign Office despatch of the 15th December last, instructing me to furnish you with a Report, in a form suitable for presentation to Parliament, containing such information as is available in regard to the effect of the taxation of land values at Cleveland, Ohio, and the manner in which the valuation was carried out; also, if possible, to obtain information relative to the time occupied in making the separate valuation of land and buildings, and as to the degree of accuracy obtained by these valuations.

In reply, I beg to inclose herewith a Report in regard to the taxation of land values in Cleveland and the manner in which the valuation is carried out, in accordance with the instructions contained in your despatch.

I have, &c.
(Signed) WILFRED POWELL.

Inclosure in No. 5.

Report respecting Tax on Land Values in Ohio.

THE so-called tax on land values in Ohio is the result of the adoption in the Constitution of the State of the principle that taxation, to be equal, must be levied upon all wealth by uniform method. In carrying this out they levy a lump tax each year for State, county, and local purposes, and this tax is levied directly upon land and buildings as well as upon all personal property of whatever description. These are

ad valorem taxes. The Budget is first made up and then appraisers, who are elected for the purpose, place a valuation upon all property, both real and personal, which valuation is supposed to be the price at which the real estate or the chattel property would sell on the market. On the total valuation which is thus secured, a rate is levied sufficient to realize the necessities of the Budget. The system was adopted when Ohio was an agricultural community and worked fairly well at that time, but in fifty years the present complicated business era has arisen with its varied forms of personal property and the system results, in Ohio, in very gross inequalities. The difficulty seems to be that the methods used of applying this *ad valorem* tax have resulted in a situation where real estate is always reached, but the great bulk of personal property escapes entirely, for the reason that the present methods of levying the tax on this class of property invites concealment and evasion. Ohio is now in the midst of a campaign to bring about a reform of the laws by which all classes of wealth will be required to pay their fair share of the taxes, and, with this brought about, the principle of levying *ad valorem* taxes on land and buildings and upon all other forms of property will be satisfactory to the people.

As to the method of valuing real estate for purposes of taxation, an appraiser is elected in each district, who has the duty of making the proper investigation as to the value of real estate in the particular locality, and of ascertaining the same to the best of his ability. He is supposed to consult the general opinion of the people as to values as well as actual sales which have been recorded, and buildings upon the property are valued by the ordinary rules of placing a value upon a structure.

Personal property is supposed to be valued by appraisers in practically the same way, but the result of fifty years of effort has resulted in the deplorable fact that no effort is made by the assessors to perform this duty. The owners of the property are simply required to make a return of what property they have which is taxable and are required to report the value of it. This has led to great abuse, and personal property pays but a small fraction of the taxes it is supposed to contribute.

As to the time occupied in making separate valuations on land and buildings, the appraiser usually finds that the only way in which he can ascertain the value of the land and building is by getting at each separately. The standard of the value of land in a particular community can be fixed, and it is important that the appraiser know the value of the land independent of the building. The value of buildings varies so much that each must be investigated and one prevalent method is to grade buildings into certain classes, and have a schedule worked out by architects as to the cost per cubic foot of buildings in each of the classes. The degree of accuracy of these valuations will depend entirely upon the work of the appraiser. In Ohio, the opinion is prevalent that these valuations have not been made upon any uniform or scientific basis, and it is believed that the time will soon come when the laws will be changed. New York City has probably advanced farthest along this line of reform.

II.

WORKING OF TAXATION OF THE UNIMPROVED
VALUE OF LAND

IN

NEW ZEALAND,
NEW SOUTH WALES

AND

SOUTH AUSTRALIA.

3. Mr. Searcy's report is dated 21st April, but the documents contained in the schedule were subsequently collected, and only received at this office on Friday last, and I am, therefore, forwarding you the information asked for at the earliest possible opportunity.

4. My Ministers will be glad to furnish any further information on the subject should it be required.

I have, &c.,
S. J. WAY,
Deputy Governor.

Enclosure in No. 2.

SOUTH AUSTRALIA.

TAXATION ON UNIMPROVED LAND VALUES.

Municipal.

Information is requested as to the above under two heads: (1) for municipal purposes, and (2) State purposes. In respect to the first, although the Land Values Assessment Act for municipal rating on unimproved land values was passed in 1893, no Corporation as yet availed itself of the provisions thereof, consequently no information as to its working and effect can be given as requested.

The only information bearing on the subject that I can find are the Land Values Assessment Act, 1893, and the amendments thereto, and two Parliamentary Papers:—

No. 79, August, 1893.—Showing the unimproved land values in Corporations and the approximate rating thereon to produce the same revenue as under the present rating.

No. 117, November, 1896.—Showing land taxes payable (for State purposes) and the rates payable municipally.

Both these papers are attached hereto.*

State.

In regard to the tax upon unimproved land values for State purposes, the tax on unimproved land values was first collected in 1885 under the Taxation Act of 1884 (herewith). The scheme of assessment and notices and the difficulties of launching the system are fully detailed in the "Tax Commissioner's Report," dated October 25th, 1885 (attached hereto).

At the outset of the imposition of the land tax there was considerable diversity of opinion as to the meaning of "Unimproved Value," the chief trouble being as to country lands; many holders of valuable lands having in their lifetime seen, and personally carried out on their own land, the clearing of country from its original natural state, bringing it up to the perfection of cultivation; and their opinion as to unimproved value was its value in its virgin state. However, the generally accepted meaning of unimproved value now is as described in the original Act.

"Unimproved Value' as applied to any land shall mean the actual value of any land less the value of all improvements, if any, on such land," or, to put it shortly, the amount for which the land would sell without visible improvements. See observations on the nature of unimproved value on back of Land Tax Return required from land holders in 1885 (attached hereto).*

The early difficulties of the land tax have gradually disappeared, and it is now thoroughly engrafted on the State system of revenue being well understood by the bulk of the public, and working with little or no friction, the tax being paid freely and well at due date, both direct to the Taxation Office, and at the local Post Offices, where payments are received for one month only, up to due date, a

* Not printed here.

system of collection, which, judging by the number of persons who avail themselves of it, is popular. A perusal of the forms herewith, notice to taxpayer, directions to postmasters, statement of taxes collected, and summary of postmaster's statements, the latter for use at Taxation Office, will give a clear idea of the method; and after the money has been duly received, the dockets detached from taxpayers' notices and forwarded by postmasters are made a quick means of bringing the amounts received to the credit of the various taxpayers by a comprehensive system of checking and sorting.

In 1899 and 1900 there was a great outcry by a section of the community against, the Taxation Office, and a Taxation Acts Commission was appointed by Parliament the finding of which was favourable to the land tax, the opening sentence of their report on the land tax being:—"Your Commission find that the administration of the land tax has not yet been such as to cause much complaint."

The land tax until 1895 was a uniform one of an all round $\frac{1}{2}$ d. in the £, but in that year under the Taxation Act Amendment Act, 1894, an additional $\frac{1}{2}$ d. in the £ on values above £5,000, and 20 per cent. on and added to the taxes payable by absentees was also collected. These rates continued until 1903, when the all-round tax was increased to $\frac{3}{4}$ d. in the £, the additional on values above £5,000 remaining at $\frac{1}{2}$ d. with the absentee tax charged only on the $\frac{1}{2}$ d. in the £ on each tax reverting again for 1904 to rates in force prior to 1903. In 1905 the rates were an all-round $\frac{3}{4}$ d. in the £, and $\frac{3}{4}$ d. in the £ on values above £5,000, with absentee 20 per cent. on total of both taxes. For 1906 the rates prior to 1903 are in force. (See detail of rates of land tax attached hereto.)

With regard to the effect of the land tax as requested in minute:—

- on (1) building trade;
- on (2) rent;
- on (3) incidence of taxation on house, property and vacant sites, respectively;
- and on (4) land speculation.

There are no data or reports extant bearing on these points, but from general observation during the first years of the collection of land tax, little or no appreciable changes were traceable thereto, but after 1895, with the application of the additional and absentee land taxes, together with increased rates of income tax on income derived from property also imposed under the Taxation Act Amendment Act, 1894, it became distinctly noticeable that large holders of land were realising and disposing of their lands as opportunity offered, especially so with regard to absentee owners, where they could sell and were untrammelled by any trust restrictions. Considerable areas of suburban land, formerly the property of large owners, have been sub-divided, and many persons have purchased a plot of land for residential purposes and built thereon. For years past there has been a gradual closing up of all vacant land around the city, a great deal of which may be attributed to the land tax, more particularly since the application of additional and absentee land taxes in conjunction with the increased rates of income tax imposed at the same time; but much of the movement would have occurred irrespective of taxation, with the gradual growth and advancement of the State.

The introduction of taxation did most certainly have an effect on land values as thereafter there was a decline, but other causes must also be taken into account when considering land values, as at that time land was at an inflated value just at the finish of a "Land Boom," and values without taxation would have fallen to a fair value according to the uses to which land could be put. Again, to show that an all-round taxation is not a dominant factor in regard to values, witness the recent great rise in value of country lands throughout the State with the introduction of improved methods of agriculture, and more especially artificial manures; the values now being as high or higher than before taxation was introduced. With regard, more particularly, to suburban and town lands the effect has been a steadying one, as the values after a great drop, more attributable to the breaking up of the land boom of the early eighties than taxation, have recovered, particularly in the suburbs, to a normal state, there being now little or no fluctuation, but a fair value according to position and the use to which the land may be put.

(1) The effect on the building trade has been beneficial owing to the subdivision of suburban lands and the building of residences as previously mentioned.

(2), (3) On rented or house property and vacant sites whatever might be the effect, if rating on unimproved values was applied municipally, so far as taxation on unimproved values for State purposes goes, the effect is not appreciable, as this class of property consists of small pieces of land on which the tax is, comparatively on each, of no great amount; besides it must always be remembered the numbers of persons in this State who are the proprietors of their own residences. (See return of owners in grades at last assessment, Parliamentary Paper, No. 76, November, 1905, herewith.)*

(4) In regard to land speculation the tax must certainly have a deterrent effect, but as a burnt child dreads the fire, so are the people of South Australia chary of land speculation after the losses generally sustained with the collapse of the "Land Boom" of the early eighties.

The speculative builder is not unknown, buying suburban lots and building residences on the chance of finding purchasers, but in the main the result to the speculator has been disastrous. This phase of speculation is, however, in no wise affected by taxation.

ARTHUR SEARCY,
Deputy Commissioner of Taxes.

Victoria Square, Adelaide,
April 21, 1906.

Anno Quadragesimo Septimo et Quadragesimo Octavo.

VICTORIÆ REGINÆ.

A.D. 1884.

No. 323.

An Act for a Tax on land and on the Income from Real and Personal Property,
Professions, Trades, and Avocations.

[Assented to, November 14th, 1884.]

Preamble. Whereas it is desirable to raise additional revenue by taxation—Be it therefore Enacted by the Governor of the Province of South Australia, with the advice and consent of the Legislative Council and House of Assembly of the said province, in this present Parliament assembled, as follows, that is to say—

Short title. 1. This Act may be cited for all purposes as the "Taxation Act, 1884."
* * * * *

Part I. PART I.
The Land Tax.

Land tax. 7. A tax is hereby imposed on all land in South Australia, with the following exceptions:—

- i. Land of the Crown which, for the time being, shall not be subject to any agreement for sale or right of purchase:
- ii. Park lands, public roads, public cemeteries, and other public reserves.
- iii. Land used solely for religious or charitable purposes, or used by any Institute under the provisions of the "Institute Act, No. 16 of 1874."

Rate of land tax. 8. The land tax shall be at the rate of one halfpenny for every pound sterling in the amount of the taxable value thereof.
* * * * *

* Not printed here.

PART III.

Part III.

The Taxable Amount.

11. The unimproved value of any land shall be the taxable value thereof.

Taxable value of land.

* * * * *

PART IV.

Part IV.

The Taxpayer.

15. The taxpayers in respect of the land shall be—

Taxpayers as to land tax.

The owners of the fee simple of the land taxed.

* * * * *

PART V.

Part V.

Distribution of burden of taxes.

20. Every taxpayer in respect of any land tax shall be liable to the Treasurer for the full payment of the whole amount of the tax.

Liability of taxpayer.

21. The burden of the land tax shall be distributed between the taxpayers in the relative proportions of the value of their interests in the land taxed. And every taxpayer who shall have paid any land tax shall be entitled to recover from every other taxpayer in respect of the land tax of the same land a proper proportion of the amount paid.

Distribution of burden.

22. Every party having paid any money by way of land tax or any contribution thereto shall be entitled to contribution towards such payment from the following parties:—

Right of contribution.

The owners of every freehold estate and of every term of years in the land taxed: Provided that such estate or term has heretofore been created or granted, and the immediate reversion on such estate or term is owned by the party claiming contribution and such term has more than seven years to run at the time of the passing of this Act: Provided that the Crown shall in no case be liable to contribution.

23. The amount of the contribution to be made pursuant to the preceding section shall be a sum which bears the same proportion to the whole amount of the tax as the value of the estate or term owned by the contributor, and of all subsequent contributors, bears to the value of the fee simple.

Amount contribution.

24. Every contribution to which any party shall be entitled shall be a debt from the party liable to the contribution to the party entitled thereto, payable on demand, and may also be added to any rent becoming due by such first-mentioned party to such last-mentioned party, and shall be deemed part of such rent. And every remedy, by distress, re-entry, or otherwise, exerciseable by such party in the case of non-payment of such original rent, shall be exercised in case of the non-payment of such additional rent or any part thereof.

Recovery of contribution.

25. The calculation of values required to be made for the purpose of fixing the amount of any contribution or payment shall be made in accordance with such tables and rules as may be prescribed.

Rules for calculation.

26. Every taxpayer and contributor who shall pay any tax or contribution in any representative capacity shall be entitled to cover from the persons entitled to the land or income taxed in the proportions in which they shall be so entitled, or to retain out of any money that shall come to him in his representative capacity, so much as shall indemnify him against the payments which by this Act he is required to make in his representative capacity.

Indemnity to representative taxpayer or contributor.

* * * * *

Part VIII.

PART VIII.

Assessments for Land Tax.

Triennial
assessment
for land
tax.

36. The Commissioner shall, once in every third year, make an assessment of all land liable to land tax, and general notice of the making thereof shall be given so soon as conveniently may be after the same shall have been made, and immediately thereafter such publication such assessment shall be and remain in force, except so far as the same may at any time be altered, until a new assessment shall be made.

Contents of
assessment-book.

37. Such assessment shall be written in a book, wherein shall be specified in separate columns the following particulars :—

- i. A short description of or reference to the land assessed :
- ii. The actual value of the land assessed :
- iii. The unimproved value of the land assessed :
- iv. The amount of the land tax :
- v. The names and descriptions of the taxpayers in respect of the land assessed, so far as such name and description can be readily ascertained.

Power to
use exist-
ing assess-
ments.

38. For the purpose of making any assessment, the Commissioner may, if he think proper, adopt or avail himself of so much of any assessment then in force which shall have been made by, or by the authority of, the Commissioner of Waterworks or any Municipal Corporation or District Council or Drainage Board as may be applicable to any assessment to be made under this Act, or as may be useful for the purpose of making the same.

Power to
inspect.

39. The Commissioner, or any person having an order for that purpose under the hand of the Commissioner, shall be entitled as of right, at all reasonable times, to inspect free of charge, all rate-books and assessment-books relating to any land, and all other books and documents concerning any assessment, and all deeds, instruments of title, books, returns, accounts, and documents, in the Lands Titles Registration Office, or the General Registry Office for the Registration of Deeds, or in the office of the Registrar of Probates, Commissioner of Inland Revenue, or in any other public office, and to make and take copies thereof, or extracts therefrom.

Penalty for
not permit-
ting in-
spection.

40. Any person who shall wilfully neglect or refuse to permit the Commissioner, or any person having an order for that purpose under the hand of the Commissioner as aforesaid, to exercise any right conferred by the preceding section, shall, on conviction thereof, forfeit and pay for every such offence a penalty not exceeding Fifty Pounds.

Deposit of
assess-
ment-book.

41. So soon as any such assessment shall have been made by the Commissioner, the assessment-book, or a true copy thereof, shall be deposited in the office of the Commissioner, and the same shall be open, free of charge, to public inspection between the hours of ten o'clock in the forenoon and three o'clock in the afternoon on every day except Sundays, Saturdays, and public holidays.

Commis-
sioner may
correct
assessment.

42. The Commissioner may, at any time, alter or correct any assessment and assessment-book in any manner he shall think fit, and, so soon as he conveniently can thereafter, the Commissioner shall give general notice that the assessment has been altered or corrected, as the case may be.

Particulars
to be left.

43. After any assessment of any land has been made, the Commissioner shall give particular notice every year to the taxpayer in respect of the land assessed, of the particulars of the assessment, and the amount of the tax which is payable in respect of such land.

* * * * *

Part XII.

PART XII.

Recovery of Land Tax by Letting and Sale of Land.

Land tax
to be a first
charge
upon the
land.

57. All land tax shall, until payment, be a first charge upon the land taxed, in preference to all rates, mortgages, charges, and encumbrances.

58. Whenever any land tax in respect of any land shall have been in arrear for the space of two years, it shall be lawful for the Commissioner to cause to be published three consecutive weeks in the "Government Gazette" a notice specifying such land, and the amount of taxes due in respect thereof, and stating that if such taxes shall not be paid within one year from the first publication of such notice, the Commissioner will let the land from year to year as provided by this Act, or will apply to the Supreme Court for a sale thereof.

Notice of intention to let or sell.

59. If, after one year from the first publication of such notice, all or any part of the said taxes due at the time of such first publication are still unpaid, the Commissioner may let such lands from year to year, and may receive the rents and apply the same towards the payment of the said taxes and costs and expenses, and hold any surplus for the persons entitled to the income of the land.

Commissioner may let from year to year.

60. The Commissioner, in lieu of letting such lands, may, by petition to the Supreme Court or any Judge thereof, apply for a sale of the land described in such notice, or of so much as may be necessary, and the Court or Judge, on being satisfied by affidavit or otherwise, that the arrears are lawfully due, and were in arrear at the time of the first publication of such notice, and that all acts required by this section to be done by the Commissioner have been done, shall order the sale of the said land, or so much thereof as shall be sufficient to pay all arrears due up to time of sale, together with all costs of and attending the application, and of and attending the sale by public auction, and that the proceeds be paid into Court.

Commissioner may apply at Supreme Court for sale.

61. The Court or a Judge shall order payment of the said taxes, costs, and expenses to be first made out of the proceeds of the sale; and the conveyance or transfer, as the case may be, shall be executed by the master or other officer of the Court, to the purchaser, his heirs and assigns, in such form as shall be approved by the Court or a Judge, and such conveyance or transfer shall vest the land sold in the purchaser for an estate in fee simple, free from all encumbrances; and in cases where the land is under the Real Property Act of 1861, the purchaser shall be entitled to receive a certificate of title to the land purchased; and the balance arising from the proceeds of such sale shall be subject to any orders of the Court for the benefit of the parties interested therein.

Application of proceeds of sale.

* * * * *

PART XV.

Part XV.

MISCELLANEOUS.

66. If the occupier of any land, or the person in possession of any property, when requested by the Commissioner, or by any other officer appointed under this Act, to disclose the name of the owner of such land or property, or of the person entitled to receive the income of such land or property, shall refuse or wilfully omit to disclose such name, or shall wilfully misstate the same, or shall neglect and refuse to give any information in his possession which shall be required by the Commissioner, or any such officer, such person shall, for every such offence, forfeit and pay a penalty not exceeding Twenty Pounds.

The occupier or person in possession refusing to give the name of the owner is liable to a penalty.

* * * * *

76. No contract or covenant heretofore made or executed shall bind any party to relieve any other party of the burden or incidence of any tax for which such last-mentioned party is made liable under this Act, nor shall any future contract or covenant so bind unless the tax in question is expressly mentioned in such contract or covenant.

Contracts.

77. No statute of limitation shall bar or affect any action or remedy for recovery of taxes.

No statute of limitation to apply.

* * * * *

SOUTH AUSTRALIA.

TAXATION ACT, 1884.

REGULATIONS.

At the Executive Council Office at Adelaide, the twenty-ninth day of December, 1904.

PRESENT:

His Excellency the Governor.
 The Hon. the Chief Secretary.
 The Hon. the Attorney-General and Minister of Education.
 The Hon. the Treasurer and Commissioner of Crown Lands and Immigration.
 The Hon. the Commissioner of Public Works and Minister of Industry.

Whereas by the Taxation Act, 1884, it was amongst other things enacted that the Governor might from time to time make regulations not inconsistent with the said Act, for the purposes therein mentioned: Now it is hereby ordered that the regulations hereinafter set forth shall forthwith be published in the "Government Gazette," and shall thenceforth be observed and have the force of law.

These regulations are divided into thirteen parts as follows:—

- Part I.—Returns.
- II.—Assessments and levies.
- III.—Computation of income and of the taxable amount.
- IV.—Payment of taxes.
- V.—Appeals.
- VI.—Distribution of burden of land tax amongst owners of fee-simple.
- VII.—Contribution to land tax.
- VIII.—Evidence.
- IX.—Officers.
- X.—Revocation of regulations.
- XI.—Absentee and additional land taxes.
- XII.—Shipping.
- XIII.—Miscellaneous.

PART I.

RETURNS.

As to Land Tax.

1. A land tax return, in the form numbered 11 in the schedule hereto, containing the information and particulars mentioned or referred to in such form, and verified by a declaration as therein set forth, shall be furnished to the Commissioner by every person to whom particular notice shall be given by the Commissioner requiring a land tax return, within fourteen days from the service of such particular notice.

2. Every owner of the fee-simple of land shall, upon parting with his ownership, send notice to the Commissioner, giving the name, residence, and description of the party to whom such ownership shall be transferred or conveyed, or in whom the same shall have become vested, and for the purposes of the Act the ownership shall not be deemed to have changed until such notice shall be received by the Commissioner, or until some other party's name shall be entered in the assessment book as the owner.

PART IV.

PAYMENT OF TAXES.

35. Taxes may be paid in any of the following modes:—

- (a) At the office of the Commissioner at Adelaide, by cash, or bank notes, or cheques, payable in South Australia
- (b) By direct remittance to the Commissioner in Adelaide by bank draft or cheque, payable in South Australia, or post office order or postal note, payable in Adelaide, for the net amount payable.
- (c) By payment in cash or bank notes payable in South Australia to any postmaster or postmistress in the State; provided that in this case payment must be made in each year on or before the last day appointed by the Commissioner for payment at post offices, and the assessment notice and the docket annexed thereto must be presented to the postmaster or postmistress at the time of payment.

36. The Commissioner shall credit taxpayers with the net amount only of taxes received by the Commissioner, and shall first deduct from any remittance the amount of any charge which he may have to pay by way of exchange or duty stamp upon any remittance, and the amount of postage and surcharge which he may pay upon any unstamped or insufficiently stamped communication received through the general post from any taxpayer.

37. Except with the express consent of the Commissioner, no money shall be received on account or in part payment of any tax.

38. When payment or remittance is made by cheque, the tax shall not be deemed to be paid, notwithstanding any receipt given therefor, until the amount of such cheque shall have been collected by the Commissioner.

. PART V.

APPEALS AGAINST LAND AND INCOME TAXES.

39. A notice of appeal shall be in such one of the forms numbered respectively 13 and 14 in the schedule hereto as the case shall require.

40. The Commissioner may, after receiving notice of appeal, alter the assessment in accordance with the requirements of such notice, and may, not less than seven days before the day for the hearing of the appeal, give notice of such alteration to the appellant, and thereupon the appeal shall be determined without costs to either party.

41. The Commissioner may, after receiving notice of appeal, reduce the assessment, and may, not less than seven days before the day for the hearing of the appeal, give notice of such reduction to the appellant, who may, not less than three days before the day of hearing, give the Commissioner notice that he accepts the assessment as reduced, and thereupon the appeal shall be determined without costs to either party. If the appellant do not give such notice, the assessment as reduced shall be deemed to be the assessment appealed against.

42. On any appeal the Court shall have power to raise or lower the amount of the assessment or of the tax thereby fixed, or to make such other order touching the matter in dispute, and costs as shall be just.

43. The order of the Court of Appeal may be in the form No. 15 in the schedule hereto, or in a form to the like effect, and shall be drawn up and signed by the special magistrate and sealed with the seal of the court, at the foot of a certified copy of the assessment-book, or the part thereof that relates to the assessment appealed against, which shall be produced in court by or on behalf of the Commissioner, and the Commissioner shall cause the assessment-book to be altered in accordance with such order.

44. The appellant shall not be limited on any appeal to the grounds stated in his notice of appeal,

PART VI.

DISTRIBUTION OF BURDEN OF LAND TAX AMONGST OWNERS OF FEE-SIMPLE.

45. The value of the interest in land of any party entitled without payment or condition to the fee-simple thereof in equity, or to acquire the fee-simple, shall, for the purposes of Section 21 of the Act, be deemed equal to the whole value of such land, and the whole burden of the tax on such land shall fall on the party.

46. The value of an interest in land in any case of a right to purchase or acquire the fee-simple thereof not coming under the last preceding rule shall, for the purposes of Section 21 of the Act, be calculated according to the following rules, in which—

A means the owner giving the right to purchase or acquire.

B means the party having the right to purchase or acquire.

C means the unimproved value of the land in fee-simple based on the assessment.

D means the sum payable on exercising the right to purchase or acquire *plus* the amount of any mortgages subject to which the land is to be purchased or acquired.

E means the proportion of D which is attributable to the value of the improvements on the land at the time the right to purchase or acquire was created, and bears the same proportion to D that the value of such improvements then bore to the actual value of the land.

F means the proportion of D which is attributable to the unimproved value of the land, and is equal to D minus E.

47. *In the case of land with no improvements existing at the time when the right to purchase or acquire was created.*

(a) *Where D is wholly unpaid.*

If D is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If D is less than C, the value of A's interest is equal to D, and the value of B's interest is equal to C minus D.

(b) *Where D has been partially paid.*

If the unpaid portion of D is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If the unpaid portion of D is less than C the value of A's interest is equal to the unpaid portion of D and the value of B's interest is equal to C minus the unpaid portion of D.

48. *In the case of land with improvements existing at the time when the right to purchase or acquire was created.*

(a) *Where D is wholly unpaid.*

If F is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If F is less than C, the value of A's interest is equal to F, and the value of B's interest is equal to C minus F.

(b) *Where D has been partially paid.*

Appropriate any payments on account of D to E and F *pro rata*. If the unpaid portion of F, after such appropriation, is equal to or greater than C, the value of A's interest is equal to C, and B's interest is of no value. If the unpaid portion of F, after the said appropriation, is less than C, the value of A's interest is equal to the unpaid portion of F, and the value of B's interest is equal to C, *minus* the unpaid portion of F.

49. In any case not coming within the preceding rules, the Commissioner may fix the relative proportions of the values of the interests of any taxpayers in any land taxed, and his decisions shall be final.

* * * * *

Annō Quinquagesimo Septimo et Quinquagesimo Octavo.

VICTORIÆ REGINÆ.

A.D. 1894.

No. 604.

An Act to provide for Increased Taxes on Land and Income, and for other purposes.

[Assented to, December 21st, 1894.]

Preamble. Be it enacted by the Governor of the Province of South Australia, with the advice and consent of the Legislative Council and House of Assembly of the said province, in this present Parliament assembled, as follows, that is to say:

Repeal. 1. Section 10 of the "Taxation Act, 1884," and the whole of "The Taxation Act Amendment Act, 1892," are hereby repealed, but so that this repeal shall not affect existing rights or liabilities, and the same shall be enforceable as if this repeal had not taken place.

Short title. 2. This Act may be cited as the "Taxation Act Amendment Act, 1894," and shall be incorporated and, except so far as inconsistent therewith, read with the "Taxation Act, 1884," the "Taxation Act Amendment Act, 1885," the "Taxation Act Amendment Act, 1887," and Act numbered 556 of 1892, being an Act to declare the meaning of the "Taxation Act, 1884," and all regulations purporting to have been made thereunder, which Acts and regulations, so far as inconsistent with this Act, but no further, are hereby repealed, but otherwise, except so far as hereby or heretofore repealed, are validated and confirmed as if herein enacted.

Interpre-
tation. 3. In the interpretation of this Act, and of all regulations to be made thereunder, the following terms shall, unless inconsistent with the context, have the following meanings:—

"Additional land tax" shall mean the additional land tax imposed by section 4:

"Absentee land tax" shall mean the absentee tax imposed by section 4:

"Taxation Act, 1884," shall include all Acts and regulations confirmed by section 2:

"Absentee" shall include every person who shall have been absent from or resident out of South Australia for at least two years immediately prior to the date as on which any assessment shall be made, except in the case of life assurance societies doing business in South Australia on the mutual principle, or to cases in which the whole of the income from the land is paid to or for public or charitable purposes in the colony:

If at least three-fifths of the entire beneficial interest in any land are owned by absentees, or, in the case of a company owning land, if

at least three-fifths of the entire beneficial interest in such company are held by absentees, the land in question for the purposes of this Act shall be deemed to be wholly owned by absentees; but any person not an absentee paying tax by virtue of this provision shall be entitled to a refund of the amount paid as an overpayment, pursuant to section 11.

4. The taxes recoverable under the "Taxation Act, 1884," are hereby increased by the imposition of the following taxes, viz. :— Increased taxes.

I. An additional land tax of One Halfpenny for every Pound sterling exceeding the amount of Five Thousand Pounds of the total assessed unimproved value of all land owned by any party :

II. An absentee land tax of twenty per centum on and added to the amount of land tax and additional land tax payable in respect of land owned by absentees :

* * * * *

8. If additional land tax shall be payable on land included in more than one land tax assessment, such additional land tax shall be charged on the land included in the various land tax assessments in the proportion that the amount of each assessment bears to the total amount thereof. Distribution of additional land tax.

9. No land or party assessed for land tax, or additional land tax, or absentee land tax shall be relieved from charge or liability by reason of change in the ownership of such land or any part thereof subsequent to the day as of which such assessment was made, or on account of any matter happening subsequently to such day, and the Commissioner may refuse to recognise any change in the ownership of such land, or any part thereof, until the amount of such tax, together with fines and interest thereon (if any), have been paid. Change in ownership.

10. The Commissioner may at any time, by particular notice, require any party to furnish returns, and may make assessments thereon, or in default thereof, or without requiring any return, notwithstanding that the year in respect of which such returns should have been required and assessment made shall have expired, and taxes shall be paid thereon; but any party so assessed shall be entitled to appeal against such assessment. Commissioner may make omitted assessments.

* * * * *

TAX COMMISSIONER'S REPORT.

(Extract.)

SIR, Land and Income Tax Office, Adelaide, October 28, 1885.
 IN compliance with the request contained in your favour of the 21st ultimo, for a general report upon the working of the Taxation Office, containing any information that might prove of use and interest to Parliament and the public, I have the honour to submit the following report :—

From the earliest stage of the work of administering the Taxation Act, 1884, it was clear that the land and income taxes required distinct modes of treatment. For the former the assessment would be public, the chief search would be for descriptions of all the taxable lands, values and owners being secondary considerations; for the latter the assessment would be private, everything appertaining to it would have to be regarded as quite of a confidential character, and the chief search would be for the taxpayers themselves.

The two taxes have, therefore, from the beginning, been managed as two distinct systems, as much apart as though they had been under different Acts; and I propose to similarly divide the subject matter of this report. But, before doing so, it will be convenient to make a few remarks on the initiation of the work as a whole, of which there is no part that may not be regarded as more or less interesting.

The scheme has been to do the whole work in Adelaide, without the aid of offices throughout the country, and without employing distributors of forms or

collectors of taxes. This necessarily makes the operations in the one office very heavy, but it must greatly lessen the expenses of administering the Act.

I have to acknowledge the valuable assistance rendered through the office of the Postmaster-General. The post offices in the province became depôts at which taxpayers obtained forms of returns, and this mode of rendering forms available worked without a complaint. It will be remembered, too, that taxes may be paid at any of the post offices—a convenience that I think will be appreciated by taxpayers.

Making the above arrangements for 555 post offices, and negotiating for and obtaining reports on land values from over 150 valuers in the country, in themselves involved careful management, and took some time before the real work commenced.

All information obtained from taxpayers, whether from returns or otherwise, has been regarded as strictly confidential, and every person engaged in the administration of the Act has, before entering upon his duties, been required to make a declaration of secrecy.

The Act gave the barest sketch of the machinery necessary for carrying it out, and left all the details to be provided by regulations. Bearing in mind, that by that short Act of 77 clauses, a land tax and an income tax—two distinct modes of taxation—are initiated, and that the English income tax alone requires some hundreds of clauses to enable it to be collected, it must be admitted that the task of preparing the regulations to cover the double system was not a light one.

Nothing could be done until the regulations were settled, and with their gazetting on the 22nd January last the administering of the Act began.

Considerable trouble was taken to instruct the public on the requirements of the new law, and, in addition to the "Gazette" publication, and the extensive extracts printed in the ordinary issue of the press, arrangements were made by which full prints of the regulations were issued gratis as supplements to the "Register" and "Observer," and "Advertiser" and "Chronicle" newspapers, besides specially prepared notices inserted in the German newspaper, the "Australische Zeitung."

Returns were to be furnished by the 21st March, and for some weeks prior to that date the rush of people to the taxation office for information, and with returns, was so great that they could with difficulty be attended to. At the same time the office was completely flooded with correspondence, every possible question that could arise under the Act and regulations appeared to be raised, and answered time after time; and I venture to think that by the 21st March, there were few persons in South Australia affected by the taxes who did not realise the full meaning of the Act, and what was requisite under the regulations.

The total returns received are as follows:—

For Land Tax	...	...	...	...	...	36,921
For Income Tax	...	...	...	...	...	10,421

It was satisfactory to find that, contrary to what might have been expected from the display of advertisements by agents, the returns were, for the most part, filled up by the taxpayers in person, few comparatively being written by agents.

The office accommodation has been quite inadequate, want of room much retarding the assessment, and, but for the assistance kindly afforded by other departments, fresh arrangements must have been made to carry out the work.

In considering the time taken in getting out the assessment, it is well to note that the Act requires both assessments to contain more than is actually necessary for revenue purposes, and as the notices have to echo the assessments, the same objection applies to them.

First, as regards the land. The tax being upon the land alone, time would have been saved if the unimproved value only had been required, but it is necessary under the Act to also separately assess the actual value (land and improvements), which, moreover, has to be stated in the Assessment Book, and repeated in the notice. And, secondly, as regards the income. The gross amount of income from

property and personal exertion, with which the tax is not concerned, have to be separately specified, and then given in the notice in addition to the taxable amounts.

These may seem small matters, but in the aggregate they mean much time and money, and what for? No one could be in the least prejudiced if they were left out.

Possibly, after we have had the experience of this first assessment, it will be deemed advisable to amend the Act; and I hope then to be able to make suggestions that will, so far as procedure is concerned, be alike beneficial to taxpayers and the department.

When the Act was passed, it was not thought possible that any land assessment upon an entirely new basis could be made for the first year's taxes, and it was upon this supposition that statements were made to the effect, that for the first year, it was intended to accept taxpayers' returns. A reconsideration of this proposition showed how unfair such a course would be, by reason of the unevenness of the values that such an assessment could not but give rise to great dissatisfaction; and that, after all, the work entailed in making an assessment would not be avoided, but only postponed.

Under the circumstances, it was considered most advisable to make an original land assessment for the whole province, and Northern Territory, in such a manner that the bulk of it would form the material for all future assessments; and that, as to income, the Commissioner should make the assessment strictly as required by the Act.

These assessments have been made, and under the proper headings will be found particulars that will cause them to be better understood, and give an insight into the nature of what had to be done.

Statements have been frequently made in public to the effect that the taxation scheme has been a failure. It is true that the initiatory work has been heavier, and taken longer than was anticipated, but, in all other respects, I claim for the administration that it has been a success; that is to say, the objects of the Act have been completely attained, by assessing the land for land tax, and all persons liable for income tax.

Of course errors will be found in so much that is new; the assessments doubtless are far from perfect; but, bearing in mind that, from the drawing of the regulations themselves, everything had to be initiated, there being no machinery in existence available for either tax, and that immense difficulties have had to be overcome to get out any assessment at all in the time, I venture to regard the result as satisfactory. Instances are not wanting in the history of direct taxation of absolute failure to get out an assessment for the first year's tax, and I am thankful to those officers of the department and extra clerks who have worked for long hours under great pressure, to enable such a mishap to be avoided in our case. In Mr. L. S. Spiller, the Deputy Commissioner, I have had most able support. He has worked early and late with a devotion worthy of the highest commendation. Unfortunately, a large part of the work has had to be done by overtime, occasioned by the impracticability, as well as, considering the nature of the employment, the undesirability of increasing the staff.

Under the Act the Assessment has to be made as of 1st January, and the tax is due on the 31st March. I consider this period needlessly short. Taxpayers must have a reasonable time after the 1st January to send in returns, because their statements are to be made up to that date, and then how little time is left to get out an assessment? In England, where the work is distributed through local offices all over the country, there is a marked difference in this respect, the assessment notices for income not issuing until about nine months after the due date of the returns, which gives time to do justice to the assessment. Hurried assessments should be avoided, as they must necessarily have less care bestowed upon them, and are more likely to cause irritation.

As the question of the expense of collection is an important feature in any scheme of taxation, it may be expected that I should report upon it. It will not be heavy under the present Act. The amount for the first year, covering, as it does,

everything from the purchase of the first bottle of ink to the completed assessment, cannot be taken as a criterion. Most of the expenditure will not be required again; and I estimate that, after the present financial year, the whole cost will not exceed £5,000 per annum.

The taxpayers in the Northern Territory have had their convenience specially considered. The period for returns was extended, and assessment notices have been forwarded earlier, so as to reach the Northern Territory about the time that the notices will be sent to taxpayers in the southern part of the province.

The following shows the result of the whole assessment :—

Land :—

Actual value	£71,530,265
Unimproved value	50,192,158

Income :—

From property	544,850
From personal exertion	2,185,831
Land Tax	£104,566 19 11
Income Tax	40,944 0 0
Total	<u>£145,510 19 11</u>

The carrying out of the details of the land assessment gives an increase upon the rough draft assessment furnished in July, and the amount for income is modified by assessments upon additional returns and defaulters.

THE LAND TAX.

Upon careful consideration, it was estimated that we had at the outside 40,000 landowners in South Australia. The returns received were 36,921, and I do not think that there will be five per cent. of the land assessed to unknown owners. This must be regarded as an excellent result, and better than might reasonably have been expected for so large an area, for the first assessment. Remembering the trouble of working out the particulars contained in those returns, I cannot say much in praise of their quality. As I before stated, the taxpayers generally made them out themselves, and if they had but appreciated the numberless predicaments into which they were getting us, they would certainly have taken a little pains to be correct. In a recent parliamentary debate, a speaker said, "The majority of people were exceedingly inaccurate in ordinary life, not purposely perhaps, but from mere thoughtlessness." To the truth of this, all who have been connected with the land tax returns can amply testify. At first, upon discovering what appeared to be errors, the presumption was in favour of the return being right, and our search or entry being wrong; but of late the presumption was altogether the other way, and no kind of error surprised us. The rule seemed to be that where taxpayers could blunder they did so. They gave wrong hundreds, wrong numbers of sections and allotments, parts of sections when they should have been whole, and *vice versa*; wrong areas, wrong references to title, and by way of variety they crossed Hundreds, *i.e.*, Light for Barossa, and *vice versa*; transposed figures of sections, *i.e.*, 717 for 771, and mixed areas most ingeniously. And, with a persistence for error scarcely credible, a considerable number have on the line against the word "description," between the "name" and "postal address" lines, given a full, true, and particular account of their heights, ages, complexions, &c., &c., and one handsome taxpayer, in addition, favoured us with his photograph. The majority of these persons have given the particulars in all earnestness, and have attributed the requirement to the "obnoxious" taxation scheme, seemingly regarding the department as a branch of the detective service. The critical have said "why have used such a word as 'description,' instead of 'occupation'?" The answer is, that it is a proper term, is required by Clauses 37 and 44 of the Act, and has to appear in the assessment books. It is a relief to think that the Legislature, instead of "description," did not, in the words of Clause 13 of Act 8 of 1841, require the "names and additions" of

the taxpayers, for I fear that the office album would have been too small for the photos of the family groups which would surely have been received.

The mistakes which I have sketched have happened by thousands. They have for the time baffled all in the office to unravel them, they have kept a large staff employed in clearing them up by search, and have required repeated applications to the taxpayers themselves before they could be disposed of. They have been by no means limited to ill-educated persons, but have been made by all classes, from the best business men in the city to laborers in remote parts of the province. Side by side with these inaccurate returns, it has been pleasing to note the completeness with which others have been prepared in the minutest particulars, and we cannot fail to recognise the thoroughness of the taxpayer who returned that piece of land of his measuring 9 feet \times 6 feet in the "———— Cemetery," and under the column, "Name of Occupier," gave that of his departed wife.

The effort has been to clear up the mistakes by search or the best means at our disposal, and, as a last resort, by writing to the taxpayers. In the latter event, difficulty was experienced in first obtaining any answer at all, and next in getting such replies as explained the errors.

Another source of trouble has been the confusing similarity in the names of places, and frequently, without an extended search, it has been impossible to ascertain which locality has been meant. A slip in the orthography in other instances has caused an annoying waste of time to clear up the error; and it seems a matter for regret that any person is at liberty to cut up lands, and, by depositing a plan, appropriate any name for it that he chooses, possibly causing confusion to a community for all time. As samples of the trouble I refer to, take the Northern Territory, where, of twenty-one Hundreds, fourteen bear names identical with Hundreds in South Australia proper. In townships we have no less than five Kingstons, three Williamstowns, and three Windsors and two each of the following:—Bridgewater, Brighton, Brooklyn, Hamilton, Horsham, Hyde Park, Rosaville, Shoreham, Swansea, Totness, and Wolseley; and as instances of similarity, take the townships of Clairville, Clareville, and Claraville, Alexandra, Alexandria, Alexandrina, and Alexandra Park, London and Loudon, Milbook and Millbrook, Rosaville (2) and Roseville, Swinden and Swindon.

The old surveys, made in the early days of the Colony, have also occasioned considerable trouble, in consequence of different sections in one Hundred, and frequently not far apart, bearing the same number. For instance, if a taxpayer returned two acres, part of Section No. 2, Hundred of Adelaide, did he refer to Section 2 facing the city park lands and adjoining Thebarton, or did he mean Section 2 on the Goodwood Road, adjoining the townships of Redfern and Westbourne Park? Or, again, suppose he returned twenty acres, parts of Sections 17 and 18, in the same Hundred, did he mean Sections 17 and 18 near Crafers, or the 17 and 18 south of Springbank, near the Sturt; or suppose he returned Sections 35 and 36, in the same Hundred, on the South Road. As there are two sections of these numbers, with only a road dividing them, which were meant?

I refrain from more minutely following these details; but as affording some information to the uninitiated why an assessment could not be got out at an earlier period, I am bound to refer to a few of the difficulties which have had to be dealt with by the thousand, and patiently mastered one by one.

Under the heading of "Assessments" I have grouped a few other particulars, which may be deemed of interest.

THE ASSESSMENT.

The following epitome of the principal branches of the work necessitated by the assessment does not require much comment.

1. Taxpayers' returns already referred to.
2. Obtaining detailed reports from local valuers, upon lands within 30 Corporations and 115 District Councils, upon the basis of the particulars contained in the local assessments.

3. Similar reports for lands outside Corporations and Councils.

4. Searching out and abstracting from records in the office of the Surveyor-General—(a) particulars of lands granted; (b) selected lands; (c) scrub lease lands; and (d) lands held under ten years' leases having rights of purchase, and obtaining the verification thereof by his officers.

5. The preparation of plans showing the whole of the taxable lands.

6. Abstracting from registered transfers in the Lands Titles Office, particulars of all sales of lands for the five years preceding the 1st January last, in addition to collecting a mass of evidence and information affecting land values for the same period.

7. The collating of 1,850 deposited plans of sub-divisions, so as to show the lands as at present sub-divided. This has been thoroughly done by experts, and will be a work of immense service, quite apart from taxation purposes.

8. Identifying and entering all the foregoing information in sheets, so that it could be used for assessing purposes. This has been the most troublesome of all branches.

9. The preparation of an alphabetical register of taxpayers, to take the place of a ledger, for book-keeping purposes. This book, which will not be open to the public, summarises all the lands under the owners' names. It comprises no less than 165 books of 250 pages each.

Each of the foregoing branches formed in itself a large undertaking, and, for the most part, had to be completed before the assessing could actually commence. Over 103,000 assessments were made, followed by as many notices, and necessary summaries, &c., covering 303 Hundreds, and 1,034 towns and townships, beside the city of Adelaide (including of course the 30 corporations, 115 District Councils, and the lands in the Northern Territory).

For the purpose of enabling taxpayers to test the evenness of the assessments, the Act provided that the Land Tax Assessment Book should be open to public inspection, free of charge. The effect of this provision doubtless gives an importance to the book, quite independent of the purpose for which it has been made, and has largely influenced the determination of its form. There were two ways of forming the Assessment Book. (1) By setting out each taxpayer's land under his name, and having another division of the book for land belonging to unknown owners; and (2) by arranging the whole of the lands in the order of locality. The first was the easier by far, but such a book would not have satisfied the objects of the Act.

How could taxpayers have judged whether the assessments were uniform or not? It would not have afforded a fair opportunity for comparison. Further, how could the land have been fairly assessed under such a form? On the other hand, the alternative course, which has been adopted, meets the requirements of the Act in the fullest possible manner, and will, besides, form one of the most valuable Public Records in the province. I predict for it a usefulness which would alone have warranted its preparation, and I regret that the Act does not allow some small inspection fee to be charged, which would have helped to recoup departmental costs of construction.

For public purposes the values of lands in any district, hundred, town, or township, will be ascertainable, and for private purposes it will form the readiest means of finding owners, descriptions of lands and their values.

The principle upon which it is intended to form the assessment is to exhaust the hundreds in alphabetical order, so that all lands, whether sections, sub-divisions of sections, towns, or townships, they will all appear in their proper places, under the name of the hundred in which they are situated. But the book for this year, so far as regards town and township allotments, and sub-divisions within Corporations and District Councils, will slightly depart from this order. The particulars for these are founded upon valuator's reports, based upon Corporation and District Council assessments, in which it will be found that the names of private townships are not so clearly stated as is desirable; for instance, in the corporation of St. Peter's no distinction is made between College Town and Hackney, and the same thing

occurs in some other instances, and will eventually be avoided. This portion of the work must only be regarded as a temporary expedient, pending the putting in order of the plans of the sub-divided lands of the province which are in the course of preparation. It may here be noted that applications have already been received for copies of the portions of the assessment-book for District Council purposes. I recommend Corporations and District Councils to defer obtaining copies until the re-arrangement is completed, when the information will be much more useful to them.

I regret that time will not allow of a clean copy of the assessment-book being completed by the 4th November next, upon which date the notices will go out. The copy will be made so soon as possible, and in the meantime the uncopied portions of the rough draft assessment will be used for public inspection.

LAND VALUES.

Taxpayers do not appear to have experienced much trouble in separately stating values for their lands and improvements, comparatively few inquiries being made upon this point. By their notices they will find that for the most part it was considered that too large an amount was attributed by taxpayers as the value of improvements, thereby depreciating the value of the land, and consequently the amount to be paid as taxes.

There has throughout been no straining after *high* values. Valuers have been instructed to give fair and uniform values, founded as far as possible on sales, and on values generally recognised in each particular locality. This is the principle that has been aimed at, and the fact that the assessment for the city of Adelaide comes out at £9,558,452, being £5,467,548, or *more than one-third less* than the latest Parliamentary estimate for it, may, I think, be taken as some evidence that, at all events, extreme values have not been resorted to.

Some values, as returned, were very high, doubtless based upon the high speculative prices which ranged during the "land mania," whilst many were absurdly low. The differences were very great, some lands being returned at ten times as much as others which were of equal value. Certainly no assessment, formed by accepting the returns, could have been maintained. The department has made its own assessment, based upon the values as returned, and the other independent sources of information previously indicated; and although our limited time for this assessment has not permitted of so careful a comparison of the materials available as could have been desired, I venture to hope that the assessing may be regarded as fair.

No part of the assessment has given the assessor more trouble, or had more care bestowed upon it, than the city. Its value far exceeds other lands in the province, and no portion has been so liable to rapid change in value, and nowhere does the value of improvements so seriously affect the actual value. A middle course has been taken with regard to Adelaide, rejecting the extreme rates that prevailed during the period of the "mania," and approximating the values that obtained prior to the great rise.

Although, to comply with the Act, it has been necessary to state *actual values* (land and improvements) in the assessment, the same degree of importance has not attached to ascertaining them as that for unimproved values, upon which the tax is levied. This should, therefore, be borne in mind by any person searching for particulars of actual values.

LAND TAX RETURNS.

An important result follows from the form in which the land tax assessment-book has been made—it is that all future land tax returns can be dispensed with.

It matters not how long the land tax is in existence, no other return is required from taxpayers, and when they remember the trouble that will thereby be saved it must be admitted that a great boon has been secured. The particulars of the land having been obtained, information of change of ownership is required by notice from the taxpayer, and the book will be altered accordingly. The change in values the department can in future undertake without the necessity of returns.

DISTRIBUTION AND CONTRIBUTION.

The preparation of rules and tables for fixing values in order to ascertain the amount of contribution to the land tax by lessees, &c., under clauses 22 and 23 of the Act, was found a very troublesome task. An arbitrary rule-of-thumb, easy of application, could have been provided by the Act, but it was found impossible to do this by the Regulations, within the lines laid down in clause 23. Parts VI. and VII. of the Regulations, dealing with the distribution and contribution to the tax, were not accepted until after repeated conferences with skilled accountants and experts upon them. It may be observed that the provision for contribution is really outside the principle of the Act for making the *owner* bear the tax, and is intended as a relief to owners who have granted long leases of properties at rentals below the present values. Speaking in general terms, if the lessee has a beneficial lease, he will pay a portion of the tax, otherwise he will pay none of it.

A comparatively small number of persons will be affected by this part of the Act; but to assist those who may experience difficulty in determining the values of leases, &c., printed explanations have been prepared and will be obtainable.

* * * * *

RATES OF LAND TAX IN SOUTH AUSTRALIA FROM 1885-1906.

LAND TAX.

1885 to 1894.—One half-penny in £ on the unimproved value.

1895 to 1902.—One half-penny in £ on the unimproved value, and a further half-penny in £ on values above £5,000, with Absentee Tax 20 per cent. extra.

1903.—Three-farthings in £ on the unimproved value, and a further half-penny additional from £5,000, with Absentee as formerly.

1904.—One half-penny in £ on unimproved value, and one half-penny extra above £5,000 (the extra tax of 1903 not re-imposed). Absentee as formerly.

1905.—Three-farthings in £ on unimproved value, and three-farthings extra above £5,000, and the Absentee 20 per cent. on total.

1906.—One half-penny in £ on the unimproved value, and half-penny extra above £5,000. Absentee 20 per cent. on total.

No. 3.

NEW SOUTH WALES.

THE GOVERNOR TO THE SECRETARY OF STATE.

(Received July 2, 1906.)

MY LORD,

State Government House, Sydney, May 28, 1906.

In compliance with the request contained in your Lordship's telegraphic despatch of the 5th April last, I have the honour to transmit the accompanying reports from the Local Government Advisory Board,* the Government Statistician, and the first Commissioner of Taxation with reference to the working of taxation of unimproved value of land both for municipal and State purposes in New South Wales.

I have, &c.,

HARRY H. RAWSON,
Governor.

The Right Honourable

The Earl of Elgin, K.G., P.C., G.C.S.I., G.C.I.E.,
&c., &c., &c.

* Not printed.

Enclosure 1 in No. 3.

SIR,

Statistician's Office, Sydney, May 14, 1906.

In reply to your communication of the 3rd instant asking for information *re* working of taxation of unimproved value of land, both for municipal and State purposes, in New South Wales, and also regarding the effects of land value taxation on building trade, rent, incidence of taxation on house property and vacant sites, and on land speculation, I have the honour to report as follows :—

Land Tax for Municipal Purposes.—Up to the present no System of land tax on land values has been resorted to for municipal purposes. It is proposed, however, to adopt this principle under the Shires Act and the Local Government Extension Bill, but the effect of it will not be known for at least 12 months after it has been in operation.

Land Tax for State Purposes.—The land tax of the State is levied on the unimproved value at the rate of 1d. in the £. A sum of £240 is allowed by way of exemption, and where the unimproved value is in excess of that sum a reduction equal to the exemption is made; but where several blocks of land within the State are held by a person or company, only one amount of £240 may be deducted from the aggregate unimproved value. In cases where land is mortgaged, the mortgagor is permitted to deduct from the tax payable a sum equal to the income tax paid by the mortgagee on the interest derived from the mortgage of the whole property, including improvements. The lands exempt from taxation comprise Crown Lands not subject to the right of purchase, or held under special or conditional lease, or as homestead selections; other lands vested in His Majesty, or his representative; lands vested in the Railway Commissioners; lands belonging to or vested in local authorities; public roads, reserves, parks, cemeteries, and commons; lands occupied as public pounds, or used exclusively for or in connection with public hospitals, benevolent institutions, and other public charities, churches, and chapels, the University and its affiliated colleges, the Sydney Grammar School, and mechanics' institutes and schools of art; and lands dedicated to and vested in trustees and used for zoological, agricultural, pastoral, or horticultural show purposes, or for other public or scientific purposes. In the event of the tax remaining unpaid for a period of two years after it has become due, on giving another year's notice, the Commissioners may lease the land for a period not exceeding three years, or, with the sanction of a Judge of the Supreme Court, sell so much of it as may be necessary to meet the payment of the tax, with fines, costs, and expenses in addition.

The revenue from land tax is shown hereunder :—

Year.	Land Tax.
	£
1897	139,079
1898	364,161
1899	253,901
1900	286,227
1901	288,369
1902	301,981
1903	314,104
1904	322,246
1905	323,267

The fluctuations shown in the first two years are due to the difficulties inseparable from the introduction of a system of direct taxation; the returns for 1899 and subsequent years, however, are under normal conditions.

Effects of Land Value Taxation on Building Trade.—It is difficult to state definitely how far the imposition of a land tax has benefited the building trade. That suburban building has considerably advanced during the past 10 years goes without question, but there is no doubt that much of the extension is due to the facilities for settling in the suburbs afforded by the excellent tramway system. There are, however, estates in the vicinity of Sydney, which, after having been locked up for years, have been placed on the market by purchasers, who may be considered as purely speculative builders, since they not only sell the land, but also contract to erect buildings for speculative purchasers.

On Rents.—It is true that rents for residential premises in the immediate vicinity of the metropolis have been greatly reduced of late years. The reduction is, however, due but slightly to the operation of the land tax, the chief cause being the opening up of newer and more select localities through the extension of the metropolitan tramway and railway systems. As regards the suburbs beyond the influence of the tramway system, experience shows that, in general, there has not been any material alteration in rents for ordinary tenements. In the larger class of houses, however, substantial reductions have been made, and these reductions may be said to be partly due to the operations of the land tax, but in far greater measure to the change in the circumstances of the people.

On House Property and Vacant Sites.—The operation of the tax has been to a certain extent to reduce the value of house property, and in a stronger sense has affected the value of land hitherto held for purely speculative purposes. It has had the effect of forcing large areas of country lands on to the market which otherwise might have been allowed to remain inactive, and in this way the producing interests of the country have been benefited.

Land Speculation.—It cannot be said that there is, at the present time, much *bond fide* land speculation in the city and suburbs, as purchasers in the main have a fixed object in view, and there is little buying for purely speculative purposes. In the country, however, as pointed out in the preceding paragraph, numbers of large estates have been broken up and sold at advanced prices. It may be remarked in this connection that the demand for good living areas in the country is just now considerably in excess of the supply.

Summary.—On the whole it may be said that the land tax has had no very appreciable effect on any of the conditions referred to, except perhaps as regards the sub-dividing of cumbersome estates in the country; and the fear lest the tax should be increased has possibly had a larger influence on operations than the mere imposition of the tax itself warranted. In any case, the subject is one in which it would be extremely difficult to make accurate statistical comparisons.

I have, &c.,

W. H. HALL,
Acting Statistician

The Under Secretary for
Finance and Trade.

Enclosure 2 in No. 3.

NEW SOUTH WALES.

SIR,

Department of Taxation, Sydney, May 24, 1906.

I HAVE to acknowledge the receipt of your letter of the 3rd instant, to which was subjoined the following terms of a cablegraphic despatch received from the Secretary of State for the Colonies:—

“Please send home as soon as possible any reports or other information available as to working of taxation on unimproved value of land for municipal and State purposes in New South Wales.

“Information specially desired as to effects of land value taxation on building trade, on rent, on incidence of taxation, on house property, and vacant sites respectively, and on land speculation ;”

and in which you asked to be furnished with a report on the matter for the information of Lord Elgin.

In reply, I have to refer you to the report forwarded by the Lieutenant-Governor to the Secretary of State for the Colonies on the 7th April, 1905, in connection with the operation of Land and Income Taxes in the State of New South Wales (ordered to be printed by the House of Commons on 20th June, 1905, under the title “Graduated Income Tax” (Colonies)), and to state that no other reports have been printed concerning the subject in this State.

With regard to taxation of land on an unimproved basis for municipal purposes, I have to state that up to the present no such system has been instituted, but the Local Government (Shires) Act, and the Local Government (Municipalities) Bill provide for a Municipal Land Tax on the basis mentioned.

As neither of the measures mentioned has yet come into really active operation, some time must elapse before any information can be afforded as to the working of a municipal land tax.

Regarding the effect of land taxation on the building trade, it may be mentioned that some considerable headway has been made in the suburbs, caused somewhat by the Land Tax forcing the sale of unoccupied lands, which in many cases have been purchased by a class of speculative builders who, on receiving a small deposit, build to order, on time payment, on an increased rental basis. The facilities for locomotion afforded by the electric tramway system have also proved a factor in this suburban development. Building trade.

This suburban development has affected the rentals in the metropolitan area of the small (more particularly terrace) properties, many people preferring to reside in small cottages in the suburbs (which are served with cheap and up-to-date electric tramway systems) rather than occupy terrace houses in the city area. Rents of large residences have declined considerably, but to what extent the Land Tax has been a lever it is difficult to say. It has certainly operated to some extent, but there have been other factors at work. Rents.

Values of residential properties have been reduced, principally in the city and immediate suburbs, by reason of the development of the more outlying areas. House property.

These have suffered a reduction in value in many districts. The tax has considerably affected land held solely for speculation, and has certainly compelled many owners to sell for a lower figure than previously required. Vacant sites.

In the city and suburbs very little land speculation has been in operation. Buyers now, in view of the Land Tax, mostly secure properties with the definite idea of speedily making a home, and not as heretofore, waiting for a rise in values. Land speculation.

In the country the effect has been to break up a number of land monopolies and secure improved conditions of larger and closer settlement, with considerable profit to the speculator, and advantage to the purchaser.

In conclusion, taking the operation of land tax as a whole, it is not considered that it has had any pronounced effect on the lands generally, save in the country, where the apprehension exists that the tax may be increased at any time. This apprehension has brought about the sale and settlement of holdings which would have otherwise remained in a less productive condition.

I have, &c.,
L. S. SPILLER,
First Commissioner of Taxation.

The Under-Secretary
for Finance and Trade,
The Treasury, Sydney.

No. 4.

NEW ZEALAND.

THE GOVERNOR TO THE SECRETARY OF STATE.

(Received August 11, 1906.)

MY LORD,

Wellington, July 9, 1906.

IN compliance with the request contained in your Lordship's telegram of the 5th April, I have the honour to forward herewith a report and other details as to the working of taxation of unimproved values in New Zealand, which will, I trust, afford you the desired information.

I have, &c.,

PLUNKET,

Governor.

The Right Honourable

The Earl of Elgin and Kincardine,

K.G., G.C.S.I., G.C.I.E., P.C., &c., &c.,

Secretary of State for the Colonies.

Enclosure in No. 4.

MEMORANDUM for the Honourable the PREMIER, Wellington.

Land and Income Tax Department, Wellington, July 4, 1906.

In accordance with directions of the late Premier, I have the honour to make the following report as to the working of taxation on "unimproved value of land" (that is the total selling value less the value of all improvements) both for State and Municipal purposes in New Zealand, on the lines asked for by the Secretary of State for the Colonies:—

STATE TAXATION.

In 1891 "The Property Tax Act" then in force was repealed and replaced by "The Land and Income Assessment Act," under which a land tax was imposed on land and mortgages of land; and an income tax on all income other than income derived from land and mortgages of land. Improvements on land were exempted up to £3,000. In 1893 an Amending Act was passed, by which all improvements on land were entirely exempted, and in 1896 an Act was passed by which the principle of taxation on the "unimproved value" was extended to local rating by enabling local authorities to adopt the system on a poll of the ratepayers being taken, and a majority voting in favour of its adoption.

From the year 1893, the year when the system began to be initiated, to 1905, over £30,000,000 has been expended on improvements during that period of twelve years, and during the last three years of that period, since the extension of the system gradually to local rating, the expenditure on improvements has shown a greater rate of increase, the total for those three years being nearly £15,000,000. The increase during the first nine years of the period referred to was 20 per cent., and during the last three years, 30 per cent. There can be no doubt whatever that the total exemption of improvements on land from all rates and taxes has led to a very large increase in the outlay on improvements, which comprise materials and labour, and the beneficial effect of this on trade, and the demand for labour has been great. It is estimated that the expenditure on buildings since 1893 amounts to £17,000,000 free from all rates and taxes, except in those cases where local authorities have not yet adopted the rating on unimproved values.

In my opinion the exemption of all improvements (in conjunction with the lands for settlement and advances to settlers policy of the Government) has to a large extent contributed to the solid prosperity of the Colony.

The exemption of all improvements led to a very liberal outlay of capital on land, which has rapidly increased as the system was extended to local rating, and

thus increased the demand for labour. As already stated, the expenditure on improvements on land increased in a few years, so much so that the supply of labour and materials could scarcely keep pace with the demand, and has continued so to the present time. This increased expenditure on improvements conduced also to an increase in the unimproved value. The result is that expenditure on improvements not only enhances the unimproved value of the property on which the expenditure was effected, but the increase in one property increases the value of the adjacent properties, *e.g.*, the following case came recently under my notice: A man purchased an unimproved section, put up a large building on it, and before the building was completed, sold the property at a profit of £3,000. This increase was, of course, in the unimproved value, and the adjacent sections increased in value to an almost equal extent. The same occurs in the country—a man purchases 500 acres, expends £2 per acre in improving, sells for £3 per acre more than he purchased—this increases the unimproved value £1 per acre, and the adjoining sections are almost equally increased. This has also been the result in the case of the purchase and subdivision by the Government of large estates for closer settlement. For taxation purposes one sale in a locality does not necessarily involve an increased valuation on the adjacent properties to the full amount of that sale; discrimination is used by estimating how far sales can be generally effected at the same price. This explains how the exemption of improvements leads to increase of capital value, and increase of unimproved value as surely follows increase of capital value; there are very rare exceptions to this rule.

In like manner the closer settlement policy of the Government in the purchase and subdivision of large estates leads to immediate large expenditure on improvements, and an increase in the unimproved value necessarily follows the expenditure of capital on improvements, which are entirely exempt from rates and taxes, and the effect of these conduces largely to increased trade, which necessarily means increased profits for income tax. A study of the table of land tax and income tax revenue for each year from the commencement shows, first, the drop in land tax consequent upon total exemption of improvements, then increase consequent upon the increase in unimproved values, largely owing to increased expenditure of capital on improvements; then in 1896 the advent of "The Lands for Settlement Act" shows the loss of tax on resumption of large estates more than recouped by increase in unimproved values, while the income tax shows a large and continuous increase year by year.

LOCAL RATING.

To enable the system of rating on unimproved value to be adopted by any local authority, the Act provides that a petition signed by not less than 15 per cent. of ratepayers be presented to the local authority, asking that a poll of the rate, payers be taken; a poll must then be taken, and if the proposal is carried it comes into force. A rescinding proposal can be carried at a poll by the same means as one for adoption, but not until three years have elapsed, and *vice versa*, rejection of a proposal bars it being again brought forward for a similar period. Up to the 31st March, 1906, there were altogether 78 polls taken under the above provision. Of these 75 were for the purpose of adopting the system of rating on the unimproved value, the proposal being carried in 63 cases and rejected in 12. In two cases a poll was taken to revert to the old system and lost in each instance; in another case, where the proposal had previously been lost, a second poll was taken after a lapse of three years, and the new system of rating adopted.

There are 113 boroughs in New Zealand (in addition to other local authorities) and of these 18 rate on the "capital value," 52 on the "annual value," and 43 on the "unimproved value," the aggregate capital value of rateable property in each case being "capital value," £2,101,223, "annual value" £26,482,067, "unimproved value" £30,670,834. Of the four chief cities in New Zealand (Auckland, population 37,740; Wellington, population 58,552; Christchurch, population 49,808; and Dunedin, population 36,075), Wellington and Christchurch have adopted the system of rating on the "unimproved value." In no case where the system of rating on the "unimproved value" has been carried has the former system of rating been reverted to, and the ratepayers as a rule, with few exceptions, are decidedly in favour of the system, and the approval is strengthened as time goes on, and the effect of it is seen.

There are no published reports on the lines asked for by the Secretary of State, and I have, therefore, sent circulars to all local authorities where this system has been adopted asking for special reports. Replies have been received in most cases, and copies thereof are enclosed* with an index and digest of the reports attached. In the large majority of cases the system has only been a short time in force, and in these cases no opinion is expressed as to the merits or otherwise of the system. It is extending more rapidly as the effect is seen in the places where it is adopted, and it becomes better understood. The reports, as will be observed, show the results to have been beneficial. From the reports received, and the most reliable sources of information available based on personal observation and inquiry, I am of opinion that the effect of the system of rating on the unimproved value would be correctly summarised on the lines required as follows :—

Building Trade.—The effect has certainly been to greatly stimulate the building trade. The object and tendency of this system of taxation is to compel land being put to its best use, so that the greatest amount of income may be derived from it, and rendering it unprofitable to hold land for prospective increment in value. It has been the direct cause of much valuable suburban land being cut up and placed on the market; and thus rendered more easily available for residential purposes, and of the subdivision of large estates in the country, resulting in closer settlement.

The effect on urban and suburban land has been very marked. It has compelled owners of these to build or sell to those who would; it has thus caused a great impetus to the building trade. An owner of land occupied by buildings of little value finding that he has to pay the same rates and taxes as an owner having his land occupied by a valuable block of buildings must see that his interests lay in putting his land to its best use. The rebuilding of this City (Wellington) which for some years past has been rapidly going on is largely attributable to the taxation and rating on land values, so that the supply of building materials could not at times keep pace with the demand.

Rent.—The tendency of this system of taxation is not to increase rent but, on the contrary, as the tax becomes heavier it tends to bring into beneficial occupation land not put to its best use and so reduces rent, the improvements being entirely free from all rates and taxes. In some cases, where land suitable for building sites is limited, high rents have been maintained notwithstanding the tendency of the system.

Vacant Sites.—The effect has been to cause vacant sites being put to their best use by expenditure on improvements. On vacant sites the rates and taxes are increased and continue to increase as the adjacent sites which have been improved increase in value. It thus becomes unprofitable to continue to hold land unimproved.

Incidence of Taxation.—The taxation, on building property, where the improvements exceed the unimproved value, is decreased; where the unimproved value exceeds the improvements the taxation is increased.

Land Speculation.—The tendency is to discourage speculation as the tax partially or wholly discounts the rise in value, but land speculation has not ceased in some districts where the system has been adopted, because :—

- (1.) The tax has not been sufficient to render speculation unprofitable in the large cities, though it has been a factor to be reckoned with.
- (2.) The rapid increase in values has caused speculation in spite of the tax.

Land speculation in this Colony of late years has chiefly arisen in the purchase of estates which have not previously been put to their best use by the owners, principally consisting of suburban lands which, after being acquired and improved by subdivision into residential allotments and by roading, result in the extensive building of residences, also in country lands large blocks of land suitable for subdivision into small farms. The effect of this has been rather beneficial than otherwise, because, in addition to the land being put to its best use, it tends to reduce rents and values of residential sites by the large increase of these made available.

* Not printed.

The form of speculation in land unused and held for a prospective increment is rarely met with in recent years.

Copies of the Rating on Unimproved Value Act, with extracts from the New Zealand Year Book* of Articles *re* "Rating on Unimproved Value Act," Results of Polls taken, and *re* Valuation of Land, and explanatory Memorandum in reference to the Government Valuation of Land Act, are also sent, as giving further information which may be useful.

P. HEYES, F.S.A.A., Eng.
Commissioner of Taxes.

RATING ON UNIMPROVED VALUE.

Digest of Reports from Local Authorities re working of system, with copies reports attached.

In response to a circular addressed to all local authorities rating on the unimproved values, asking for a report on the lines required for the Secretary for the Colonies, 52 replies were received. The following is a digest of the reports received; the number opposite each is that of the report which is attached; the system came into force on the 1st of April in the year in parenthesis after each name. (*Figures in margin give population*):—

1. *Akitio County Council* (1905).—Not long enough in force to form any 1,394. opinion.

2. *Avenal Borough* (1905).—Only in force one year, and cannot yet express any 424. opinion.

3. *Balclutha Borough* (1903).—Still on trial—on the whole satisfactory. 1,160. Holders of vacant sections opposed to system. At end of third year mild agitation to revert to rating on annual value, but resolutions to move in that direction lost at public meeting held to consider question.

4. *Blenheim Borough* (1904).—Recently introduced and not sufficient experience 3,352. to state real results. Tendency seems to be to use vacant sites for building purposes and to compel speculators to sell their properties.

5. *Buller County Council* (1905).—In operation for one year only, and too soon 5,456. to judge of results.

6. *Campbelltown Borough* (1905).—Only recently in force, and not yet in position 1,472. to express opinion.

7. *Christchurch City Council* (1903).—Council cannot express any opinion 49,808. without full data.

8. *Eketahuna County Council* (1900).—In force for five years, and so far no 2,739. complaints. Unable to say what effect is, as success of the dairying industry overshadows the effect of taxation.

9. *Feilding Borough Council* (1902).—System satisfactory—no desire to revert 2,972. to old system. Has been the means of subdivision of large building sites in centre of town which were held purely for speculative purposes, and buildings erected.

10. *Gore Borough* (1902).—Not long enough in force to enable Council to furnish 3,033. information sought.

11. *Grey Lynn Borough* (1901).—Does not affect building trade. Has not 5,888. tended to reduce rents. Increases taxation on vacant land and reduces it where improvements are of greater value than the unimproved value. Affects land speculation to a certain extent. Not affected population in this borough to any extent. System popular.

12. *Greymouth Borough* (1898).—Adopted in 1898, and no attempt made to 4,569. revert to old system. Majority of Council of opinion that system should be extended

* Not printed here.

to all rates. Town has prospered under the system. Two periods of ten years contrasted. Since adoption 300 new houses erected and rents increased about 100 per cent. Speculators eager to sell, and person requiring cottage to live eager to acquire and build, as he knows rates not increased by addition of improvements.

- 2,146. 13. *Hamilton Borough* (1901).—Difficult to say what effect in present state of prosperity the introduction of this system has had—not long enough in force to express an opinion.
- 2,153. 14. *Hawera Borough Council* (1904).—In force two years, and seems to give, on the whole, satisfaction. Rates on house property lighter than before. Rates on business premises heavier, while owners of vacant sites complain of increased burden. Building trade, rent, land speculation, &c., not affected to any appreciable extent. Old system will not be reverted to.
- 2,525. 15. *Hokianga County Council* (1899).—Adopted in 1899 and, so far, given satisfaction. Principal defect in Act—rating power governed by aggregate of improved value of county, whereas, if a zone system was compulsory for the township, the taxation would be more uniform.
- 2,227. 16. *Hokitika Borough Council* (1902).—New buildings erected during four years of rating greatly in excess of those erected during previous four years, but this attributed to prosperity rather than change in rating. Do not think building trade materially affected. Rents apparently not affected. Samples showing change of incidence of taxation given. When system came into force numbers of owners of vacant sites sold, as they did not wish to improve and it paid them better to sell than pay the increased rates. Discourages purchase of land for speculation. Ratepayers satisfied and would reject any proposal to revert to previous system.
255. 17. *Hunua Road Board* (1900).—Caused holders of vacant sites to realise. Land values have increased greatly. People of district would not revert to old system.
- 4,638. 18. *Inangahua County Council* (1899).—Given satisfaction—no desire to revert to old system. Building trade very brisk in chief town of county.
- 7,299. 19. *Invercargill Borough* (1902).—Difficult to say how system works—depends on how it affects the individual. Presses heavily where a good business site occupied by a small dwelling. A poll on the proposal to revert to old system resulted in majority voting for continuance of present system.
- 3,681. 20. *Kairanga County Council* (1905).—Building trade not stimulated. Rents little affected. Vacant site unknown in county. County practically all improved. Incidence of taxation much more evenly and equitably distributed.
- 2,194. 21. *Karori Borough* (1899).—Do not think building trade or rents affected, but has caused subdivision of large areas and thrown a great quantity of land on the market.
- 3,404. 22. *Lower Hutt Borough Council* (1902).—Impossible to accurately gauge—river protective works and duplicating railway started at same time as system adopted. Numerous subdivisions of land and building very brisk—rents higher—prevents aggregation of large holdings.
- 1,887. 23. *Muori Hill Borough* (1904).—Not long enough in force to judge effect.
142. 24. *Maraetai Road Board* (1901).—No perceptible change in buildings or otherwise.
384. 25. *Normanby Town Board* (1898).—Township mostly agricultural land, and complaints made that rates fall heavily on these lands as compared with township residences, hotels, &c.
- 4,379. 26. *North-East Valley Borough* (1905).—Decreases rates on buildings. Increases rates payable on land. Encourages building operations. Attracts population. Does not materially reduce rents. Oppresses holders of land unsuitable for building. Discourages land speculations. Reduces number of vacant sites.
973. 27. *North Invercargill Borough* (1904).—Considered unsuitable for a borough so thinly populated—presses heavily on owners of vacant land.

28. *Ormondville Town Board* (1898).—Peculiar situation of township, having 413. village at each end and large holdings in between. System not as satisfactory as might be.
29. *Pahiatua Borough Council* (1898).—No effect on values of land. Building 1,371. trade brisk last two or three years, but considered due to natural causes—farming community prosperous. Discourages speculation in and holding of land in business part of town.
30. *Pahiatua County Council* (1902).—Ratepayers satisfied, no attempt to revert 3,674. to old system. No doubt but that system encourages far more permanent improvements. System considered a just one.
31. *Palmerston North Borough* (1897).—Immediately after adoption many 10,243. absentee owners cut up large areas for sale. Rates are decreased where value of improvements exceeds value of land held. Buildings have enormously increased last two or three years and change of incidence of taxation partly, if not wholly, the inducement—samples of rates payable under the two systems given. Rating can be more equally and fairly distributed than when improvements have to be taken into account. Since adopted, no suggestion has been made to revert to former system.
32. *Papakura Road Board* (1900).—System works satisfactorily, but being only 396. a farming district cannot give information on points asked.
33. *Pelorus Road Board* (1900).—In force since April, 1900, and no complaints 541. or objection received.
34. *Picton Borough* (1904).—Increases rates on vacant sections and presses 995. heavily on those holding for grazing purposes. Rates in cases of extensive improvements lessened. Only one year in force.
35. *Raglan County* (1902).—Cannot give particulars—a farming district and 2,285. seems to have given general satisfaction.
36. *South Invercargill Borough* (1902).—Principle believed in, but prefer not 2,273. to give an opinion on points mentioned until rating longer experienced. Consider there are drawbacks to present Act.
37. *Southland County Council* (1902).—Too premature to give any information 24,426. on subject.
38. *Spreydon Road Board* (1902).—It has forced land into the market and 2,333. induced erection of buildings thereon. It relieves owners of house property to disadvantage of owners of vacant sections. Its influence on land speculation has been that many bought up and subdivided at profit.
39. *Stratford Borough Council* (1903).—Reply unfavourable; system acts unfairly; 2,127. tends to crowding of houses on small sections. Value of land reduced 10 to 15 per cent. Land speculation ceased. No remarkable increase in building trade. Rents lower.
40. *Stratford County Council* (1902).—System in force four years. Bears most 5,911. onerously upon owners who acquired for *bona fide* occupation purposes.
41. *Sumner Borough* (1902).—Council satisfied system better for the borough 1,182. from rating point of view—that is, has forwarded the sale of land which would otherwise have been unoccupied if the system of capital value had been kept up.
42. *Tauranga County Council* (1901).—Farming district and most properties 2,005. occupied by owners—questions of building trade and rent do not arise. Likely to press heavily on new settlers.
43. *Waimarino County Council* (1904).—Adopted over two years ago—working 2,748. satisfactorily. Ratepayers evinced no desire to return to rating on capital values. An incentive to improve and make properties valuable.
44. *Waipawa County Council* (1898).—Ratepayers appear satisfied. Act has 8,659. been in operation for nine years. Persons holding land for speculation have to pay equal share of rates notwithstanding that there are no improvements,—and has a

tendency to make speculators improve their properties. No difficulty in working of Act, and prefer it to rating on capital value.

761. 45. *Waipukurau Town Board* (1898).—Not able to report. Town Board just formed. No rate yet levied.
- 2,728. 46. *Wairarapa South County Council* (1903).—Adopted three years ago. No marked difference in building trade. Properties with buildings and improvements slightly relieved, and the deficiency made up from properties consisting mainly of land, but being distributed over a large area, no hardship expressed to be felt thereby.
- 58,552. 47. *Wellington City Council* (1902).—Extracts from annual reports for 1902/3 and 1903/4. Favourable and full. Encourages improvements, stimulates the use of land, secures the unearned increment to those who have added the value, mulcts all lands in their fair share of taxation, and paralyzes the old system under which rental values on lands could by simple manipulation reduce local taxation to a farce. Much, if not most, of the activity of building operations during past year due to influence of this healthy measure, and with necessary restrictions to prevent overcrowding of buildings, no untoward result need be apprehended. No combined serious objection. Cost of industrial ventures not increased, &c., &c.—see report.
- 1,514. 48. *West Harbour Borough* (1905).—Increase number of buildings. Holders of large areas anxious to sell. Dissatisfaction in rural portion of borough, which is more heavily rated under new system, but believe that with increased railway facilities result of rating would be a large increase in population and consequent activity in building trade.
- 3,645. 49. *Westport Borough* (1905).—Only one year's rates collected, consequently not able to give fullest information. Has worked fairly well and is a fair and just one as a whole. Certainly encourages the use and improvement of land and erection of buildings. Good for building trade. Rents not visibly affected, but think they are not increased. Benefit to house property and detrimental to vacant sites and land speculators. Works well in the farming and agricultural parts.
456. 50. *Winton Borough* (1902).—No known effect yet produced. Throws tax much heavier on unimproved sections, and appears to benefit those who crowd good buildings on small areas.
- 1,110. 51. *Woodville Borough Council* (1898).—Letter received—no report.
- 2,891. 52. *Woolston Borough* (1903).—A suburb of Christchurch; contains a good deal of land occupied as orchards, market gardening, dairying, &c., and tax presses heavily on these. Three properties cut up and sold, and several buildings erected. Building trade improving. Rentals not lower. Tendency unquestionably to induce owners to cut up into allotments for sale.

NEW ZEALAND.

ANALYSIS.

Title.

1. Short title.
2. Interpretation.
3. Construction of "The Rating Act, 1894," for purposes of this Act.
4. Apportionment of rates.
5. Ratepayers may by vote adopt this Act. Act incorporated for poll.
6. Form of voting-papers.
7. Result of poll to be published.
8. If poll carried, rates to be on unimproved value.
9. How adoption to be rescinded.

10. If poll carried, rating on unimproved value to be discontinued.
11. Proposal not to be again submitted to ratepayers before three years.
12. Valuation-roll of district. Rates to be levied on unimproved value of land.
13. Objections to assessments under this Act.
14. How contributions of rates to be proportioned.
15. Adjustment of rating-power under Acts 1876 and 1882 to this Act
Proviso where rate is security for a loan.
16. Recovery of rates.
17. Provision for valuation-roll in event of severance of any portion of a district.
18. References to capital value in "The Rating Act, 1894."
19. Rates on mining property.
20. Rates to which Act not to apply.

1896, No. 5.

AN ACT to authorise Rating on the Unimproved Value of Land.

Title.

[13th August, 1896.]

Be it enacted by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows :—

1. The Short Title of this Act is "The Rating on Unimproved Value Act, 1896." Subject to the special provisions hereof, this Act shall be read and construed together with "The Rating Act, 1894." Short title.

2. In this Act, if not inconsistent with the context,—

Interpre-
tation.

"Chairman" means the Chairman of any County Council, Town or Road Board, or other authority having power to levy rates, and includes the Mayor of a borough :

"District" means any borough or county, and includes any town district or road district within any county wherein "The Counties Act, 1886," is suspended, or the County Council does not levy a general rate :

"District" also includes any town district for the purpose of making and levying Town Board rates :

"Gross value" means the capital value of land with all improvements thereon, as assessed by the local authority of the district, the unimproved value of which is rateable under this Act :

"Rateable value" means the unimproved value of land, as herein defined :

"Unimproved value" means the gross value of land, as herein defined, less the value of all improvements thereon :

"Improvements" include water-races, whether constructed by loan or otherwise, houses and buildings, fencing, planting, draining, clearing from timber, scrub, or fern, laying down in grass or pasture, and any other improvements whatsoever on land, in so far as the benefit thereof is unexhausted at the time of valuation ; but does not include reclaiming of land from the sea.

3. For the purposes of this Act, section two of "The Rating Act, 1894," shall be read subject to the amendments following, that is to say :— Construc-
tion of
"The
Rating Act,
1894," for
purposes of
this Act.

(1.) The definition of the words "rateable property" shall be construed as if the words "without the buildings and improvements thereon" had been enacted therein, in lieu of the words "with the buildings and improvements thereon," where the latter occur in the said section ; and

(2.) The definition of "rateable value," except paragraph three thereof, shall be deemed to be repealed.

(3.) No buildings or improvements on lands held under lease or license for mining purposes or residence or business sites shall be rateable.

Apportionment of rates.

4. In all cases where there is more than one occupier of a building, and it is necessary to apportion the amount of rates payable by each occupier, the same shall be determined as follows, that is to say:—

- (1.) The rateable value of the land, and also the annual letting-value of the whole building with the land occupied thereby, shall be first determined;
- (2.) Next, the annual letting-value of each portion of the building which is separately occupied shall be determined; and
- (3.) Then the proportion of the rateable value upon which occupier shall be rated shall be the sum which bears the same proportion to the rateable value of the land as the annual letting-value of the portion of the building so separately occupied bears to the annual letting-value of the whole building and land.

Ratepayers may by vote adopt this Act.

5.—(1.) The following proportion of the ratepayers on the roll, that is to say,—

- (a.) Twenty-five per centum of the ratepayers on the roll where the total number on the roll does not exceed one hundred,
- (b.) Twenty per centum where such total number exceeds one hundred but does not exceed three hundred.
- (c.) Fifteen per centum where such total number exceeds three hundred,—

may, by writing under their hands delivered to the Chairman of the district, demand that a proposal to adopt this Act and thereby to rate property upon the basis of the unimproved value be submitted to the ratepayers' vote.

(2.) Thereon the votes of the ratepayers shall be taken upon such proposal on a day to be fixed by the Chairman, being not less than twenty-one nor more than twenty-eight clear days after the delivery of such demand, and such day shall be forthwith notified in a newspaper published or circulating in the district: Provided,—

- (a.) That such demand shall be deemed to be duly made on the Chairman if the notice containing the same is delivered at the Town Hall or other principal office of the local authority of the district; and,
- (b.) That if, within seven days after the delivery of such demand, the Chairman fails to duly fix and notify the day on which the votes of the ratepayers are to be taken, then the votes shall be taken on the twenty-eighth day after the delivery of such demand; and the Clerk of the local authority shall notify the same in manner aforesaid.

(3.) On such day a poll shall be taken in the same manner as is prescribed by "The Local Bodies' Loans Act, 1886," in the case of a proposal to raise a loan in the district.

Act incorporated for poll.

Form of voting papers.

(4.) Such of the provisions of the aforesaid Act as are necessary for the poll under this Act are hereby incorporated, *mutatis mutandis*, with this Act.

6. The voting-papers for the purposes of such poll shall be printed in the following form:—

"PROPOSAL that 'The Rating on Unimproved Value Act, 1896,' be adopted in the [*Name of the district*], and that henceforth property be rated upon the basis of the unimproved value thereof.

"1. I vote *for* the above proposal.

"2. I vote *against* the above proposal."

And no such proposal shall be deemed to be carried unless affirmed by a majority of the valid votes recorded, and at least one-third of the ratepayers on the roll record their votes.

7. Within twenty-one days after the result of the poll has been ascertained, the Chairman of the local authority shall cause a notice of the number of votes recorded for and against the proposal, as hereinbefore provided, to be published in the "Gazette," and also in one or more newspapers circulating in the district; and in such notice he shall declare the proposal to be carried or rejected, as the case may be.

Result of poll to be published.

8. If such adopting proposal is carried, then, from and after the thirty-first day of March succeeding the date of the gazetting of the Chairman's notice of the result of the poll, all rates made and levied by the local authority of the district, or by any other local authority therein, shall be made and levied on the unimproved value under this Act.

If poll carried, rates to be on unimproved value.

9. The adopting proposal may be rescinded in the manner and subject to the conditions, *mutatis mutandis*, by this Act prescribed for the carrying thereof, and for the purposes of the poll the voting-papers shall be printed in the following form:—

How adoption to be rescinded.

"PROPOSAL that the adoption of 'The Rating on Unimproved Value Act, 1896,' in the [*Name of the district*] be rescinded.

"I vote *for* the above proposal.

"I vote *against* the above proposal."

And the Chairman shall gazette the result of the poll within the time and in the manner hereinbefore prescribed in the case of an adopting proposal.

10. If such rescinding proposal is carried in any district, then, from and after the thirty-first day of March succeeding the date of the gazetting of the Chairman's notice of the result of the poll, rates shall cease to be made and levied on the unimproved value, and shall be made and levied in like manner in all respects as if this Act had not been passed.

If poll carried, rating on unimproved value to be discontinued.

11. With respect to every such proposal as aforesaid, the following provisions shall apply:—

Proposal not to be again submitted to ratepayers before three years.

(1.) If an adopting proposal is carried in any district, no rescinding proposal shall be submitted to the ratepayers therein until the expiration of at least three years from the day when this Act was deemed to be adopted pursuant to such adopting proposal.

(2.) If a rescinding proposal is carried in any district, no adopting proposal shall be submitted to the ratepayers therein until the expiration of at least three years from the day on which this Act ceased to be adopted pursuant to such rescinding proposal.

(3.) If either proposal is rejected in any district, such proposal shall not be again submitted to the ratepayers therein until the expiration of at least three years from the date of such rejection.

12. As soon as conveniently may be after an adopting proposal is carried in any district, a valuation roll of the rateable property in the district shall, for the purposes of rating on the unimproved value, be prepared by the local authority in manner provided by "The Rating Act, 1894," in respect of local authorities rating on the capital value:

Valuation-roll of district.

Provided that, instead of setting forth the capital value, the roll and all notices of assessment shall set forth the gross value, the value of improvements, and the unimproved value of all rateable property in the district; and the rates when made and levied shall be made and levied on the unimproved value, in accordance with "The Rating Act, 1894," as amended by this Act.

Rates to be levied on unimproved value of land.

13. Any person authorised by "The Rating Act, 1894," to object to the assessment of the capital value may object in a like manner, *mutatis mutandis*, to the assessment of the gross value, or the value of improvements, or the unimproved value, or all or any of them; and such objection shall be heard, *mutatis mutandis*, in the manner provided by "The Rating Act, 1894," for hearing objections to assessments under that Act:

Objections to assessments under this Act.

Provided that, if on objection as aforesaid any assessment is reduced, the gross value of the reduced assessment shall be adjusted to equal the value of improvements *plus* the unimproved value.

How contributions of rates to be proportioned.

14. Whenever under any act any contribution is authorised to be levied upon any local authority in whose district this Act is adopted, and such contribution is to be proportioned to the rateable value of property as defined by "The Rating Act, 1894," then such contribution shall be proportioned to the gross value of the said rateable property as defined by this Act.

Adjustment of rating-power under Acts 1876 and 1882 to this Act.

15. In all cases where by any Act a limit of rating-power is imposed upon any local authority, and in all cases of special and annually recurring rates, or of any rates the amount of which is fixed for any definite period of time, the following provisions shall apply for the purposes of rating on the unimproved value under this Act:—

- (1.) When such rating-power or rate has reference to the annual value, a rating-power or rate of one shilling in the pound on the annual value shall be deemed to be equivalent to a rating-power or rate of three-farthings in the pound on the gross value, and so on a greater or smaller sum in the like proportion for a greater or smaller rating-power or rate than one shilling in the pound on the annual value.
- (2.) When such rating-power or rate has reference to the capital value, such rating-power or rate shall be deemed to have reference to a rating-power or rate on the gross value.
- (3.) The rates made and levied on the unimproved value under this Act shall be so adjusted as to equal, as nearly as may be, but not to exceed, in their producing-capacity, the rates made and levied on the annual or capital value, as the case may be, under "The Rating Act, 1894."

Proviso where rate is security for a loan.

Provided always that in the case of any fixed rate which forms the whole or any portion of the security of any loan, the following provisions shall apply:—

- (a.) If the Controller and Auditor-General is at any time satisfied that the above-mentioned change in the mode of levying rates will have the effect of diminishing the security for such loan, he may, by order published in the "Gazette," fix such a rate in accordance with this Act (but irrespective of the aforesaid limit of rating-power) as will, as nearly as may be, produce the same amount as the rate levied before the above-mentioned change was made.
- (b.) The rate fixed by such order shall for all purposes whatsoever be the rate which shall be levied in lieu of the rate which would otherwise be leviable as hereinbefore prescribed.

Recovery of rates.

16. All rates levied on the unimproved value under this Act shall be recoverable under "The Rating Act, 1894," and shall for the purpose of such recovery be deemed to be charged on the gross value, and not on the unimproved value only.

Provision for valuation-roll in event of severance of any portion of a district.

17. If at any time a part of any district wherein rates are levied on the unimproved value is severed from such district, whether for the purpose of forming another local-governing area or of joining one that already exists, it shall be the duty of the local authority of such district to deliver a copy of the valuation-roll of such severed part to the local authority of such new or already existing local-governing area, as the case may be.

References to capital value in "The Rating Act, 1894."

18. Subject to the foregoing provisions of this Act, wherever in "The Rating Act, 1894," reference is made to the capital value, such reference shall, in respect of all districts wherein rates are levied on the unimproved value, be construed as referring to the gross value under this Act.

Rates on mining property.

19. In every district in which rates are levied on the unimproved value, this Act shall apply to mining property rateable under "The Gold Duties Abolition and Mining Property Rating Act, 1890," and for such purpose all reference to rateable value as defined by that Act shall have reference to the gross value, and the valuation-

roll and assessments shall be prepared accordingly, in manner provided by that Act as amended by this Act.

20. This Act shall not apply to water rates, gas rates, electric-light rates, sewage rates, or hospital and charitable-aid rates. Rates to which Act not to apply.

NEW ZEALAND.

ANALYSIS.

Title.

Preamble.

1. Short Title.
2. Restriction as to poll in certain cases removed.

1900, No. 18.

AN ACT to amend "The Rating on Unimproved Value Act, 1896."

Title.

[25th September, 1900.

Whereas prior to the passing of "The Local Government Voting Reform Act, 1899," proposals for the adoption of "The Rating on Unimproved Value Act, 1896," have been defeated in certain localities because of the restriction as to the required majority which by the said first-cited Act has been repealed: And whereas it is expedient to enable a fresh poll to be taken in such localities without the delay at present by law prescribed: Preamble.

Be it therefore enacted by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. The Short Title of this Act is "The Rating on Unimproved Value Act Amendment Act, 1900." Short title.

2. Notwithstanding anything contained in "The Rating on Unimproved Value Act, 1896," in any locality where prior to the passing of this Act a poll has been taken on the proposal for the adoption of the said first-mentioned Act, and such proposal has been affirmed by a majority but has been declared rejected because such majority was not such as was then by law required, the like proposal may again be submitted to the votes of the ratepayers at any time after the passing of this Act, and subject to the provisions of "The Local Government Voting Reform Act, 1899," and of section eleven of "The Rating on Unimproved Value Act, 1896." Restriction as to poll in certain cases removed.

NEW ZEALAND.

ANALYSIS.

Title.

1. Short Title.
2. Amendments of principal Act.
3. Rating changed from unimproved value to capital or annual value.
4. Mode of levying rates excepted from Act.

1903, No. 56.

AN ACT to extend "The Rating on Unimproved Value Act, 1896."

Title.

[20th November, 1903.

Be it enacted by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. The Short Title of this Act is "The Rating on Unimproved Value Amendment Act, 1903"; and it shall form part of and be read together with "The Rating on Unimproved Value Act, 1896" (hereinafter called "the principal Act"). Short title.

(P 1041)

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Amend-
ments of
principal
Act.

2. The principal Act is hereby amended as follows:—

(a.) As to section three thereof: By repealing subsection one.

(b.) As to section fifteen thereof: By repealing subsection three, and substituting in lieu thereof the following:—

“The rate made and levied by any local authority under this Act shall be so adjusted as not to exceed in its producing-capacity the limit of rating-power on the gross value possessed by that local authority as aforesaid.”

(c.) As to section nineteen thereof: By repealing the word “gross,” and substituting in lieu thereof the word “unimproved.”

Rating
changed
from un-
improved
value to
capital or
annual
value.

3. Where under the provisions of the principal Act the system of rating is changed from the unimproved value to the capital or annual value, as the case may be, every continuing rate levied on the capital or annual value shall be so adjusted as to equal as nearly as may be, but not to exceed, in its producing-capacity the rate that would be made and levied under the principal Act, and the proviso to section fifteen of the principal Act shall apply to every such adjustment.

Mode of
levying
rates
excepted
from Act.

4. Where any of the rates referred to in section twenty of the principal Act are required to be levied on the capital value, such rates shall, for the purposes of the principal Act, be levied on the capital value as appearing on the valuation roll; and where such rates are required to be levied on the annual value, such annual value shall be deemed to be a sum equal to six per centum of such capital value.

EXPLANATORY MEMORANDUM in reference to “The Government Valuation of Land Act, 1896,” and Amendments of 1900 and 1903.

Prior to the passing of “The Government Valuation of Land Act, 1896,” there was an entire absence of uniformity in the system of making valuations of land within the Colony for Governmental purposes. Each lending Department employed a separate set of local valuers for valuing mortgage securities. The Land Tax Department periodically employed a small army of temporary valuers when it required a new valuation of the land of the Colony for taxation purposes, and each Local Authority had its own particular method of making up its roll for the levying of rates. With such a diversity of methods employed it is not to be wondered at that values were uneven, and in many cases unreliable. Some valuers possessed sufficient independence to act fearlessly, others did not. Some had a system of their own which was different from that adopted by others, and some did not thoroughly understand the principles affecting land-valuation.

The advent of the Government Valuation of Land Act, however, introduced a new system, under which the defects of the former system were, if possible, to be overcome.

All values required by the Government Departments mentioned below and by Local Bodies, whether for loan, taxation, or other purposes, are now made by valuers employed by the State. These valuers work upon the one system which is laid down by the above-named Acts, and are responsible to the Government alone. They receive a regular salary, and when valuing for loan purposes are not dependent for their remuneration upon the goodwill of the person whose property they are valuing. When it is remembered that the values which are fixed by the Valuation Department are used, amongst other things, for local rating and taxation purposes, it is not to be expected that the District Valuers will escape a certain amount of adverse criticism at the hands of those who pay rates and taxes. I feel certain, however, that a great deal of this criticism is due to imperfect knowledge respecting the law on the part of the landowner, and it is largely with the object of endeavouring to remove wrong impressions from the minds of landowners that I issue the following comments and explanations regarding the system of making land-valuations in the Colony.

Landowners should recognise at the outset that neither the Valuer-General nor any of the officials or valuers of the Department are personally interested in valuing

the land high any more than they are in valuing it low. The Department's duties begin and end with estimating the *fair selling values* of land and of improvements; it is for other Departments and the Local Bodies as well as the public to make use of these values.

Under the above-mentioned Act the Valuer-General is required to prepare valuation rolls, showing the fair selling-value of all land in the Colony.

Briefly stated, the following are the chief purposes for which the roll values may be used :—

- (1.) As a basis on which loans may be granted by—
 - (a.) The Advances to Settlers Office.
 - (b.) The Public Trust Office.
 - (c.) The Government Insurance Office.
 - (d.) The Post Office.
 - (e.) The Commissioners of Public Debts Sinking Funds.
 - (f.) Such other public offices as the Governor from time to time directs.
 - (g.) Trustees and investors.
- (2.) As a basis for the advancement of loans to local bodies by the Treasury under "The Local Bodies Loan Act, 1901."
- (3.) As a basis for the levying of land tax and local rates.
- (4.) As a basis on which to assess stamp duty and duty on deceased persons' estates.
- (5.) For the guidance of the Land Purchase Board when acquiring land under the Land for Settlements Act or the Public Works Act on behalf of the Government.
- (6.) For the guidance of all who may desire to ascertain the fair selling-value of any piece of land for investment, mortgage, or other purpose.

In view of the many and diverse purposes for which the roll values may be used, it is of the utmost importance that these values should be neither above nor below the fair market price, and it is as much to the interest of the owner as it is to that of the Department that the "unimproved value," "value of the improvements," and "capital value" of every property should be accurately entered in the roll.

UNIMPROVED VALUE.

- The Act defines "unimproved value" as follows :—

"'Unimproved value' of any piece of land means the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charge thereon, and if no improvements existed on that particular piece of land, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a *bond fide* seller might be expected to require."

There are few terms used in connection with land-valuation which are more imperfectly understood than the term "unimproved value." Some interpret the word to mean the *original* value of the land at the time when it was in its unimproved state, while others understand it to mean the *present* value assuming all the land in the district to be unimproved. Neither of these interpretations is correct. The increased value attaching to any piece of land due to the successful working of other lands in the district, or to progressive works effected by the State, the general prosperity of the country, high markets for produce, &c., form portion of the unimproved value under the New Zealand law. Any increased value, however, which is represented by the improvements effected by the individual possessor, either past or present, does not form part of the unimproved value.

It will be seen from the definition quoted that each particular piece of land must be considered by the valuer when estimating its unimproved value as if *it alone* had not been improved at the time of valuation. It is necessary for the valuer first to consider what would be the probable present condition of any piece of land which he is about to value supposing that no capital or labour had been expended upon it. Having satisfied himself on this question he would then require to ask himself what price the land in such condition would sell for in the open market at the date of valuation, assuming, of course, that everything else in the country which affects selling values was actually in its present condition—the Colony progressive or otherwise; stock high or low; roads, railways and bridges constructed; telegraphs, telephones, schools, &c., built, and improvements on all other lands duly effected and in their present condition.

The answer to this question will be the valuer's estimate of the unimproved value. It may be said that such an estimate must to a certain extent be guess-work, as it relies for its accuracy largely upon assumption. The valuer has, however, several guides by which to check his estimate. In the first place, it must not be supposed that the practice of estimating unimproved values of land is of recent date only. The unimproved value of the land of the Colony has been estimated from time to time ever since the Land Tax Act of 1878 came into force. A considerable portion of the Colony was then in its unimproved state, and large numbers of sales of unimproved land have taken place since. These sales have really formed the basis on which the present unimproved values have been built up. As the Colony has increased in prosperity so have these values been increased, and when the flow of prosperity has receded so have the unimproved values receded. After having estimated the unimproved value and the value of the improvements, the valuer is able to apply a check on his estimates, as these two values combined must represent the fair-selling value of the whole. If they exceed it then his estimate of the unimproved value, or of the improvements, or of both, is too high, and he must reduce accordingly. If his estimates combined do not reach the total selling-value, then he is too low either in the unimproved value, or in the improvements, or in both, and he must increase his estimates accordingly. In many districts sales have been recently effected of land actually in its unimproved state, or perhaps with very little improvement upon it, and these sales supply still another guide to the valuer in making his estimate of the unimproved value. Under these circumstances it is not a difficult matter for the valuer to arrive at a standard unimproved valuation for the district he is about to deal with. Having arrived at such a standard, it then becomes necessary for him to adjust his values according to the quality of soil, situation, configuration, or other natural peculiarities of each particular holding so as to insure uniformity of unimproved values.

Land tax is levied on the unimproved value, and so also are the local rates in districts where the Rating on Unimproved Values Act is in force. It is, therefore, particularly necessary that uniformity of unimproved values should be studied by the valuer, otherwise one owner would be rated unfairly in comparison with his neighbour.

IMPROVEMENTS.

The Act defines "Improvements" and "Value of improvements" as follows:—

"'Improvements' on land means all work actually done or material used thereon by the expenditure of capital or labour by any owner or occupier of the land, nevertheless in so far only as the effect of such work or material used is to increase the value of the land, and the benefit thereof is unexhausted at the time of valuation, but shall not include work done or material used on or for the benefit of land by the Crown or by any statutory public body, unless such work has been paid for by the contribution of the owner or occupier for that purpose: Provided that the payment of rates or taxes shall not be deemed to be a contribution within the meaning of this definition."

"'Value of improvements' means the sum by which the improvements upon an owner's land increase its value: Provided that the value of improvements shall in no case be deemed to be more than the cost of such improvements estimated at the time of valuation, exclusive of the cost of repairs and maintenance"

Subject to the limitations contained in the above definition, all buildings, fences, planting, draining, private roads and water-races, clearing, permanent grassing, and other work of a permanent nature effected upon land are improvements. It has been frequently urged that the Department should fix a standard value for each class of improvement for the guidance of valuers so as to insure uniformity of value. Beyond issuing instructions that improvements are to be valued at their full market value no restrictions have ever been placed by the Department upon District Valuers in this matter. It would be impossible to fix a maximum or a minimum value for any class of improvement which would be general in application, as the value differs in different parts of the Colony and must also vary according to the condition of the improvements and their degree of usefulness at the date of valuation. Great diversity of opinion moreover exists amongst owners themselves regarding the value of their improvements. This would make it difficult to fix a standard which would give general satisfaction. Take, for instance, the question of clearing. Some owners who have spent money liberally on improvements have been known to claim from £3 to £5 per acre for clearing rich open fern country, while others have complained that an allowance of £2 per acre for clearing and surface-sowing heavy bush land was very excessive.

The valuer must be guided, when valuing details of improvements, by the terms of the above definitions, and it is necessary, therefore, that the limitations referred to should be considered in detail. Anything which can be valued as an improvement must, in the first place, be effected *upon* the land which is benefited by that improvement. A public road may have the effect of increasing the value of the land in the vicinity. This road would not be valued as an improvement, as it is not on the land and is not included in the area which is valued. Were the road a private one, however, such as a farmer would make through his farm for the convenient working of his holding, it would be included in the total area valued, and would then be also valued as an improvement. Improvements can only be valued *to the extent to which they increase the selling value of the land*. This fact should not be forgotten: the valuer must therefore value an improvement at the proportionate sum which it represents in the selling-value of the whole property. We sometimes find a large house built on a small area of farming land. The ordinary farmer who would purchase such a property would not be likely to pay for the house anything approaching its cost—he would only pay the price of a house which suits the requirements of the farm. The selling-value of the house must therefore be valued at what the ordinary purchaser would be likely to give for it, or, in other words, at the sum by which it increases the selling-value of the property. Sometimes an owner will expend his capital and labour injudiciously, and the result will prove detrimental to the land instead of being an improvement. Some lands hold grass better without being first ploughed than they do after the plough. The effect of ploughing in such cases would not be to improve the selling-value. Some improvements, such as ornamental shrubbery, orchards, lawns, vineries, &c., rarely increase the selling-value to the full extent of their cost, and should, therefore, be valued accordingly.

* The definition also tells us that no work can be considered an improvement if the benefit is exhausted at the time of valuation. The Government lends money on the security of improvements, and it is obvious that if exhausted improvements were included in the valuation the security would be a very poor one. English grass may take well and improve by time on some farms, in which case it would be valued at full value. It may, however, on other lands, become choked with noxious weeds, or native grass may take its place, in which case it becomes more or less exhausted, and must be valued accordingly. Gorse, if allowed to spread, may exhaust the grassing, and in some parts of the Colony fern will act similarly if not kept under. Bush clearing will become more or less exhausted if the under-scrub is allowed to grow up.

In many parts of the Colony the land has been cleared for so many years that it is impossible at the present day to say with certainty by what process it was cleared. With regard to land which is known to have been in bush very many years ago but upon which there is no vestige of its former condition now apparent, it becomes a question for the valuer to determine as to whether the land would not sell at the present day at a higher price with the timber on it than it would without the timber. Stumping and logging-up are sometimes carried out by the owner at a considerable outlay of capital or labour, in which case full value is allowed; in

other cases, little or no labour or capital is employed, the stumps and logs becoming decayed by ordinary process of time.

Clearing of open country is often accomplished by burning and by stock running on the land, in which case comparatively little labour or capital may have been expended.

Noxious weeds, if allowed to spread, not only exhaust improvements, but they depreciate the unimproved value as well.

Draining and orchards are improvements which frequently become exhausted. As long as a drain is effective and acts as a drain it necessarily adds to the selling-value and is an improvement; but an open drain which was cut many years ago and has become filled in and grassed over, owing to the necessity for it having passed away, would be considered as exhausted.

Any improvement which has become exhausted and has been renewed, such as is frequently the case with grassing, is valued at the amount by which the then state of the improvement increases the selling-value—not at the accumulated values of the repeated renewals. It would be manifestly improper to lend money on grassing which had been ploughed in.

From the foregoing it will be seen that it devolves upon a valuer to ascertain carefully the *condition* of an improvement before estimating its value. It also devolves upon the owner to afford the valuer all the information in his power, so as to insure a fair and accurate value being placed on his improvements.

Work done by the Crown or a public body is not, the Act says, to be considered an improvement unless it is paid for by the individual, but expenditure by way of rates and taxes is not to be deemed to be payment for the work.

The expenditure of loan-moneys by the Crown or by public bodies is for the benefit of the community or district, and not for the exclusive benefit of any individual or holding.

It would be beyond the powers of any valuer to apportion the value of a public street, railway, telegraph-line, or, in fact, any public work amongst the different holdings which derived benefit from that work.

It has been argued that public works done by small communities, and for which those communities agree to rate themselves, should be valued as an improvement. This, however, is a question which could not in fairness admit of differential treatment. The principle which enables a small community to borrow money for making a water-race on the understanding that it rates itself for the purpose, is the same as that which enables a larger community to borrow money for making a harbour, water-supply, or drainage system on a similar understanding. The only difference is one of degree; the principle is the same in each case.

There is, however, another phase of this question which is of importance. The existence of heavy rates in a district will affect selling-values there. A property outside the boundary will sell, other things being equal, more readily than a property inside such a district. The assessed value will consequently be correspondingly lower where rates are usually heavy, and relief will thus be obtained in the ordinary process of valuation. The question of liability to excessive rates is one which all valuers have to take into consideration when valuing.

The amount at which improvements are to be valued is defined by the Act as the sum by which they increase the selling value of the land, *provided that the value must not exceed the cost*, although it may be below the cost if their condition warrants it. The cost of an improvement is not necessarily its selling value, as its suitability and condition must be taken into consideration.

It is the actual improvement which is valued, not the effect of that improvement. For instance, supposing that the expenditure of a small sum in cutting an outlet for water has converted a swamp into first-class agricultural land. The fact that the swamp was capable of easy drainage would enhance its unimproved value, and the cost only of cutting the drain would be valued as the improvement.

Machinery, whether fixed to the soil or not, is not an improvement, and it is not included in the capital value. The building containing the machinery would, however, be valued as an improvement.

The foregoing describes briefly the limitations imposed by the Act upon the valuer with regard to the valuation of improvements. Were it not for such limitations it would be quite possible—especially in the case of many of the older holdings where money has been spent injudiciously, and where improvements have been renewed again and again—for the valuer to find that in the aggregate the work done by way of improvement exceeded in value the total selling-price of the property.

CAPITAL VALUE.

This is defined as follows:—

“ ‘Capital value’ of land means the sum which the owner’s estate or interest therein, if unencumbered by any mortgage or other charge thereon, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a *bonâ fide* seller might be expected to require.”

The capital value is the fair selling-value in the open market, but not the auction value or value derivable at a forced sale. Valuers are cautioned against taking temporary speculative values as their guide in estimating ordinary selling-values. To arrive at the ordinary selling-value in a district, all the sales which have taken place in that district of recent date are tabulated, and it is not as a rule a difficult matter to ascertain from the prices actually realised—covering an extended period—what is the ordinary selling-value, and whether the tendency is to increase or diminish. The valuer is required to exercise special care in fixing the capital value at such a sum as will be fair to both the borrower and the lender should the property be offered as a security.

It has been frequently contended that there should be one value for loan purposes, and a lower value for rating purposes. Such a contention is quite unsound. If such a system were in force, it would be found that a high value would no more insure a high loan being granted than a low value would insure a low rate being struck. Land can have but one value.

It has been argued that the selling-value does not always represent the true value, as owners, when selling, are frequently satisfied with a small deposit, allowing a large proportion of the purchase-money to remain on mortgage. It must, however, be remembered that so long as a sale is a *bonâ fide* one the purchaser has to pay interest on any sum outstanding; and with a flourishing land-market the security of the land for the unpaid balance should be as good as cash for the owner, and the delay attending the investment of the proceeds is obviated. The valuer must judge as to what constitutes “reasonable terms and conditions of sale,” and is especially cautioned against accepting isolated “boom” prices realised as the standard on which to fix the values of a whole district.

It is also frequently argued that the Act should not make the selling-price the basis of valuation at all, but that all land should be valued on its producing-capacity. As a matter of fact, the producing-power of land must more or less regulate the selling-price. Indirectly, therefore, the producing-power is already a factor in determining the capital value under the present law. But the impossibility of adopting the producing-power as the sole basis of valuation is at once apparent when the subject is fully considered. For instance, how could a valuer estimate the producing-power of a piece of vacant town land which is not producing anything? It might be capable of producing a great deal in the hands of one man, and a very little in the hands of another. Much would depend upon the use it was put to. The good farmer would be valued higher than the bad farmer, although he might have no better farm. Intricate questions would arise as to what was the producing-power of a farm and as to how the income should be ascertained, and the duties of a valuer would largely resolve themselves into a question of accountancy. All owners would require to keep books to show what their land produced. The farm owned by the good farmer would pay higher rates than that of the bad farmer, and good farming would thus be discouraged. These and other objections present themselves to any system of valuation based solely on the assumed productive capacity of the land.

£58 10s. invested annually at 5 per cent. compound interest will, in eleven years, equal the £830 outlay. £830 is then entered in the roll to B, and the balance of the total value (£4,170) to A, the owner.

We can, if we wish, calculate A's interest first, and leave the balance to the lessee—the result will, however, be the same, as will be seen:—

A is entitled to receive—

- (1.) £150 per annum for eleven years, and
- (2.) The reversion of £5,000 at the end of eleven years.

What price could a purchaser afford to pay him for (1) and (2) ?

Answer in respect to (1): This will be ascertained in the same way as in the previous case, the only difference being that in this case a purchaser would be buying £150 per annum instead of £100 per annum for eleven years. By the same process of calculation as before this price is found to be £1,245, that being the present value of £150 per annum for eleven years.

Answer in respect to (2): Such a price as, if invested at 5 per cent. compound interest, would at the end of eleven years equal £5,000.

By computation this sum is found to be £2,925, that being the present value of £5,000 payable at the end of eleven years.

A's interest is thus £1,245 plus £2,925=	£4,170
B's interest is the balance of the £5,000=	830
	£5,000

This is the same result as was arrived at when calculating B's interest first.

Suppose a case, where an owner has leased a property with a purchasing clause, and during the period of the lease the value has gone up considerably. The price stated in the purchasing clause is much below the market value at date of valuation. The lessee here will have a considerable interest, as the owner cannot have a greater selling interest than the present value of the rental plus the present value of the reversion of the amount of purchase-money. The balance of the capital value must go to the lessee.

If at the date of valuation the property had gone back in value and was below the price stated in the purchasing clause, and the rental was not a low rental, it would probably prove a bad bargain for the lessee. The owner's interest would then be represented by the full selling-value, but not more even if that value were below the purchase price stated in the lease. The lessee would, however, have no saleable interest.

In the case of a lessee occupying land at a ground rent *in excess* of the market rental, and himself effecting improvements upon it for which he is entitled to compensation, his interest in the improvements will be reduced by the excess rental capitalised.

In all these calculations the selling-value of the property at the date of valuation must be taken as the foundation.

The principle affecting the valuation of Crown lessees' interests is the same as that affecting other lessees' interests, except that in the case of the leases in perpetuity the lessees' rent is fixed for all time, consequently the calculation is much simpler. Suppose a lessee pays £50 per annum ground rent for a lease in perpetuity when the market ground rental at the date of valuation is, say, £90 per annum, he would have an interest of the difference (£40) capitalised at 5 per cent. = £800. In addition to this he would own the improvements which he had effected.

The foregoing explains the principle upon which leasehold interests are calculated. In practice it is found that special circumstances, such as the existence of a sub-lessee, compensation for improvements, progressive rental, or other conditions in the lease serve to complicate matters, but having explained the principle of assess-

ment it is unnecessary to go further into the method of dealing with these details here.

It will be seen that it is only possible to value the respective interests of owner and leaseholder when the rent, length of lease, and other conditions affecting value are fully stated. It is, therefore, of the utmost importance that valuers should obtain full particulars when valuing properties held on lease, and that owners should afford them all the information they require.

Special provision is contained in the Act for adjusting the relative interests of owner and lessee year by year, and this adjustment will always be made by the Valuer-General when applied to.

Crown leaseholders should bear in mind the distinction between a valuation of improvements made by a Ranger of the Crown Lands Department and a valuation made by a District Valuer of the Valuation Department. In the former case the value is for the purposes of the Lands Department only, and is entirely separate and distinct from the value made by a District Valuer for roll purposes.

ALTERATION OF ROLL VALUES.

When the values appearing on a roll become out of date a revision takes place, but before any revised values can take effect the district must be gazetted for revision by Order in Council. There is no fixed period between one revision and another. The necessity for revision depends upon whether or not the roll values are correct.

When a revision of a district is ordered, the valuer makes a thorough overhaul of the unimproved values as well as the values of improvements and capital values. During the period intervening between revisions the Valuer-General cannot alter *the unimproved values* of the roll entries unless the owner pays a fee to cover the cost, and demands a revaluation of his property, or in case of an admitted error having taken place. During this intervening period, however, the Valuer-General may add the value of improvements which have been put on since the revision, or deduct the value of those taken away.

If additional improvements have been effected to a property prior to the 31st March in any year, they can be rated for the then ensuing year commencing on the 1st April. If they have been effected after the 31st March, however, they cannot be rated until the 1st April of the following year. The person who is occupier on the 31st March is placed on the roll for the rates for the ensuing year, but if a person becomes occupier after the 31st March his name is not entered up until the 1st April following the occupancy. Rolls are thus corrected in respect to occupancy and improvements as at the 31st March in each year, but the unimproved values must remain until a complete revision is ordered by the Governor in Council. The local authority is empowered by the Act to amend its rating roll in respect to the occupancy of land, but cannot amend values without the authority of the Valuer-General. When a property becomes subdivided the Valuer-General divides the existing value on the roll proportionately. No alteration is made in any entry on the roll without giving the owner and occupier due notice, in order that they may object, if necessary, but the omission to give such notice does not invalidate an assessment.

ROLL VALUES AS A GUIDE FOR GRANTING LOANS.

It has been said that roll values are used as a guide to Government Departments when lending money. On receipt of an application for a loan the lending Department is supplied with a copy of the existing roll value of the security. The lending Boards, however, usually require that the security should be again inspected by the valuer before they grant the loan. This necessitates a revaluation of the property, but such revaluation is not used for either taxation or rating purposes. Since the present Act came into force these revaluations for loan purposes have, in almost every case, exceeded the values entered on the roll.

Complaints are frequently made, when applicants have not obtained an advance up to the full two-thirds of these revaluations, that the *roll values* must be excessive,

and consequently that the owners are being overcharged rates and taxes. This complaint is based on an entire misunderstanding. It may be true that the Government Departments do not at times lend up to the full two-thirds of the *revaluation*, but the revaluation is not the *roll* value, but is a special value which has nothing to do with the levying of rates and taxes.

OBJECTIONS AND PROVISIONS IN THE ACT TO PREVENT OVERVALUATIONS.

When the values in a district are revised the new roll is lodged for inspection at some public office, and an advertisement in the papers calls the attention of the public to the fact, so that every person interested may inspect the values. At the same time every owner and occupier receives a notice showing at what value his property is entered. The omission to give notice, however, does not, as has been said, invalidate the assessment. The Department invites the fullest scrutiny of its rolls before submitting them to the Assessment Court. Persons whose names appear on the roll are invited to object if they are of opinion that the valuer has exceeded the selling price, or for other sufficient cause. The fact that the new valuation will cause an increase in the amount of local rates or land-tax payable is not considered a sufficient cause. This Department does not fix the rate in either case, and any such objection can only be based on an assumption that the rate to be levied will be the same as previously. Neither is the fact that the new valuation shows an increase or decrease on the last valuation considered a sufficient ground of objection, as the selling-value may have increased or decreased since the last valuation was made, or the previous valuation may have been erroneous.

Objections to value can only be on the ground that the valuation does not represent the true selling-value, as that is the guide imposed by the Act. Of course there are legitimate reasons for objection on other questions besides the question of value, such as errors in ownership, occupancy, area, or description, &c., which matters are always attended to and corrected without reference to the Assessment Court.

A frequent source of objection is that improvements are valued too high or too low. Before such an objection can be maintained it must be ascertained whether the capital value represents the fair and full selling-value. If, for instance, the capital value of a property is set below the true selling-value, the improvements will necessarily be valued in proportion. In such cases as this an increase in the value of improvements would only serve to increase the capital value, and would not reduce the unimproved value.

Objections to values are invariably referred to the valuer to enable him to review his valuation before the sitting of the Assessment Court, and the objector receives in due course a reply. If the objection has been allowed there is no necessity for the objector to appear at the Court. Should it be disallowed, he may carry it before the Court for consideration. Due notice of the sitting of the Court is given by advertisement, as required by the Act.

If on appeal to the Court the objection is allowed, the reduction is immediately carried into the roll. If, however, the owner is not satisfied with the Court's decision he may, under section 31 of the 1900 Act, *within fourteen days of the hearing*, require the Valuer-General either to reduce to the value which he considers to be the fair selling-value, or else to purchase the property *at that value*.

On the other hand, section 30 of the 1900 Act provides that if the Valuer-General is of opinion that a Court has made an unfair reduction in a valuation, he may, also within fourteen days of the hearing, require the owner to consent to what he considers is the fair selling-value, or else he will acquire the property *at that value* on behalf of the Government.

Power is also given by section 18 of the same Act to an owner to appeal to the Supreme Court on questions of law. On all other questions the decision of the Assessment Court is, however, final.

There is still another course open to an owner who is dissatisfied with his value, and he may adopt it at any time without reference to the date of sitting of the Court. Section 7, subsection (5), of "The Government Valuation of Land Act, 1896,"

provides that an owner, by paying the fee prescribed by regulation to cover the cost, may obtain a revaluation of his property. Such revaluation is subject to the same right of objection and review as it would be in the case of the revision of the district.

The following figures may be of interest to those who study the question of land-valuation :—

TABLE SHOWING CAPITAL VALUES OF LAND IN THE COLONY.

Year of Valuation.				Total Capital Values.	Total Unimproved Values.
				£	£
1878	.	..	..	99,566,679	62,573,868
1882	..	..	..	101,000,000	—
1885	..	..	..	113,270,649	—
1888	..	..	..	111,137,714	75,497,379
1891	..	..	..	122,225,029	75,787,895
1897	..	..	..	138,591,347	84,401,244
1902	..	..	..	154,816,132	94,847,727
1904	..	..	..	182,796,241	112,629,412

TABLE SHOWING NUMBERS OF FREEHOLDERS OF LAND, OUTSIDE OF BOROUGH AND TOWN DISTRICTS, CLASSIFIED ACCORDING TO AREA HELD BY THEM.

Year.	Holders of 5 Acres and under 100 Acres.	Holders of 100 Acres and under 1,000 Acres.	Holders of 1,000 Acres and under 5,000 Acres.	Holders of 5,000 Acres and under 10,000 Acres.	Holders of 10,000 Acres and under 20,000 Acres.	Holders of 20,000 Acres and under 50,000 Acres.	Holders of 50,000 Acres and over.	Total number of Holders.
1882	14,766	14,267	1,281	203	141	83	23	30,764
1885	17,075	15,471	1,425	220	151	79	29	34,450
1888	18,805	16,743	1,413	221	134	89	27	37,432
1891	19,369	17,538	1,558	208	148	84	30	38,935
1902	20,799	20,316	2,144	260	123	70	23	43,735

The total numbers of freeholders in the colony including owners of township lands were as follows :—

In year 1882	...	...	...	...	...	...	...	71,240
„ 1885	...	...	...	...	...	...	...	80,527
„ 1888	...	...	...	...	...	...	...	84,547
„ 1891	...	...	...	...	...	..	..	91,501
„ 1902	...	...	...	...	...	...	...	115,713

N.B.—It should be noted that no leaseholders, Crown or otherwise, are included in the above numbers.

G. F. C. CAMPBELL,
Valuer-General.

Valuation Department,
February 15, 1905.

III.

SUPPLEMENTAL PAPERS ON LAND TAXES

IN

NEW SOUTH WALES.

Papers Relative to the Working of Taxation of the Unimproved Value of Land in New South Wales.

No. 1.

THE SECRETARY OF STATE to THE GOVERNOR.

SIR,

Downing Street, May 24, 1907.

I HAVE the honour to transmit to you, for the consideration of your Ministers, copy of a question asked in the House of Commons by Mr. Wedgwood on the subject of the taxation of land values in New South Wales.

2. In the memorandum enclosed in your despatch of the 28th of May, 1906,* Mr. Spiller states that no system of taxation of land on an unimproved basis for municipal purposes had up to that date been instituted, but that the Local Government (Shires) Act and the Local Government (Municipalities) Bill provided for a Municipal Land Tax on that basis.

3. In a Sydney press telegram published in the "Times" newspaper of the 10th of May, it is stated that in a speech delivered by the Premier on the 9th of May, "Other financial reforms outlined included taxation for local works, such as large municipal operations under a 'Greater Sydney' scheme, levied on unimproved value instead of on industry.

4. I shall be glad to learn whether any further legislation on the subject of taxation on unimproved values of land is contemplated beyond that contained in the Local Government (Municipalities) Bill, which has now passed into law, and if so, what are the scope and nature of such legislation.

5. I have also to enquire whether the Premier is yet in a position to furnish a report on the working of the Local Government (Shires) Act.

I have, &c.,
ELGIN.

Enclosure in No. 1.

House of Commons, Tuesday, May 14, 1907.

Mr. WEDGWOOD asked the Prime Minister, "whether his attention has been called to the proposed legislation in New South Wales involving the paying for town improvements by a rate on the unimproved land value instead of on industry; and whether he will try to obtain and lay upon the Table of this House a report from the Premier of New South Wales on the aims and scope of this proposed legislation, as well as on the Shires Act that was passed in 1905."

* No. 3 in [Cd. 3191] November, 1906.

THE GOVERNOR to THE SECRETARY OF STATE.

(Received August 26, 1907.)

MY LORD,

State Government House, Sydney, July 17, 1907.

WITH reference to Your Lordship's despatch of the 24th May last, on the subject of the taxation of land values, I have the honour to transmit, for Your Lordship's information a report which has been furnished by the Officer-in-Charge, Local Government Branch, on the Local Government legislation of this State, together with copies of Acts and printed Reports referred to in such report.

2. In reply to the inquiry contained in paragraph No. 4 of Your Lordship's despatch, I have to state that my Ministers advise me that no further legislation dealing with taxation on unimproved values of land is at present contemplated.

I have, &c.,

HARRY H. RAWSON,
Governor.

Enclosure in No. 2.

Department of Public Works, N.S.W.,
Local Government Office, July 6, 1907.

MINUTE as to whether any further legislation *re* Taxation of Unimproved Values is contemplated beyond that contained in the Local Government Act.

(1.) The Local Government (Shires) Act, 1905, authorised the constitution of Local Governing Areas, to be called Shires, throughout the State, with the exception of the Western Division, and with the exception of those areas already incorporated in municipalities. The Councils of these Shires were empowered by this Act to levy general rates (not exceeding 2d. in the £) upon the unimproved capital value of all rateable land.

(2.) The Local Government Extension Act, 1906, extended the powers of the Shire Councils: authorised them to levy special, local and loan rates on either the unimproved or the improved, capital value of all rateable land; and extended these provisions for the rating of unimproved or improved capital values to municipalities in respect of general, special, local and loan rates.

(3.) At the end of the 1906 session of Parliament, both the Local Government (Shires) Act, 1905, and the Local Government Extension Act, 1906, were consolidated in an Act called the Local Government Act, 1906.

(4.) The Shire Councils were only elected in November, 1905, and, because of the vast extent of their territories, and other reasons, have not yet completed the compilation of their valuations, so that, up to the present, none of them have actually levied their rates. For this reason this Department is not yet in a position to furnish a report on the working of those sections of the Act dealing with the rating of land values.

(5.) In the Local Government Act it was provided that the sections of the Act respecting valuations and rates should not come into operation *in municipalities* until a date to be proclaimed by the Governor, though the rest of the Act came into operation on receiving His Excellency's assent. It has been decided that the valuing and rating sections of the Act shall be proclaimed to come into operation in municipalities on 1st of January, 1908. In the year 1908, therefore, the Councils of municipalities will (a) levy their general rates on the unimproved capital value of land; (b) levy their additional general rates, if any such are required, on either the unimproved or the improved capital value; and (c) levy such special, local or loan rates as they require on either the unimproved or improved capital value. A report on the effect of these changes in the basis of municipal rating cannot therefore very well be prepared till, at the earliest, about the middle of the year 1909, and would even then, I think, be premature. A true view of the effect of so far-reaching and important a change cannot, I submit, be expected to be attained until after it has been in operation for a period of years.

(6.) So far as I am aware no further legislation on the subject of the taxation of unimproved capital values of land is contemplated, with the following exception: the Local Government Act, 1906, applies to all shires and municipalities throughout the State outside the capital city, Sydney. Sydney has a separate constitution of its own, under which its rates are all levied on the annual rental values. A Bill has been prepared having for its object the unification of the City of Sydney and the congeries of some 40 odd suburban municipalities by which it is surrounded. These suburbs are really part and parcel of our great metropolis, which has, as years have gone by, spread in ever-widening circles over the country surrounding the original seaport city which was incorporated as the Municipality of Sydney. As the suburbs grew and became desirous of participating in the benefits of a system of local self-government, they were, instead of being added to and incorporated with the municipal body of Sydney, erected each into a separate municipal body of its own. All these suburban municipalities are now under the operation of the Local Government Act; and the anomaly remains of a whole State in which the principle of local taxation being levied on land values is in operation, while in the capital city of the State the basis of taxation is still the rental value. If the Greater Sydney Bill become Law there will be held a Convention, or a series of Conventions, in which representatives of the city and of the surrounding municipalities will confer as to the best method of union; and if such conventions arrive at a satisfactory solution of the questions involved, the Governor will have power to consummate the union, and thereupon the present constitution of the City Council will be dissolved, the Local Government Act, 1906, will be applied to the united city, and the principle of taxation on land values for Local Government purposes will be operative throughout the whole of the State.

(7.) It is to be noted, for the information of the Imperial Government, however, that the Local Government Act itself does not imperatively compel the adoption of the unimproved capital value alone as the basis of all municipal taxes. Rather it may be said, with certain reservations, to confer the rights of local option as to the basis of taxation. Thus:—

- (a) Shire general rates must be only on the unimproved capital value of land.
- (b) Municipal general rates must be only on the unimproved capital value of land.
- (c) Municipal additional general rates may be either on the unimproved capital value or on the improved capital value at the option of the Council subject to the right of the ratepayers to demand a poll of ratepayers on the question.
- (d) Both Shire and municipal special, local or loan rates may be either on the unimproved or improved capital value subject to the right to demand a poll as above.

(8.) There still exists a body performing Local Government functions which levies and will continue for the present to levy rates on the rental value. This is the Metropolitan Board of Water Supply and Sewerage, which controls the great system of water supplies and sewers throughout the city and suburbs (the same territory as is governed by the City Council and the 40 odd suburban Councils). If, however, the experience gained by the city and suburban Councils of the taxation of land values is such as to justify the changing of the rating basis of this Board, no doubt action with that end in view will follow. Indeed, it is to be noted that, if the proposals for the unification of the city and suburbs arrive at fruition, the Cities Extension Bill provides means whereby the Metropolitan Board of Water Supply and Sewerage may be dissolved and its powers and duties transferred to the Greater Sydney Council; and in connection with such a change it is highly probable that the change of the basis of rating would also be made, so that there would be but one basis of taxation for all metropolitan rating purposes.

(9.) The observations in the preceding paragraph apply also to the City of Newcastle with its surrounding suburbs (each a separate municipality), and the Hunter District Water Supply and Sewerage Board, which controls the water supply and sewerage of the Newcastle district. The Cities Extension Bill contemplates the formation of a Greater Newcastle on the same lines as a Greater Sydney; and Greater Newcastle, if constituted, would probably be empowered to take over the work of the Hunter District Board, whereupon the basis of rating would probably be altered to agree with that of the Local Government Act.

(10.) For the information of the Imperial Government I attach hereto copies of—

- (i) The Local Government (Shires) Act, 1905.*
- (ii) The Local Government Extension Act, 1906.*
- (iii) The Local Government Act, 1906.*
- (iv) The Interim Report of the Local Government Areas Commission, 1905 (in which will be found an attempt to forecast the effect on the finances of the Shires and of the State Government, of the passing of the Local Government (Shires) Act, 1905).
- (v) The Report of the Local Government Areas Commission, 1905, on their work in dividing the State into shires (1905).*
- (vi) The Report of the Officer-in-Charge, Local Government, on the Probable Financial Effect of the Local Government Extension Bill (1906).
- (vii) The Report of the Officer-in-Charge, Local Government, on certain amendments respecting the Basis of Rating and Limit of Rates proposed to be made by the Legislative Council in the Local Government Extension Bill (1906).

From these documents a good general idea may be obtained of the probable finances of the Local Governing areas under the new legislation; but at present it is not possible to say what the actual effect has been either on local government finance, on State finance, on land values, or on industry.

J. GARLICK,
Officer-in-Charge,
Local Government.

Colonial Office,
London.

LOCAL GOVERNMENT AREAS COMMISSION.

INTERIM REPORT.

To His Excellency the Honourable Sir FREDERICK MATTHEW DARLEY, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Lieutenant-Governor of the State of New South Wales and its Dependencies, in the Commonwealth of Australia.

MAY IT PLEASE YOUR EXCELLENCY,—

1. WE, your Commissioners, appointed on the 7th day of January last, "to divide such parts of the State of New South Wales as are not within the boundaries of the City of Sydney, or of any municipality incorporated under the Municipalities Act, 1897, nor within the Western Division as defined by the Western Lands Act, 1901, into Local Government Areas, to be called Shires," have the honour, in deference to the wishes of the Honourable the Premier and Colonial Treasurer, to submit to you the following interim report:—

2. On the 15th of February, your Commissioners completed their *preliminary* division of the State, in accordance with the directions contained in their Commission; but the work of preparing maps and technical descriptions, which was at once taken in hand, was not finished until the 24th March. On that date, the necessary "Gazette" notification of the proposed boundaries of the Shires was published, and the maps were exhibited throughout the areas affected, a period of sixty days being allowed, in accordance with the terms of the Commission, for any persons who might be dissatisfied with such proposed boundaries to lodge objections thereto. This period expired on the 23rd of May, and your Commissioners are now engaged in considering the objections received.

3. In the meantime, a detailed investigation has been made by Mr. R. E. Jones, Assistant Engineer, Roads Branch, Department of Public Works, into the probable financial effect of the introduction of Local Government, based on three factors, viz.: (i) the Preliminary Division of the Eastern and Central Divisions into 131 Shires (with an alteration subsequently determined on, making the number of Shires 132); (ii) the proposed Shires Bill; and (iii) the financial year 1904-5. The investigation, therefore, is designed to show what would have been the effect on the finances of (a) the Shires, and (b) the State Government, if the Shires Bill,

* Not reprinted.

which, we understand, provides for endowment, during the first three years, at such a rate that no Shire need levy a higher general rate than 1d. in the £ on the unimproved value of all rateable land, had been in operation, in the 132 proposed Shires, during the financial year 1904-5. This is shown in the accompanying statements,* which comprise:—

Return A.—A statement showing the probable revenue and expenditure of the Shires individually, including—

- (a) Probable unimproved value of land in Shires, as compiled from information supplied by the Taxation Department;
- (b) Cost of roads, bridges, ferries, public watering-places, wharves, &c., &c. (except National Works), in the Shires, based on the votes of the public Works Department for the year 1904-5;
- (c) Estimated subsidy to be paid by the Government;
- (d) Amount to be raised by the Shires as general rates;
- (e) The rate per £ (on the unimproved value) of the general rate in each Shire.

Return B.—A statement showing probable financial position of the Shires collectively.

Return C.—A statement showing probable effect on the finances of the Government, *i.e.*, the estimated expenditure, set side by side with the actual votes (in respect of the Public Works Department) for 1904-5.

Return D.—A schedule of works which would probably be regarded as National on the introduction of Local Government, and would therefore be maintained by the State instead of by local bodies.

4. In order to present clearly what these returns convey, and to afford supplementary information which will assist towards a thorough understanding of the effect of Local Government under the Bill contemplated by the Government, the following paragraphs have been prepared, dealing with:—

I. (a) Works handed over to Shires—

- (i) Roads.
- (ii) Bridges.
- (iii) Punts and ferries.
- (iv) Wharves and jetties.
- (v) Public Watering-places.
- (vi) State assets handed over to Shires.
- (vii) Revenue-producing works.

(b) Works retained by the State—"National Works"—

- (i) Bridges.
- (ii) Wharves and jetties.

II. Financial position of Shires—

- (i) Expenditure on works—Cost of administration.
- (ii) The unimproved capital value of rateable land in the Shires.
- (iii) Rates and endowment.
- (iv) Average rate on unimproved value.
- (v) The aggregate expenditure of the Shires.
- (vi) The revenues of the Shires.
- (vii) The return of the land tax.
- (viii) The rating of Crown lands.

III. Effect of the finances of the State—

(a) *Debits*:—

- (i) Government contributions to the revenues of the Shires.
- (ii) Government expenditure on local works—
National works in Shires.
Works in Municipalities.
Works in Western Divisions.
- (iii) Other public works not included in scheme of Shire Government.
- (iv) Cost of Local Government Branch of Public Works Department.
- (v) Subsidy to two proposed new municipalities.
- (vi) Allowances to officers dispensed with.
- (vii) Total debits.

(b) Credits :--

- (i) Revenue received from local works.
- (ii) Saving in Land Tax Department.
- (iii) Minor savings in various Departments.
- (iv) Present expenditure of Public Works Department, as per votes 1904-5.
- (v) Total credits.

*(c) Saving to the State by the adoption of the Shires Bill.*I.—*(a) WORKS HANDED OVER TO SHIRES.*

5. It will be noticed that the works to be handed over to the Shires comprise roads and bridges, punts and ferries, and public watering-places; but that certain wharves and bridges have been excluded and classed as national works.

(i) Roads.

6. Without exception all roads within Shires are to be handed over to the Councils. Their maintenance will not present any great engineering difficulties for the Shires to overcome, and, in an emergency, the Shires will be able to obtain advice from the Inspecting Engineers on the Staff of the proposed Local Government Commissioners. These roads are, in the aggregate, 28,500 miles in length, and cost the State £9,870,000 to construct.

7. Some of the municipal bodies appear to think that the roads near towns will be neglected; but the Commissioners have, under the Bill, ample power of supervision over this and similar matters. In any case, this anxiety would not appear to be well-founded, for the inhabitants of the Shires must recognise the importance to themselves of maintaining in good order the avenues of traffic to their market towns and railway centres; and, therefore, will not be likely to let them fall into disrepair.

8. When the new system comes into operation it will probably be necessary for the Governor, on the recommendation of the Commissioners, to make special regulations regarding the maintenance of through lines of road connecting the coast with the table-lands. The central lengths of these roads pass through sparsely-settled country, which is of low value, and will not produce a sufficient revenue from rates to pay for the upkeep of these parts of the roads; and these lengths, being connecting links, must not be neglected.

9. Many years ago the trunk lines of road throughout the State were gazetted as "Main Roads," by virtue of which they are maintained at the cost of the State generally, whether they run through municipalities or through the areas not yet incorporated. By the construction of railways, of other roads, by the diversion of trade, or by the operation of other factors of change, however, the traffic on these roads has, in many cases, fallen off considerably, and they now serve merely local interests. It is not proposed, therefore, to treat them as National Works (which would involve the upkeep of a large portion of the present Roads Department), but, where they are within Shire boundaries, to hand them over to the Shires.

10. Until a new act dealing with municipalities is passed it will probably be necessary for the State to continue to maintain these "Main Roads," where they are *within municipalities*, as at present, although it seems inconsistent to do so after the Shires have taken up the duty of caring for the portions which are outside the municipalities. The land within municipalities will, however, continue subject to land tax until the proposed Local Government Bill becomes law; while the Shires will be relieved from payment of land tax immediately upon taking up the duties of self-government. The amount at present expended by the State within municipalities on roads, bridges, wharves, and ferries is £65,079 per annum.

(ii) Bridges.

11. In addition to 28,500 miles of roads, there will be handed over to the Shires, 3,076 bridges, of an aggregate length of 208,049 feet, the construction of which has cost the State the sum of £1,082,603.

(iii) Punts and Ferries.

12. The value of the ninety-two punts and ferries (some operated by steam power), with boats, &c., which will be transferred to the Shires, is £31,840.

(iv) Wharves and Jetties.

13. The 144 wharves and jetties to be transferred to the Shires cost about £37,450; and although at present little direct revenue is obtained from them, it seems probable that, under local control, the cost of repairs and renewals will be minimised.

(v) Public Watering-places.

14. The public watering-places which will be handed over to the Councils include:—

24 flowing and pumping bores, which cost	£100,337
146 tanks, 50 wells, 30 dams, and improvements to springs, which cost	214,674
Making a total of	<u>£315,011</u>

15. Another State asset transferred is the land occupied by and set apart as public watering-places—about 99,000 acres of generally well-improved land, much of it fenced, and part of it cleared—which might be roughly valued at £159,000.

(vi) State Assets handed over to Shires.

16. The assets which the State will thus hand over to the Shires are, therefore:—

Roads	costing £9,870,000
Bridges	1,082,603
Punts and ferries	31,840
Wharves and jetties	37,450
Public watering-places	315,011
Public watering-places, land valued at	159,000
making a total of £11,495,904 worth of useful works to be handed over to be controlled by the Shires.	

(vii) Revenue to be handed over to the Shires with certain works.

17. Some of the works to be handed over are revenue-producing. Thus the punts and ferries produce £3,669 per annum, and the public watering-places, &c., &c., produce £3,894 per annum, making a total of £7,563, which will be collected by the Shire Councils and applied by them for the benefit of the locality.

I.—(b) WORKS (BEING NATIONAL WORKS) WHICH WILL NOT BE HANDED OVER TO THE SHIRES.

(i) Bridges.

18. In addition to the pecuniary help, in the shape of subsidy, land tax, &c., given by the State to the Shires, it is probable that, under the provisions of the proposed Shires Bill as to national works, the State will continue to bear the cost of maintenance and renewal of no fewer than 168 bridges, situated either wholly or partly in the Shires, the building of which has cost the State a capital sum of £1,086,040, as shown on Statement D* attached.

19. Though these structures are perhaps in many cases of more benefit to the local people than to the State at large, yet, from the nature of their construction and costliness, their maintenance and renewal might unduly strain the finances of the Shires, whilst it is almost certain that, if handed over to the Shires and by them allowed to fall to ruin, these bridges would have to be renewed or rebuilt at the expense of the State. It is therefore thought wiser to treat these important structures as "National Works" under the provisions of the Bill, and to include an estimate of the cost of their maintenance and renewal in Statement C.*

* Not reprinted.

(ii) Wharves and Jetties.

20. For similar reasons a number of important wharves and jetties (Statement D*), such as those at Byron Bay, Woolgoolga, and Coff's Harbour, have been classed as national works, and provision made in the estimate (Statement C*) for the State to maintain and renew them.

II.—FINANCIAL POSITION OF THE SHIRES.

(i) Expenditure on Works.—Cost of Administration.

21. The cost of maintaining and renewing the £11,495,904 worth of works which the Shires will take over is for the year 1904-5, £346,731. Of this amount £7,563 will be derived from tolls on punts, ferries, public watering-places, &c., leaving a net expenditure on works of £339,168. To this will need to be added the cost of administration (office rent, salaries, &c., &c.).

22. In arriving at the probable cost of administration, the basis adopted was 10 per cent. on the expenditure for works, &c.; but in no case has a lower sum than £300 been set down. The aggregate cost of administration for the 132 Shires, thus estimated, is £44,340, equal to 13 per cent. on the cost of works.

23. Adding the estimated cost of administration, £44,340, to the net cost of the works, £339,168, it is found that the total expenditure to be provided for by rates and Government endowment amounts to £383,508. The details of these estimates are shown on Return A.*

(ii) The Unimproved Capital Value of Rateable Land in the Shires.

24. In order that an estimate could be made of the value of the land in the Shires, and that an idea could thereby be obtained of the probable financial position of each Shire individually, the Land Tax Department was asked to furnish a Return showing the unimproved value of the unincorporated land in private possession in each Parish in the Eastern and Central Divisions. This they very courteously did; and on the information so obtained a close approximation to the value of such land in each Shire has been arrived at.

25. The aggregate unimproved capital value of the *privately owned* lands in the 132 Shires is £67,131,466. The lowest value for a single Shire is £112,704, and the highest is £1,147,069; while there are—

10	Shires	in which the value of the land is below	£200,000.		
23	"	"	"	"	between £200,000 and £300,000.
24	"	"	"	"	300,000 " 400,000.
20	"	"	"	"	400,000 " 500,000.
15	"	"	"	"	500,000 " 600,000.
8	"	"	"	"	600,000 " 700,000.
11	"	"	"	"	700,000 " 800,000.
4	"	"	"	"	800,000 " 900,000.
10	"	"	"	"	900,000 " 1,000,000.
7	"	"	"	"	over £1,000,000.

(iii) Rates and Endowment.

26. Even if the Shires received no endowment from the Government, but had to raise the whole of their expenditure, viz., £383,508, by local taxation, the average rate on the unimproved value, £67,131,466, would be only 1.37d. in the £.

27. Under the provisions of the Shires Bill, however, it is now understood that the Shire Revenues are, for the first three years, to be supplemented with an endowment on such a scale that no Shire will need, during that period, to levy a rate higher than 1d. in the £ on the unimproved capital value of the rateable land in its area; and in calculating the probable rates in the various Shires, as shown in Return A*, this has been borne in mind.

28. The calculations thus made show that there are 42 Shires which can pay their way on a rate of less than the present land tax (viz., 1d. in the £). Indeed, if the latter rate were levied in these Shires, it would produce £62,886 more than the amount they require for the upkeep of their roads and other works on the present scale of expenditure, plus the cost of administration.

* Not reprinted.

29. In the remaining ninety Shires, however, it will be necessary for the Councils to levy a rate of 1d. in the £, and for the Government to grant endowment at varying rates in order to provide for expenditure on roads and bridges and other works on the scale of the Votes for 1904-5—a scale which may be considered sufficient for necessary works and maintenance, with a reasonable margin for emergencies.

30. By the levying of a General Rate of 1d. in the £ in the ninety Shires referred to, and the raising of the sum required in the forty-two Shires previously mentioned, by a General Rate of less than 1d., the total amount of the General Rates throughout all the Shires will be £216,826, and, as the net cost of works and administration is, as already shown, £383,508, the sum which the Government will provide by way of endowment will be £166,682.

(iv) Average Rate on Unimproved Value.

31. The amount to be raised by the Shires being £216,826, and the unimproved capital value of privately-owned lands in the 132 proposed Shires being £67,131,466, the average of the General Rates on this basis would be 0·77 of a penny in the £. As will be referred to in a later paragraph, however, certain Crown lands, valued at £8,392,862, will be rateable under the Shires Bill, so that the total value of *all* rateable land in the Shires will probably be in the neighbourhood of £75,524,328; and, to raise the sum of £216,826 on this, an *average general rate* of 0·69 of a penny in the £ would suffice.

(v) The Aggregate Expenditure of the Shires.

32. The cost of maintaining and renewing the main and minor roads in the Shires, as scheduled for 1904-5, will be £276,081; the cost for unclassified roads, £20,970; for repairs and renewals of bridges, with some allowances towards new bridges, £32,090; cost of working, repairs, and renewals of punts and ferries, £9,276; cost of subsidies, repairs, and renewals of public watering-places, £6,499; cost of repairs and renewals to wharves, £1,815. Thus the total cost of works will be £346,731, which, with £44,340 added for cost of administration, is increased to a grand total of £391,071.

(vi) Revenues of the Shires.

33. The Shire revenues will consist of tolls on public ferries, &c., rents of public watering-places, the Government endowment, and the rates.

34. From punts and ferries they would have received during 1904-5 the sum of £3,669; from public watering-places, £3,894. The Government subsidy, as has been previously shown, would have been £166,682; leaving £216,826 to be raised by local taxation.

35. By the repeal of the land tax on the inauguration of self-government in the Shires, however, the State will surrender to the ratepayers in the Shires a sum of about £167,000, so that the additional taxation will amount to but £49,826, or 0·16 of a penny in the £ on the unimproved capital value of all rateable land throughout the Shires (*viz.*, £75,524,328).

36. This additional taxation of £49,826 will result from the fact of certain lands, now exempt from Land Tax, being subject to be assessed for general rates under Local Government. These comprise all small parcels of land of an unimproved capital value of less than £240, owned by persons who possess no other land; land to the value of £240 deducted (for Land Tax purposes) from all holdings of which the unimproved capital value exceeds that amount; occupied Crown lands, and other lands exempted from Land Tax at the present time. Obviously, when the land tax for *national purposes* is remitted, and the revenues yielded by local land taxation are used for the purpose of effecting *local improvements*, it would appear to be equitable that all the lands so benefited should be required to contribute their fair share of the necessary local rates.

(vii) The Return of the Land Tax.

37. The repeal of the land tax, as has been pointed out, will mean that a sum of (approximately) £167,000, now collected for the purposes of the Central Government, will be available for local purposes, and will go a very long way indeed

towards defraying the cost of Local Government. The Taxation Commissioners were not able, however, to allocate this amount among the proposed Shires, so that your Commissioners have had to fall back on a somewhat arbitrary method of estimating the effect of this remission on the individual Shires. If it may be supposed that the mortgages and other exemptions are fairly evenly distributed among the Shires (which may or may not be the case), then the amount of the tax remitted to a particular Shire might be taken to be in the proportion of its unimproved value to the total unimproved value of all the Shires. By this rough and ready method, it would appear that in seven Shires in the pastoral districts between Moree and Warren the amount of tax remitted exceeds the cost of works by about £1,260; and on the Murray and Murrumbidgee Rivers there are seventeen Shires in which the amount of the tax remitted will be about £36,961, while the cost of the works, &c., is only £26,010, so that there will be a balance in favour of the rate-payers of £10,951. In all of these cases a general rate of less than 1d. in the £ on the unimproved value will provide for all requirements, without subsidy.

38. On the other hand, there are sixteen Shires on or near to the North Coast whose works and supervision will cost £75,869, whereas the land tax remitted will be only about £10,852, and a rate of 1d. in the £ would yield only £18,166, so that the State will have to supplement the Shire revenues by way of endowment to the extent of £57,703.

39. The two classes of cases cited illustrate the extremes—the land tax remitted being, in the former class, much more, and, in the latter class, much less, than sufficient for local works. The remainder of the Shires occupy an intermediate position, where the land tax remitted either balances, or more or less nearly approaches, the cost of works, the amount of endowment required being in each case proportioned to the excess of the needs of the area over what would be yielded by a general rate of 1d. in the £.

(viii) *The Rating of Crown Lands.*

40. In the foregoing estimates no allowance has been anywhere made (except in pars. 31 and 35), for the fact that occupied Crown lands will be rateable, whether occupied by the Crown for public purposes, or by a tenant, lessee, or licensee, for private purposes. It has not been found possible to obtain detailed information upon which the value of such land in each separate Shire could be ascertained, so that as regards Crown lands occupied by the Crown (for railways, schools, gaols, court-houses, &c.) a mere rough estimate of the unimproved value of the land at £89,502 has been made; and as regards Crown lands occupied for private purposes, the Government Statistician's returns of the rental paid for these lands to the State have been taken as the basis of the estimate. Thus, in 1904, the rental received from Crown lands in the Eastern Division was £149,817; and in the Central Division it was £265,351. By the Shire Bill the capital value of land held under lease or licence from the Crown is defined as twenty times the rental: so that the capital value of such land in the Eastern Division may be taken as £2,996,340, and in the Central Division as £5,307,020, making a total of £8,303,360.

41. As it is not possible, at present, to allocate these lands among the separate Shires, no attempt has been made to trace the extent to which the taxation of such lands will supplement the revenues of the Shires *individually*. A roughly approximate idea of the effect on the finances of the Shires *collectively* may, however, be obtained in the following manner. The cost of works in all the Shires, less tolls, rents, &c., and less the Government endowment, is, as before stated, £246,125. Adding the unimproved value of private lands, £67,131,466, to the value of Crown lands occupied by private persons, £8,303,360, and the value of Crown lands occupied by the Crown, £89,502, the total unimproved value of rateable lands in the Shires is found to be somewhere about £75,524,328, and to raise the necessary £216,826 on this sum would require only an average rate throughout the Shires of 0·69 of a penny, instead of 0·77 of a penny if raised on the private land alone.

42. The rates which the Government will be called upon to pay, as the result of Crown lands occupied by the Crown (for other than charitable purposes) being subject to Shire rates, will be, therefore, on an average, less than 1d. in the £ on the unimproved value. This value is, as previously stated, estimated at £89,502, so that the total amount to be paid will probably not exceed £380,

III.—EFFECT OF SHIRE SYSTEM ON THE FINANCES OF THE STATE.

43. In order to form an estimate of the effect which the introduction of local government in the proposed Shires would have on the general finances of the State, Return C* attached has been prepared in the form of a balance-sheet, in which there appear, on the one side, the cost of the proposed system of local government, plus the cost of the reduced Department of Public Works; and, on the other side, the present cost of the Works Department, plus various items of present expenditure in other Departments which it is considered may be saved as the result of the changed conditions.

44. The following is a concise explanation of this Balance-sheet :—

(a) DEBITS.

(i) *Government Contributions to Revenue of Shires.*

45. As has been already shown, it is estimated that the Government will subsidise the Shires to the extent of £166,682; and, on handing over certain works (ferries, public watering-places, &c.), will relinquish the revenues derived therefrom, viz., £7,563; in addition to which £167,000 of revenue now derived from the land tax will be remitted; and the rates on Crown land occupied by the State will amount to about £380. The Government will therefore contribute a sum amounting in the gross to £341,625.

(ii) *Government Expenditure on Local Works.*

National Works in Shires.

46. The amount of the Government expenditure during 1904–5 on the bridges, wharves, and jetties which, as “National Works,” it is not proposed to hand over to the Shire Councils, will be, on 121 bridges wholly within the Shires, and 46 on the Shire boundaries, of an aggregate length of 54,771 feet, £10,653; on 7 wharves and jetties (including those at Byron Bay, Woolgoolga, Coff’s Harbour, Eden, &c.), £4,250; or a total of £14,903.

Works in Municipalities.

47. Until the passage of the more comprehensive Local Government Bill giving extended powers to, and repealing the Land Tax in, municipalities, the Government will be expected to continue to carry out or pay for works as at present. This expenditure will include scheduled roads, £29,741; unclassified roads, £10,000; main roads in the proposed new municipalities of Wahroongah and Lindfield, £900; extensions of minor roads into or through municipalities, £5,669; bridges, 52,477 lineal feet, £10,207; wharves, jetties, &c., £2,901; punts and ferries, £5,661; making a total of £65,079.

Works in the Western Division.

48. As the Western Division is not, at present, included in the scheme of Shire Government, the State will continue to carry out works therein as at present, as follow :—Scheduled roads, £6,120; unclassified roads, £750; bridges, 14,791 lineal feet, £2,870; punts and ferries, £305; public watering-places, £8,139; wharves at Bourke, Wilcannia, Wentworth, Balranald, &c., £250; making a total of £18,434.

(iii) *Other Public Works not included in Scheme of Shire Government.*

49. The remaining expenditure of the Public Works Department on works which it is not proposed to hand over to the local governing bodies (such as railway and tramway construction, public buildings, docks, sewerage construction, water conservation, harbour and river works), and on miscellaneous services, salaries, and various other items on the Public Works Department’s estimates for 1904–5, amounts to £251,494.

(iv) *Cost of Local Government Branch of Public Works Department.*

50. To administer the scheme of Local Government, the Bill provides for the appointment of three Commissioners, and, in any estimate of the effect of the scheme

on the finances of the State, it is necessary to take into account the probable expenditure on their office, including the salaries of the Commissioners, Secretary, and staff of Clerks, Inspecting Engineers, and Examiners of Accounts. The sum of £8,100 has been set down to cover this.

(v) *Subsidy to Two new Municipalities.*

51. Another item which must be taken into account is the probable endowment of the two proposed new municipalities of Wairoonga and Lindfield, which, if incorporated under the present Municipalities Act, will be entitled to a subsidy of 20s. in the £ on the General Rate collected. The unimproved capital value of the land in these two areas is £721,080. If the value of the improvements can be estimated at about £881,320, the total *improved* capital value may be taken as £1,602,400. Taking the annual value at five per cent. on the improved capital value, it will be £80,120, and a rate of 6d. in the £ on nine-tenths of this (which, it is considered, will probably be sufficient) will yield about £1,803. The amount of subsidy which the State will contribute will, therefore, be the same, £1,803.

(vi) *Allowances to Officers dispensed with.*

52. As a number of public servants will be deprived of office by the transfer of their work to Shire control, and by the lessening of clerical and accountancy work in the Public Works Department head office, a number of them may be dispensed with if their services cannot be utilised elsewhere in the public service, and, of these, some will have claims to allowances under the Superannuation Act. The sum of £9,000 has therefore been set down for the payment of pensions, retiring allowances, &c.

(vii) *Total Debits.*

53. The gross cost to the government under the new scheme will therefore probably be—

	£
(i) Contributions to Revenue of Shires	341,625
(ii) Government expenditure on local works:—	
National Works in Shires	14,903
Works in Municipalities	65,079
Works in Western Division... ..	18,434
(iii) Other Public Works and salaries not included in scheme of Shire Government... ..	251,494
(iv) Local Government Commissioners' Department	8,100
(v) Subsidy to two proposed new Municipalities	1,803
(vi) Allowances to officers dispensed with	9,000
	<hr/>
Total cost	£710,438
	<hr/>

(b) CREDITS.

(i) *Revenue received from Local Works.*

54. The revenue which it is estimated will be received from ferries wholly and partly within the municipalities is £3,268; from the Victorian Government towards maintenance and renewal of bridges over the Murray River, £307; from public watering-places in the Western Division, £2,401; from wharves, jetties, &c., at Wollongong, Tweed Heads, Port Kembla, &c., £1,000; making a total of £6,976.

(ii) *Saving in Land Tax Department.*

55. In view of the remission of land tax throughout the Shires it will be possible to effect a reduction of the expenditure in connection with the Taxation

Department. As an estimate of what this saving might be, the sum of £13,360 has been set down. This sum has been arrived at by taking 8 per cent. on £167,000, the amount of land tax to be remitted.

(iii) *Minor Savings in various Departments.*

56. The reduction of the activities and duties of the central Government, necessitating a reduction of the staff of the Public Works Department and of the Taxation Department, will render it possible to effect a saving in the cost of stationery, stores, furniture, &c., estimated at £1,500. A saving will probably be effected also in the Treasury and Audit Departments, due to the same causes, which is estimated at £1,800. These estimated savings amount to an aggregate of £3,300.

(iv) *Present Expenditure of Public Works Department.*

57. Having included in the Statement of Debits the whole of the estimated costs of the Public Works Department under the new conditions, it is necessary to place on the other side of the balance-sheet the present cost of the Department for "Works" and "Salaries" charged to revenue, viz., £751,978.

(v) *Total Credits.*

58. Summarising the above-mentioned items, the credit side of the balance-sheet will be as follows:—

	£
(i) Revenue received from Local Works	6,976
(ii) Savings in Land Tax Department	13,360
(iii) Minor savings in various Departments	3,300
(iv) Present expenditure of Public Works Department, as per 1904-5 Votes	751,978
Making a total of	<u>£775,614</u>

(c) *Saving to the State by the adoption of the Shires Bill.*

59. The difference between the total credits as shown above, £775,614, and the total debits, as shown on a previous page, £710,438, is £65,176, and this is the amount which it is estimated will be saved to the State by the adoption of the system of Local Government for the unincorporated areas of the Eastern and Central Divisions, which is outlined in the Shires Bill, during the period in which the State endows the Shires to an extent which renders unnecessary any higher general rate than 1d. in the £.

60. Your Commissioners desire to fully acknowledge the services rendered to them by Mr. W. H. Hall, the Acting Government Statistician, and by Mr. R. E. Jones, of the Public Works Department, who assisted the Commissioners in the work of preparing the preliminary scheme of division. Mr. Jones also is responsible for the preparation, after careful investigation, of the Returns which accompany this Report. We also desire to recognise, in the fullest manner possible, the assistance rendered by Mr. Garlick, the Secretary to the Commission.

We have, &c.,
H. CURRY,
Commissioner.
J. DAVIS,
Commissioner.

J. GARLICK,
Secretary, June 27, 1905.

REPORTS ON THE PROBABLE FINANCIAL EFFECT OF THE LOCAL GOVERNMENT EXTENSION
BILL ON MUNICIPALITIES.

- I. REPORT BY THE OFFICER-IN-CHARGE, LOCAL GOVERNMENT.
II. REPORT BY ACTING GOVERNMENT STATISTICIAN.
III. REPORT BY THE LOCAL GOVERNMENT ENGINEER.

I.

REPORT BY THE OFFICER-IN-CHARGE, LOCAL GOVERNMENT.

Local Government Office, July 12, 1906.

PROBABLE FINANCIAL EFFECT OF THE LOCAL GOVERNMENT EXTENSION BILL.

1. In view of the preparation of the Local Government Extension Bill, which is designed to supersede the existing Municipalities Act, the Government Statistician was asked to prepare, and has furnished, the returns* enumerated hereunder:—

Return No. 1.—Return showing probable financial position of the municipalities under the Local Government Extension Bill, including, for each municipality—

- (a) The unimproved capital value.
- (b) The improved capital value.
- (c) The rental value.
- (d) The estimated expenditure in the municipality for general purposes, comprising—
 - (i) Present general purposes expenditure of the municipality.
 - (ii) Expenditure of Government in the municipality for general purposes, which will, when Bill comes into force, be borne by municipality.
 - (iii) Total of (i) and (ii).
- (e) The estimated revenue of the municipality from the following sources:—
 - (i) Estimated endowment under rights conferred by existing Municipalities Act, 1897.
 - (ii) Estimated endowment under Local Government Extension Bill.
 - (iii) Estimated receipts from general rate of 1d. in £ on unimproved capital value (on the imposition of which the present Land Tax is to be suspended).
 - (iv) Total of (i), (ii), and (iii).
- (f) Balance remaining to be raised to provide for estimated expenditure for general purposes—deduct (e) from (d).
- (g) Estimated additional general rate which it will be necessary for each Council to levy in order to raise the amount by balance (f) by either—
 - (i) Rate on unimproved capital value; or
 - (ii) Rate on improved capital value.
- (h) What the general rate would be if total of (d), the estimated general purposes expenditure, were raised on present municipal rating system, *i.e.*, on nine-tenths of annual rental value.

Return No. 2.—Return showing the amounts of special rates at present levied in the various municipalities on nine-tenths of annual rental value; and the rates in the £ which it would be necessary to levy on either—(a) the unimproved capital value, or (b) the improved capital value, in order to raise same amounts.

Return No. 3.—Return showing—

- (a) Present Government expenditure in each municipality on works of local character, the responsibility of which will be cast on municipalities by the passage of the Local Government Extension Bill.
- (b) Estimated amount at present received by Government from taxation of lands within municipality.

* Not reprinted.

- (c) Difference between (a) expenditure handed over to municipality, and (b) revenue handed over, shown as either—
- (i) Deficit—or amount which will need to be made up either by the grant of an endowment from State funds, or by increase of rates.
 - (ii) Surplus—-or amount by which rates may be reduced, or taxation decreased.

Return No. 4.—Return showing expenditure of municipalities classified under various headings, from which figures required in part (d) of Return No. 1 are taken.

Return No. 5.—Return showing the probable necessity for special endowment.

2. In addition to these, the Government Statistician has furnished further returns,* as hereunder specified :—

Return No. 6.—Return showing, for each municipality, the general rate struck, the amount leviable as general rate, for the year ended February, 1906, and the present general purposes expenditure of the municipality.

Return No. 7.—Return showing the position of the general purposes account of each municipality, whether in debit or credit, in February, 1905.

Return No. 8.—Return showing, for each municipality, the amount in the £ on the rental value which would be equal to 1d in the £ on the unimproved value.

Return No. 9.—Return showing for each municipality the rate in the £ on rental value which would be necessary if the total estimated expenditure for general purposes (*i.e.*, present expenditure of municipality, *plus* Government expenditure proposed to be handed over—making no allowance for amount of Land Tax remitted, nor for endowment accrued under Municipalities Act, or probable under Local Government Extension Bill), were raised on present system of taxing annual value instead of unimproved capital value.

PURPOSES FOR WHICH THE RETURNS WERE PREPARED.

3. The purposes for which these returns were asked for were—

- (a) To be available for publication, if approved, in fulfilment of the promise made by the Premier in the Legislative Assembly on 29th August 1905, 30th August, 1905, and 20th September, 1905, (*vide* pages 1704, 1778, and 2278 of *Hansard*), when he stated that he would have returns of this nature printed;
- (b) To afford information on which it might be ascertained whether it would be possible to insert in the Bill a limit to the rate for general rates in municipalities; and, if so, what that limit should be;
- (c) To see whether they would afford an indication of the financial position of the municipalities upon which an estimate of the endowment which will be necessary under the Bill might be arrived at;
- (d) To afford proof that the new system will not cause any general or appreciable increase of taxation;
- (e) To afford information as to whether the new financial system proposed in the Bill, involving the transfer to the municipalities of local works now maintained by the Government, and the transfer of the local tax (Land Tax) collected by the Government, with an alteration of the basis of rating, would be likely to seriously prejudice the financial stability of any municipality; and
- (f) To afford an indication of the effect of the above mentioned changes on the finances of the State.

QUESTION OF THE PUBLICATION OF THE RETURNS.

4. Attention is drawn to paragraph (a) above; and the question whether the returns, or any specified portion of them, shall be printed ready to lay upon the tables of both Houses of Parliament when required is submitted for consideration.

THE ESTIMATED EXPENDITURE OF THE MUNICIPALITIES.

5. Before proceeding to the consideration of the questions with a view to elucidate which the returns were compiled, it is necessary that an explanation be

* Not reprinted.

afforded of the basis upon which the estimated "Expenditure of the Municipalities for General Purposes" was prepared. This estimate is the sum of three constituents, viz. :—

- (a) The present expenditure of the municipalities for general purposes.
- (b) Government grants to municipalities.
- (c) The expenditure in municipalities on local works at present maintained by the State Government, the responsibility for which will, under the new scheme, be transferred to the municipalities.

6. With respect to the first of these, (a), the present Municipal Expenditure for General Purposes, the figures were taken from the latest available returns, viz., those for the period ended February, 1905. To these figures certain corrections have been applied. Thus, when any object of expenditure is also a source of revenue, as, for instance, in the case of a town hall, the total expenditure for general purposes, which includes the expenditure upon that object, is reduced by the amount of the revenue derived therefrom. There are other respects, however, in which, owing to the imperfect information at present supplied by the councils, and to the varying methods of book-keeping adopted in the different municipalities, adjustments which are equally necessary cannot be made. Thus, in some municipalities a "Plant" Account is kept, to which is debited all expenditure for machinery and other plant, which should be charged against the particular service for which it was obtained, such as the Water Supply Account or the Lighting Account, for which special rates are levied. Yet, as details of what these charges for "Plant" consist of are not available, they must perforce be included here in "General Purposes Expenditure." Other accounts which are sometimes similarly overloaded are the "Salaries Account" and the "Miscellaneous Account," and, in all cases where the details are not available, the Government Statistician has had to include the whole of the expenditure under these heads as "General Purposes Expenditure."

7. With regard to item (b), Government Grants to Municipalities, the expenditure which was taken was that for the twelve months' period ended February, 1905. The works for the carrying out of which, in the past, the councils have obtained grants of money from the State Government, have been considered as to be paid for in the future from municipal funds, and have been included in the estimated municipal expenditure. Discrimination has, however, been exercised, and only such grants as were required for the maintenance of roads or other works, or for expenditure of a recurrent character, were included, while grants for special purposes of a non-recurrent character were excluded. Thus, a grant for the erection of a band-stand in the local park would be excluded. Grants for special deviations of certain roads, for the reduction of grades on certain roads, or for the construction of a new road, are also omitted, as such works, once constructed, are there for all time, and require only good maintenance.

8. Respecting item (c), Expenditure by the Government which will be transferred to the Municipalities, the sum set down in each case is not that of any particular period, but a careful estimate prepared by the Local Government Engineer (Mr. R. E. Jones, M. Inst. C.E.), based upon the experience of the Department for past years. The expenditure of the Department for any one year consists of (i) cost of maintenance of all works; (ii) cost of renewal of some works. (i) The cost of maintenance of works varies from year to year, according as the seasons are wet or dry, and according to other causes of variation. A fair average estimate of the cost of maintaining the works now maintained by the Government, but to be handed over to the municipal councils, was therefore allowed, rather than the actual expenditure of a particular year. (ii) The cost of renewal of works must vary from year to year, according to the number whose life expires in each year. Thus, some bridges have a life of twenty years, others less, others more; some require redecking every ten years, others more frequently, others less. Similarly with culverts and other works. In preparing the estimate of expenditure, therefore, the Local Government Engineer took into consideration the age and history of each work of any appreciable magnitude or cost, and made a fair estimate of the average annual cost of maintenance and renewal.

9. It is submitted, therefore, that the estimate of the probable municipal expenditure under the new conditions, prepared in the manner thus explained, makes full provision on a fair basis for the expenditure which will be necessary upon existing works, which are under the control of the municipalities, and upon

those which are to be transferred to their control. If new works are desired, or expenditure upon a greater scale than in the past, the assumption is that they will be provided for by an increase of rates upon the local properties, whose values will be enhanced by the expenditure, instead of by special grant from Government funds, in providing for which people at a distance who will reap none of the benefits are taxed, as well as the residents of the municipality. When the funds for all such new expenditure are provided for by an increase of local taxation, proposals to enter upon such expenditure will probably arouse a keener interest in the rate-payers than has sometimes been evinced in the past.

QUESTION WHETHER A LIMIT OF RATE CAN BE IMPOSED ON GENERAL RATES IN MUNICIPALITIES.

10. To ascertain the general rate which may be required in each municipality to provide for the probable expenditure on existing works, estimated as explained in the preceding paragraphs, it is necessary to add 1d.—the rate in the £ of the present Land Tax—to the rates given in the twelfth column of Return I. The information thus obtained may be summarised as follows, with regard to the 191 municipalities in existence in February, 1905:—

Rate on Unimproved Capital Value at—	Is necessary in—			
	Metropolitan Suburbs in the following number of Municipalities.	Newcastle and Suburbs in following number of Municipalities.	Rest of Country in following number of Municipalities.	Whole State in following number of Municipalities.
1d. in £.	—	—	2	2
Over 1d., but under 2d.	9	1	22	32
2d. to 3d.	21	3	47	71
3d. to 4d.	8	2	28	38
4d. to 5d.	1	2	18	21
5d. to 6d.	1	3	11	15
6d. to 7d.	—	—	5	5
7d. to 8d.	—	—	2	2
8d. to 9d.	—	1	2	3
9d. to 10d.	—	—	—	—
10d. to 11d.	—	—	—	—
11d. to 12d.	—	—	1	1
12d. to 13d.	—	—	1	1
Totals	40	12	139	191

11. Thus it would appear that, while a limit of 4d. in the £ on the unimproved capital value would suit, perhaps, thirty-eight of the metropolitan municipalities, there are two of these municipalities for which such a limit would be insufficient; that, to provide for the necessities of the majority of the Newcastle and suburbs municipalities, the limit would need to be 6d. in the £, and even then there would be one municipality in that group unprovided for; while a limit of 6d. in the £ would leave eleven of the country municipalities in a position in which they could not meet their present necessities. Further, though two municipalities, viz., Gulgong and South Shoalhaven, are in the pleasant position that a rate equal to the present Land Tax is all they will probably need to levy, there are others which will need general rates of 9d., 12d., and 13d. To admit of every existing municipality being able to finance itself on present conditions, therefore, the limit, if one be fixed at all, will need to be 13d. in the £.

12. It is to be remembered, further, that the expenditure upon which the above figures are based may be said to be the present average expenditure in the municipal areas; and that in it allowance has not been made for the reasonable margin of increase which is really necessary to provide elasticity, nor for the increase of expenditure which a number of the existing councils would probably be authorised by the ratepayers to undertake if they had, at the present time, power to levy a higher rate than 1s. in the £ on nine-tenths of the rental value. That such an increase may occur is shown by the fact that municipal councils have approached the Public Works Department for grants of money to carry out road or other works, and that, when it has been pointed out to them that the

works mentioned are of a municipal character, being for the benefit of the local people rather than of the State at large, and that they should therefore be paid for from municipal funds, the reply has been that, while recognising the truth of this proposition, the councils have no funds, that they have levied the highest rate allowed by the existing law, and that if they had power to levy a higher rate they would do so, and thus raise the money for local improvements for which they are, in present circumstances, compelled to ask the Government.

13. That the limit of rating which is provided in the existing Municipalities Act is too low is shown by the fact that the total amount of general rates leviable in the municipalities for the year under consideration was insufficient, to the extent of £50,677, to meet the actual expenditure incurred in the same period for general purposes (*vide* Local Government Engineer's report herewith), and, if further proof be needed, it may be found in the fact that (*vide* Return No. 7), in no less than 77 out of 191 municipalities, the General Purposes Account was, in February, 1905, in debit (in some cases to a very large sum), thus indicating that the receipts from general rates had been much less than the expenditure which the councils found to be necessary for general purposes—so necessary, in fact, that they ran into debt, by overdraft, to meet it.

14. In view of all these considerations it would seem that, in omitting a limit of rate from Clause 51 of the Local Government Extension Bill, the correct course has been followed. The arguments which could be brought against the absence of a limit would apply equally well to whatever limit might be chosen, except one so low as to demonstrate its own absurdity by financially strangling the majority of the municipalities. Thus, if the limit were fixed at 13d. in the £, that limit, while reasonable for two of the municipalities, would leave the other 189 such a margin of rating power as to be practically unlimited. If the maximum were fixed at 6d. it would put 12 municipalities in an impossible position, would apply with varying degrees of suitability to 75; and would leave the remaining 105 a margin of rating power which would for all practical purposes be equivalent to the absence of restraint. Rather, it would seem better to depend upon the electors of the municipalities to watch their own interests and to vote into power aldermen who will, while caring fully for local needs, keep a careful control upon the expenditure and levy only such rates as are really necessary. The knowledge which the aldermen will have that they must face the electors on the one day, and the shortening of the tenure of office from three to two years, will act as a salutary check upon councils which might otherwise be prone to unnecessarily increase expenditure.

PROBABLE AMOUNT NECESSARY FOR THE ENDOWMENT OF MUNICIPALITIES.

15. The provisions of the Local Government Extension Bill as to endowment deal with two classes of municipalities. Those whose fifteen years' statutory rights to endowment under the existing Municipalities Act have not run out are to continue entitled to endowment as though that Act were not repealed (*vide* Clause 18 (1), Local Government Extension Bill). The amount of endowment required to pay claims for the forthcoming financial year will be included in the Treasury estimates and will, I am informed, be about £6,500.

16. With respect to municipalities whose endowment rights under the Municipalities Act, 1897, have expired, and to municipalities which shall be incorporated after the passage of the Local Government Extension Bill, Clause 18 (3) of the Bill provides that they may be granted "an endowment based upon the results of an investigation which the Governor may cause to be made into their financial necessities, but not exceeding 3s. 4d. in the £ on the receipts from the general rate Provided that no endowment shall be paid in cases where the revenues of the councils are sufficient, in the opinion of the Minister, to meet the reasonable requirements, under proper management, of such municipalities."

17. Until the Local Government Engineer has made an inspection of each municipality, and until each council has furnished information which the Department will not be in a position to obtain until after the Bill has been passed into law, it will not be possible to say what are the "reasonable requirements under proper management" of the various municipalities. For present purposes, however, it may perhaps be taken that the estimated probable expenditure of municipalities shown in Return No. 1, and prepared in the manner previously explained herein, is a fair monetary estimate of the "reasonable requirements" of the municipalities;

and also, for present purposes only, it may be assumed that all the municipalities are properly managed.

18. The expenditure thus taken to be that which will meet the reasonable requirements of the municipalities consists of (a) money derived from municipal rates, and (b) money derived from State Government funds. The responsibility for the latter class of expenditure is to be transferred from the State to the Municipalities; and, unless there were a corresponding transfer of revenue, it might be argued that the additional responsibility would plunge the municipalities into such "financial necessity" as to entitle them to endowment. The Acting Government Statistician was therefore instructed to take it as a working hypothesis that where the expenditure to be transferred to a municipality will exceed the Land Tax to be remitted therein, the difference will be made up by way of endowment. Return No. 5, prepared on this basis, shows that there are sixty-five municipalities which will come within this class.

* * * * *

*Summary.**

Municipality.	Estimated necessity for Expenditure transferred from Government.	Estimated Remission of Land Tax.	Estimated Endowment under L.G.E. Bill (not exceeding 3s. 4d. in £).	Amount not Provided for by Proposed Endowment.	Rate of Endowment required to provide for full Amount of Difference between Expenditure and Revenue transferred.
	£	£	£	£	
Metropolitan Suburbs	4,603	3,619	943	41	..
Newcastle Suburbs	591	312	279	..	..
Country	17,144	9,764	4,739	2,641	..
Total	22,338	13,695	5,961	2,682	..

* The detailed tables have been omitted.

19. A perusal of this table will show that there are fifteen municipalities in which, supposing the principle enunciated in the preceding paragraph to be approved, the maximum rate of endowment now in the Bill, viz., 3s. 4d. in the £ on general rate receipts, will not provide sufficient to cover the difference between transferred expenditure and transferred Land Tax. To enable a sufficient amount to be granted in each case the maximum would need to be raised to 13s. 7d. in the £ on the general rate receipts.

20. There is, however, another small group of cases which should be brought under notice for consideration. Under Clause 18 as it now stands a municipality whose subsidy rights under the existing Municipalities Act have not expired will have those rights continued unimpaired, but will not have the right to any further endowment under the Local Government Extension Bill, even though the transferred expenditure may be greater than the transferred revenue. Such cases are tabulated hereunder:—

Municipality.	Estimated Endowment under rights conferred by existing Municipalities Act.	Estimated necessity for expenditure transferred from Government to Municipality.	Estimated Remission of Land Tax.	Amount of deficiency not otherwise provided for.	Rate of Additional Endowment which would be necessary to provide for deficiency.
	£	£	£	£	
Castlereagh	44	185	103	82	9/1
Corowa	807	331	238	93	2/4
Dungog	80	106	90	16	-/6
Murwillumbah	532	153	75	78	2/10
Peak Hill	31	36	19	17	2/0
Warialda	101	78	47	31	1/6
Warren	78	261	98	163	10/5
Wyalong	169	77	67	10	-/4
Total	1,842	1,227	737	490	

21. If provision were to be made for further endowment in such cases, the rate of the endowment in the £ of the general rate receipts which would be required would be :—

Castlereagh	...	...	...	...	9/1 in the £.
Corowa	...	...	...	...	2/4 "
Dungog	...	...	...	...	-/6 "
Murwillumbah	...	...	...	...	2/10 "
Peak Hill	...	...	...	...	2/0 "
Warialda	...	...	...	...	1/6 "
Warren	...	...	...	...	10/5 "
Wyalong	...	...	...	...	-/4 "

22. Briefly then, if endowment be granted to an extent sufficient to cover the excess of transferred expenditure over transferred revenue, the sum required for this purpose alone may be estimated at £8,643 plus £490, or a total of £9,133.

23. Another question which has been brought forward for consideration is as to whether municipalities to which compulsory additions have been made under the Shires Act should be granted a special subsidy in respect of the areas added. This is dealt with specially on other papers. (*Vide* my report of the 4th July, 1906.)

WILL THE NEW SYSTEM INVOLVE AN INCREASE OF LOCAL TAXATION?

24. In any discussion of a new basis of municipal taxation, one of the first and one of the most important questions raised is as to whether it will, of necessity, involve the levying of additional taxation. In the following paragraphs this question is investigated.

25. At the outset it should be stated that, in one respect, an increase of taxation would at first sight appear to be unavoidable. In the levying of the present Land Tax, the first £240 worth of unimproved land value possessed by each landholder is exempted from taxation. In the Shires Act already passed, Parliament has approved of the principle that, when the Land Tax is suspended and the local government rates are levied on unimproved capital value, this exemption shall not be allowed; and this principle is embodied in the Local Government Extension Bill to apply to municipal rates. To this extent, therefore, there will be an apparent increase of taxation; but only apparent, for the amount (as a total) which must be provided for by general rates under the new system, is merely the same amount as is now expended in the municipal areas. The mere fact that the *basis* of rating is altered does not, of itself, involve an increase in the total amount levied.

26. In a number (118) of municipalities it will be possible for the taxation to be definitely reduced, or, if not reduced, for a larger expenditure to be incurred for municipal purposes while maintaining taxation at its present level. That this is so will be rendered clear by a perusal of Return No. 5, which shows that, in a number of cases, the Government expenditure to be transferred to the municipalities is less than the Land Tax to be remitted. If, therefore, the Council of a municipality levies only such a rate as will yield a revenue equivalent to the present municipal expenditure in the area plus the transferred expenditure, the total amount of taxation in the municipality will be less than at present. The following table, extracted from the Acting Government Statistician's return above cited, will show the extent of the possible reduction of taxation in each such case :—

Summary.*

Municipality.	Transferred Expenditure.	Land Tax remitted.	Possible Reduction of Taxation, viz., Excess of Land Tax remitted over Expenditure transferred.
	£	£	£
Metropolitan Suburbs	13,071	46,494	33,423
Newcastle and Suburbs	1,336	6,279	4,943
Country	9,594	21,015	11,421
Total	24,001	73,788	40,787

* The detailed tables have been omitted.

The amount by which it will be possible for taxation to be reduced is, therefore £49,787.

27. It will be seen that, in the cases of the municipalities of Picton, Denilquin, Bingara, Hill End, East Maitland, Raymond Terrace, St. Mary's, and Scone, the Land Tax remitted and the expenditure transferred balance each other, either exactly or within £10, so that, while the change of system will not result in reduction of taxation, it need not involve an increase.

28. In paragraphs 18–20, inclusive, of this report, attention is drawn to those cases where the expenditure transferred will exceed the relief from State land taxation which will follow the adoption by municipal councils of the new basis of taxation, and an estimate is there given of the amount which it would be necessary to provide by way of endowment to make up the deficiency in each case. If endowment be not granted as there outlined, it will be necessary for the councils to follow one of two courses, viz. :—(i) To reduce their expenditure to the extent of the deficiency (either by reducing the number and magnitude of road and other works carried out, or by carrying out the works transferred at a less cost than that estimated as a fair allowance); or (ii) to increase their rates to an extent sufficient to yield the additional revenue required. In the latter case there will be increased taxation to the extent of a total amount of £9,133. If the sum be provided by way of endowment, increased taxation need not necessarily be imposed.

29. Though, with expenditure on the present scale, and with endowment as suggested above, the aggregate amount of taxation in any municipality need not be increased, there is no doubt that, in individual cases, municipal taxation will undoubtedly be increased, while in others it will equally certainly be diminished. This will be the result of the change in the incidence of the rates from rental value to unimproved capital value. Taking two actual cases as an illustration, this will be more clearly seen. In a certain municipality there are two allotments of land side by side, one occupied by a small cottage, and the other vacant, but fenced. Both allotments are of 33 feet frontage, assessed for Land Tax at £3 per foot. The vacant allotment is let at 1s. per week as a run for a pony; the cottage for 10s. per week. The following table furnishes a comparison of the present system of rating with that proposed, the existing general rate in the municipality being 1s. in the £ on nine-tenths of the rental value, while the probable general rate under the new system will be 2·57d. in the £ on the unimproved capital value :—

Property.	Nine-tenths of Rental Value.	Rate of 1s. in £.	Unimproved Capital Value of Land.	Rates under New System.		
				General Rate of 1d. in place of Land Tax.	Additional General Rate of 1·57d. in place of present Municipal Rate.	Total.
	£ s. d.	£ s. d.	£	s. d.	£ s. d.	£ s. d.
Vacant Allotment ..	2 8 0	0 2 5	99	8 8	0 12 11·43	1 1 2·43
Allotment with cottage.	23 8 0	1 3 5	99	8 8	0 12 11·43	1 1 2·43
Total rates ..	.. ..	1 5 10	.. ..	16 6	1 5 10·86	2 2 4·86

Under the present system of rating, the owner of the vacant allotment pays 29 pence, and the owner of the occupied allotment pays 281 pence, out of a total rate of 310 pence. Under the proposed system of rating, each will pay 254·43 pence out of a total of 508·86 pence. The following table shows this result in percentages :—

Property.	Of the total taxation under Rental System pays—	Of total taxation under Unimproved Capital Value System will pay—
Vacant allotment.. ..	9·35 per cent.	50 per cent.
Occupied „	90·65 „	50 „

The example taken is a simple one, typical of a large number of suburban municipalities; if properties in a busy city block were taken for an example, the result would probably be still more striking. Taking the same municipality, but considering it as a whole, the following interesting tables have been prepared:—

TABLE showing incidence of existing Municipal Rates and of Land Tax in municipality taken as an example.

Property.	Municipal Rate on Rental Value.			Present Land Tax.		Total Rates and Land Tax.	Average percentage.
	Rental Value.	Rate of 1s. in £ on nine-tenths of Rental Value.	Percentage of rates leviable.	1d. in £ on Unimproved Capital Value with exemption up to £240.	Percentage of Tax leviable.		
Unimproved lands..	£ 8,907	£ s. d. 445 7 0	17 0	£ 455	47 0	£ s. d. 900 7 0	25 6
Improved lands ..	46,968	2,113 12 0	83 0	502	53 0	2,615 12 0	74 4
Totals ..	55,875	2,558 19 0	100 0	957	100 0	3,515 19 0	100 0

TABLE showing the expenditure to be provided for in same municipality under new system of rating.

Item.	Present.	To be transferred.	Total.
Expenditure..	£ 3,657	£ 351	£ 4,008
Rates ..	2,559		
Deficiency ..	1,098		
Land Tax ..		957	3,516
Surplus ..		606	
Net deficiency caused, not by excess of transferred expenditure over transferred land-tax, but by excess of present expenditure over present rates.			492

TABLE showing the incidence of the probable Municipal Rates on unimproved capital value under the Local Government Extension Bill in same municipality.

Property.	Unimproved Capital Value.	Rate on Unimproved Capital Value necessary to provide for present municipal expenditure of £3,657.		Rate on Unimproved Capital Value necessary in lieu of Land Tax to provide for transferred expenditure, £351.		Total rate of 2 57d. in £ on Unimproved Capital Value.	
		2 34d. in £.		23d. in £.		Amount.	Percentage.
		Amount.	Percentage.	Amount.	Percentage.		
Unimproved lands ..	£ 178,140	£ s. d. 1,741 17 3	47	£ 168	47	£ s. d. 1,909 17 3	47
Improved lands ..	195,802	1,915 2 9	53	183	53	2,098 2 9	53
Totals ..	373,942	3,657 0 0	100	351	100	4,008 0 0	100

From these tables it will be seen (1) that, under the existing system of rating the rental value, the vacant lands bear only 17 per cent. of the total General rates, while the improved lands bear the remaining 83 per cent.; (2) that, taking the existing Land Tax and general rates together, the vacant lands furnished 25 6 per cent. of the total land taxation, while the improved lands supply 74 4 per cent.; and (3) that under the system proposed, the rates imposed on vacant lands will be

increased to 47 per cent. of the total local taxation, and those on the improved lands reduced to 53 per cent. Unless the municipalities decide to increase their expenditure, the total decreases on improved lands will balance the total increases on unimproved lands; and though the aggregate burden will be redistributed so as to fall differently on the shoulders of individuals, any increased taxation which may be imposed on the ratepayers as a whole will not be due to the change in the basis of rating. This redistribution of the burden of taxation is one of the objects aimed at in the introduction of the new basis of taxation, so that the increase of taxation involved in the case of unimproved lands is not a defect in the scheme; and there is no need to pursue the subject further.

30. There is one other probability of increased taxation which should be mentioned. In paragraph 12 of this report attention is drawn to the apparent fact that some municipalities have found that the present limit of rating is so low as not to yield sufficient revenue to enable the Councils to carry out works which are really needed and which the ratepayers are willing to pay for. This statement is supported by the information given in paragraph 13, which shows that the municipalities are spending for General Purposes £50,677 more than the amount of the general rates leviable; and by the opinions of the Acting Statistician (*vide* paragraphs 8, 9, and 10 of his report herewith), who states, *inter alia*, that "the amount leviable as a general rate has been far from adequate to meet requirements," and "if the expenditure of the year adopted has been reasonable, the Councils must face the fact that . . . the General Purposes rating must be considerably increased to enable them to meet their obligations." The information on which the Acting Government Statistician bases these conclusions will be found in Returns Nos. 6 and 7. Perusal of Return No. 6 will show that in 153 municipalities the amount expended for "General Purposes" exceeded the amount of General Rate levied, and from Return No. 7 it will be seen that, in 77 of these cases, the deficiency thus caused not being made up from other sources of revenue, the General Purposes Accounts show a debit balance. Though the statement cannot be definitely made, it is presumed that the money thus expended in excess of revenue received has been obtained by means of overdrafts on the local banks, and support is lent to this view by the fact that at 6th February, 1905, there were 89 municipalities which had obtained unsecured overdrafts to the extent of £63,072. Such a state of affairs cannot continue indefinitely; sooner or later the liabilities thus incurred must be met, and to provide for them the rates must be increased. Therefore, though, in the returns now presented, the probable general rates shown are those which will be necessary to provide a sum sufficient for present expenditure (instead of merely a sum equal to present rates levied) the increase of rating which the adoption of these rates will involve cannot be attributed to the operation of the Local Government Extension Bill nor to the new system of municipal finance. A large portion of the total deficiency on this account will be provided for by the excess of transferred Land Tax over transferred expenditure, so that the net amount of the increase of general rates will be as indicated in Return No. 11, herewith, prepared by the Local Government Engineer, where it is shown that the amount of Land Tax now collected by the State in the municipalities is £88,220, whereas the amount which the municipalities will need to levy over and above the amount of the present general rates levied is £91,322, the difference being £3,102. Notwithstanding this, however, the effect of the transfer of responsibilities and of taxing power from the State to the municipalities will be that, instead of the State levying a tax of 1d. in the £ on the unimproved capital value of all individual holdings of land exceeding £240 in value, the Councils in the metropolitan suburbs (as a whole) will need to levy an average of only $\frac{1}{2}$ d. in the £, without exemptions; and the Councils in the country municipalities (including Newcastle and its suburbs) will need to levy an average of but $\frac{1}{4}$ d. in the £, also without exemptions, in addition to the amount now levied as municipal rates.

31. One of the reasons which have operated to cause the deficiencies referred to in the preceding paragraph, and to render necessary higher rates than would otherwise suffice, is to be found in the fact that the great majority of the municipalities either neglect, or are unable, to recover moneys due to them. Thus, while the total general rates leviable in 191 municipalities were £292,486 for the period ended February, 1906, the total amount of general rates collected was £285,633, leaving uncollected a total of £6,853. The sums outstanding in respect of lighting, water, and other rates are not shown separately in the returns. The fact that the aggregate accumulated outstanding rates and charges as at 6th February, 1905,

amounted to £182,355, an amount approaching two-thirds of the year's general rates collections for 1905-6, points distinctly to the inference that in some municipalities overdrafts are rendered necessary by the non-collection of rates struck, and that in those municipalities where the rates collected are sufficient to meet the expenditure incurred, the persons who do pay are rated more heavily than would be necessary if those who do not were compelled to contribute the sums due by them.

EFFECT ON THE FINANCIAL STABILITY OF MUNICIPALITIES.

32. Consideration of the preceding paragraphs will show that the financial stability of a number of municipalities will be prejudiced by the passage of the Local Government Extension Bill if provision be not made whereby endowment can be granted sufficient to cover the excess of transferred expenditure over transferred revenue; while the finances of at least some others will be disorganised if any limit less than 13d. in the £ be put on the general rates. As each of these subjects has been fully treated earlier in this report (*vide* paragraphs 13-20 and 10-14), it is not necessary to say anything further with regard to them here.

33. On the other hand, by the transfer of the land tax the finances of a large number of municipalities will be greatly improved by the passage of the Bill. (*Vide* paragraphs 25-26.)

34. The provisions of the Bill as to recovery of rates, account-keeping, auditing, the levying of loan rates whenever money is borrowed, the provision of sinking funds, and the guaranteeing of municipal loans by the Government, will also result in a distinct improvement of the financial position of all the municipalities.

EFFECT ON THE FINANCES OF THE STATE.

35. From the information furnished by the Acting Government Statistician in the returns referred to herein, and from additional information compiled by himself, the Local Government Engineer has prepared a statement and report (No. 10) forwarded herewith, designed to indicate, as nearly as can be estimated, the probable effect of the Local Government Extension Bill on the finances of the State. Briefly summarising the conclusions therein set out, it may be stated that the expenditure of which it is anticipated the State will be relieved is:—

	£
Annual cost of works, the responsibility for which will be transferred to municipalities	44,241
Grants for parks, &c., anticipated to be discontinued	3,325
Estimated saving in Public Works Department and Taxation Department	10,596
Total decrease in State expenditure	£58,162

Against this there must be set:—

	£
Loss of revenue by discontinuance of collection of Land Tax in municipalities	88,220
Estimated special endowment	9,133
Estimated additional expenditure in Local Government Branch on taking over municipal matters	1,500
Total loss of revenue and increase of expenditure	£98,853

The effect on the finances of the State is, therefore, estimated as a net loss of revenue of £40,691.

I have, &c.,

J. GARLICK,
Officer-in-Charge, Local Government.

The Under Secretary,
Public Works Department.

II.

REPORT AND RETURNS FURNISHED BY THE ACTING GOVERNMENT STATISTICIAN.
The probable effect of the Local Government Extension Bill on both municipal and State finances.

1. In the consideration of this question the principles which were laid down in the communications of the 29th January and 10th March, 1906, from the Under-Secretary, Department of Public Works, have been followed. Briefly they are as follows:—

Endowment.—The endowment payable under the Bill is assumed to be the difference between the amount of Land Tax remitted and the Governmental expenditure in the municipality, inclusive of grants to the municipality for general purposes.

General Works.—Where the expenditure by a municipality on town hall, park, nuisance prevention, common, public bath, &c., appears at present in the accounts as a charge for general purposes, the excess of expenditure over receipts only is to be charged in estimating the probable general rate required to be levied to cover expenditure.

Salaries and Office Expenses—Plant and Office Furniture—Miscellaneous Expenditure.—All expenditure under these headings is to be treated as expenditure for general purposes, except where the accounts specifically show it to be attached to the lighting or water accounts.

2. The data for the investigation were abstracts of accounts furnished by the municipal councils for the year ended February, 1905, the latest complete year available, and the detailed statement of expenditure by the Department of Public Works during the financial year ended June, 1905, forwarded under cover of the communication of the 26th April, 1906, by the Under-Secretary of that Department. It must, however, be borne in mind that the particulars of the Silverton Municipality relate to the year ended February, 1897, as that body has been defunct since that date.

3. The following returns,* which were asked for by the Advisory Board, are attached:—

No. 1. Financial position of municipalities under Local Government Bill, showing for each municipality:—

- (a) The unimproved capital value.
- (b) The improved capital value.
- (c) The rental value.
- (d) The expenditure in the municipality for general purposes, comprising:—
 - (i) Present general purposes expenditure of the municipality.
 - (ii) Expenditure of Government in municipality for general purposes, which will, when Bill comes into force, be borne by municipality.
 - (iii) Total of (i) and (ii).
- (e) Revenue of municipality from the following sources:—
 - (i) Endowment under existing Municipalities Act.
 - (ii) Endowment under Local Government Extension Bill.
 - (iii) Receipts from general rate of 1d. in the £ on unimproved capital value, showing total in a fourth column.
- (f) Balance remaining to be raised—deduct (e) from (d).
- (g) Additional rate which it will be necessary for each council to levy to raise amount of (f) by either:
 - (i) Rate on unimproved capital value.
 - (ii) Rate on improved capital value.
- (h) What rate would be if total of (d) were raised on present municipal rating system (rate on rental value).

No. 2. Return showing the amount of special rates at present levied on rental value, and rates which it would be necessary to levy on (a) unimproved capital value, or (b) improved capital value, to raise same amounts.

No. 3. Return showing:—

- (a) Present Government expenditure in each municipality on works of local character, the responsibility of which will be cast on municipalities by the passage of the Local Government Extension Bill.

* Not reprinted.

(b) Estimated amount at present received by Government from taxation of lands within municipality.

(c) Difference between (a) and (b) shown as either (i) deficit or (ii) surplus (i.e., decrease of taxation).

No. 4. Return of expenditure of municipalities (under detailed headings) from which figures required in Return 1 above may be taken.

No. 5. Return showing probable effect of Local Government Extension Bill on finances of State.

4. I was also asked to furnish a list of the municipalities which are in necessitous circumstances, together with such information as can be obtained from the returns furnished by those municipalities to me as may serve to explain the cause of their difficulties. In view of the direction contained in the memorandum covered by your communication of the 29th January last, wherein it is stated that I was to determine the "financial necessity" of the municipalities by ascertaining the amount by which the expenditure transferred by the Public Works Department to the incorporated bodies, together with grants to those bodies, was in excess of the Land Tax remitted, it will be seen on reference to Table No. 3 that no less than seventy-three municipalities are shown to be in such circumstances of "financial necessity." The following are the municipalities in question. In ten cases the amount in excess does not exceed £10.

Name.	Excess of transferred expenditure over relief from Land Tax.	Name.	Excess of transferred expenditure over relief from Land Tax.
	£		£
1. Botany	69	38. Kempsey	113
2. Camperdown	534	39. Lismore	28
3. Kogarah	149	40. Liverpool	7
4. Randwick	3	41. Maclean	85
5. Vacluse	229	42. Molong	56
6. Aberdeen	2	43. Morpeth	209
7. Ballina	220	44. Moruya	363
8. Balranald	3	45. Murrumburrah	7
9. Berry	822	46. Murrurundi	72
10. Blayney	9	47. Murwillumbah	78
11. Bourke	325	48. Muswellbrook	16
12. Braidwood	87	49. Narrabri, West	43
13. Broken Hill	17	50. Adamstown	48
14. Broughton Vale	72	51. Lambton	56
15. Burrowa	15	52. Lambton, New	46
16. Campbelltown	354	53. Plattsburg	129
17. Carcoar	37	54. Nowra	8
18. Casino	201	55. Peak Hill	17
19. Castlereagh	82	56. Port Macquarie	53
20. Cooma	122	57. Queanbeyan	40
21. Cootamundra	124	58. Rookwood	65
22. Coraki	21	59. Shellharbour	33
23. Corowa	93	60. Silverton	22
24. Cowra	114	61. Taree	168
25. Cudal	191	62. Tenterfield	504
26. Cudgegong	855	63. Ulladulla	238
27. Dungog	16	64. Ulmarra	165
28. Gerringong	0	65. Uralla	2
29. Glen Innes	89	66. Walcha	65
30. Gosford	60	67. Warialda	31
31. Grafton	2	68. Warren	163
32. Grafton, South	525	69. Wentworth	15
33. Greta	28	70. Wilcannia	20
34. Gundagai	18	71. Wingham	170
35. Illawarra, North	85	72. Wyalong	10
36. Jamberoo	175	73. Yass	125
37. Jerilderie	55		

5. In the computation, an amount of £606 only as expenditure by the Public Works Department has been allowed for in the case of Campbelltown, inasmuch as the present expenditure of £1,646 within the municipality, is due to a vote of £1,200 for the Main South Coast Road, but when the Cataract dam is finished, about two years hence, the vote will be reduced from £1,200 to £160. Meanwhile, special consideration, in the circumstances, will be required to be shown to the Council. No allowance has been made in the case of Camden, as the Council entered into a bond-

to maintain the roads, and there is no obligation on the Department to keep them in repair.

6. In estimating the amount of endowment payable under the Local Government Extension Bill for the purposes of Tables Nos. 1 and 5, due regard has been paid to the fact that the endowment is not to exceed 3s. 4d. in the £ on the general rate collected. Furthermore, no endowment under the proposed Bill has been allowed in the case of the municipalities of Castlereagh, Corowa, Dungog, Murwillumbah, Peak Hill, Warialda, Warren, and Wyalong, inasmuch as they are in receipt of endowment under the existing law.

7. The unimproved capital value adopted is that furnished by the Taxation Department, while the improved capital value is that estimated by the council clerks of the municipality, based on the knowledge of local conditions.

8. Table No. 1 shows the municipal expenditure for general purposes for the year ended February, 1905, and the increased liability that is at present met by the Department of Public Works, and which the Councils will have to take over on the passage of the Bill. On reference to the three concluding columns of the table, it will be observed that, no matter what the system of rating adopted, the taxation in the case of several of the municipalities, will be such as to place them in, what ordinarily may be termed, necessitous circumstances. This view, which apparently on the surface is a reasonable one, should not, however, be accepted without a close analysis of the position and management of the Councils, as disclosed by their abstracts of accounts. It must be borne in mind that, under existing law, municipalities can only rate up to 1s. in the £ on nine-tenths of the rental value of property. I have had prepared a supplementary Table No. 6, which shows the amount leviable as a general rate for the year and the amount actually expended for general purposes during that year. This shows that, in very few cases have the Councils lived within their legitimate income. With the view that the Advisory Board should thoroughly understand the financial position of the municipalities, I have had Table 7 prepared, which shows the position of the General Purposes Accounts at February, 1905. From this the statement already made, that the Councils in many cases are not living within their income, is clearly demonstrated.

9. To determine whether the expenditure for the year adopted is a normal one, would necessitate an analysis of the details which are only in the possession of the Councils, and would entail an enormous expenditure of time. It may be that the services grouped under the designation "General Purposes" were starved in previous years, thus entailing increased expenditure during the year under review, but the fact remains, that the amount leviable as a general rate has been far from adequate to meet requirements.

10. I would invite the attention of the Advisory Board to that part of Return No. 4 which sets forth the interest on loans, salaries, and office expenses and miscellaneous expenditure, and point out that much of the unfinancial position of many of the Councils is due to the fact that they have to meet services and obligations in this direction irrespective of the ordinary demands of the municipalities. If the expenditure of the year adopted has been reasonable, the Councils must face the fact that under the Local Government Extension Bill the general purpose rating must be considerably increased to enable them to meet their obligations.

11. Table No. 8 has been prepared to indicate the amount in the £ on the rental value equivalent to 1d. in the £ on the unimproved value in respect of each municipality.

12. A supplementary Table—No. 9—indicates the rate in the £ on the rental value that will be necessary to meet the General Purposes Expenditure, and also shows the decrease or increase of taxation determined according to the method mentioned in paragraph 4. In the cases of the municipalities of Camperdown, Ballina, Berry, Bourke, Broughton Vale, Campbelltown, Castlereagh, Cudal, Cudgegong, Grafton, Grafton South, Morpeth, Moruya, Taree, Tenterfield, Ulladulla, Warren, and Wingham there will be an increase of taxation cast upon the ratepayers.

13. In conclusion, it may be stated that the effect upon the finances of the State will be that the State Government will be relieved of an expenditure of £47,566, while, on the other hand, the remission of Land Tax and the endowment under the conditions laid down in the Bill will total £97,404, of which, however, £3,225 is payable as endowment under the existing law. The net sum that will be demanded from the Government will therefore be £46,613.

W. H. HALL,
Acting Government Statistician.

III.*

REPORT AND RETURNS FURNISHED BY THE LOCAL GOVERNMENT ENGINEER.

LOCAL GOVERNMENT EXTENSION BILL.

Public Works Department, Local Government Branch,

July 12, 1906.

A glance at the information provided by the Acting Government Statistician, and compiled from the published statement of each municipality, clearly shows that in the majority of cases the expenditure coming under the heading of "General Purposes" is in excess of the revenue derived from a general rate of 1s. in the £ on the usual rental basis, and so far as can be gathered, the deficiency is no less than £50,677 per annum, of which £23,380 belongs to the metropolitan municipalities, forty in number, and £27,297 to the country towns, of which 151 are incorporated. To get rid of these deficits, the general rate on rental assessment values would have to be 13½d. in the £ in the former, and 14½d. for the country municipalities; but, of course, in several cases these rates would have to be exceeded, which can be seen on reference to the statistical returns annexed, and the very full and clear description of the various classes of municipalities given by the Officer-in-Charge. It is proposed to transfer services, in the shape of the care of the main roads, many bridges, wharves, ferries, &c., now paid for by the State, to the control of the municipalities in which such works are situate, the councils of same to be responsible for all necessary expenditure in connection therewith, including renewal. In the amounts set down as the cost of these transferred works, provision has been made for reconstruction, when such becomes necessary. In the case of bridges and wharves, a large number of important structures, either within municipalities or on their boundaries, have been omitted, and have been set down as (tentatively) "national," it being considered that most of them are too important and costly to be within the reasonable financial ability of the Councils to, at any rate, renew. For the purpose of this statement, the whole cost in connection with these structures has been omitted. Of these, bridges in the City of Sydney and suburbs (13 in number) cost about £424,070, whilst in the country municipalities 106 cost, approximately, £652,000. Of wharves, the most important proposed to be retained by the State are Newcastle, Wollongong, Kiama, Port Jackson, Hay, Wentworth, Bourke, and Moama; also jetties at Botany, Sans Souci, and La Perouse, with other minor wharves used by the Harbours and Rivers Branch for construction purposes. With respect to those to be handed over to the municipalities, liberal allowance has been made for repairs and renewals, whilst it is extremely probable the local authorities will get far more revenue than is at present received by the Crown. Punts and ferries have in no case been treated as "national," and whilst in those of Grafton, Taree, Ulmarra, Raymond Terrace, and Tom Ugly's Point, the expenditure for maintenance and working, with necessary provision for renewal when needed, exceeds the revenue, full allowance for this has been made in the cost of transferred services. The Spit Ferry, on the other hand, is a paying concern. The total cost of the works transferred from the State, and which will, by the Bill be thrown upon the municipalities, is £44,241, the metropolitan suburbs accounting for £16,905, and the country towns for the balance, £27,336. These amounts include the sum paid in the way of subsidies by the Government to the Councils, for the maintenance of the main roads, and towards that of the extension of what are termed in the Schedules "Minor Roads." The calculations have been based on 1905-6 Estimates, which were higher than those of the previous year, on which the "Shires" Interim Statement was founded. The accompanying financial returns give the amounts for the various transferred items in the metropolitan area and the country. The Government has hitherto made grants for parks and works, other than roads and bridges; these came to £3,325, of which country municipalities absorbed £2,556, and Sydney suburbs £769. In future these services will not be assisted, if the "Bill" conditions be adhered to.

To bring the incorporated towns in line with the recently created Shires, it is contemplated to relieve the ratepayers of the former from the payment of the Land Tax, which, as given by the Acting Government Statistician, amounts to £88,220, made up of £50,113 for Sydney suburbs, and £38,107 for country municipalities; so that, although the Crown burdens the municipalities with £47,566

* The Returns attached to this report are not reprinted.

worth of transferred services, the ratepayers in general gain considerably by the change of taxable conditions; and were it not that so many towns need the help of additional rates to balance their present general purposes expenditure, they would be very well off by the changes proposed; and it must be admitted the Government is not responsible for the excessive annual deficits which are shown by so many municipalities in their general purposes expenditure. To remedy this state of matters, it is proposed to extend the rating powers of the Councils, so that a sufficiently high general rate can be levied to cover the cost of transferred works and the deficiencies alluded to. This additional rate is but $\frac{1}{2}$ d. in the £ of unimproved land values in the metropolitan area, and 4-5ths of a penny in the country municipalities, the net sum needed being £40,915 and £50,407, respectively. It is found there are seventy-three incorporated towns where the remitted Land Tax will not cover the burden of transferred works, and to remedy this it is proposed to provide the deficiency as a special endowment, which amounts to but £984 in five metropolitan municipalities, and £8,149 in sixty-eight country towns. It will thus be seen the Government gives £97,353 to pay for £47,566, cost of transferred services. Without an inspection of the various municipalities, it is impossible to say what is being done in the way of carrying out needed improvements to the streets and roads; but it is apparent, from the small amount spent on such work, that the crippled condition of the Council's finances, in many cases, has been the cause of the restricted expenditure on the highways; and it is to be hoped, with the help now proposed to be given by the Government, and the increased rating powers provided by the Bill, that the streets and roads of municipalities will receive their full share of attention, and thus obviate the need for the constant appeals that are now made to the Government, to carry out or give help for works required for inter-municipal traffic or use.

I append four Statements (Nos. 10, 11, 12 and 13). The first shows the effect of the Bill, if passed, on the finances of the State, and it will be seen the amount of probable loss to the latter will be £40,691, chiefly represented by the difference between the surrendered Land Tax and the cost of the transferred works.

Statement No. 11 shows how the Municipal Councils will be affected by the Bill as now submitted, and by which such an elasticity in the rating conditions will be allowed that each municipality should be able to live within its means and carry out an increased amount of useful works.

Statement No. 12 gives the effect of the Bill from a ratepayer's point of view. It shows that after allowing for the remitted Land Tax, metropolitan area taxpayers will benefit to the extent of £9,198 after paying the increased general rate required to make up the deficiency on the expenditure under that head. The country municipalities are less fortunate, as the Land Tax remitted falls short of their wants by £12,300. In the statements furnished it is assumed the several Councils will, under the new conditions, levy sufficient to balance the account of revenue and expenditure for general purposes. There being no exemptions in municipal rating, those who now do not pay Land Tax will only be called upon to contribute, beyond the 1s. in the £ they now pay, $\frac{1}{2}$ d. in the £ on the unimproved land value in the metropolitan area, or 3d. if based on the rental assessment, whilst in the country municipalities those not at present liable for Land Tax will be required to contribute $4\frac{1}{2}$ d. in the £ on rental basis, or $\frac{1}{2}$ d. in the £ of unimproved land value, in addition to their present levy for general rate. As previously pointed out, the Crown is in no way responsible for this extra taxation, and it is only required to put the municipalities on a sound footing, which should amply compensate for the very slight payment needed to obtain so desirable a result. In the accompanying statements the City of Sydney is not included. New municipalities, formed since February last, such as Barraba and Homebush, are also not dealt with, nor are the areas recently added to certain municipalities under the Shires Act, for the reason that it is likely they will be specially dealt with under the Bill. The addition made to Berry, too, has not been considered, but with the Land Tax remitted the ratepayers will generally greatly benefit in most of these cases.

Statement No. 13 gives the details of the works proposed to be handed over in each municipality. The cost of roads has been based on the amounts set down in the Schedules of the Public Works Department for 1905-6, but does not include special grants given to a few municipalities from the Unclassified Vote.

ROBERT E. JONES,
Local Government Engineer.

July 12, 1906.

REPORT BY OFFICER-IN-CHARGE OF LOCAL GOVERNMENT ON LEGISLATIVE COUNCIL'S AMENDMENTS *re* BASIS OF RATING AND LIMIT OF RATES UNDER LOCAL GOVERNMENT EXTENSION BILL.

LOCAL GOVERNMENT EXTENSION BILL.

Basis of Rating—Limit of Rates—Legislative Council's Amendments.

Local Government Office, December 7, 1906.

1. The Honourable the Premier having promised to lay before Parliament a report as to the probable effect of the Legislative Council's amendments in Clause 62 and new Clause 66 of the Local Government Extension Bill, I have the honour to report as follows:—

Amendments to Clause 62—Limit of General Rates.

2. The amendments are as follow:—

62. 65. (1) Subsection three of section thirty-three of the Shires Act is hereby repealed. The provisions of section thirty-three, as hereby amended, of Division 4 of Part VI of the Shires Act shall apply to municipalities:

Provided that the limit of two pence in the pound provided in subsection one of section thirty-three of the Shires Act shall not apply to municipalities, except in the case of a rate on a mine worked for the purpose of mining for any mineral other than coal or shale, in which case the said limit shall apply.

* * * * *

(2) A council of a municipality which has levied a general rate of not less than one penny in the pound on the unimproved capital value of all rateable land in its area, may raise any additional sum which may be required by an additional general rate on either the unimproved or the improved capital value of such land, as may be determined by the council: Provided that notice shall be given as prescribed of the proposal to levy such additional general rate, and that, if within the prescribed period, one hundred persons on the roll of ratepayers make a written demand for a poll on the question whether the basis of assessment for such rate shall be the unimproved or the improved capital value, the council shall forthwith meet and fix and notify, as prescribed, a day, not being less than seven nor more than fourteen days after such meeting, for the holding of such poll, shall hold the poll on such day and shall abide by the decision of such poll. At the poll all ratepayers of the area may vote.

Provided also that in any municipality the sum of the rates so made and levied on the unimproved capital value and the rates of any kind already made or levied on the unimproved capital value shall not in any year exceed twopence in the pound on the unimproved capital value of the rateable land.

Provided further that the Council of a municipality may also make and levy a general rate on the improved capital value of all rateable land in its area. Such general rate shall not exceed one penny farthing in the pound on the improved capital value of the rateable land.

3. The object of this amendment is twofold, viz., (a) to take away from Councils the power of absolute choice as to which basis of rating shall be adopted; and (b) to limit the amount of the *general rates*.

The basis of rating.

4. As the Bill stood when presented to the Legislative Council, the Councils of municipalities would have had perfect freedom, either to put all the general rate on the unimproved capital value, or to put 1*d.* (in lieu of Land Tax) on the unimproved capital value and the whole of remainder on the improved capital value. If any considerable section of the ratepayers of any municipality thought that the proposals of their Council as to the basis of rating were injudicious or unfair they could demand that a poll of ratepayers be taken to settle the question.

5. The choice of a basis of rating lies between taxing only land, the value of which is enhanced by municipal expenditure, or taxing the land and the improvements which have been made upon it, the argument being that if there were no improvements there would not be need for municipal expenditure, and therefore the improvements should be rated. This matter is one on which there is much

Application of s. 33 of Shires Act.

No limit in municipalities.

Council may levy additional general rate.

Poll on basis of assessment of additional general rates.

difference of opinion; and the course followed by the Legislative Assembly was to leave it to the people concerned, the people who have to pay the rates, to say what basis they would be taxed on.

6. A similar option is allowed in New Zealand, and, so far as published reports show, the results have been good.

7. Under the clause as amended councils will not be able to levy more than 2d. in the £ on the unimproved capital value, even though a higher rate would be required to raise the amount of the necessary expenditure for general purposes on the present scale.

The limit.

8. The limit proposed to be put on the *general rates* is 2d. in the £ on the unimproved capital value, plus 1½d. in the £ on the improved capital value of all rateable land.

9. If compared in the *aggregate* with the present powers of general rating the limit proposed appears to give a fair margin.

10. The present maximum general rate, 1s. in the £ on rental value, is estimated to yield £319,538; add to this the estimated Land Tax in municipalities, £88,220; and the total at present leviable for "General Purposes" may be estimated at £407,753.

11. A general rate of 2d. in the £ on the unimproved capital value is estimated to yield £287,160; add 1½d. in £ on improved capital value, £492,590; and the total which would be leviable under the amendment may be estimated at £779,750, so that, *in the aggregate*, there is a margin of rating power, for *general purposes*, of £371,992.

12. But when the limit proposed in the clause is applied to individual municipalities it will be found to be inadequate, as will be seen by reference to Statement A,* herewith.

13. This statement shows that, in ten municipalities, there would, under the limit proposed, be a deficiency of rating power varying from £47 to £3,443.

* * * * *

14. In the case of Broken Hill, probably the provision for a better assessment of mines which is contained in the Bill may to some extent swell the revenue, but not sufficiently to make up so large a deficiency as £3,500.†

15. In the cases of the other nine municipalities which would have deficits, it might be argued that, if the maximum rates were insufficient, they should be treated as in necessitous circumstances, and therefore be granted endowment under the Bill.

16. In three of the above cases, the municipalities may possibly on investigation be found to be entitled to endowment under Subclause 4 of Clause 19 because of the excess of the responsibility for expenditure transferred from the Government to the municipality over the Land Tax transferred. On this point, the following information taken from my report of 12th July, 1906, which was printed and laid before Parliament, is of interest, and proves that in only one case will the deficiency of rating power be due to excess of transferred expenditure:—

Municipality.	Transferred Expenditure.	Transferred Land Tax.	Difference which may be given as endowment.	Effect of preceding table as to deficiency of general rating power.
	£	£	£	£
Broken Hill†.. .. .	583	566	17	Deficiency of 3,426†
Grafton South	579	54	525	Margin of 255
Narrabri West	55	12	43	Deficiency of 4

NOTE.—In the remainder of the cases cited in paragraph 13 above, the land tax transferred exceeds the transferred expenditure.

† The Statistician's figures for the unimproved and improved capital values of lands in municipalities necessarily do not include values of mining leases. The figures quoted therefore exclude probable revenue from mines. Since writing this report, I have had an opportunity of obtaining information as to the probable effect of rating mining leases in these municipalities, and find that these deficits will probably be covered by the rates from mines. J. G., 16/12/06.

Further, a scrutiny of the figures respecting the other municipalities shows that in a number of cases, though there will not be an actual deficit, the limit rates are

only barely sufficient for present needs for general purposes, and do not leave a sufficient margin for future expansion.

18. In view of these facts, I submit that, if a limit is to be provided, it should be a higher one, so that each of the existing municipalities would have sufficient rating power to provide for necessary expenditure on the present scale. To do this for Broken Hill, the additional general rate on the improved capital value would need to be 1.9d. or, say, 2d. instead of 1½d. in £.

19. In any case, however, the words "and the rates of any kind already made and levied on the unimproved capital value" should be omitted from the amendment. It is difficult to exactly define what they mean; their intention is covered by the new Clause 66 inserted by the Council; and if, as I recommend, new Clause 66 be struck out, these words would go as a consequential amendment.

New Clause 66—Limit on all rates (General, Special, Local, Loan).

20. By the new clause inserted after Clause 65, it is provided that *all* rates (general, special, local, and loan) taken together, shall not exceed the sum of—

- (a) 2d. in £ on unimproved capital value;
(b) 1½d. in £ on improved capital value.

21. As has already been shown, this limit is insufficient for some of the municipalities for *General Purposes* Expenditure alone; and, when *Special Purposes* Expenditure is added, the limit is still less sufficient.

22. At the present time under the Municipalities Act the following rates may be levied:—

	<i>s.</i>	<i>d.</i>	Limit.
General Rate	1	0	in £ on Annual Value.
Special Rates	1	0	" " "
Libraries and Educational Rates ..	0	3	" " "
Street Watering Rates.. .. .	0	6	" " "
Water Rate	Not more than 5s. per room of house.		
Total	2	9	and Water Rate of 5s. per room.

23. A rate of 2s. 9d. in £ on Annual Value would yield a sum of £878,731. The total which might be levied under the limit proposed now by the Legislative Council is (a) 2d. in £ on unimproved capital value £287,160; plus (b) 1½d. in £ on improved capital value £492,590; total, £779,750. The Special and General Rates, taken together, are limited under the existing Municipalities Act to 2s. in £ on rental value, though there is some doubt on the question whether the "Libraries and Educational Rates" above mentioned come within this restriction. Taking the limit as 2s., however, the possible rates would be £639,077, plus present Land Tax £88,220, total £727,297. Considered *in the aggregate*, therefore, there appears to be a margin of rating power of £52,453.

24. Here also, when the proposed limit is applied to the municipalities individually, a different light is thrown on the subject. The effect of the clause on individual municipalities is shown in statement B herewith.*

25. This statement shows that in some municipalities the margin of rating power over present needs would be large, as, for example, in Balmain (£15,257), Newtown (£13,555), North Sydney (£20,470), and Woolahra (£10,475). In others it would be fair, but in yet others, even in the suburbs, the margin is not a sufficiently wide one, as in the cases of Botany (£298), Erskineville (£836), and several others.

26. It is when the amendment is considered in relation to the country municipalities, however, that its worst effects are seen. The municipality of Broken Hill will require for general purposes expenditure, £11,587, and for special expenditure, £469, a total of £12,056. The rates possible under the Bill as amended are, on unimproved capital value, £1,840, on improved capital value, £6,304, making a total of £8,144. The deficiency in Broken Hill, therefore, would be £3,912. Bathurst will require £3,569 for general purposes, and £3,880 for special purposes, making a total of £7,469. The rates under the amendment would be limited in the gross to £7,226. The deficiency in Bathurst would therefore be £243. Similarly Armidale would be left with a deficiency of £298.

27. The following is a list of the municipalities for which the proposed limit would be quite insufficient:—

* * * * *

28. Apart from these cases of absolute deficits, a large number of the remainder of the municipalities would, if the proposed limit were put on all rates, be either

* Not reprinted.

barely able to meet expenditure on present scale only, or would have a very slender margin to come and go upon.

29. It is submitted that the provision of the bill that when it is proposed to levy a new special, local, or loan rate, the proposal cannot be given effect to unless approved at a poll of ratepayers, is a quite sufficient and effective provision for a limit; and much better than the insertion of the limit in figures.

30. If, however, a figure must be inserted, then, to enable all municipalities to finance themselves on present requirements alone, the limit should be about $2\frac{3}{4}$ d., instead of $1\frac{1}{4}$ d., for the rate on improved capital value, in addition to the 2d. on the unimproved capital value. Even this, however, would leave Broken Hill,* South Grafton, Nyngan, Cobar, Narrandera, Wellington and Wrightville,* without a margin for reasonable expansion of expenditure, except such as might be the consequence of expansion in the values of properties.

31. Appended hereto are two additional tables† of calculations with respect to rates required in the municipalities for which the limits proposed by the Legislative Council are unworkable. These tables may be useful for reference.

The drafting of the clauses re the limitation of rates.

32. The amendment which limits the general rate reads as follows:—

Provided also that in any municipality the sum of the rates so made and levied on the unimproved capital value and the rates of any kind already made or levied on the unimproved capital value shall not in any year exceed twopence in the pound on the unimproved capital value of the rateable land:

Provided further that the council of a municipality may also make and levy a general rate on the improved capital value of all rateable land in its area. Such general rate shall not exceed one penny farthing in the pound on the improved capital value of the rateable land.

33. The amendment which limits all rates reads thus:—

Notwithstanding anything contained in this Act, the total amount of all rates which may be made and levied under this Act on the unimproved capital value of any land shall not in any year exceed twopence in the pound of the unimproved capital value of the said land, and the total amount of all rates which may be so made and levied on the improved capital value shall not in any year exceed one penny farthing in the pound of the improved capital value.

34. It will be seen that there is a certain amount of justification for the doubt which has been expressed as to what the effect of the clause will be. In some quarters it is interpreted to mean that the rates may be levied as follows:—

(a) Improved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on improved capital value.

(b) Unimproved land, 2d. on unimproved capital value, and nothing on improved capital value (because the land is not improved).

35. Another interpretation which is placed upon it is as follows:—

(a) Improved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on value of improvements (i.e., on the difference between unimproved capital value and improved capital value).

(b) Unimproved land, 2d. on unimproved capital value, and nothing on improved capital value.

36. The interpretation which will meet requirements (and it is the interpretation on which the figures given in the preceding paragraphs are based) is that the clause means:—

(a) Improved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on improved capital value.

(b) Unimproved land, 2d. on unimproved capital value, and $1\frac{1}{4}$ d. on improved capital value (which, in the case of the unimproved lands, is the same as the unimproved capital value).

37. If the words "and the rates of any kind already made and levied on the unimproved capital value" are omitted from the amendment to Clause 62 (previously quoted), there is no doubt, I think, but that the clause must be interpreted in the third of the above ways.

38. But, when considered in connection with new Clause 66 (quoted above), the question is seen to be a very doubtful one. The clause says: "the total amount of all rates which may be made and levied under this Act on the unimproved capital

* See notes on page 189, re probable revenue from mines.

† Not reprinted.

value shall not in any year exceed twopence in £ on the unimproved capital value.' The improved capital value includes the unimproved capital value, and, therefore, if a rate is put on improved capital value, after twopence has been levied on unimproved capital value, it will be fairly open to argument that the rate is illegal under new Clause 66; so that then the second method of interpretation given above may be adopted, and the rate proposed to be levied on improved capital value may, in fact, be levied only on the value of improvements ex land (i.e., the difference between the unimproved capital value and the improved capital value).

39. If the new Clause 66 is not struck out, therefore, it will, I submit, be well to re-draft it.

40. The following would put the matter beyond doubt:—

"66. Notwithstanding the provisions of the four last preceding sections the sum of all rates which may be made and levied on the unimproved capital value of all rateable land, except rates levied under Sections 94, 95 and 100, shall not in any year exceed . . . pence in the £ on such unimproved capital value: Provided that, in addition to any rates so made and levied on the unimproved capital value, other rates may be made and levied as in this Act provided on the improved capital value of all rateable land, and that the sum of all rates so made and levied on such improved capital value, except rates levied under Sections 94, 95 and 100, shall not exceed . . . pence in the £ thereon: Provided also that all rates levied on improved capital value may be levied on the unimproved land, notwithstanding the fact that its improved capital value as defined by this Act is not greater than its unimproved capital value as so defined."

J. GARLICK,
Officer-in-Charge, Local Government.

V.

WORKING OF TAXATION OF THE UNIMPROVED
VALUE OF LAND

IN

QUEENSLAND.

N

QUEENSLAND.

**Papers relative to the Working of Taxation of the
Unimproved Value of Land in Queensland.**

No. 1.

THE SECRETARY OF STATE to THE GOVERNOR.

(Sent 4.45 p.m., April 5, 1906.)

TELEGRAM.

April 5, 1906. Please send home as soon as possible any reports or other information available as to working of taxation on unimproved value of land, both for Municipal and State purposes, in Queensland. Information specially desired as to effects of land value taxation on building trade, on rent, on incidence of taxation, on house property and vacant sites, respectively, and on land speculation.—
ELGIN.

No. 2.

THE DEPUTY-GOVERNOR to THE SECRETARY OF STATE.

(Received June 25, 1906.)

Government House, Brisbane, Queensland,

MY LORD,

May 15, 1906.

IN reply to your Lordship's telegraphic despatch, received on the 6th April ultimo,* asking for information as to the working of taxation on unimproved value of land for Municipal and State purposes in Queensland, I have the honour to submit a letter from the Premier, in which he states that he has been unable to obtain the particulars desired.

2. To-day I sent your Lordship a cablegram† to the above effect.

I have, &c.,
JOHN COOPER,
Deputy-Governor.

* No. 1

† Not printed.

Enclosure in No. 2.

SIR,

Chief Secretary's Office, Brisbane, May 8, 1906.

ADVERTING to a telegraphic despatch which your Honour received from the Secretary of State for the Colonies on the 6th April last, asking for information as to the working of taxation on unimproved value of land for Municipal and State purposes in Queensland, I beg leave to inform your Honour that neither from any Public Department nor from the Local Authorities Association can I get the particulars desired. It is understood, however, that Mr. L. G. Corrie, the late Mayor of Brisbane, is preparing for the Association referred to a report on the subject, and I shall endeavour to obtain from him as soon as possible what information he has been able to collect on the matter.

I have, &c.,

A. H. BARLOW,
Acting Premier

His Honour

The Deputy-Governor,
Brisbane.

No. 3.

THE GOVERNOR to THE SECRETARY OF STATE.

(Received September 16, 1907.)

MY LORD,

Government House, Brisbane, Queensland, August 8, 1907.

ADVERTING to your Lordship's telegraphic despatch of the 6th April, 1906,* relative to the taxation in Queensland on the unimproved values of land, I have the honour to forward herewith a Copy of a letter received on the subject as a result of enquiries made by the Treasury Department of this State.

I have, &c.

CHELMSFORD,
Governor.

Enclosure in No. 3.

SIR,

The Treasury, Brisbane, July 23, 1907.

WITH further reference to cable message of the 6th April, 1906, from the Secretary of State for the Colonies, asking for information as to the working of taxation on unimproved values of land, I have the honour to point out that there is no such tax collected by the Government of this State.

I may add that the State is divided into Local Government areas. These areas are governed by elective Local Authorities who are charged with the construction and control of all roads, bridges, ferries, wharves, jetties, and other necessary public works. The Local Authorities have power to levy for these purposes general rates not exceeding threepence in the £ on the unimproved land value of the properties in the area; also special rates for such purposes as water supply or tramway construction, &c.

The effect of this land value taxation has been to depreciate the value of land held for investment or speculative purposes and to stimulate the utilization of vacant land when practicable so as to obtain some return for the rates paid. The exemption of improvements from taxation has a tendency to encourage building operations.

As regards the effect on rents, it is obvious that the rentals from improved properties can be lower with taxation on land only than they would have to be to give the same percentage of return if the improvements were also taxed.

I have, &c.,

T. W. CONNAH,
Under-Secretary.

The Under-Secretary,
Chief Secretary's Department,
Brisbane.

THE GOVERNOR TO THE SECRETARY OF STATE.

(Received December 28, 1907.)

MY LORD, Government House, Brisbane, Queensland, November 19, 1907.

I HAVE the honour to forward herewith a copy of Mr. Corrie's report on the taxation of land values as requested in your Lordship's despatches of the 7th of March and the 25th of September last.*

The report in question has only quite recently been published and the apparent delay in forwarding it was due to this cause.

I have, &c.,
CHELMSFORD,
Governor.

Enclosure in No. 4.

UNIMPROVED LAND VALUE TAXATION IN QUEENSLAND.

By LESLIE GORDON CORRIE, F.L.S. (Lon.), President, Queensland Institute of Architects.

(Brisbane, 1st August, 1907.)

*By Authority:**George Arthur Vaughan, Government Printer, William Street.*

1907.

UNIMPROVED LAND VALUE TAXATION IN QUEENSLAND.

PROVISION OF LEGISLATION.

Queensland was constituted a colony in 1859 by separation from New South Wales, and in 1901 was constituted one of the States of the Commonwealth of Australia.

Local government in the new colony was at first conducted under the then existing New South Wales laws.

The Queensland Parliament duly formulated its own local government statutes, such as the "*Municipal Institutions Act of 1864*," with its various amending Acts, &c.

In these early statutes the usual annual value mode—including improvements, if any—was provided as the means for local government rating, the income so raised being more or less endowed out of the colony's consolidated revenue.

In 1878 (GRIFFITH, Premier), "*The Local Government Act of 1878*" was passed for the consolidation and amendment of the existing laws relating to municipal institutions, and to provide more effectually for local government.

This principal statute dealt with all the existing areas controlled by local government—eighteen in number—and also made provision for the optional extension of the system to the rest of the colony.

In the case of ordinary rateable property, the valuation was to be computed on the net annual value, including improvements.

Pastoral tenants were to be rated on the annual value of those Crown lands leased to them.

In 1879 (McILLWRAITH, Premier), a Bill was introduced to provide for local government in areas outside municipalities, these latter to remain controlled by the existing Act.

The new statute was intitled "*The Divisional Boards Act of 1879*," the areas coming under it to be called Divisions.

In this new Act will be found the initial steps in the direction of the exclusion of the values arising through improvements.

Its framers were charged on the one hand with bias in favour of the squatting industry, because the Bill provided for the annual rents payable on the leased Crown lands, in place of the annual value of the same being taken as the valuation basis. On the other hand, it was contended the introduction of any such measure

* Not printed.

was a direct attack upon the country districts, the settlement and improvement of the lands within which (consisting as they almost entirely did upon lands leased from the Crown) was of such vital importance to a young and practically unsettled country, that it was considered the national funds ought to provide for local expenditure.

The discussions on this measure form instructive reading, as the same centre round the question of the inequity, under certain conditions, of rating improvements.

Through these debates came some little advance towards unimproved land value rating, though the essence of the principle was imperfectly grasped, the strongest advocates for concession on improvements in the country districts declaring themselves solidly in favour of full toll on improvements elsewhere.

It was suggested in the Legislative Assembly that, as considerable areas of country lands were either under lease or in process of conditional purchase, or by homestead selection, from the Crown, with certain improvements obligatory, it was only fair that such improvements be excluded from any incidence of value for rating purposes, if for no higher reason than that conditional purchasers might otherwise delay carrying out those obligatory improvements to the great disadvantage of the district and colony.

An endeavour to exclude all improvements other than houses and buildings, in regard to the annual value of country lands, was defeated, and the Bill, when transmitted to the Legislative Council, went no further than to provide, in the case of general rateable property, for having a separate valuation made of houses and buildings only, and for the deduction from the total annual rent value of "an amount equal to one-half that portion of such rent as shall be deemed to arise from any house or buildings that may be situated on such rateable property."

In the case of homestead or conditional selections, the capital value of the land was to be taken as no greater than its selection price, and in the instance of Crown lands under pastoral leases the annual rent payable was to form the basis for any valuation—in both cases, as before, one-half only of the value incidental to the existence of houses and buildings was to be taken into consideration.

Mines were to be valued as for the annual value of the surface use of the land only, along with the annual value of any buildings on the land, all mineral value being excluded, as well as any value arising from machinery.

The amendments made by the Legislative Council did away with the exemption of minerals, provided in the case of country lands for exclusion of improvements other than houses and buildings, and that, in the valuation of pastoral leases consideration should be given, in any estimate of their annual value, *beyond* the mere item of rent payable to the Crown.

The Assembly, which might in any case have combated these amendments, raised an unanimous objection to the Council's proposals; members who had been dissatisfied with the Bill as sent from the Lower House joining issue with the Government upon what was regarded as the bigger question raised through the Council infringing upon the privileges of the Assembly, it being held that the amendments made in these valuation clauses altered the principle of taxation. Upon its retransmission the Council returned the Bill again to the Assembly.

The Assembly, while reiterating its constitutional right, supplied fresh reasons why the Council should not insist upon its amendments. With these new reasons the Council, after prolonged debate, confessed to being satisfied.

In 1886, the Government (GRIFFITH, Premier) brought in a Bill to consolidate and amend the laws relating to local government outside the boundaries of municipalities.

Owing to the desire expressed for the stimulation of improvements in country districts, an endeavour was made by the Government to further discriminate as between rural and urban rating.

As introduced, the Bill provided for valuing country lands much as was afterwards provided in the Valuation Bill of 1887, viz. :

While the mode of valuing was not to be altered, the amount of tax leviable on the annual values was to range from 5 per cent. to 10 per cent., with a special concession in favour of any land "fully" improved. For homestead and conditional selections, agricultural farms, and pastoral leaseholds special allowances were made because of the specific conditions controlling each.

Mines to be treated as before.

As the debate proceeded, the Premier introduced an important amendment that the capital value of country land, upon which any annual value was to be based, should be taken at the fair average value of unimproved land of the same quality in the same neighbourhood. This meeting with general acceptance, was passed in the Assembly. It covered a distinct advance towards the exclusion of improved values, and went further than the Legislative Council's proposal, made in its amendment to the 1879 Bill, which had provided for the exclusion of improvements other than houses and buildings.

When this 1886 Bill reached the Council, while little exception was taken to the proposed exclusion of improvements in the valuation of country lands, various amendments were carried, modifying the limits fixed by the Assembly as to the rates to be levied, so once again the Constitutional question came up, and, after some cross-firing, the Council disposed of the business by a summary resolution postponing further consideration for six months.

In 1887, Sir Samuel Griffith succeeded in passing a Divisional Boards Act, consolidating and amending the laws relating to local government outside the boundaries of municipalities.

The question of valuation was excluded from this Bill, the same being anticipated and provided for in a Bill passed in the same session of Parliament, intitled "*The Valuation Act of 1887*," which repealed all the clauses dealing with valuations contained in any previous local government statute.

This general valuation statute of 1887 provided in case of town and suburban lands for very slight alteration in the previous method of valuation, the rates having to be based upon the annual value on valuations which included improvements, and made as follows:—

In the case of ordinary rateable property, the annual rental was to be estimated as a sum equal to two-thirds of the rental value, including improvements, the other third being written off to cover taxes, upkeep, &c.

In this measure advance towards the exclusion of improvements came through the limits of taxation fixed, for, while the same could be only as low as 5 per cent. upon the fair capital value of ordinarily improved land held in fee-simple, should such land be improved "to the extent that might reasonably be expected, having regard to the situation of the land and the nature of other improvements upon other lands in the same neighbourhood," then in the case of such so-called "fully" improved land, the minimum of five pounds per centum was *not* insisted upon. While if the land was unimproved, eight pounds per centum was the minimum fixed.

In this way was provided a small penalty upon unimproved land, and a permissive rebate in the case of "fully" improved land.

With respect to country land, the notable advance proposed in the 1886 Bill was reintroduced, viz., that such lands should be all estimated at the fair average value of unimproved land of the same quality in the same neighbourhood, the annual value to be taken at a certain percentage upon this capital value, thus eliminating any question of value coming through improvements.

The annual value of pastoral properties, viz., Crown land held under lease or licence or as a grazing farm, was to be taken as equal to the annual rent payable.

Mining lands were to be valued as had been laid down in 1879.

In 1890, the finances of Queensland cause grave concern. The Government of the day (MOREHEAD, Premier), in open acknowledgment of the good to the colony arising through local government expenditure suggested no interference with the endowment for local bodies, and was providing for an expenditure of £265,000 in this connection.

To increase the consolidated revenue a tax upon property of all description was proposed, the unfavourable reception of which led, in great measure, to this Government's resignation.

The Morehead Government was succeeded in the same year (1890) by the Coalition Government (Sir SAMUEL GRIFFITH, Premier, and Sir THOMAS MCLLWRAITH, Treasurer).

A leading feature of its programme was the early submission to the Assembly of a Valuation and Rating Bill, described by the Premier as "The complement of the proposals made to reduce the Endowments paid to Local Authorities."

It is interesting to note that it was for no reason arising within local government itself, nor through any dissatisfaction on the part of the public with the obtaining

order of things that a change was proposed, but simply to afford relief to the consolidated revenue of the colony.

This Valuation and Rating Bill of 1890, as introduced, provided in the main for securing to local authorities extended powers for the raising of revenue in order that assistance from the central Government might be largely reduced.

As explained by the Premier, it was further considered preferable for local authorities to raise their own revenues directly themselves.

The threatened increase of local taxation attracted immediate attention. The existing procedure was working without any complaint whether from residents in the towns paying more or less rates upon improvements as well as upon the land value, or from dwellers in the country, who, it would appear, hardly recognised that their local taxation conformed to a simple land tax.

In this relation, it should be noted that so considerable an endowment was received from the Government, *i.e.*, £2 for every £1 raised locally by the divisional boards, that no very critical attention was directed to any principle of local rating.

Under the new proposals a very different position was to be set up.

Parliament had more or less semi-unconsciously led or been led in the direction of taxing land only for the purposes of local government, and the Premier was able to state, when he was introducing the new Bill, that he believed taxing improvements was always distasteful to the Queensland Assembly; but while he frankly admitted that it would be more symmetrical to place the whole burden on the unimproved value of the land, all the same it was proposed to provide for rating all lands upon the annual value, improvement to be counted in the valuation, with the proviso, however, that no greater rate than one shilling in the pound of annual value could be so levied, any additional rate to be based upon the unimproved capital value.

Had these provisions been carried, there would have been an advance in the direction of some exclusion of improvements in the case of town and suburban properties, and there would have been a return in country areas to the inclusion of improvements.

In the House of Assembly, as the question was debated, member after member, for one reason or another, expressed himself more or less in favour of generally excluding improvements. The reason given for such an opinion was in some cases no higher than that unimproved value rating would be simpler for the local authority's officials.

It is exceedingly interesting to note in a House composed of members so many of whom were or had been intimately connected with local government, how exceedingly little argument was available against, or for the matter of that in favour of, so drastic a proposal; it would appear as if the community had become gradually prepared for the introduction of this important innovation.

Considerable opposition was offered to the exclusion of improvements by some members, themselves also members of local authorities, whilst other members similarly situated ranged themselves as "content."

The Premier himself was quick to make up his mind in the direction to which it would appear he had been previously inclined, and noting the temper of the House, actively promoted the general exclusion of improvements, except in the case of mining lands, and had the Bill amended in this direction.

Sir Samuel Griffith from this out allowed no hindrance to the unimproved basis for valuation, and later, when the historic dispute between the two Houses again arose over this particular Bill, while the Assembly was prepared to modify its provisions in other directions, the rating upon unimproved land values was declared by the leader of the Government to be vital, and that no interference with it could be accepted, so that finally the Legislative Council, which had previously refused to entertain what it had termed the leading principle of the Bill, gave way, and the finish affirmed the innovation.

So the basis for the valuation of property from which Queensland local authorities were empowered to raise revenue was carried a further step towards the cul-
 in adopted in "*The Local Authorities Act of 1902.*"

with "*Local Authorities Act of 1902*" (PHILP, Premier), was a most compre-
 stead &c. With the exception of health—to deal with which a special Act
 special act brought in—it consolidated the whole of the laws relating to
 each. repealing all old ones, including the special valuation and rating

Mines to be treated a.

In this statute the total exclusion of improvements in any valuation was confirmed with little opposition from within and none from without the Legislature. All rateable property, no matter of what description or where situated, was to be valued "at the fair average value of unimproved land of the same quality held in fee-simple in the same neighbourhood."

Any question of the annual value was in this 1902 statute finally dropped.

Some provisions in this Act must be noted. These do not affect the principle involved, relating as they do solely to Crown lands held under peculiar tenure on gold or mineral fields or similar lands rented from the Government:—

1. Leased Crown lands on goldfields were now to be valued at twenty times the rent payable to the Crown.

2. Land held under other tenure peculiar to gold or mineral fields was now to be estimated as of the same value as similar unimproved land in the neighbourhood held in fee-simple or, in the absence of any such, then at one and one-half times the fair average value of the land of the same quality and held under the same tenure in the same neighbourhood, always without any regard to any improvements or mineral value.

3. Land held under lease or licence from the Crown was now to be valued at a sum equal to twenty times the amount of the annual rent payable; with the proviso that, in the case of land in respect of which an estate in fee-simple could be acquired by the owner or other person, then this land to be valued as provided for ordinary privately-owned land.

In this 1902 statute was swept away the last shred of consideration as regards improvements as a factor in any valuation of rateable property for local government purposes.

Thus, slowly, in successive steps, has an unimproved land tax been accepted by land-owners and the general public, as a basis upon which to carry on the general functions of local government.

That the rates raised thus from the land are spent again locally, it is believed largely to the enhancement of the land, doubtless carries the acceptance of what would otherwise be far from a popular mode of raising revenue.

It is interesting to note how the existing order of things was affected as the new mode of valuing came into operation.

So long as the Government endowment was so considerable—averaging as it did for an extended period a payment of £1 for every £1 locally raised in the municipalities and shires and £2 for every £1 locally raised by the divisional boards—scant attention was paid to the mode of valuation.

The advent of "*The Valuation and Rating Act of 1890*" excluding improvements, along with the knowledge that endowment was going to be immediately curtailed, caused great uneasiness in local government circles, accentuated in the case of municipalities, which had not only to prepare for striking increased rates, but also to considerably modify their basis for doing so.

The usual forebodings of disaster were not wanting.

The Legislative Council, in 1890, had only concurred in the innovation under the strongest pressure. In that House the unimproved land value basis for rating had been termed "experimental legislation," and was considered as an attempt to thrust a new principle upon the people without proper consideration. For the latter charge there were substantial grounds. This so-called single tax upon unimproved land values, as the basis for raising revenue for the principal operations of local government in a colony holding the extensive and diversified areas and interests existing in Queensland had, as a fact, developed *during* the discussions on the 1890 Bill in the Assembly.

This principle had neither been introduced in the new Bill nor was it at first advocated by its framers. The local authorities had in no way been consulted, and to this great and reasonable exception was taken—a postponement of the measure being strongly advocated, so that the local bodies might give consideration to the novel proposition. The necessary time for any postponement, in the opinion of the Government, could not be conceded, and the House affirmed the immediate proceeding with the measure.

There was no precedent in any British-speaking or other community as to the proposed mode of valuation to raise such extensive revenues.

Quite a shock was given to some of the older parliamentarians to discover,

through the candid utterances of one strong advocate* of the principle that it was a simple land tax.

— The ablest debater† in the Legislative Council, at the initiation of the debate, spoke as follows:—

He thought the question had not been properly considered by the country. It was an attempt to thrust a new system upon the people without proper consideration.

And the same speaker, at that time facetiously termed “the leader of the Opposition” in the Upper House, when the Council finally gave its consent, while expressing regret at the adoption of the principle, said:—

It is now becoming the law that the system of taxation should be upon the unimproved value, but I have no doubt but experience of that system will enlighten us very quickly as to its effects.

Whether those who advocate this system are right in saying that its effects will be the gradual extinction of capital value of freehold land—that is, the basis upon which advanced thinkers who are in favour of certain views advocate the tax upon unimproved values—we shall see, and before many years are over many of us will have learnt a new lesson in political economy.

Numerous were the opponents to the measure outside the Legislature, and varied the prognostications of disaster.

The local authorities themselves had the briefest time for consternation. It had been generally believed that the Upper House under no circumstances would adopt the innovation.

The consent of the Legislature not being secured until early in December, and the statute coming into operation within a few weeks, general confusion was experienced, and most anxious work devolved on the local bodies.

To take the instance of Brisbane city, wherein some millions of pounds in value were involved: Unless the requirements of the statute—viz., having the valuation made on the new basis, and approved, and due notice of the same served, with full allowance for legal appeal on the part of every property-owner, could all be put through with celerity—viz., within a few months—then the receipt of rates must inevitably be so delayed as to cause considerable embarrassment of an acute financial nature.

Little of a concrete character is in evidence concerning the initial working of the new statute. A good many of the local bodies found their hands so full owing to the innumerable appeals made against the new valuations that scant time was afforded for criticism or grumbling.

Referring to this period, in a mayoral report submitted to the Brisbane City Council in 1903, the writer included the following:—

In the first year of its application the new system caused considerable difficulty over the colony in the attempt to arrive at equitable comparative values, and in educating ratepayers in the new principle involved.

The necessity for securing an aggregate revenue under the new equivalent to what had been proved requisite under the old method, gave the Council in those days no little anxiety, especially in view of the wholesale appeals lodged by ratepayers in 1891 against the valuations before they became seized of the position.

The following table gives the valuations from 1890 to 1902:—†

Year.	Valuation.
1890 (under old system)	£9,061,450
1891 (under new system)	8,800,351
1892 " 	7,814,185
1893 " 	6,745,553
1894 " 	6,363,308
1895 " 	5,807,541
1902 " 	5,882,055

It will be noted in the first year only some £261,000 was written off on account

* Hon. B. B. Moreton.

† Hon. A. J. Thynne.

‡ In 1903, Brisbane was enlarged by the absorption of the Division of Booroodabin. For the land in the same area—viz., the five old wards which had constituted the City before its enlargement, the valuation last year (1906) amounted to £5,502,988.

of improvements, and that it took several years to bring the city valuations upon a basis to stand the ordeal of the appeal courts.

It must be pointed out in this relation that the reduced valuation of 1895—viz., a reduction as from 1890 of some three and a-quarter millions—is not all accountable for on the score of the exclusion of improvements, it being to some extent due to the Australian financial crisis of 1893 causing serious shrinkage in land values, from which, indeed, they are only now beginning to recover.

While in the towns the new system caused such a radical upsetting of the old order of things—of what had come to be regarded as the hereditary burden of improved property—in country districts, except that heavier rates had to be struck to compensate for the endowment loss, very little change was involved.

ATTITUDE OF THE LOCAL GOVERNING BODIES.

A search through the available documents proves how little evidence can be met with concerning the working of the Queensland system of rating upon unimproved land values for the general revenue purposes of local government.

To such pertinent evidence as is available it appears desirable to make fairly extensive reference.

In the face of the knowledge that the various local authorities by silence seemingly consent to this mode of valuation, the attitude of these bodies in favour of the system must necessarily be based largely in a negative way.

NORTHERN OPINION.

In the North of Queensland very great interest has always been evinced in matters appertaining to local government, and the various statutes and amending Acts came in for due criticism by the individual authorities, and again by the various authorities in conferences assembled for the purpose.

The third sitting of the Conference of Northern Local Authorities was held in the Town Hall, Charters Towers, in June, 1893.

This was after two years' experience of "*The Valuation and Rating Act of 1890*," which had eliminated all incidence of improvements except in the valuation of land held under any tenure peculiar to goldfields in which the value of buildings erected on the land was to be included.

Various resolutions were passed by this Northern conference embodying suggested improvements in the law, and it is notable that the only one touching upon the basis of valuation was the proposal to reduce the only incidence of improved value left—viz., that in the case of land on goldfields—so that only one-third of the value of the buildings should be taken into consideration.

ROYAL COMMISSION OF 1896.

In the year 1896—viz., some five years after the general inception of the new valuation system—an important Royal Commission, having an extensive and representative *personnel*, was summoned by Parliament, and commissioned to go fully into all matters appertaining to local government in order that all the laws relating to the same might be consolidated and amended.

The Commission sat in Brisbane, was occupied for two months, examined many witnesses, gave consideration to information received by circular or otherwise from the local governing bodies, and had under review a mass of official correspondence which had been from time to time received by the Government departments from local authorities and others, covering suggestions as to amendments in the existing law.

In addition to the recommendations made in its report, the Commission submitted for the consideration of the Government a draft Bill* to provide for the consolidating and amending of the laws relating to local authorities.

In this draft Bill the principle of raising revenue solely upon an unimproved land value is fully confirmed.

At the various sittings of the Commission, while all the multifarious operations of local government were open for discussion, and opportunity given to bring forward any actual or supposed disadvantage or suggested improvement, the exhaustive proceedings of the Commission disclose only four relevant references to the valuation question.

* Really overhauled and further amended a draft Bill already prepared.

Two of these occur in the evidence—one when Mr. W. H. G. Marshall (the Town Clerk of Brisbane city), in reply to questions, said that he did not consider it would be desirable to revert to annual rental upon improved values as a basis for valuation; the other, when Mr. J. W. Hill (the Town Clerk to the Borough of South Brisbane) stated he considered the old mode of rating on improved values to be fairer than the new, and that he did not think ratepayers held any sentimental objections to the rating of improvements.

These individual opinions are remarkable, coming from the sources they do, for the reason that, while the Mayor of Brisbane* in his seat in the House of Assembly in 1890 had been genuinely opposed to the new mode of rating for fear of some unsatisfactory incidence in respect of city properties, a South Brisbane alderman,† also in the Assembly, was all along one of the warmest advocates of the proposed new system.

The Royal Commission's circular to all local authorities requesting information as to the administration of the local government laws, and soliciting suggestions for the improvement of the same, elicited replies to the number of ninety-six, including various volunteered local communications and some information sent from the other colonies; all were fully considered by the Commission.

Two local authorities only touched on the unimproved land basis for valuation—one, *inter alia*, writing it considered that in small townships an advantage would accrue were the local authority permitted to strike a rate upon the improved rental value in such area as might be specially proclaimed by the Governor in Council, while the other considered that such objection as it had to the loss of revenue arising through improvements being no longer rateable, would be met if a slightly higher minimum of valuation was conceded.

These were the only criticisms evoked upon the principle, and, in face of the implied approval of the unimproved land value basis for rating on the part of everyone else, do not seem to have been seriously considered by the Commission.

The principle laid down in the 1890 Act for the valuation of Crown lands on goldfields and elsewhere held under some peculiar or inferior tenure, considerably exercised the Commission, and various suggestions were submitted in the report, the most important of these being afterwards embodied in the 1902 statute.

LOCAL AUTHORITIES ASSOCIATION.

In 1896 was formed the Local Authorities Association of Queensland, "To watch over and protect the interests, rights, and privileges of local authorities; to take action in relation to any subject affecting local bodies or local legislation; and to promote the efficient carrying on of local government throughout the colony.

Some twenty-six of the most important local authorities were the association's first members, and the roll has gone on until it now embraces 135 out of 160 local authorities in all Queensland.

In addition to holding an annual conference, always representatively attended,‡ the association has a permanent executive, which meets at about six-weekly intervals to consider and give effect, so far as possible, to the various requests coming from its members.

This executive naturally took keen interest in the last amendment of the local government laws, as embodied in the general Act of 1902. Save in the direction of endeavouring to secure some modification to assist the local authorities in the vexed instances of the valuation of Crown lands held under some tenure inferior to fee-simple, the executive urged no departure from the final symmetrical proposal as to unimproved land valuation, which is embodied in the statute.

In proof of the attention given to this business, quotation is made from the presidential report of 1902:—

In the expectation that the Government would introduce the Local Authorities Bill in 1901 for the codification and amendment of the existing local government statutes, the executive gave its provisions earnest consideration, and invited suggestions from every member of the association. This invitation met with ready response from a considerable number of authorities, and many very useful improvements in the Bill were the result.

Again, in a similar report in 1903, written after the statute of 1902 was

* John McMaster, M.L.A.

† Wm. Stephens, M.L.A.

‡ Last year 191 delegates, representing 106 local authorities, were present.

enacted, attention of the local authorities was drawn to the fact that the past year had been full of work—

Especially while the Local Authorities Bill was under consideration by the Legislature; exhaustive meetings were held by the executive for the consideration of this measure in its various stages, and although the whole of the amendments known to be desirable were not secured, many alterations and improvements, all in the general interest of local government, were obtained through the efforts of your executive.

As the author of the foregoing, the writer can testify that amongst all the numerous suggestions received at this time by the executive from the association's members and others, none raised any dissatisfaction with the proposed system of valuation.

In the year 1898, the Premier of Victoria requested, through the Home Secretary, information as to Queensland's experience with unimproved land valuation. This being forwarded to the association as the body best qualified to answer, the executive approved its secretary writing, on behalf of local government, altogether favourably concerning the system.

The British Government seeking similar information last year, the request was referred by the Premier (Hon. Wm. KIDSTON) to the association. Being then treasurer of the association, the writer suggested the matter should be discussed at the coming annual conference, and offered to open a debate upon the incidence of unimproved land valuation. The executive, however, considered the question to be so "non-contentious," the local governing bodies resting "so satisfied with the principle," it was undesirable to occupy the time of the conference in this connection.

It having fallen to the writer to be intimately connected with the management of the association, including the preparation of three annual presidential reports, and, in addition, having recently searched the whole of the association's transactions and correspondence from its inception to date, the statement can be made that no evidence is to be found to substantiate dissatisfaction being felt with the principle of valuation now in force, save in the isolated instance of the peculiarly circumstanced Crown lands on mineral fields, and the desire of some authorities to have the present minimum* of valuation raised, which exceptions can hardly be accepted as directed against the principle at large.

OTHER POWERS OF RATING.

The Queensland law allows considerable latitude to local government in the instance of various works of the nature of "services rendered," and imposes certain limitations.

With water supply, only land within 300 feet of a main is rateable; but the rate can be, at the local authority's option, either upon a land valuation or upon any other principle of calculation.

In the performance of sanitary services—removal of rubbish, &c.—a sanitary rate can be struck, always limited to land in occupation; but, if so desired, this can be upon any basis the local authority thinks fit; or, in place of any rate, an order can be substituted, under which occupiers become liable to pay such sums and in such manner as the local authority may prescribe.

The local authorities further have power to levy certain special rates applicable to the whole or part of any area for health purposes, and for the construction and maintenance of a variety of works.

In the case of a portion of an area only being taxed, the rate is termed a separate rate.

Such a rate must be grounded upon the fact of a particular benefit to a particular district, called the benefited area, to be defined and declared by the Minister.†

SOME LIMITATIONS.

A study of local taxation in Queensland necessitates some recognition of the scope of the governing bodies.

Though the many public duties performed need not be quoted, reference is desirable to various services—often undertaken by the local bodies in other countries—from which they are exempted in Queensland.

* In towns £30, in shires £20.

† Home Secretary.

These exceptions can be broadly stated as more or less onerous duties of a national benefit, such as are generally admitted, when administered by local government, to be entitled to substantial subvention out of the national exchequer.

These include—

Poor Relief, Orphanages, &c.

Education, including Free Libraries.*

†Police, Criminal Prosecutions and Prisons, Hospitals,‡ and Asylums.

Registration of Deaths, &c.

Other duties conferring national benefit *are* undertaken by the local authorities, such as—

Main roads,

Bridges,

Sanitary inspection,

Noxious weeds.

In the foregoing connection, it must be remembered that local government in Queensland no longer receives any endowment assistance from the State, and in effect is only permitted the one mode—an unimproved land value tax—of raising revenues for general purposes.

Nothing is received from occupiers as such; nothing from property other than land; nothing on account of personalty or estate duties.

All Crown properties, Federal as well as State, are exempted from taxation, save as by way of refund for a specific service rendered, such as water supply, sanitary services, rubbish removal, &c.

Roads, streets, and footpaths, their formation, maintenance, watering, and lighting; the provision of sewers and drainage, sanitary inspection, &c., are all a charge upon local government, albeit for the direct benefit of much valuable property, which, under the shield of the Crown, is absolutely exempt from any contribution.

In addition to the Crown properties, the following are also exempt from any local government tax:—

Commons.

Land in occupation of any person or corporation used for public purposes.

Land used for showgrounds or for public recreation or athletic sports or games.

Land vested in or in occupation of any local authority.

Land used for purposes of public charity.

Land used for public worship.

Land used for public worship and educational purposes.

Land used for orphanages.

Land used for mechanics' institutes.

Land used for schools of arts.

Land used for technical schools or colleges.

Land used for schools of mines.

Land used for public schools.

Land used for public libraries.

Land used for cemeteries.

Further, local government receives nothing on account of hotel or club licenses or the liquor traffic.

SOME DISABILITIES.

The imposition of local taxation solely upon land values has not worked satisfactorily in all instances.

1. *Lands on Mineral Fields.*

With occupied Crown lands on mineral fields difficulty is experienced in valuing these comparably with other lands in the same neighbourhood, owing to the inferior non-negotiable title appertaining to the former.

Under a miner's right, for instance, costing but 5s. per annum, land can be held and used as fully for the erection of buildings as can other lands for which, if in private ownership, a high purchase price or rental would have to be paid.

* It is permissive to contribute towards libraries, and some local authorities do so.

† Including in Brisbane, control of traffic, the Government taking all fees and fines.

‡ Under the Health Act certain obligation as to hospital maintenance in infectious diseases is implied, which, to a great extent, has been a dead letter.

For a time the inclusion of buildings in the valuation of these Crown lands was continued, in order, in a rough way, to make up for the lack of marketable capital value in the land, but this was resented upon the score of the differential treatment.

The final exclusion of improvements in favour of the 1902 compromise provisions for arriving at the value of these lands has not entirely solved the problem.

Considering that the Crown, excludes all mineral values from local taxation, and itself receives all fees and licences as well as heavy rentals from certain classes of these lands, and also levies a tax upon dividends declared by mining companies, a remedy should not be far to seek in order to place the local authorities in the position of obtaining an equivalent contribution from these mineral lands to that which land held in fee-simple has to pay.

2. *Services Rendered.*

For such services, for instance, as the removal of garbage, the attempt to levy upon the intrinsic value of the land was rating run mad. Yet for many years this was attempted to be carried out in Brisbane.

As was inevitable, even under the most carefully thought out apportionment, the most grotesque inequalities resulted. The incidence of this mode of rating for such a purpose was unfairly against highly-priced land.

It is a notably unsatisfactory commentary as to the apathy of those who should be interested in local government management to record how difficult it was to get this unjust sanitary rate altered to the more equitable arrangement now obtaining in Brisbane.*

Owing to the bubonic plague scare in 1900, the Government created a joint board to take over the individual responsibilities of the metropolitan local authorities in connection with epidemic diseases. Without due consideration, the basis for the necessary revenue was arbitrarily fixed upon an unimproved land value basis, and resulted in the most unjust incidence against Brisbane city lands.

More recently, persistent endeavours have been made to secure the treatment of infectious diseases by the Brisbane General Hospital on account of the metropolitan areas generally. By those likely to be unfairly benefited thereby the land-value basis for payment has been strongly advocated.

Brisbane has so far stood out for a fair basis of payment by each area, to be estimated upon the number of days of hospital treatment accorded to cases arising in each area, or upon some reasonable compromise based upon a mean taken as upon—

- †(1.) Rateable property (supposed ability to pay).
- †(2.) Population (supposed necessity for expenditure).
- †(3.) Cases treated (actual expenditure).

3. *Undertakings.*

Difficulty in dealing with the valuation of lands—such as the streets of the local authority—used by electric power transit and light, gas, and hydraulic undertakings, was anticipated in the 1902 statute, so that special clauses were inserted under which tramways are rateable on the gross earnings proportionate on the mileage of route, and the other undertakings upon the mileage of pipes or lines installed, proportionate upon the dimensions of the services.

In addition, it was left optionally open for the local authority, with the consent of the Governor in Council, to enter into any special mutually satisfactory agreement with the owners of such undertakings as to their taxation.

4. *Mixed Values.*

When uniform rating is obligatory or desirable in any area, should the lands therein be of widely divergent value, difficulties arise; these were touched upon by the writer in a mayoral minute to the Brisbane City Council in 1904:—

So far as the capital of the state is concerned, owing to the enlargement of the city, the Queensland principle of rating upon unimproved land

* Payment for services rendered.

† Such a basis would be much upon the lines suggested by Sir T. Dyke-Acland and Lord Balfour, of Burleigh, in connection with rating in England.

values is receiving a severer test than has been hitherto applied to this unique system. In last year's report I wrote:—

“While the system of rating upon unimproved land value has worked satisfactorily in Queensland, whether in application to city, suburban, or country areas, it is by no means certain, except, perhaps, under some arrangement of differential rating, that the system will be found to give equal satisfaction when it may be necessary to apply it to mixed sorts of lands, such, for instance, as city and suburban land taken together. Because of this, and in view of future enlargements of our city, I recently tabled a motion to ensure this important question receiving consideration.”

Through the amalgamation with Booroodabin, something approaching the “mixing” of suburban with city lands has been brought about. The result of this is not yet clearly apparent, owing to the differential rate struck last year.* One significant fact, however, is recorded, inasmuch as the total amount of rates upon the higher scale received from the two new wards had to be considerably over-spent to provide for the demands viewed from a city standpoint.

By area we know that the two new wards are practically equal to the rest of the city, while upon a basis of even rating they will only yield about a ninth of what the remaining wards, or the other half (by area) of the city, will yield.

Now that we are getting experience of the mixing of the various classes of land, an interesting and important new aspect is being forced under review.

It is quite clear that the proportionate value of improvements by comparison with the land value varies greatly as between city and suburban properties. If city and rural properties were taken together the contrast would be greater still.

If the expenditure, based upon a city standard, is to be applied equally to low-priced as to higher-priced land, an inequality of benefits given as against rates received is inevitable.

This would, of course, be particularly noticeable until such time as the general expenditure brought up the values of the less valuable land.

The disparity referred to would not be so great under the almost universal improved property system of rating. With, say, suburban town lands, the improvements average more in value than the land itself, while in the case of city property the reverse is true.

The question arises whether, to secure fairness, some system of zonal differential rating or some other expedient will not have to be adopted to bring satisfactory results.

The foregoing cover the leading difficulties so far met with under the application of the unimproved land value mode of rating. As indicated, each can, by some special procedure, be surmounted without interference with the general application of the principle of the system.

SOME EFFECTS OF THE UNIMPROVED LAND TAX IN THE TOWNS.

The exclusion of taxation upon property other than land was apparently expected to lead to the promotion of improvements, while the application of the tax upon land only might reasonably have been expected to discourage land speculation.

From the standpoint of Queensland city holdings it is believed that such expectations have been borne out.

With urban and suburban property, up to 1890, local taxation was upon the annual improved rental value, and was of a somewhat negligible quantity, owing to the considerable amount of endowment received from the Government.

In 1891 came the change to the rating upon the unimproved land value system, the effects of which became more apparent as the Government endowment diminished, which it rapidly did.

The case for comparison under the two systems would have been simpler had

* 1½d. in five old wards; 2½d. in two new wards.

the colony continued to prosper and advance in something like the same ratio as during the eighties, or even had anything like normal times been maintained.

As it happened, coincident with the application of the new system of taxation, property values of every kind went to pieces, and there has been no substantial rally since.

The new system, although introduced in 1891, cannot be estimated as in full operation until 1894-5, by which time the Government endowment to local authorities, which, under the old system had reached an annual payment of £276,000, was reduced to £63,000;* and, in addition to this, by the same year considerable sums of money, previously annually expended by the Government upon main roads and bridges, finally ceased.

At this period (1894-5) the colony was in the midst of the depression consequent upon the Australian financial crisis of the previous year, with the result that, except in the instance of certain busy mining and other smaller centres, building was brought practically to a standstill, and there has not been—with some individual exceptions—anything like a return to prosperity in the building trade since.

The financial collapse in 1893 wiped various land banks and building societies out of existence, and it is only within the last year or two that the majority of the surviving institutions of this class have commenced to be busy once more.

These facts indicate how the special conditions of the times have complicated any comparison as between the new and the old order of things.

Personal acquaintance with the operations of leading financial and building institutions, and with private firms and individuals dealing largely in real estate, both improved and unimproved, enables the opinion to be expressed that the absence of any tax upon improvements considerably relieved the tension imposed upon the holders of improved properties during the depression, and also encouraged building operations being undertaken at an earlier period and to an extent that would not otherwise have happened.

More than once it fell to the writer, in the instance of property owned outside the colony, when the question of some projected buildings was under consideration, to point out the peculiarity of the Queensland system in exempting the improvements from taxation, this fact counting as an encouragement to the expenditure of money to render unimproved land revenue producing.

To raise certain revenue in any given area by taxing improvements as well as land, the incidence of the taxation is necessarily lighter on the land than it would be were the tax upon the land value only.

The tendency, therefore, under the new order of things was to depreciate the values of unimproved lands regarded as land only, accentuated in the neighbourhood of towns, on account of the negligible rental value of such land.

The new system of taxation, falling as it has, entirely upon the unimproved value of land, owners have felt the strain severely, especially during the bad times, and this incidence of the new system has tended in the direction of delaying recovery in the values of urban and suburban unimproved lands, and, it is believed, will always have a deterrent effect upon the holding of land for merely speculative purposes.

In the light of Queensland's experience, in the writer's opinion, after making due allowance for the disruption of 1893, and the general depression which has since continued through the prolonged droughts, &c., the new system can be accepted as distinctly against the maintenance of fictitious values in land.

The stimulation to improve land, owing to the appreciable rating of the same, is more clearly established whenever the outgo is very direct and visible, such as in the instance of highly-priced city lands.

When an owner has it brought annually home through his cheque book that he is paying out just as much in rates upon, say, a fifty-feet frontage of vacant land as he has to contribute upon a similarly sized piece, carrying, as it may do, his entire business establishment, or may be improved with buildings giving him fair rentals upon both land and improvements, it becomes a mere question of time until he either takes steps to render the unimproved land also rent-producing or decides to let someone else have the chance to do so.

NOTE.—As some grounds for the introduction of individual information under this heading, it appears desirable to state that for the past twenty-one years the writer has carried on the practice of his profession as an architect and valuer in the capital of Queensland, the duties appertaining to which have had application in country and suburban as well as in city areas.

* It has since 1903 entirely ceased.

That previous attention has been directed to this phase, the writer may quote from his mayoral report to the Brisbane City Council in 1902.

Referring to certain corporation* lands occurs the following:—

No private citizen could afford to hold such properties as belong to the Council, with their valuable business locations and long street frontages, without turning them, as could easily be done, into distinctly revenue-producing assets.

The fact that the Council's city lands have lain during the last dozen years lacking any improvement is a significant example how the absence of taxation on land value prevents that interest being taken in their development which would almost certainly have followed had the lands been a recognisable charge upon the corporation.

To state this case more particularly: These unimproved city lands, having in round figures an aggregate book value of some £160,000, would, if in private ownership be liable for, say, £1,350 a year in rates. Now, were such an annual obligation laid visibly upon the corporation, can it be doubted but that the Council would be stimulated to improve the land?

In the provision of the unimproved-value-of-land basis for taxation, one of the principles involved, viz., the stimulus expected to accrue toward the promotion of improvement, was very early recognised in this State, and encouraged as Queenslanders became better acquainted with the idea.

The discussions† that took place in Parliament upon the various local authority Bills stand in proof of this.

A conspicuous instance of the direct tendency of this legislation is the statute of 1887, which, as finally passed, not only afforded some relief upon improvements generally, but very specifically provided what amounted to a permissive premium in the case of fully improved land, and, going a step further, when fixing the minimum and maximum of rate allowable on unimproved land, imposed what will be noted to be practically a penalty upon land altogether unimproved.

While the law laid down in 1890, and as amended in 1902, gives symmetrical rating, the necessary stimulus has been maintained by the exclusion of *all* improvements from *any* tax.

Coming now to rentals, it would appear obvious that with taxation on the land only, the rentals from improved properties can be lower than they would otherwise require to be were the improvements also taxed, and yet give as good a percentage of profit to the owner on his investment; or, put in another way, that a better building could be provided without the owner having to be penalised for his enterprise. If there is truth in the argument against land taxation on the score that it will lead to the excessive utilisation of the land, then the removal of the tax off the improvements should be some inducement for liberal construction on the part of the building-owner.

The taxation of the unimproved values of land in any area, omitting altogether a tax on improvements, necessarily lightens the burden in the instance of improved properties. This should, and does, enable the rent charge to be lessened.

Reverting again to the instances quoted as to advice tendered land-owners resident outside the State and projecting improvements upon their holdings, it also became necessary in such instances, when explaining the Queensland system of local taxation, to emphasise the fact that it was not requisite to add anything extra to the rent or interest looked for, to provide for fresh taxation, as none would arise through the property becoming more valuable owing to its further improvement.

Logically—other things being equal—money should be more profitably expended upon improvements in Queensland than anywhere else,‡ owing to their exemption from local taxation, and, other things being equal, there is less incentive to expend money in land in Queensland than anywhere else, owing to the unimproved value of land having to bear all the local tax.

* Reference is made to lands of a business nature only, not to reserves, parks, &c.

† These discussions also exhibit strange inconsistencies on the part of the two Houses. Any advance on the part of one House in the particular direction of the exclusion of improvements from taxation being jealously regarded by the other, so that we find what the Assembly sees fit to advocate stoutly opposed by the Council, and the very same ideas, if promulgated in the Council, strongly condemned by the Assembly.

‡ No attention is paid herein to the isolated instances in which unimproved land value taxation has been applied under the half-hearted permissive legislation in New Zealand, where the question, not being decided by the Government and with every facility provided to allow any area to keep changing its principles of rating, no stability of values can be relied on.

It also follows that one incidence of the unimproved land value system of rating is the imposition of a tax on the unearned increment in respect to land; or, to carry this a step further, it amounts to the shifting of a considerable portion of any increment from the individual land proprietor to the property owner at large.

In considering any beneficial incidence of the system as regards real estate, it must be remembered that, in Brisbane, for instance, the tax on land values is expended in the main upon services that may be regarded as more or less beneficial from a property owner's standpoint; that services of a personal nature, such as sanitary services, are not rated upon the land, and that a variety of services of an onerous or national character, often undertaken by local government in other countries, are not a burden upon our local authorities.

One argument used against taxation on unimproved land values, viz., that the same must lead to over-utilisation of the land—has not been, so far, tested in this State. This question of overcrowding land must always be to some extent affected in accordance with the liberality or otherwise which controlled the original cutting up. Legislation on the lines of the Queensland Undue Subdivision of Lands Act could always beneficially lessen dangers in this connection.

Except in the instance of individual properties, the question of an excess of value in the improvements compared with the land value, has not been acutely presented to date in Queensland. The condition of things obtaining in large cities wherein improvements largely exceed the land values, would, under an unimproved land value basis for taxation, bring into prominence the disproportion of the value of the property responsible for the rates in comparison with the total value of the property benefiting under the expenditure of the same.

One sharp incidence under any sudden introduction of the Queensland system of unimproved land value rating to highly-improved centres cannot be avoided, however intangible the same may appear—viz., an immediate appreciation of the capital value of existing improvements, owing to the sweeping away of so much of the hereditary burden of taxation from this class of property, while the opposite result must occur with land which has in the past only borne a portion of the tax in common with the improvements—and most markedly will this operate in the places wherein unoccupied land has been held altogether exempt from taxation.

Expressed in its personal application, the introduction of the Queensland system would require some property owners to be taxed more heavily in the future, in order to make good the reductions in the contributions of other property owners.

THE BASIS OF VALUATION.

There appear to be no means of estimating to what extent practical experience, or even solid belief, may have supplemented mere theory when the principle of rating on unimproved land values as the basis for raising local revenues was being evolved in Queensland.

There was certainly no advocacy upon extreme lines such as "that it was suggested to exact payment according to advantages conferred," or that "the benefit received should be a controlling factor of the charge made," though this principle was to some extent recognised and approved.

Very little consideration appears to have been given to the fact that a beneficial incidence to land, arising from the expenditure of revenue raised through a tax on the same land, approximates to an earned increment.

The principle of a distinctly traceable improvement or return for a particular tax is provided for in the statutes, under the head of "Separate Rates."

A separate rate in Queensland is, however, like the general rates, restricted to land only, and does not look for contribution from other forms of property which may also be benefited.

Another name for such a rate would be a "Betterment Tax." In the United States it would be termed a "Special Assessment."

Of a similar class is the "Site-value Tax," so much debated at home.

This principle is as old as local government. A statute, dating back to 1427,* in England empowered the collection of the expenses involved over repairs necessitated by the inundation of the sea, from all whose landed interests received benefit therefrom.

Special clauses, embodying the principle, were introduced into an Act in 1667, regulating the rebuilding of London after the great fire.

* 6 Henry VI., chapter V.

Such statutes provided the genesis of the principle which has made considerable headway in America.

While the power to levy special assessment has application over most of the United States, it has by no means there, or elsewhere, been applied as any guiding principle in general municipal taxation.

It was left to the youngest of the Australian colonies to evolve, or, at any rate, to practically apply, for general local taxation purposes a system which, however far it may go or fall short, was believed to embody to a considerable extent the promotion-of-improvements principle, a principle which, while it had been theorised upon by many, was never so convincingly stated as to persuade any people to its extensive adoption on any broad lines.

It is a system neither borrowed by the legislators nor accepted by the people of Queensland ready-made from others, but one educed, as the gradual development of legislation proves, more or less subconsciously from the germ of the idea, which in its integrity is an excellent belief—viz., that a premium should be held out, or, at worst, no discouragement offered, to the improvement of the unexploited lands of a new country.

It is a system that in its Queensland application is intended to provide for some reasonable advantage accruing to the land taxed, and which has worked in operation with fewer difficulties than its most sanguine supporters could have anticipated.

Although raising considerable local revenues on unimproved land values has so far met with little objection, it by no means follows that very profound study has been accorded to the subject by those most interested—viz., the ratepayers themselves.

As further duties come under local government jurisdiction the present system cannot escape from very critical examination, for manifestly there is a limit to the burden which will be accepted upon any single class of property.

Should any other land tax come into force, the contributions now more or less cheerfully paid for local government purposes would be very differently regarded. While discontent has to date been so limited, when the Government proposed a couple of years since to make the Brisbane General Hospital a partial charge upon the local authorities in the metropolitan areas, the greatest exception was taken to one form of property—land only—being saddled with such hospital maintenance, and, partly for this reason, in the end the proposal was dropped.

No unreasonable opposition to the extension of the duties and powers of local government bodies is anticipated in Queensland, and in the case of such the sound principle would doubtless be conceded that, to secure economic administration, a portion of the moneys to be expended must be locally raised; yet it may be accepted that ratepayers will stoutly resist the imposition of fresh duties, especially such as are of a national character, unless the State is prepared to make due allowance for this aspect.

So long as the local tax raised from land is not excessive and is expended upon services from which the land rated derives reasonable benefit—and always provided no other land tax is imposed—there does not appear at present much likelihood of discontent in Queensland.

Recognition is assumed of the fact that increment in land value is not solely derivable from municipal out-go nor land always benefited by such expenditure; that if expenditure be excessive, and to provide for the same an excessive tax be requisitioned to the diminishment of the land-owners' net return, this may imply actual depreciation of the capital value of the land.

As taxes increase, however, and especially as fresh duties have to be undertaken, all the issues will be less simple; other forms of property—as was instanced in the fight over the Brisbane hospitals question—will be looked to for contribution as well as land, and the equally valid question of the equity of the State bearing its fair share of all expenditure upon duties partaking of an onerous or national character cannot be ignored.

While it may be inexpedient for local government to trespass into the domain of customs, excise, or income taxes, there is no apparent adequate reason why a portion of the State-raised funds should not be handed over to local government. Through the State funds the local authority should reasonably look to secure some revenue which would include due recognition of two important factors in municipal finance (not satisfactorily accounted for under a land tax)—viz., "ability to pay"—and the now equally recognised principle that "persons as well as things" should contribute.

V.

CANADA.

PAPERS RELATIVE TO THE WORKING OF TAXATION
OF THE UNIMPROVED VALUE OF LAND
IN CANADA.

CANADA.

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Papers relative to the Working of Taxation of the
Unimproved Value of Land in Canada.

THE ACTING GOVERNOR-GENERAL to THE SECRETARY OF STATE.

(Received July 29, 1907.)

MY LORD,

Government House, Ottawa, July 13, 1907.

In reply to your Lordship's despatch of the 7th March last, asking for certain information in regard to the taxation of land values in Canada, I have the honour to enclose copy of an approved Minute of the Privy Council submitting the desired information.

I have, &c.,

C. FITZPATRICK,

Deputy Governor-General.

Enclosure.

EXTRACT from a Report of the Committee of the Privy Council, approved by the Governor-General on the 10th day July, 1907.

The Committee of the Privy Council have had under consideration a despatch, herewith dated 7th March, 1907, from the Secretary of State for the Colonies, asking information in answer to a question by Mr. Trevelyan, M.P., in the Imperial House of Commons, with regard to separate valuation and taxation of land in the Dominion.

The Secretary of State, to whom the said despatch was referred, submits the replies received from the various Governments of the Provinces of Canada upon the subject.

The Committee advise that His Excellency be moved to forward a copy of this Minute and the replies above mentioned to the Right Honourable the Secretary of State for the Colonies.

All which is respectfully submitted for His Excellency's approval.

JAMES G. FOLEY,

For Clerk of the Privy Council.

BRITISH COLUMBIA.

At Government House, Victoria, British Columbia,

SIR,

June 19, 1907.

REFERRING to your despatch of the 5th instant, inviting my attention to Mr. Pope's letter of the 25th March last, with its enclosure, in reference to a question asked in the Imperial House of Commons as to taxation of land values in Canada, I have the honour to forward a Memorandum prepared by the Surveyor of Taxes with regard to the working of taxation of the unimproved land both for provincial and municipal purposes, with information as to the effect of land value taxation on the building trade, &c., together with exhibits and appendices.

In transmitting the aforesaid, the Minister of Finance remarks that the delay in making the return was owing to its being necessary to apply to the municipalities for information which was not otherwise available.

I have, &c.,

JAMES DUNSMUIR,
Lieutenant-Governor.

The Under Secretary of State,
Ottawa.

MEMORANDUM as to the working of taxation on unimproved land, both for municipal and State purposes, in the Province of British Columbia, Dominion of Canada, with information as to the effects of land value taxation on building trade, on rent, on incidence of taxation on house property and vacant sites, respectively, and on land speculation.

This Memorandum is prepared in response to a request of the Lieutenant-Governor of the Province of British Columbia, for the information of the Secretary of State for Canada in answer to the following question asked in the Imperial House of Commons as to the taxation of land values in Canada.

Question.

“Mr. Trevelyan. To ask the Under Secretary of State for the Colonies, whether he will ask the Canadian Government for information similar to that obtained from Australia and New Zealand, and published in Cd. 3191 of 1906, with regard to the separate valuation and taxation of land in Vancouver, and any other part of the Dominion where such legislation is in force (Wednesday, 6th March).”

Accompanying the request of the Lieutenant-Governor of British Columbia there was submitted a printed copy of Cd. 3191, being the papers relative to the working of taxation on the unimproved value of land in New Zealand, New South Wales, and South Australia.

Preliminary.

There are two distinct authorities or jurisdictions in British Columbia which assess and collect taxes on real property, namely, the Government of the Province and the municipalities. The Provincial Government has the right to assess and collect taxes on real property outside the boundaries of any incorporated municipalities and the municipalities have the right to assess and collect taxes on the real property within their incorporated boundaries. The Provincial Government has reserved the right to assess and collect taxes on the personal property and on the incomes of all persons in the province both outside and inside of the municipalities, and the taxes so collected form part of the consolidated revenues of the Province.

The taxes assessed and collected by the municipalities on real property within their boundaries are part of the revenues of the municipalities, and each municipality has separate and exclusive jurisdiction over its own revenue, and no returns are made to the Provincial Government as to the revenue or expenditure of the municipalities.

The papers* which accompany this Memorandum, and to which reference is made, are as follows:—

First.—Relating to taxation by the Province of provincial (or State) purposes—

1. Copy of the Assessment Act, consolidated for convenience to the end of 1906.
2. Amendment to the Assessment Act passed at 1907 Session of the Legislative Assembly.
3. Memorandum by Surveyor of Taxes, relating to the taxation of mines and minerals.
4. The Railway Assessment Act.
5. Coal and Coke Tax Act, 1900, and Amendment thereto.

* Not printed.

Second —Relating to municipal taxation.

1. Municipal Clauses Act, consolidated for convenience to end of 1906.
2. Amendment to Municipal Act passed at 1907 Session of the Legislative Assembly.

Third.—Relating to both provincial and municipal taxation.

1. Public Schools Act, consolidated for convenience to end of 1906.

Fourth.—General.

1. Provincial public accounts for the year ended 30th June, 1906, containing a summary of the revenues of the Province from 1st July, 1886, to 30th June, 1906 (*see* Tables Nos. 2 and 3 thereof for revenue from taxation).
2. List of municipalities with dates of incorporation and names and addresses of clerks.
3. List of assessment districts of the Province with names and addresses of the Assessors and Collectors.
4. Report of Commission on the Assessment Act, 16th February, 1905.
5. Land Act, consolidated for convenience to end of 1906.
6. Amendment thereto passed at 1907 Session of the Legislative Assembly.

Appendices are added containing statistics of Wild Land Tax collected, and other taxes collected by the Province for convenient reference.

First.—Provincial taxation, Wild Land Tax.—Since the 21st February, 1873, there has been a Wild Land Tax, assessed and collected by the Province. The rates of the tax have varied from one per cent. to five per cent. on the assessed value of the land. Previous to the year 1903 "Wild Land" included timber land and coal land, but the Assessment Act of 1903 made a separate classification of timber land and coal land.

Reference is made to the Interpretation Clause of the accompanying Assessment Act, Section 2, sub-sections 12, 12a, and 12b, for the full meaning of the terms "Wild Land," "Timber Land," and "Coal Land." These three classifications of land together with "unworked Crown granted mineral claims" described in Section 9 of the Assessment Act are the only unimproved lands which are taxed by the Province. The present rates of taxation on unimproved land are as follows:—On wild land four per cent., on coal land, Class "A," one per cent., on coal land, Class "B," two per cent., and on timber land two per cent., on unworked Crown granted mineral claims 25 cents per acre.

It will be observed from Section 4 of the Assessment Act that there are liberal exemptions from taxation on land, personal property, and income, and the chief exemptions relating to unimproved land are homesteads under the Dominion Land Act and pre-emptions under the Provincial Land Act, which are exempt for two years from the date of record and five hundred dollars of the value for a period of four years thereafter, and also all timber and coal lands held under lease or licence from the Crown, in virtue of the Land Act or Coal Mines Act, under which a royalty and rental is reserved, or under which a licence fee is reserved for the use of His Majesty, are exempted from taxation.

For the purposes of provincial taxation, real property is divided into two general classifications, namely, real property (or improved property), and wild land (or unimproved property).

When assessing improved property the assessor is not required, and does not show upon his assessment roll a separate value for the land and a separate value for the improvements, both are included in the one value, and the present rate of tax thereon is three-fifths of one per cent. on the assessed value. The assessed value is the actual present cash value. Wild land, or unimproved land, is also assessed at its present cash value, which value varies, according to locality and the nature of the land, from one dollar per acre upwards. Timber lands and coal lands vary in value from ten dollars to twenty-five dollars per acre.

Since the first introduction in 1873, the Wild Land Tax has proved beneficial to the Province, and there has been no serious objections raised against its collection. The tax has prevented to some extent land being acquired in large tracts for speculative purposes, and the Province is practically free from large individual holdings.

There are, however, large tracts of land still held by railway companies, which were granted to the companies by way of subsidy for the building of the railways, and these tracts are free from all taxation for ten years or until alienated. Until

the completion, to the Pacific Coast, of the Trans-Continental Railway line, the Canadian Pacific Railway, in July, 1887, there was not much speculation in land in British Columbia.

Prior to that time there was a good deal of the land occupied for agricultural purposes, cattle ranching, grazing, &c. Soon after 1895, owing to the opening up of the Province by railway enterprise, land was acquired from the Crown and others by the immigrants who came from the older Provinces, and mining and other enterprises brought in large numbers of people.

During those eight years a good deal of land was taken up for speculative purposes, and some of it was held until within a few years ago.

The Wild Land Tax and the remedies employed for its collection has proved beneficial in preventing these speculative lands from being held too long. As a consequence of the land speculation between 1887 and 1895, a large amount of arrears of taxes on these lands had accumulated, and the Government in 1902, exercised the right to advertise for sale by public auction all lands upon which the taxes were delinquent. At that sale a quantity of land was sold, but for a large proportion thereof no purchasers made an offer. The Government then wisely at the next Session passed the 1903 Assessment Act, which gave the Province power to forfeit for the use of the Crown all lands which were not purchased at the tax sales, and such tax sales for delinquent taxes must be made annually.

In 1903, at the annual tax sale, the lands which were not sold were forfeited to the Crown. Ample opportunity is, however, given to the delinquent taxpayers to redeem or repurchase these lands. The taxes on the land are due on the 2nd day of January, and are payable in advance for the year, and if not paid at 31st December following become delinquent, and bear interest at six per cent. until paid.

If the delinquent taxes are not paid by the middle of October following the delinquent date, the property is then advertised for sale.

If the land is sold at the tax sale, the delinquent taxpayer has two years from the date of the auction sale to redeem the property, or, if not sold, the land becomes forfeited absolutely to the Crown at the expiration of twelve months from the day of sale. During the 12 months from the date of the public auction until the date of forfeiture, the delinquent taxpayer may pay up the taxes and interest.

The provisions of the Assessment Act are, however, so full and complete regarding the methods of assessment and taxation, and the procedure for recovery that reference may be made to the Act itself.

With regard to the effect of the Wild Land Tax upon the points upon which information is desired, namely:—

- (1) On building trade,
- (2) On rent,
- (3) On incidence of taxation on house property and vacant sites respectively,
- (4) On land speculation,

there are no data or reports extant which deal specifically on such subjects, but from general observations it may be briefly summarised as follows:—

(1) *On Building Trade.*—Since the opening up of the Province by railways and other enterprises arising therefrom, that is, for a period of twenty years (1887–1907), the land tax has had a beneficial effect on the building trade especially during the later five years, and more particularly near the larger centres of population.

Owners of land do not care to hold property too long upon which they have to pay four per cent. of the assessed value, when by improving it, and bringing it under the classification of improved land, they will only have to pay three-fifths of one per cent.

The effect on the building trades is more marked in municipalities, which will be dealt with under the heading of municipal taxation.

(2) *Rent.*—Provincial lands, or lands over which provincial taxation extends, are not to any great extent held under lease, and therefore few people pay rent. The lands are chiefly occupied by the owners of the land, or are under their immediate control. Very little of the unimproved land of the Province is actually occupied, but in some cases adjoins other land occupied by the owner, and in nearly all cases the land is owned by residents of the Province. Within the past few years non-residents have acquired land, timber land, coal land, &c., for speculative purposes or future development, but these lands are not rented. The tax at four per cent. would naturally decrease the rent receivable by the owner if the tenant had to pay the tax.

(3) The incidence of taxation on house property and vacant sites respectively, appertains more particularly to land within municipalities. Where there is land adjoining large centres of population or near growing towns along the lines of railway and mining centres, the Wild Land Tax encourages the conversion of the land into improved land, and when improved, the low rate of tax on improved land falls very lightly upon house property.

(4) *Land Speculation.*—The Wild Land Tax has prevented extreme speculation in land in this Province, and the low rate upon improved property has proved an incentive to improving, especially near to centres of population. There has been a gradual and healthy increase in land values throughout the Province; from 1873 to 1887 the values were comparatively low, but since 1887, and more particularly during the past ten years, the values have been gradually increasing. A reference to the public accounts of the Province, a copy of which is herewith submitted, and to the liberal land laws, copy of which is also submitted, will explain this condition. There is also added an Appendix (No. 1) showing the valuation of the lands taxed by the Province for a number of years, and an Appendix (No. 2), showing the amounts collected for Wild Land Tax.

Tables 2 and 3 of the Public Accounts will be useful to prove the gradual increase in the taxes collected on land both improved and unimproved.

Second.—Relating to taxation by municipalities for municipal purposes.

Reference is made to the Interpretation Clause of the "Municipal Clauses Act," Section 2, for the meaning of "Real Property" and "Wild Land."

It will be observed that wild land for municipal purposes has a slightly different meaning from that in the Provincial Assessment Act. The methods of assessment, the rates of taxation, the procedure of recovery, &c., are also different. When the assessment roll is prepared the assessor must show in separate columns, the value of the improvement, and of the land; the improvements have to be valued at the actual cost. The rates levied have to be fixed by by-law annually, and separate rates are fixed for improvements and for the land. See Section 139.

The rate on improvements shall not be levied on more, and may, in the discretion of the Council, be on less than fifty per cent. of the assessed value thereof, or such improvements may be exempted altogether. The rate so levied shall not exceed one and one-half cents on the dollar, in addition to what is required for Board of Health and hospital purposes, and for school purposes, and for the payment of interest and sinking fund on any debt of the municipality.

Wild land (or unimproved land) may be taxed at a rate not to exceed four per cent. of its assessed value.

It will be inferred from the Act that the rates and methods dealing with the assessed value of land, of improvements, and of wild land, vary in each municipality, or, at any rate, are not uniform.

As no returns are made to the Government of the Province by municipalities it is somewhat difficult to obtain accurate information. The delay in preparing this Memorandum has been caused by an effort to obtain some information from each municipality, and in Appendix No. 3 will be found the result of these investigations.

With regard to the effect of the Wild Land Tax and the Land Tax upon the points before referred to, namely:—

- (1) On building trade,
- (2) On rent,
- (3) Incidence of taxation on house property and vacant sites respectively,
- (4) On land speculation,

it may be explained that having no data, reports, or statistics to refer to, it can only be from general observation that any attempt can be made to give a general idea of the effects.

(1) *Building Trade.*—The Wild Land Tax, where imposed in municipalities, has certainly tended to benefit the building trade by preventing land being held too long in an unimproved state. The lower rate on improved property, and the exemption of

improvements in some cases, and the proportional assessment in other cases of the improvements has, to a very great degree, benefited the building trade in municipalities.

(2) *Rent.*—The Wild Land Tax, where imposed, has decreased the rents of wild land to the owner and the lower rate on improved property, and the total or partial exemption of improvements from taxation has increased the rents to the owner. Owing, however, to the rates of taxation on improved property being limited to one and a half per cent. by statute, the rents of improved property in municipalities are not very high. Except where there has been a large influx of population in excess of the house accommodation, such as in Vancouver, and to a less extent in Victoria, the rents are higher than in other municipalities.

(3) *Incidence of Taxation on House Property and Vacant Sites respectively.*—Upon land suitable for house property and vacant sites for other purposes in municipalities, the Wild Land Tax, where imposed, has prevented the land from being held too long for speculative values, but this applies chiefly to large tracts of unsubdivided lands near cities, the tax on land falls equitably upon land fit for house property, and vacant sites for other purposes, and within the past few years, as the population is growing by immigration and other causes, these large tracts are being subdivided, and the vacant lands improved notwithstanding the taxation. The taxes on the land when leased are not usually borne directly by the tenant, but are paid by the landlord. Indirectly the tenant has to pay a higher rent where the rate of taxation on the land increases.

(4) *Land Speculation.*—There has, of course, been considerable land speculation in some of the larger cities and towns during the past few years, owing to the opening up of the Province generally by railway and mining and other enterprises. The taxes, however, have not been so high as to prevent this speculation. The speculation has not been extreme, and has never reached what is generally known as a "land boom." The potential resources of the Province are such that they invite the prospector and business men, and the profits made in land speculation in Manitoba, Alberta, Saskatchewan, and other portions of the Dominion are drawing many capitalists to this Province. The provincial and municipal authorities have by wise legislation and otherwise tried to prevent undue speculation. The willing investor is always in evidence, and if he has an opinion of his own, and prides himself on having it, he will find that he has not always been wise in his speculation when following that opinion. The advice of local business men should not be ignored. A steady growth in values is taking place in all parts of the Province, and ordinary cautious persons will find ample justification in the present kind of land speculation in this Province to invest his capital. Extremely wild speculation at any time and in any place ought to be carefully avoided both by the landowner and the prospective purchasers—it hurts in both instances.

It may be observed from Appendix No. 3 that very few municipalities adopt the Wild Land Tax, only thirteen out of forty doing so.

The reason for this is, that where vacant land in municipalities is subdivided into small lots, the assessor assesses that as real property, which is a lower rate than the Wild Land Rate.

The Wild Land Rate heretofore in force in those municipalities having served its purpose is no longer necessary.

The vacant land is generally assessed at the same value as the land upon which there are improvements (exclusive of the improvements), and this has much the same effect as when the assessed value was lower and the tax higher.

JOHN B. MCKILLIGAN,
Surveyor of Taxes and Inspector of Revenue.

Victoria,
June 18, 1907.

APPENDIX No. 1.

SHOWING the ASSESSED VALUES and TAXES ON LAND ASSESSED and TAXED by the PROVINCE for YEARS 1900 to 1907, both inclusive.

	Assessed Values.	Taxes.
1900.		
Real Property	\$ 21,874,648·00	\$ 131,247·90
Wild Land (2½ per cent.)	2,646,701·00	66,167·53
Personal Property	14,670,831·00	73,351·67
Income Tax	1,821,165·00	20,643·67
	41,012,845·00	291,410·77
1901.		
Real Property	21,992,273·00	131,953·65
Wild Land (2½ per cent.)	2,948,923·00	73,358·07
Personal Property	15,738,943·00	78,694·71
Income Tax	2,008,462·00	32,323·06
Income Tax (Corporations)	—	8,070·87
	42,688,601·00	324,400·36
1902.		
Real Property	23,871,915·00	143,323·49
Wild Land (2½ per cent.)	2,624,477·00	65,612·32
Personal Property	17,670,494·00	88,352·47
Income Tax	1,893,377·00	29,735·33
Income Tax (Corporations)	—	8,126·14
	46,060,263·00	335,149·75
1903.		
Real Property	24,769,119·00	148,614·70
Wild Land (3 per cent.)	2,580,677·00	64,516·92
Personal Property	18,076,926·00	90,384·63
Income Tax	2,049,138·00	30,930·62
Income Tax (Corporations)	511,985·00	9,199·98
	47,987,845·00	343,646·85
1904.		
Real Property	31,809,577·00	318,095·77
Wild Land (5 per cent.)	2,543,365·00	127,168·25
Personal Property	21,899,129·00	218,991·29
Income Tax	2,493,892·00	50,710·00
Income Tax (Corporations)	3,410,615·00	42,531·08
	62,156,578·00	757,496·39
Less discount at 10 per cent. (if paid before 30th June)		75,749·63
		681,746·76
1905		
Real Property	33,145,087·00	331,450·87
Wild Land (5 per cent.)	2,445,717·00	122,278·95
Personal Property	21,987,973·00	219,879·73
Income Tax	2,086,369·07	35,689·12
Income Tax (Corporations)	3,470,814·58	39,039·01
	63,135,960·65	748,337·68
Less discount at 10 per cent. (if paid by 30th June)		74,838·76
		673,503·92
1906.		
Real Property	36,019,107·00	336,503·58
Wild Land (4 per cent.)	1,836,393·00	73,456·41
Coal Land Class "A"	143,940·00	1,434·40
Coal Land Class "B"	1,001,931·00	20,088·62
Timber Land	1,907,346·00	38,150·93
Personal Property	21,922,693·00	146,163·39
Income Tax	2,424,393·00	53,047·25
Income Tax (Corporations)	4,712,424·00	45,686·55
	69,968,427·00	714,486·13
Less discount at 10 per cent. (if paid by 30th June)		71,448·61
		643,037·52

	Assessed Values.	Taxes.
1907.	\$	\$
Real Property (at 1 per cent. partly)	89,742,593.20	860,776.96
Wild Land	2,288,416.27	91,098.34
Coal Land Class "A"	2,463,000.00	2,463.00
Coal Land Class "B"	1,076,800.00	21,536.00
Timber Land	2,316,298.00	46,325.97
Personal Property	23,053,440.00	153,692.21
Income	3,127,187.00	71,537.88
Income (Corporations)	5,334,379.00	52,760.25
	79,402,113.47	800,190.61
Less discount 10 per cent. (if paid by 30th June)		80,019.06
		720,171.55
Real Property tax and Personal Property tax for 1907 were reduced by Amending Act to $\frac{1}{2}$ of 1 per cent.—deduct from taxes therefore, approximately		134,824.85
Total Taxes for 1907		585,346.70

APPENDIX No. 2.

STATEMENT showing amount of Wild Land Tax collected by the Province of British Columbia from 1st January, 1873, to 30th June, 1906.

12 months ending 31st December :

	\$
1873	950.79
1874	2,558.42
1875	1,478.01
1876	2,118.51
1877	7,641.20
1878	9,530.93
6 months ending 30th June :	
1879	6,883.28
12 months ending 30th June :	
1880	5,218.45
1881	6,491.46
1882	5,604.75
1883	5,162.92
1884	5,402.01
1885	7,657.27
1886	8,418.58
1887	9,154.78
1888	13,832.00
1889	15,964.00
1890	21,221.93
1891	25,695.78
1892	53,301.34
1893	38,113.11
1894	35,947.22
1895	34,566.06
1896	36,123.46
1897	41,511.83
1898	61,575.07
1899	47,309.08
1900	49,241.89
1902	50,938.87
1903	71,340.50
1904	112,233.35
1905	101,607.29
1906	101,308.02

APPENDIX No. 3.

STATEMENT showing the ASSESSED VALUES of REAL PROPERTY and of IMPROVEMENTS, also of WILD LAND, with the RATES of TAXATION thereon within the various MUNICIPALITIES of the PROVINCE of BRITISH COLUMBIA.

No.	Municipality.	Assessed Value of Real Property exclusive of Improvements.	Assessed Value of Improvements.	Taxable Value of Improvements.	Rate of Tax on Real Property and Improvements.	Assessed Value of Wild Land.	Rate of Tax on Wild Land.	Number of Rate-payers.
1	New Westminster	3,593,925	2,820,310	1,414,920	24 mills	nil	nil	1,420
2	Victoria	10,692,845	7,877,290	3,938,645	24 "	"	"	3,553
3	Langley	No information.						
4	North Cowichan	632,084	1,103,172	551,586	$\frac{7}{10}$ of 1% 16 mills	43,543	2% nil	375 817
5	Nunaimo	1,869,850	nil	nil	12 "	nil	24%	685
6	Surrey	841,350	359,805	"		64,688		
7	Chilliwack	No information.						
8	Vancouver	38,846,335	16,169,525	4,045,170	22% "	nil	nil	12,000
9	Delta	No information.						
10	North Vancouver	2,482,367	247,360	nil	16½ "	nil	nil	1,913
11	Sumas	170,490	81,948	"	2½ "	41,445	2½%	134
12	Richmond	2,029,525	458,240	229,120	9½ "	4,100	2½%	394
13	Dewdney	Disincorporated.						
14	South Vancouver	1,442,338	473,049	nil	16 "	61,059	26 mills	2,714
15	Spallumcheen	856,187	174,595	"	6 "	9,710	24%	343
16	Vernon	440,578	354,011	182,005	28 "	nil	nil	435
17	Matsqui	619,906	225,500	nil	$\frac{3}{10}$ of 1% 8 mills	95,600	24%	484
18	Burnaby	466,284	379,030	"	10 "	811,019	20 mills	785
19	Mission	264,203	33,674	33,674	10 "	9,189	24%	208
20	Kamloops	1,066,780	669,550	292,300	17% "	nil	nil	430
21	Kaslo	No information.						
22	Coquitlam	250,000	not taxed	nil	1% 14%	27,000	24%	213
23	Maple Ridge	183,071	"	"	11 mills	32,373	24%	250
24	Kent	190,523	"	"		960	24%	150
25	Wellington	Disincorporated.						
26	Roseland	634,470	660,220	330,110	23 mills	2,000	28 mills	1,013
27	Roseland	1,263,840	1,234,850	617,425	28 "	nil	nil	754
28	Grand Forks	626,875	462,840	231,420	20 "	"	"	580
29	Greenwood	610,595	441,105	186,183	17 "	"	"	411
30	Cumberland	58,950	116,575	116,575	10 "	"	"	121
31	Sandon	65,300	118,585	59,292	25% 100%	"	"	187
32	Revelstoke	858,320	538,920	269,460	29 "	"	"	489
33	Columbia	See Grand Forks.						
34	Phoenix	159,950	69,425	69,425	22 "	"	"	222
35	Slocan	137,666	129,276	68,025	23 "	"	"	1,057
36	Trail	No information.						
37	Grand Forks	See number 28.						
38	Ladysmith	209,570	238,425	119,212	50 15 "	"	"	467
39	Fernie	No information.						107
40	Enderby	94,176	155,950	77,975	10 13 "	"	"	
41	Kelowna	381,315	198,650	99,325	11 "	"	"	230
42	Salmon arm	320,000	130,000	90,000	8 "	"	"	300
43	Cranbrook	333,032	472,100	235,050	18 "	"	"	645
44	Sanich							
45	North Sanich							
46	City of N. Vancouver	No Return	— Only incorporated in 1906.					
47	Oak Bay							
48	Summerland							
49	Coldstream							

NOTES.

The rates in the above Statement are given in mills on the dollar, except where stated to be so much per cent., when the rate is per cent. on the \$100.

In addition to the rates given above, which are for general municipal purposes only, there are rates levied for schools for Debt of Municipality, for Board of Health and Hospitals, and other specific purposes.

NOVA SCOTIA.

SIR, Government House, Halifax, Nova Scotia, May 7, 1907.
 I AM instructed by His Honour the Lieutenant Governor to refer to your despatch of the 26th ultimo, with reference to the question recently put in the Imperial House of Commons with reference to the taxation of land values in Canada.
 I am instructed to enclose a copy of a communication received from the Deputy Provincial Secretary containing the information required.

I have, &c.,
 ALISTER FRASER,
 Private Secretary.

The Under Secretary of State,
 Ottawa.

SIR, Halifax, May 4, 1907.
 REFERRING to the despatch of the 26th ultimo from the Under Secretary of State to His Honour the Lieutenant-Governor, asking for information respecting the question of taxation of the unimproved value of land in this Province, I am directed by the Provincial Secretary to inform His Honour that no such system of taxation prevails in Nova Scotia. With the exception of Succession duties and a small annual registration fee payable by incorporated companies, there are no taxes whatever levied by this Province, its revenue being derived chiefly from mine royalties and a Dominion subsidy. The towns and municipalities, however, tax land, but not on the basis of its unimproved value. Under the provisions of Chapter 73, Section 3, of the Revised Statutes of Nova Scotia, 1900, all real and personal property and income shall, subject to certain exemptions, be liable to taxes for all purposes for which municipal, town, local, or direct taxes, and rates are levied by authority of law; and by Section 15, Rule 2, of the same Act, it is provided that all property liable to taxes shall be assessed at its actual cash value, such value being the amount which, in the opinion of the assessors, it would realize in cash if offered at auction after reasonable notice. This system of taxation for municipal purposes has been in operation for very many years.

I have, &c.,
 FRED. F. MATHERS,
 Deputy Provincial Secretary.

His Honour,
 The Lieutenant-Governor,
 Government House.

QUEBEC.

SIR, Government House, Quebec, April 8, 1907.
 REFERRING to your letter of the 25th March last, I have the honour to send you herewith copy of a report of my Attorney-General, in reference to the taxation of the unimproved value of land in this Province.

I have, &c.,
 L. A. JETTÉ,
 Lieutenant-Governor.

The Hon. the Secretary of State,
 Ottawa.

Quebec, April 3, 1907.
 Report upon a reference of the Honourable the Provincial Secretary of a question recently put in the Imperial House of Commons as to the taxation of the unimproved value of land in the Province of Quebec.
 The undersigned has the honour to report as follows:—
 No land tax is imposed in this Province for provincial purposes; consequently, there is no differential tax on unimproved value of land.

With regard to the land tax for municipal purposes, the Act concerning cities and towns (3 Ed. VII, c. 38) contains the following clauses concerning the taxation of immovables :—

474. The Council may impose and levy, annually, on every immovable in the municipality, a tax not exceeding two per cent. of the real value as shown on the valuation roll.

475. All land under cultivation, or farmed, or used as pasture for cattle, as well as all uncleared land or wood lots within the limits of the municipality, shall be taxed for an amount not exceeding three-quarters of one per cent.

The Council may cause to be added to the valuation roll, from time to time, by the assessors in office on the valuation by them made, any portion of such land or immovable, which has been detached therefrom as a building lot, and shall thus have become liable to taxation after the closing of the valuation roll, and to exact the said tax as upon all other lots entered on the said roll.

The different special charters contain, in some cases, clauses making a distinction similar to that made in Sections 474 and 475 of the City and Towns Act.

Under the Municipal Code, Article 709, all lands or real estate situated in a local municipality, are taxable property, no distinction being made between improved and unimproved land value.

CHARLES LANCTOT,
Assistant Attorney-General.

ONTARIO.

SIR,

Government House, Toronto, April 5, 1907.

I HAVE the honour to acknowledge the receipt of your despatch of the 25th ultimo, covering a copy of a question recently put in the Imperial House of Commons relating to taxation of land values in Canada, also a copy of the Imperial Parliamentary Paper, Cd. 3191, upon the subject of the working of taxation of the unimproved value of land in Australasia, and to enclose to you, for the use of His Majesty's Government, in compliance with your request, the following papers :—

The Assessment Act.*

The Supplementary Revenue Act.†

Bill No. 27, 1906, to amend the Supplementary Revenue Act, 1899.†

R.S.O., cap. 26, an Act respecting the Taxation of Patented Lands in Algoma, Manitoulin, Thunder Bay, and Rainy River.‡

I have, &c.,

WM. MORTIMER CLARK,
Lieutenant-Governor.

The Honourable

The Secretary of State,
Ottawa, Ontario.

NEW BRUNSWICK.

SIR,

Government House, Chatham, New Brunswick, May 22, 1907.

In further answer to your despatch of 26th ultimo relative to the working of taxation of the unimproved value of land as regards the province of New Brunswick, I beg to enclose you herewith communication from Honourable William Pugsley, Premier of New Brunswick.

I have, &c.,

L. J. TWEEDIE,
Lieutenant-Governor of New Brunswick.

To the Honourable

The Secretary of State for Canada,
Ottawa.

* See Appendix II.

† Not reprinted.

‡ Appendix I.

SIR,

Saint John, New Brunswick, May 21, 1907.

I HAVE the honour to acknowledge receipt of your communication of the 1st instant, with copy of despatch from the Secretary of State, enclosing copy of a question recently put in the Imperial House of Commons as to the taxation of land values in Canada; also copy of the Imperial Parliamentary Paper, Cd. 3191, relative to the working of taxation of the unimproved value of land in Australasia, and requesting me to furnish your Honour with the desired information as regards the Province of New Brunswick for the information of His Majesty's Government.

In reply I beg to direct the attention of Your Honour to the fact that there is no legislation in this Province providing for taxation of unimproved value of land.

I have, &c.,

WILLIAM PUGSLEY,
Prime Minister, New Brunswick.

To His Honour

The Honourable Lemuel J. Tweedie,
Lieutenant-Governor, Chatham, New Brunswick.

MANITOBA.

SIR,

Government House, Winnipeg, May 8, 1907.

WITH further reference to departmental letter, bearing date 26th April, 1907, I have the honour to state that I am in receipt of a letter informing me that there is no special taxation of unimproved lands in Manitoba. All lands are assessed under the provisions of the Municipal Assessment Act, copies of which I enclose herewith.*

I have, &c.,

D. H. McMILLAN,
Lieutenant-Governor.

The Honourable

The Secretary of State,
Ottawa, Ontario.

PRINCE EDWARD ISLAND.

SIR,

Government House, Charlottetown, May 27, 1907.

IN reply to despatch of 26th ultimo as to taxation of land values, I have the honour to inform you that the tax for provincial and municipal purposes in Prince Edward Island is calculated on the value of the land, including the improvements and buildings. By reference to the Assessment Act of 1894 of Prince Edward Island the details can be observed.

I have, &c.,

D. A. MACKINNON,
Lieutenant-Governor.

The Honourable

The Secretary of State,
Ottawa.

SASKATCHEWAN.

SIR,

Government House, Regina, Saskatchewan, June 27, 1907.

I HAVE the honour to acknowledge receipt of your letter of the 5th instant, referring to your despatch dated the 26th of April last, respecting taxation on the value of unimproved land, and, to say, in reply, that I am informed that there is in this Province, no taxation of land in the manner indicated in your communication.

I have, &c.,

A. E. FORGET,
Lieutenant-Governor of Saskatchewan

The Honourable

The Secretary of State,
Ottawa, Ontario.

ALBERTA.

SIR, Government House, Edmonton, Alta., May 7, 1907.
 WITH further reference to your letter of the 26th ultimo I beg to enclose, for your information, memorandum *re* taxation of land values in the Province of Alberta.

I have, &c.,
 G. H. V. BULYEA,
 Lieutenant-Governor.

Honourable R. W. Scott,
 Secretary of State,
 Ottawa.

SIR, Edmonton, May 7, 1907.
 I HAVE the honour by direction to acknowledge receipt of your letter of the 2nd instant, covering a despatch from the Under-Secretary of State, Ottawa, and its enclosures respecting the taxation of land values in Canada.

On receipt of Your Honour's communication in this regard, the matter was placed in the hands of Mr. John Perrie, the Provincial Tax Commissioner, with the request that a memorandum containing the information asked for be prepared.

I now have the honour to hand you herewith the memorandum as compiled by the Tax Commissioner.

I have, &c.,
 HAROLD W. RILEY,
 Deputy Provincial Secretary.

Honourable G. H. V. Bulyea,
 Lieutenant-Governor of Alberta,
 Edmonton, Alta.

MEMORANDUM FOR THE DEPUTY PROVINCIAL SECRETARY.

Edmonton, May 6, 1907.

Referring to your request for information in regard to the system of taxation in force in this Province, I may say that all lands in the Province are liable to taxation for both local improvement and educational purposes, except lands held by the Dominion Government and a few minor exceptions. For the purpose of levying local improvement taxes the Province is divided into what we call local improvement districts. These districts are of two classes—large local improvement districts and small local improvement districts. The small local improvement districts are made up of the lands which are most thickly settled—the balance of the Province being in the large local improvement districts. All local improvement taxes are levied at a certain rate per acre, without any regard to the value or improvement of the land. In small local improvement districts this rate of taxation varies according to the needs of the district—the maximum rate of taxation being 5 cents per acre and the minimum rate $1\frac{1}{4}$ cents. In large local improvement districts the rate of taxation is $1\frac{1}{4}$ cents per acre.

The tax levied for educational purposes on country property is also levied at a rate of so much per acre—the rate on land in organised school districts being determined by the needs of the district, but such rate cannot exceed 10 cents per acre.

The education tax levied on lands outside the school districts is levied at the rate of $1\frac{1}{4}$ cents per acre.

In villages local improvement taxes are levied at a certain rate on the dollar of the value of the land and improvements thereon, but if two-thirds of the total number of ratepayers so desire the system of taxation may be changed to taxation according to the value of the land without regard to the improvements. I may say that the latter method of taxation is quickly becoming more popular and seems,

in many cases, better adapted to the making of a fair assessment, especially in communities where much of the land is held for speculative purposes. It is provided under the Village Ordinance that the rate of taxation shall not exceed 10 mills on the dollar if the first-mentioned system is adhered to, or 2 cents on the dollar if the single tax system is used. In villages school district taxes are levied according to the value of the real and personal property within such district. The limit of the rate of taxation in village school districts is 12 mills on the dollar for ordinary school purposes, with such additional rate per dollar as may be necessary to meet any debenture indebtedness that may have been incurred by the district.

In the towns and cities the system of taxation differs—the rate in some cases being levied according to the value of the land, without respect to the improvements thereon, and in other cases according to value of both real and personal property. In order to get full particulars in regard to this matter, the system of taxation of each town and city would need to be gone into and statement prepared in regard to each one.

JNO. PERRIE,
Tax Commissioner.

APPENDIX I.

CHAPTER 26.

AN ACT respecting the Taxation of Patented Lands in Algoma, Manitoulin, Thunder Bay, and Rainy River.

- Tax of one cent imposed—Exemptions, s. 1.
 School Tax on Unoccupied Lands, s. 2.
 Treasurer may cancel taxes in certain cases, s. 3.
 Lists of lands liable to tax to be furnished by Commissioner of Crown Lands, ss. 4, 5.
 Account of taxes to be kept by Treasurer, ss. 6, 7.
 Provision where owners of different parcels, ss. 8, 9.
 Land to be sold when taxes three years in arrear, s. 10.
 Proceedings by Treasurer to sell lands, ss. 11-19.
 When Treasurer may buy, s. 20.
 Record of purchases, s. 21.
 Pine timber not to pass by deed, s. 22.
 Rights of purchaser before time for redemption has expired, ss. 23-25.
 Fee for search in Registry Office, s. 26.
 Owner of a sub-division may pay taxes on his portion, s. 27.
 Redemption by owner within a year, s. 28.
 Purchaser entitled to deed if land not redeemed, s. 29.
 Deed may be executed by successor of Treasurer, s. 30.
 Registration of deed, s. 31.
 Record of sales to be kept by Treasurer, s. 32.
 Registration of deed, s. 31.
 Record of sales to be kept by Treasurer, s. 32.
 Where taxes to be paid, s. 33.
 Certain sections of Assessment Act to apply, s. 34.
 Notice of formation of school sections, s. 35.

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

1.—(1) Except as in this section provided, an annual tax of one cent per acre to and for the public uses of this Province is hereby imposed on all lands granted or hereafter to be granted by the Crown, situate in the Territorial Districts of Algoma, Manitoulin, Thunder Bay or Rainy River.

An annual tax of one cent per acre imposed upon all lands granted.
 Exemption from tax in existing municipalities.

(2) The lands situate in the Municipality of Shuniah or in any other Municipality now existing in any of the said Districts, shall not be liable to the said tax. Provided that lands in municipalities which have been formed since the 31st day of December, 1887, shall remain subject to all arrears of the said taxes which were, or shall be, owing thereon at the time notice of the formation was, or shall be, given to the Treasurer of the Province.

Exemption from tax in future municipalities.

(3) No lands situate in any Municipality which may hereafter be formed within the said Districts shall, after notice of the formation of the Municipality has been given to the Treasurer of the Province, be liable to the said tax, but the lands shall remain subject to all arrears then owing on account thereof; and the arrears when collected shall be the property of the Province.

Arrears.

(4) All lands within the said Districts, which are occupied as farming lands and *bona fide* used for farm purposes, shall be exempt from the said tax.

Exemptions of farming lands.

(5) No lands shall be entitled to the exemption provided for in the preceding subsection, until the owner or other person claiming exemption, shall have furnished to the Treasurer proof by affidavit or otherwise, that the lands in respect of which the exemption is claimed, are occupied for farming purposes as aforesaid, and shall have obtained the decision in writing of the Provincial Treasurer or Assistant Treasurer to the effect, that such lands are entitled to exemption under the said subsection.

Proof on claim of exemption.

(6) The proof so furnished, shall be filed by the Treasurer in his office with a memorandum of his decision.

Proof to be filed.

(7) No greater quantity of land than three hundred and twenty acres in the occupation of any one resident, shall be exempt unless a larger quantity is in actual cultivation, in which case so much as is in actual cultivation shall be exempt.

Limit of exemption.

(8) In the case of patented lands in school sections formed under the Public Schools Act, the said tax shall, when collected, be paid over to by the Provincial Treasurer yearly to the trustees of the respective school section entitled thereto. R. S. O. 1887, c. 23, s. 1.

Appropriation of tax for school purposes.

2.—(1) In addition to the tax provided by section 1 of this Act, a further tax of one cent an acre shall be imposed upon all unoccupied lands embraced in any school section formed under the authority or section 41 of The Public Schools Act, and for the information of the Treasurer in charging such tax upon the lands liable therefor, the secretary or secretary-treasurer of the school board shall, on the formation of a school section in any unorganized township, give written notice thereof to the Provincial Treasurer, and shall yearly, on or before the first day of August, furnish him with a list of all the lands embraced in the said school section, distinguishing such as are occupied from those that are unoccupied, and the said additional tax shall when collected be paid over annually to the trustees of the respective school sections in which such land is situate. No land so returned as unoccupied

Rev. Stat. c. 292.
 School tax on unoccupied lands.
 Rev. Stat. c. 292.

by the secretary-treasurer of the school board shall be subject to any school rates imposed by the trustees in the year in which they are so returned.

Collection of additional tax.

(2) The said additional tax hereby imposed shall be subject to all the conditions as to penalty for default and provisions for collection as the tax imposed by section 1 of this Act. R. S. O. 1887, c. 23, s. 2.

Treasurer empowered to cancel taxes in certain cases.

3. The Treasurer may cancel the taxes charged on any land, on proof being made to his satisfaction in manner aforesaid, that the land was, during the time for which the tax was imposed, occupied as farming land, and *bona fide* used by the person claiming the benefit of this provision. R. S. O. 1887, c. 23, s. 3.

List of patented lands to be furnished annually by the Commissioner of Crown Lands to Treasurer.

4. The Commissioner of Crown Lands shall, on or before the first day of April in each year, transmit to the Treasurer of the Province a list of all lands granted in the said Districts during the year ending on the thirty-first day of December then last past, specifying in the list the number or letter by which each lot or parcel of land is designated in the patent therefor, and when the lot or parcel of land is not designated in the patent therefor, by a number or letter, then defining the same by some general designation or description, indicating the locality thereof, and referring for a more particular description thereof to the patent therefor, and stating the date of the patent and the name of the grantee therein. R. S. O. 1887, c. 23, s. 4.

Lists to be certified.

5. Every such list shall be certified under the hand of the Commissioner of Crown Lands for the time being, or the Assistant-Commissioner, and shall contain a statement of the quantity of land contained in each lot or parcel of land so granted within the said Districts, and, for the purposes of this Act, the quantity specified in such list shall be held and regarded as the true and actual quantity or measurement of land contained in each such lot or parcel, and shall form the basis upon which the said tax or rate shall be computed. R. S. O. 1887, c. 23, s. 5.

Treasurer to keep books in which lands and taxes to be entered.

6. The Treasurer of the Province shall provide a book or books to be kept in his office in which he shall after the receipt by him of the said annual list, and between the first day of October and the thirty-first day of December in each year, enter and set down all the lands mentioned and specified in such list, and granted by the Crown during the year ending on the thirty-first day of December then last past, and shall enter opposite each lot or parcel the quantity of land contained in such lot or parcel, and also the amount of the tax against such lot or parcel for one year, computed at the rate of two cents per acre, which shall be, and shall be regarded as the tax imposed upon each such lot or parcel, for one year, ending on the thirty-first day of December then next; and each such lot or parcel shall thereupon be and become subject to the payment of the amount so set down against the same. R. S. O. 1887, c. 23, s. 6.

Annual account to be kept against each lot and ten per cent. added to arrears.

7. The Treasurer of the Province shall also, between the first day of January and the first day of April in every year, make up and ascertain, as against every lot or parcel of land so set down in his said book or books, the arrears of taxes, if any, owing thereon, on the thirty-first day of December in the preceding year, and still unpaid, and shall bring forward the same with ten per cent. added thereto; and he shall between the first day of October and the thirtieth day of December also ascertain and enter against the said lots or parcels respectively, the taxes payable for the year ending on the thirty-first day of December then next, and he shall add the said arrears, if any, and the said ten per cent. thereon, and the amount of the taxes for the said then current year together, and bring forward the total amount thereof in another column; which said last-mentioned amount shall constitute the taxes then owing under the authority of this Act upon every such lot or parcel of land. R. S. O. 1887, c. 23, s. 7.

Payment, &c., where several lots included in one patent.

8. Where several lots or parcels of land are granted in one patent, it shall not be necessary, and shall not be held to have been necessary, to keep the amount owing in respect of each lot or parcel separately in the books of the Treasurer of Ontario, but each such lot or parcel shall be sold separately in case of a sale for arrears, and any owner shall be at liberty at any time to pay the taxes owing in respect of any of the lots or parcels mentioned in the patent, or in case he only owns portion of a lot or parcel he may pay the taxes owing in respect of such portion. R. S. O. 1887, c. 23, s. 8; 60 V. c. 15, Sched. A. (6).

Provisions enabling owner of any parcel included in patent with others to have a separate account of taxes kept for such parcel.

9. In case any person claims to have bought a particular portion of a lot or parcel mentioned in the patent, he shall, upon producing, properly verified by affidavit or statutory declaration, the deeds, showing him to be entitled to the lands, and the quantity contained in such portion, for the inspection of the Treasurer, and paying up all arrears upon the lot or parcel, and not otherwise, be entitled to have such portion entered in the Treasurer's books separate from the rest of the lot or parcel, and the taxes in respect of such portion shall thereafter be kept separate from the taxes for the rest of the lot, and the same rule shall be observed in case of a further division of the lot, parcel or portion. R. S. O. 1887, c. 23, s. 9.

Land to be sold when taxes in arrear for three years.

10. Whenever a portion of the taxes so ascertained, made up and entered as aforesaid, has been due for three years, the Treasurer of the Province may sell the land for the arrears of taxes then due thereon with costs. R. S. O. 1887, c. 23, s. 10.

Treasurer to publish list shewing arrears.

11. Whenever a portion of the tax on any land has been due for three years, the Treasurer shall prepare a list of the lands on which taxes are so in arrear, showing the amount of arrears due on each lot or parcel, and shall cause the list to be published twelve consecutive times in the "Ontario Gazette," and for a like period in some newspaper published in the district in which the land lies, if any such there be. The Lieutenant-Governor in Council shall have power from time to time to extend beyond the term of three years, the time for the enforced collection by sale of the said taxes. R. S. O. 1887, c. 23, s. 11.

Lieut.-Governor may extend time for payment.

What advertisement to contain.

12. The advertisement shall contain a notification that unless said arrears are sooner paid, the Treasurer will proceed to sell the land for taxes, on a day to be named in the advertisement. R. S. O. 1887, c. 23, s. 12.

13. The day of sale shall not be less than three months, nor more than six months, after the first publication of the list in the "Ontario Gazette." R. S. O. 1887, c. 23, s. 13. Day of sale.
14. The Treasurer shall also post a notice similar to the advertisement on some convenient place, at the Court House of the District, at least three weeks before the time of the sale. R. S. O. 1887, c. 23, s. 14. Notice in Court House.
15. If, at the time appointed for the sale, no bidders appear, the Treasurer may adjourn the sale from time to time. R. S. O. 1887, c. 23, s. 15. If no bidders, sale may be adjourned.
16. The Treasurer shall in every case add to the arrears so published a proportionate share of the cost of publication, according to their amounts respectively. R. S. O. 1887, c. 23, s. 16. Cost of publication.
17. If the taxes are not previously paid or tendered, the Treasurer shall sell by public auction, on the day appointed for the sale, so much of the land as may be necessary and sufficient to discharge the taxes, and all lawful charges incurred in and about the sale and collection of the taxes, selling in preference such part as he considers it most to the advantage of the owner to sell first. R. S. O. 1887, c. 23, s. 17. If taxes not previously paid, lands to be sold.
18. Where, at a sale of lands for arrears of taxes under this Act, the Treasurer fails to sell any land for the full amount of arrears due thereon, he shall at the sale adjourn the sale of the land until a day then to be publicly named by him not being earlier than one month nor later than three months thereafter, of which adjourned sale he shall give notice by public advertisement in the newspapers in which the original sale was advertised; and on such day he may (unless he thinks proper to exercise the power conferred by section 20) sell the lands for any sum he can realize, and such sum shall be accepted as full payment of the arrears of taxes, but the owner of any land so sold shall not be at liberty to redeem the same except upon payment of the full amount of taxes due, together with the expenses of sale. R. S. O. 1887, c. 23, s. 18. Proceedings when land does not sell for full amount of taxes.
19. If the purchaser of a parcel of land fails, on demand, to pay the Treasurer the amount of the purchase money, the Treasurer may forthwith again put up the property for sale, and sell the same. R. S. O. 1887, c. 23, s. 19. If purchase money not paid, lands to be put up again for sale.
- 20.—(1) Where lands are offered for sale under this Act for arrears of taxes, and no sale is made to another person for a sum sufficient to pay the taxes due and costs, the Treasurer of the Province or some officer or person duly authorized by him may purchase for the amount of such taxes and costs, any such lands which cannot be so sold; and any such lands so purchased shall become the property of and become vested in Her Majesty for the uses of the Province, and shall again become public or Crown lands of the Province and subject to the provisions of The Public Lands Act, but this shall not deprive the owner of land so purchased of the right to redeem the same within one year under the provisions of this Act. Treasurer may buy in lands remaining unsold after a tax sale.
- (2) Such purchase may be made for or on behalf of the Province either when the lands are first offered for sale at auction or at the adjourned sale. Rev. Stat. c. 28.
- (3) Such purchases on behalf of the Province shall have the effect of cancelling the claim of the Province for all taxes due or imposed upon lands so purchased. 55 V., c. 7, ss. 1, 3. Purchase to cancel claim of Crown for taxes.
21. The Treasurer shall duly enter the lands so purchased in a book to be kept for that purpose, and shall also give a certificate thereof in duplicate to the Commissioner of Crown Lands, who shall keep one copy thereof of record in the Crown Lands Department and the other shall be duly recorded in the proper Registry, or Land Titles Office as the case may be. A book shall also be kept in the Crown Lands Department in which a list of all such lands shall be duly entered. 55 V. c. 7, s. 2. Record of lands purchased.
22. Neither the sale nor the certificate thereof of the Provincial Treasurer nor the deed of conveyance by such Treasurer of lands sold for taxes under this Act shall convey or transfer to the purchaser or his assigns the pine trees or pine timber thereon, where by the patent of such lands the same have been reserved to Her Majesty. This section shall apply to all past sales and the certificates and deeds given in pursuance thereof as well as to future sales and the certificates and deeds which may be hereafter given. 55 V., c. 7, s. 4. Reservation of pine timber on lands sold for taxes.
23. The Treasurer, after selling any land for taxes, shall give a certificate under his hand to the purchaser, stating distinctly what part of the land has been sold, and describing the same, and also stating the quantity of land sold, the sum for which it has been sold, and the expenses of the sale, and further stating that a deed conveying the same to the purchaser or his assigns will be executed by the Treasurer on his or their demand, at any time after the expiration of one year from the date of the certificate, if the land be not previously redeemed. R. S. O. 1887, c. 23, s. 20. Treasurer to give purchaser a certificate of the land sold.
24. The purchaser shall, on receiving the Treasurer's certificate of sale, become the owner of the land, so far as to have all necessary rights of action and powers for protecting the same, from spoliation or waste, until the expiration of the term during which the land may be redeemed; but he shall not knowingly permit any person to cut timber growing on the land or otherwise injure the land, nor shall he do so himself, but he may use the land in such a manner as will not deteriorate its value. R. S. O. 1887, c. 23, s. 21. Purchaser to be deemed the owner for certain purposes.
25. From the time of payment to the Treasurer of the full amount of the redemption money, required by this Act, the purchaser shall cease to have any further right in, or to use the land in question. R. S. O. 1887, c. 23, s. 22. On payment by owner of taxes purchaser's rights to cease.
26. If the Treasurer cannot give a sufficient description of any lands sold by him without a search in the Registry Office of the District, he shall, in addition to the charge hereinbefore authorized, be entitled to charge the fee for the necessary search. R. S. O. 1887, c. 23, s. 23. The Treasurer may add fee for searching Registry Office.

Owner of any subdivision may pay taxes on his portion, and such portion shall not be sold.

Owner may redeem within one year.

If not redeemed, purchaser entitled to a deed.

In case of death, &c., of Treasurer, his successor may execute deed.

Certificate to be given for registry, its effect, &c. Rev. Stat. c. 136.

Treasurer to keep a record of all sales.

Taxes payable at Treasurer's office in Toronto, on 1st Oct., but agents may be appointed in Districts to receive the same.

Certain sections of Rev. Stat. c. 224 to apply to this Act.

Notice of formation of school sections.

27. Where lands in either of the said Districts for which a patent has been or may hereafter be issued, have been subdivided, the owner of any portion thereof may tender and pay the Treasurer the arrears of taxes upon the portion of which he is owner, and the costs incurred in respect thereof, and thereupon such portion shall be exempted and withdrawn from sale. R. S. O. 1887, c. 23, s. 24.

28. The owner of land which may be sold for taxes under the provisions of this Act, for non-payment of taxes thereon, or his heirs, executors, administrators or assigns, may at any time within one year from the day of sale (exclusive of that day) redeem the land sold by paying to the Treasurer, for the use and benefit of the purchaser or his legal representatives, the sum paid by him, together with ten per cent. thereon, and the Treasurer shall give the party paying such redemption money, a receipt stating the sum paid, and the object of payment, and the receipt shall be evidence of redemption. R. S. O. 1887, c. 23, s. 25.

29. If the land be not redeemed within the period so allowed for its redemption, being one year exclusive of the day of sale, as aforesaid, then on the demand of the purchaser or his assigns, or other legal representatives, at any time afterwards, and on payment of \$1, the Treasurer shall execute and deliver to him or them a deed of conveyance, in duplicate, of the land sold. R. S. O. 1887, c. 23, s. 26.

30. If, after a sale for arrears of taxes is made under this Act, and before the execution of a deed of conveyance to the purchaser, the Treasurer by whom the sale was conducted dies, or ceases to hold office, such deed may be executed by the successor of such Treasurer. R. S. O. 1887, c. 23, s. 27.

31. The Registrar or Deputy Registrar of the Registry Division in which the land lies, upon production of the duplicate deed, shall enter the same in the Registry Book, and give a certificate of such entry and registration, in accordance with The Registry Act, but all deeds executed on or before the 31st day of December, 1877, may be registered in the manner theretofore in force. R. S. O. 1887, c. 23, s. 28.

32. The Treasurer shall enter in a book, to be kept by him, as Treasurer, a full description by metes and bounds of every parcel of land conveyed by him to purchasers for arrears of taxes, with an index thereto, and such book, after such entries therein have been made by him, shall be kept by him amongst the records of his office. R. S. O. 1887, c. 23, s. 29.

33. The taxes imposed by this Act shall be payable at the office of the Treasurer of the Province, in the City of Toronto; and for the purpose of this Act shall be considered to be due and payable on the first day of October in every year; but the Treasurer may appoint one or more agents, resident in the said Districts, to receive the taxes, or any part or portion thereof, and payment to the agent or agents so authorized shall be considered payment to the said Treasurer. R. S. O. 1887, c. 23, s. 30.

34. Unless where inconsistent with this Act, sections 184, 198, 203, 204, and 208 to 222 inclusive of the Assessment Act shall apply to sales by the Provincial Treasurer under this Act, and to the lands sold. R. S. O. 1887, c. 23, s. 31.

[As to sales made before 25th March, 1886, see R. S. O. 1877, c. 22; 45 V., c. 2, s. 6; 46 V., c. 4, s. 1, and 49 V., c. 5.]

35. On the formation of a school section in any unorganized Township, the secretary of the school board shall give written notice thereof to the Provincial Treasurer, and shall also furnish him with a list of all the lands embraced in the said school section, distinguishing such as are occupied as farming lands from those that are unoccupied. R. S. O. 1887, c. 23, s. 32.

APPENDIX II.

CLAUSES OF THE ONTARIO ASSESSMENT ACT,* 1904, DEALING WITH THE VALUATION OF LANDS.

VALUATION OF LANDS.

- 36.—(1) Except in the case of mineral lands hereinafter provided for real property shall be assessed at its actual value. R. S. O. 1897, c. 224, s. 28 (1), *amended*. Valuation of land.
- (2) In assessing land having any buildings thereon, the value of the land and buildings shall be ascertained separately, and shall be set down separately in columns 13 and 14 of the assessment roll and the assessment shall be the sum of such values. The values of the buildings shall be the amount by which the value of the land is thereby increased. *New*. Buildings.
- (3) In estimating the value of mineral lands, such lands and the buildings thereon shall be valued and estimated at the value of other lands in the neighbourhood for agricultural purposes, but the income derived from any mine or mineral work shall be subject to taxation in the same manner as other incomes under this Act. R. S. O. 1897, c. 224, s. 28 (2). Mineral lands.
37. Plank, gravel, macadamized or other toll roads not owned by any municipal corporation shall be assessed as real estate in the municipality in which the same are situate; and in making the assessment the assessor shall take into consideration the value of (1) the land occupied by the road, (2) the materials employed in the superstructure, (3) toll houses, buildings and gates on the road, (4) quarries and gravel pits and roads to and from such places, and used in connection therewith; but this section shall not include bridges 100 feet in length or over, and the approaches thereto, which are on or along such toll road and which are used therewith. R. S. O. 1897, c. 224, s. 32. Assessment of toll roads.
38. Every toll road owned by any person or corporation other than a municipal corporation, upon which any toll is established, whether leased to a tenant or not, shall be assessed in the municipality in which the same is situate and where the road extends or runs into or through more municipalities than one, each municipality shall assess that part thereof which lies within its limits, and according to the value of that part, whether a toll gate or bar is or is not upon the road in the municipality. R. S. O. 1897, c. 224, s. 33. Toll roads not owned by municipalities.
- 39.—(1) In any town or village in which there are lands held and used as farm lands only, and in blocks of not less than five acres, by any one person, such lands shall be assessed as farm lands. Assessment of farm lands in towns and villages, &c.
- (a) Subject to the other subsections of this section, such assessment shall be on the principles provided by section 40 for cases under that section.
- (b) This section and section 40 shall apply whether the lands assessed have or have not been divided into building lots.
- (2) Where such lands are not benefited to as great an extent by the expenditure of moneys for and on account of public improvements of the character hereinafter mentioned in the municipality as other lands therein generally, the council of such town or village shall annually at least two months before striking the rate of taxation for the year, pass a by-law declaring what part of the said lands so held and used as farm lands only, shall be exempt or partly exempt from taxation for the expenditure of the municipality incurred for water works, whether for domestic use or for fire protection or both, the making of sidewalks, the construction of sewers or the lighting and watering of the streets, regard being had in determining such exemption to any advantage, direct or indirect, to such lands arising from such improvements, or any of them. Exemption of farm lands in towns and villages from assessment for certain improvements.
- (a) Nothing in this subsection contained shall exempt or relieve any lands therein mentioned from the general rate for the payment of any debenture debt contracted before the 14th day of April, 1892, or renewed since the said date in whole or in part. Proviso.
- (3) Any person claiming such exemption in whole or in part shall notify the council of the municipality thereof within one month after the time fixed by law for the return of the assessment roll, and shall by some intelligible description indicate the land and quantity as nearly as may be in respect of which exemption is claimed. Persons claiming exemption to notify council.
- (4) Any person complaining that the said by-law does not exempt or sufficiently exempt him or his said farm lands from taxation as aforesaid, may within 14 days after the passing thereof notify the clerk of the municipality of the intention to appeal against the provisions of such by-law or any of them to the Judge of the County Court who shall have full power to alter or vary any or all of the provisions of the said by-law and determine the matter of complaint in accordance with the spirit and intent of the provisions of this section. Appeal from by-laws to County Judge.

* Full text of the Act printed in Cd. 3740 (1907).

Procedure upon appeals to County Judge.

(5) The provisions relating to appeals from a Court of Revision to the County Judge and to the amendment of the assessment roll thereon, shall, so far as applicable, regulate and govern the procedure to be followed upon appeals to the County Judge under this section and the amendment of the by-law thereon.

Appeals from Court of Revision not affected.

(6) Nothing in the last two preceding subsections contained, shall be deemed to prevent or affect the right of appeal to the County Judge from the decision of a Court of Revision upon any appeal against an assessment. R. S. O. 1897, c. 224, s. 8.

What shall be deemed vacant land, and how its value shall be calculated in cities, &c.

40.—(1) In assessing vacant ground, or ground used as a farm, garden, or nursery, and not in immediate demand for building purposes, in cities, towns, or villages, whether incorporated or not, the value of such vacant or other ground shall be that at which sales of it can be freely made, and where no sales can be reasonably expected during the current year, the assessors shall, where the extent of such ground exceeds two acres in cities and ten acres in towns and villages, value such land as though it was held for farming or gardening purposes, with such percentage added thereto as the situation of the land reasonably calls for.

How entered on roll.

(2) Such vacant land, though surveyed into building lots, if unsold as such, may be entered on the assessment roll as so many acres of the original block or lot, describing the same by the description of the block, or by the number of the lot and concession of the township in which the same is situated, as the case may be.

Assessment thereof.

(3) In such case, the number and description of each lot comprising each such block shall be inserted in the assessment roll; and each lot shall be liable for a proportionate share as to value, and the amount of the taxes, if the property is sold for arrears of taxes. R. S. O. 1897, c. 224, s. 29.

Where not held for sale, but for a park, pleasure ground, &c.

41. Where ground is not held for the purpose of sale, but is *bona fide* enclosed and used in connection with a residence or building as a paddock, park, lawn, garden or pleasure ground, it shall be assessed therewith, at a valuation which, at six per centum, would yield a sum equal to the annual rental which, in the judgment of the assessors, it is fairly and reasonably worth for the purposes for which it is used, reference being always had to its position and local advantages, unless by by-law the council requires the same to be assessed like other ground. R. S. O. 1897, c. 224, s. 30. (1).

PART III.

EXTRACTS

BEARING ON

RATING OF VACANT LAND,

PRICE OF LAND,

DIFFICULTY OF ACQUIRING LAND FOR
LABOURERS' COTTAGES,

TAXATION OF SITE VALUES,

AND

PRACTICABILITY OF LAND VALUATION,

FROM

REPORTS OF ROYAL COMMISSIONS AND
PARLIAMENTARY COMMITTEES.

I.

RATING OF VACANT LAND

AND

PRICE OF LAND.

HOUSING COMMISSION, 1884.

I.

Royal Commission on the Housing of the Working Classes, 1884.

..

(a)—RATING OF VACANT LAND.

EXTRACT from Report signed by His Majesty the King (then Prince of Wales), the Most Reverend Cardinal Archbishop Manning, Marquess of Salisbury,* Earl Brownlow, Earl Carrington, the Right Hon. G. J. Goschen,* Sir R. A. Cross,* Sir George Harrison, the Right Rev. Bishop Walsham How, Hon. Lyulph Stanley, Mr. E. D. Gray, Mr. W. M. Torrens, Mr. Henry Broadhurst, Mr. Jesse Collings, Mr. George Godwin, Mr. Samuel Morley, and Sir Charles Dilke (Chairman).

Your Majesty's Commissioners must observe in reference to Lord Shaftesbury's Acts, and to nearly every proposal for improving the dwellings of the working classes, as well as to other local improvements, that the present incidence of local taxation stands seriously in the way of all progress and reform. They do not feel that they are authorised by the terms of Your Majesty's Commission to go generally into the question of local taxation, but they are of opinion that until some reform is introduced which shall secure contribution to local expenditure from other sources of income received by residents in the locality, in addition to the present rateable property, no great progress can be made in local improvements.

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In connexion with any such general consideration of the law of rating attention would have to be given to the following facts. At present, land available for building in the neighbourhood of our populous centres, though its capital value is very great, is probably producing a small yearly return until it is let for building. The owners of this land are not rated in relation to real value but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing the value of their property. If this land were rated at, say, 4 per cent. on its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for land which is now levied on urban enterprise by the adjacent landowners, a tax be it remembered which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves. Your Majesty's Commissioners would recommend that these matters should be included in legislation when the law of rating comes to be dealt with by Parliament.

(b)—PRICE OF LAND.

EXTRACT from Memorandum by the Marquess of Salisbury.

The condition which practically distinguishes the interior of London from all other areas in the kingdom is that sites for houses within reach of their work are too costly to be available to the mass of the working class. The distances are so great as to prevent a workman who has work in the interior of London living in the suburbs where lodging is cheap.

* Signed subject to reservations to the effect that they dissented from the recommendation relating to the rating of vacant land.

It so happens that Government are likely to have a considerable area of ground at their disposal—the sites of those prisons (belonging to the State) mentioned in the Report. If sold at the highest market price they would no doubt be very valuable; but they would be of no use whatever towards the solution of this special difficulty. On the other hand, if they are sold at cost price to some authority or trust that will build workmen's dwellings upon them, or upon other similar sites obtained by exchange for portions of them, the result will be so far to satisfy the special want under which, on account of its peculiar circumstances, the interior of London labours.

The price of land (within ordinary limits) and the cost of building, have been defrayed elsewhere, and could no doubt be defrayed here, by rent which the labourer is in a condition to pay. The extraordinary price of land constitutes the most formidable difficulty; and by this arrangement the difficulty would be met. But then the State must be content to forego the largely increased price which it might, if it liked, obtain for the sites of these prisons.

It may be objected that such a sacrifice would constitute an eleemosynary expenditure. If the description were accurate the objection would be a serious one. If the State were to provide cottages at a rent which did not represent the real cost of their erection it would destroy the market of the speculative builders, and its liberality would only have the effect of driving everyone else out of a field of enterprise which it would itself be incapable of entirely occupying.

But it seems to me that to call the proposed operation eleemosynary is straining the meaning of the word. It is the surrender of an increase which has become unexpectedly disposable, — an increase which is caused by that very concentration of population which it is to be applied to remedy. But this excessive concentration on this particular area is in more than one respect the State's own work. If the size of London is excessive, the excess is largely due to the circumstance that London is the residence of the Government. If vast masses of the population are forced to live near the centre of the town and find no room for their dwellings, it must be remembered that the State has largely contributed both to swell the population and to diminish the house room. The number of persons who are in the public service as soldiers, policemen, postmen, and employés in the lower grades of the public offices, constitute a notable portion of the crowds who compete for houseroom. The forcible destruction of dwellings authorised by Parliament during the last half century, for purposes of public ornament or utility, has largely contributed to diminish the aggregate of the houseroom for which these crowds have to compete. A proposal to remedy overcrowding, for which the State is largely responsible, by utilising a gain on enhanced value of land which is due to density of population, can hardly be called eleemosynary. It more closely resembles the provision of compensation than the offer of a gift.

It would of course be needed to dispose of the land to bodies who could be trusted to use it for the purpose of building the cheapest class of dwellings. It seems probable from the evidence we have received, that healthy and decent dwellings might be provided without loss, at a rate cheaper than the average which obtains under the Peabody Trust.

II.

DIFFICULTY OF ACQUIRING LAND FOR
LABOURERS' COTTAGES.

SELECT COMMITTEE ON HOUSING OF THE
WORKING CLASSES ACT AMENDMENT
BILL, 1906.

SELECT COMMITTEE ON HOUSING OF THE WORKING CLASSES ACT AMENDMENT BILL, 1906.

DIFFICULTY OF ACQUIRING LAND FOR LABOURERS' COTTAGES.

Extract from the Report of the Committee, of which the following were members: Sir John Dickson-Poynder (Chairman), Major Dunne, Mr. Mackarness, Mr. Morrell, Mr. Rowlands, Mr. Vivian, Mr. T. R. Bethell, Mr. Lane-Fox, Colonel Lockwood, Mr. Abel Smith and Mr. Ginnell.

(C.) ACQUISITION OF LAND.

69. One of the amendments proposed by the Bill is to enlarge the amount of land that may be attached to a cottage from a maximum of $\frac{1}{4}$ acre and £3 annual value to a maximum of 3 acres and £10 annual value. Limit proposed by Clause 3 (2) of Bill. Thompson 987.

This proposal opens out the whole question of land acquisition in rural districts; and no reform in connection with rural housing can be of any effective use unless further facilities for the acquisition of land are given. Easier acquisition of land essential. Knee 3389.

70. At present one of the chief obstacles in the way of local authorities who desire to put the Housing Acts in operation is the complicated nature of the machinery by which land can be compulsorily acquired. Not only does this tend to make a local authority reluctant to take any action at all, but in cases where action has been decided on, it almost necessarily increases the expense of their scheme, since local authorities will often be prepared to pay more than the market value for the land required rather than undergo the uncertainty and delay which a resort to compulsory powers now involves. There can be no doubt that in some cases at least the price given has been far beyond the real value of the land and that there was a striking disparity between the value at which such land was rated, and the price at which the local authority were able to acquire it. Machinery too complicated. Nettlefold 2379-2394. Fordham 5478. Thompson 2649. App. 20. App. 6. Diggle 405. Thompson 2649.

71. The Committee would also point out that it is often just in those districts where houses are most urgently required, and a housing scheme, therefore, would be most likely to succeed, that this difficulty of acquiring land is most acutely felt, since the inducement to a private owner to hold back his land by asking a prohibitive price is here the greatest. So far as the Committee are aware, the powers contained in Sec. 5 of the Act of 1900, to enable local authorities to let land to private persons for building, have never yet been put in force. Land hardest to get where most needed. Thresh 828. Thresh 627-9; 655.

72. In the opinion of the Committee no solution will be satisfactory that does not enable a local authority to purchase land compulsorily for any public purpose (including housing, drainage, small holdings, etc.), upon the basis of its rateable value. The present system, under which land is rated by a local authority upon one valuation but can only be purchased by the same authority upon another valuation, having no necessary or recognised proportion to the first, seems to them both complicated and unjust. If the procedure is to be simplified, and land made easily available, these two values must be brought into relation, so that local authorities can ascertain beforehand not merely the value upon which rates will be paid, but the capital value at which the Proposed alteration of valuation law. Thresh 837. Knee 3369-71.

land can be purchased. If this principle were once established, an additional price both for severance and for compulsory purchase might fairly be included.

Difficulty of the question recognised.

73. In making these observations the Committee recognise that the problem is a very wide and complicated one, opening up questions, with regard to the present system of rating, that go considerably beyond the scope of the Bill referred to them. At the same time they are confident that the solution of this difficulty of the compulsory acquisition of land by local authorities would in many districts go far to solve the housing problem. They have, therefore, felt it incumbent on them, after considering the evidence placed before them, to indicate in general terms the lines upon which they believe some solution might be reached.

The primary need—opportunity to rise from labourer to farmer.

The present hopeless outlook.

Thresh 683-6.

74. To return to the question raised in paragraph 69, what is primarily wanted is that the young agricultural labourer should have a fair prospect of being able to progress by the exercise of thrift and energy from the position of labourer to that of an independent occupier. The present conditions are of such a character that any such advancement in life is surrounded with the utmost difficulty. Though he may be endowed with qualities that make for success in other callings in life, the labourer recognises that the land holds out but little hope or reward to him, and sees nothing before him but to live and die a labourer.

Migration aggravated by present rural conditions.

Savill 5178-87.

75. Apart from the fact that an ill-repaired cottage is a contributory cause of the migration to the towns by the young and more intelligent element in the rural population, the Committee have had ample evidence to show that migration is also largely due to the monotonous existence and lack of prospect held out to the younger generation under the present system. The contrast between life in the country and in the town is so manifest that it is not to be wondered at that large numbers every year migrate to the latter. It is aggravating the condition of the towns as regards overcrowding and unemployment and it is paralysing the prosperity of the country districts by depriving them of the necessary population (pars. 16-19). Large sums of public money are being spent to alleviate the evils of overcrowding and a congested labour market in the towns, whilst the country districts are spending an ever-increasing amount in rates to turn out a more educated population, the best of whom migrate in large numbers to the towns and deprive the country ratepayer of the results of his local expenditure. This migration can best be checked by giving greater facilities for the renting or purchase of sufficient land to afford a profitable career to those who remain in the country. What can be done may be proved in those districts where facilities, though only to a partial extent, have been given for obtaining land for small holdings. Frequent instances are to be found of men gradually improving their condition in life by profitable working of small pieces of land. Such examples are an incentive to others in the district to remain at home and start on the same career.

Disinclination to sell or lease land.

Diggie 1110.

App. 3.

Thompson 2645-9.

76. The conclusion is that this difficulty of obtaining land is one of the chief causes for rural depopulation. There is a volume of evidence collected by impartial inquiries within the past 50 years or more to enforce this proposition*; whilst there has been ample evidence placed before the Committee to confirm all previous inquiries that disinclination exists on the part of many landowners to sell, lease, or part with their land in any way for such purposes.

The Small Holdings Committee is inquiring into this branch of the subject and will shortly report, but the Committee find themselves obliged to deal to a certain extent with the subject, as rural housing reform is inseparably connected with it.

Distinction to be drawn between (1) the labourer in regular employment (2) the labourer in irregular employment with a piece of land and (3) the small holder.

77. The three separate classes who require land in varying quantities may usefully be classified under the following heads:—

The allotment holder, *i.e.* the labourer in regular employment.

The small holder, *i.e.* the independent labourer in irregular employment.

The small farmer, *i.e.* the man who devotes his whole time to his holding.

* Reports of Special Assistant Poor Law Commissioners on the Employment of Women and Children in Agriculture, 1843; Report of the Poor Law Commissioners on an Inquiry into the Sanitary Condition of the Labouring Population, 1842; Report of the Select Committee on Agriculture in 1883; Seventh Report of the Medical Officer of the Privy Council, 1864; Memoir on English Agriculture in *Journal of Royal Agricultural Society*, 1878; Report of the Royal Commission on the Employment of Women and Children, 1868, 1869; Report of Royal Commission on Labour in English Agriculture in 1850-1; Report of Royal Commission on Housing, 1885, etc., etc.

Legislation should therefore be directed to secure land under the most advantageous circumstances in respect of these three distinct classes of men and the requirements of each. Fox 3052. Savill 5014 *et seq*

78. Allotments are now fairly universal, but in many villages are often inconveniently situated at a distance from the labourer's home. Allotments inconveniently situated.

If the allotment could be made part of the property of a man's cottage the cottager would be more likely in his spare time to cultivate it. Moreover, a home garden, besides helping to keep the house healthy, would enable the wife and children to help in it in many profitable ways, which cannot be done at a distance. Diggle 1101. Fox 2988; 3122. Haggard 2160. Cochrane 4534. Thompson 991. Fox 2820; 2952. Thompson 989.

The Committee are strongly of opinion that where an allotment field is shown to be inconvenient to the majority of allotment holders the county council should have full powers to make the necessary exchange.

79. Small holdings, as distinct from allotments, are already confined to the province of the county council. The Small Holdings Act, 1892, provides that any council elector (practically any ratepayer in the county) may petition for small holdings to be created. If satisfied that there is a *bona fide* demand, the County Council may buy land by agreement. There are no compulsory powers for this purpose. It may divide the land into lots not exceeding 50 acres or £50 in annual value. The purchaser is restricted from dividing, sub-letting, or using the premises for other than agricultural purposes. If he desires to do anything of the kind the County Council have the right of buying back again. The purchaser need not find more than one-fifth of the price; the remainder may be paid off in instalments and interest extending over 50 years. Present position relating to small holdings.
County Council may buy land by agreement and parcel out in not more than 50 acre plots.

If land cannot be bought by the County Council at agricultural price owing to building-site value, the council may hire land on lease instead of buying, and may also, instead of selling, lease the land and buildings in lots of not more than 15 acres or £15 annual value. The County Council may advance to any occupier of a house in agricultural districts four-fifths of its fair purchase value, to be repaid by instalments at low interest. County Council may hire or lease land and let out in not more than 15 acre plots.

80. The Committee have already mentioned the ordinary agricultural labourer with his allotment; it now remains to deal with the small holder, occupying the intermediate stage between the weekly wage man and the farmer. As already mentioned in par. 77, on a large number of farms there are labourers who are only required at certain seasons of the year by the farmers. These men in course of time would develop into a singularly useful class of small holders, because they could cultivate profitably a few acres in addition to their other work. Every encouragement should be given to this class of labourer. The part-time man and his possibilities.

81. The small farmer must be distinguished from the above two classes on the one hand and the large farmer on the other, because three acres, as proposed in the Bill, would not usually be sufficient to enable a man to earn a livelihood independently of his hired labour. There are many instances of men now devoting their energies to small farms and making a profitable living. A man so occupied could afford to pay a rent that would realise a fair interest on the money laid out, and the creation of this class would go a long way towards solving the building difficulty. Small holder to be distinguished from the cottager and the farmer.

In so far as this important aspect of the problem presents itself, the Committee strongly urge that the County Council should be given compulsory powers to acquire land for both the above purposes. In order to avoid any arbitrary treatment of a landlord by land being expropriated inconveniently near to the demesne or to the serious detriment of tenants occupying existing holdings, provision should be made for appeal to a proper tribunal. The Committee suggest that the Board of Agriculture would be the best body for the purpose. Compulsory powers to acquire land for small holdings essential. Tribunal to prevent hardship.

82. The Committee have had evidence of the relatively excessive cost attached to the present conveyancing system for the transfer of ownership in land, and are impressed with the great economy that might be effected by a system of registration of title being made universal and compulsory throughout the country. The present means of obtaining an indefeasible title is altogether too costly in the operation of getting the same on Land transfer.

the register, whilst the mere possessory title now given by the Registry is a useless additional expense to the ordinary conveyance, bringing with it no real security of title. There is room for reform here, as an economical system of Land Registration would greatly facilitate the cheap interchange of land.

The Committee have been struck by the relatively enormous amount of solicitors' costs in comparison with the actual value of the land conveyed, which of necessity has a repressive effect on the free interchange of land.

Brickdale 3460 ;
3778.
O'Sullivan 3898
et seq.

Tied cottages and
wages in kind.

Fox 3779-3784.

Diggle 1321.
Fox 3784.

83. The custom of having tied cottages (that is of letting the cottages on a farm with the farm itself) has been the subject of a good deal of adverse criticism, and in view of the evidence received the Committee feel bound to make the following observations. Estate agents naturally prefer the tied cottage system, because it relieves them from the trouble of collecting small rents, scattered over a large area. On certain large, well-managed estates the cottages are kept in hand by the landlord, who can afford to pay an agent or clerk to collect the rents from the occupiers direct. But farmers as a rule prefer to have cottages with the farm, which they sublet to their hands so as to have more control over them. Tied cottages are either let at a lower rent than the market value, the relatively low wage of the labourer being made up by a payment in kind, namely, a cheaper cottage; or the labourer occupies it free and receives a correspondingly lower wage.

Fox 3780.

Diggle 1321-3.
Fox 2980-5.
Cochrane 4468-
71; 4537-43.

The weight of the evidence showed that farm servants prefer to rent their cottages direct from the owner and not from the farmer, because it gives them a sense of greater independence and security in their daily relations with their employer, and further, places them in a more independent position if they desire to approach their landlord on the question of rent or repairs. In many districts in the South of England the wages of agricultural labourers still remain low, but it has been shown that in many of these cases the wages are supplemented by various payments in kind which would represent in money an amount of wage higher than that actually paid. Naturally where the tied system prevails the cottager is reluctant to complain to his employer because he imagines that he has the cottage rent free and fears to lose these payments in kind. It is too often the case that the condition of the labourer's cottage when attached to the farm is overlooked, the farmer's requisitions upon the landlord being confined to the improvement of the farm, and applications for the necessary repairs to the cottages are deferred from year to year. Many tied cottages are accordingly neglected and get into a bad state of repair. On broad principles it is desirable that every labourer should receive his full wages in cash and not in kind, on the analogy of the Truck Acts; and that the cheap cottage, and the contributions in kind to the labourer, should be relinquished. The farmer's objection to the abolition of the tied cottage is a natural one, because a farm must have attached to it a certain number of cottages to house those farm servants who are necessary for the regular conduct of the farm. The tied cottage is therefore an integral part of the equipment of a farm. Without a sufficiency of cottages to guarantee the necessary number of residential farm servants of the more indispensable kind, a farm, otherwise desirable in every way, will not command a full rent. The difference in the rent will be disproportionate to the intrinsic capital value of the cottages. Consequently the provision of cottages, although showing a loss on the intrinsic capital outlay upon their erection, would indirectly enhance the value of a farm. The rent-bearing capacity of the whole farm is influenced by the presence in being and on the spot of a good class of labourer; and this superior type of man, possessed of some elementary education and more modern ideas of seamliness in living, is only to be persuaded to a country life by a decent, habitable and healthy cottage, with sufficient land attached. The Committee are of opinion that the supply of labour would tend to increase if cottages were detached from the farm lease and made free, as it would make the men less dependent on the farmer and give greater security of tenure. If higher rents were charged for cottages, the labourers in their turn would receive correspondingly higher wages, and the landlord would receive proportionately less for the farm, but would be receiving the rents for the cottages direct. It would, therefore, be to the ultimate benefit of all concerned if the tied cottage system were done away with as soon as practicable, and the change is, in fact, being made on many estates with mutual satisfaction without any of the objections that have been advanced being realised. It would be quite easy in the case of a cottage so situated as to be a necessary part of the equipment of a farm to provide in the lease that employment on the farm should be a part of the conditions of occupancy.

Savill 4921 ; 4926.

Fox 3779-80.

Swiss system of
repair-rentals.

84. One witness advocated that the cottager should be called upon to pay his rent, rates and taxes, and repair-rental separately, on the principle adopted in Switzerland.

A charge of 10 per cent. is put on the cottages and at the end of the year a refund, more or less according to the amount of the repairs required, is made to the tenant. This acts by way of a bonus to the careful tenant. It stops the little defects that would otherwise become more serious, and the rough or careless occupier is trained to good habits. The Committee see no reason why some such system should not be adopted, by way of experiment, with houses that may be erected by the local authorities, and would like to see it done in different parts of the country by landlords in a position to give it a trial.

Thompson 539;
951-68.
Nettlefold 2467.
Savill 5142-3.

III.

LOCAL TAXATION COMMISSION, 1901.

- (a) Rating of Land Values, Being Chapter IX of the Commission's Report.
 - (b) Separate Report on Urban Rating and Site Values, Signed by the Right Hon. Lord Balfour of Burleigh, K.T., the Right Hon. Lord Blair Balfour, Sir Edward Hamilton, K.C.B., Sir George Murray, K.C.B., and Mr. James Stuart.
 - (c) Report on Rating of Land by His Honour Judge O'Connor, K.C.
 - (d) Memorandum on Method and Cost of Valuing Sites, Prepared by Mr. E. J. Harper, Assistant Valuer (now Statistical Officer) to the London County Council.
 - (e) Memorandum on Taxation of Ground Values, Prepared by Mr. (now Lord Justice) Fletcher Moulton.
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(a) RATING OF LAND VALUES.

CHAPTER IX OF THE COMMISSION'S FINAL REPORT PUBLISHED IN 1901.

[Report signed by The Right Hon. Lord Balfour of Burleigh, K.T., Earl Cawdor, The Right Hon. Lord Blair Balfour, The Right Hon. Sir John T. Hibbert, K.C.B., The Right Hon. C. B. Stuart-Wortley, K.C., M.P., Mr. C. N. Dalton, C.B., Mr. C. A. Cripps, K.C., M.P., Mr. Harcourt E. Clare, Mr. T. H. Elliott, C.B., Mr. E. Orford Smith, Mr. James Stuart, and The Right Hon. John L. Wharton, M.P. Lord Balfour of Burleigh, Lord Blair Balfour, and Mr. James Stuart signed the report subject to the reservation that they dissented from the conclusions arrived at in this chapter. Their opinions on the subject of the Rating of Land Values are given in the Separate Report (b) that follows the present extract.]

CHAPTER IX.

The proposal that in one form or other land values should be separately assessed, and that they should bear an additional or special burden in connexion with Local Taxation, has been advocated by several witnesses, and we have given it our careful consideration.

Proposed separate assessment and special taxation of Land Values.

The earliest form in which this proposal was advocated, and on which various schemes were based, was that known as "the taxation of ground rents"; but it would appear that the difficulties inherent in any such proposal have been emphasised by further inquiry, and Mr. Costelloe, who gave evidence on behalf of the London County Council, remarked in reference to it that the question "had not been thought 'out in all its bearings,'" and that the grievance urged against the owner of the freehold "was a kind of object lesson which directed attention and stimulated closer inquiry."

The taxation of Ground rents was an earlier form of this proposal.

It is now generally agreed that no scheme which looks to the taxation of ground rents or feu duties alone can, apart from the practical difficulties arising from the number and variety of contractual obligations, be regarded as equitable, and that it would be unjust to impose different burdens of taxation on rateable hereditaments which happen to be subject to a ground rent or feu duty payable in perpetuity or to a ground rent for a fixed number of years, and on similar hereditaments, in the same locality, in respect of which no such rent or duty happens to be payable, or to make the amount of the burden dependent upon the amount of the ground rent or duty which happens to be fixed for the convenience of the contracting parties.

It is generally admitted that the mere taxation of Ground rents and Feu dues would be inequitable.

Having regard to the very elaborate investigation of the subject of the taxation of ground rents which was made by the Select Committee on Town Holdings, and to the information collected by that Committee, it is not necessary to re-examine in detail the theories and facts advanced for or against the taxation of ground rents.

Conclusion of Town Holdings Committee in 1892.

The Summary of conclusions at which that Committee arrived, and which they appended to their final Report,* was as follows:—

- (1) Ground rents and feu duties are already taxed as being included in the rateable value of the town holding on which they are secured. They do not constitute a fresh matter of assessment hitherto untouched, as is often supposed. The imposition of a direct assessment upon such ground rents and feu duties as distinguished from the assessed value of the house itself, as at present rated, would lead to anomalies and inequalities, and has been generally abandoned.

Ground rents, &c., already taxed.

Incidence of local taxation.

- (2) The real as opposed to the apparent incidence of Local Taxation in towns falls partly upon the owner of the land, partly upon the house owner, and partly upon the occupier. The proportions in which the burthen is distributed are difficult to determine, and depend upon a variety of circumstances, among which the demand for and supply of houses is the most important.

Benefit from current expenditure.

- (3) Owners of ground rents, with or without reversions, derive no appreciable benefit from local public expenditure for current purposes. Those who have no reversions (such as superiors in Scotland and the owners of fee farm rents in England), or no substantial reversions (such as the owners of ground rents reserved on very long leases), derive no appreciable benefit from the expenditure on permanent public improvements. The benefit to other ground rent owners from permanent improvements is sometimes inappreciable and sometimes substantial, varying according to the proximity of the reversion.

Burden of increased un contemplated local taxation.

- (4) The burden of such increased Local Taxation as was not in contemplation of the parties on entering into leases falls on the lessee, unless the occupier has been unable to shift it. But, as regards lessees, the unforeseen increase in the value of their properties has, in most cases, more than made up to them for the unexpected burden of increased rates.

These conclusions remain valid.

The opinions thus formulated by the Select Committee do not appear to us to require any material modification in the light of the evidence which we ourselves have taken. We agree that inasmuch as the value of the land is included in the valuation of the rateable hereditament as a whole, ground rents and feu duties are already taxed, a conclusion which appears to us to be equally applicable to all the other varying contractual interests in the land upon which it is proposed that some new and special burden should be placed. We also agree that the real as opposed to the apparent incidence of Local Taxation in towns falls partly upon the owner of the land, partly upon the house owner, and partly upon the occupier, and that it is impracticable to lay down any general rule as to the proportions in which the burden is distributed, or to determine it in individual cases. And, with the Select Committee, we see no reason to believe that there are any special benefits to the landowners from expenditure incurred by Local Authorities which the landowners are not practically called upon to bear whenever new rents are fixed.

New proposals for separate valuation and special rating of land apart from buildings.

The more important and systematic proposals submitted to us by Mr. Costelloe, Mr. Harper, and Mr. Fletcher Moulton, for the amendment of the existing law as to the valuation of rateable property, and for placing either an additional or a separately assessed burden on land values alike provide for the separate valuation of land and of the buildings, if any, erected thereon, so as to enable the rating Authority to impose on each a different and distinct rate.

It is usually admitted that land is already taxed as part of the rateable hereditament.

The supporters of these proposals differ materially from one another in the objects which they have in view, and in the means by which they seek to attain those objects, but they do not contend that land on which buildings are erected escapes taxation under the existing system. It would be impossible to support such a contention, since the net annual value on which property is assessed under the rating Acts includes the value of both land and buildings, and in a majority of cases is fixed on the basis of the actual rental which an occupier is paying for the right to occupy as one hereditament both the land and the buildings erected thereon.

The proposals for the special rating of land differ in character and extent.

The main ground on which the ascertainment of the separate values of site and structure is advocated, is that it would enable a special or additional burden to be imposed upon the land as distinguished from the structure thereon, and that such special or additional burden could be levied from the owner of the land as distinguished from the occupier of the land and structure. There is considerable divergence of opinion as to the extent and character of any such special or additional burden. Some would limit the proposed charge to property of an urban character, whilst others would levy it in town and country alike. Some would impose a statutory restriction upon the new burden calculated by reference to the amount and character of the expenditure to be met, whilst others take a very extended view of the purposes for which the special charge should be made and the rate in the £ to which it should extend, amongst this latter class being included those who would regard the impost neither as a tax in the ordinary sense of the term nor as an equivalent for special services rendered, but as a means of enabling the local authority to place the whole

burden of Local Taxation on land and thus to relieve all other classes of rateable property.

A further advantage claimed for the system proposed is that the separate valuation of sites would enable the burden of taxation to be directly imposed on the interest on which it would properly be assessed, and that there would result a distribution of the whole or some part of the burden imposed upon any hereditament amongst the various persons possessing an interest therein by means of a system of deduction analogous to that which exists in connexion with the income tax, and lastly it is argued that, having regard to the different nature of lands and structure, the separate valuation of these two classes of property would conduce to a fairer basis of assessment and be of assistance in determining the deduction to be allowed from the gross estimated rental in order to ascertain the net annual value.

It is claimed that the separate valuation of sites would facilitate a better distribution of the burden of taxation and would improve the present system of assessment, especially with regard to deductions.

In view of the various advantages thus claimed for the new system of valuation proposed, it is of importance that we should consider in some detail its practicability and cost, and, as might have been expected, the evidence on these points was of a somewhat contradictory character.

Conflicting evidence as to the practicability and cost of separate valuation of sites.

Mr. Harper, then Assistant Valuer to the London County Council, thought that a separate valuation of sites and buildings in the Metropolis was practicable, and that though it would naturally involve some trouble and expense on the first occasion, neither would be excessive, and that subsequently the valuation could be conducted comparatively easily and cheaply.*

Mr. Fletcher Moulton, Q.C., M.P., also thought that a separate valuation of sites and structures was possible. He said: "It is often stated, in answer to the contention that land should be separately taxed, that it is impossible to separate the value of the land from that of the buildings upon it. In my opinion, there is no substance in this. In my experience, I have always found surveyors able and ready to value land in towns by itself, and in many cases they prefer to value it in this way. I am certain that no difficulty would be found in carrying out this method of apportioning taxation if it were adopted."†

He also thought that the cost has been exaggerated. Mr. Costelloe generally supported Mr. Moulton's views.‡

On the other hand, a number of surveyors were of opinion that practical difficulties would attend the making of a separate valuation of sites and structures instead of making the rental as the basis, that very many appeals would ensue, and that it would be difficult to take into consideration restrictive covenants and easements, and to estimate what would be the value of a site if it were put to a different use than the existing one. Several witnesses also objected to the introduction of the element of capital value, instead of annual value, for rating purposes.§

Practical difficulties pointed out by Surveyors. Probable increase of litigation, difficulties as to restrictive covenants, and easements, objections to capital value and hypothetical estimates.

Mr. Vigers, President of the Surveyors' Institution, stated that sites and structures could be valued separately if the buildings were suitably situated, but he pointed out the difficulty where this is not the case, and thought that such a system was not advisable on the ground that it would involve a double valuation, and lead to expense and friction.||

Mr. H. A. Hunt thought that it would be very difficult to value sites and structures separately, and very expensive. He stated that, in making valuations at the present time, he never divided site from structure.¶

Mr. Rickman pointed out that each site would have to be valued separately, and that it would be very difficult to deal with the case of restrictive covenants and rights of adjoining owners, which vary very much.**

Mr. Sabin, who expressed no opinion as to policy, and stated that he did not at all identify himself with the view that it is desirable to make a separate valuation of sites

* Harper, Vol. II. of Min. of Ev. (C. 9150 of 1899), 12280-303, 12306-12, 12367-83, 12561-77.

† Vol. IV. of Min. of Ev. (Cd. 201 of 1900), Moulton, 23,018-21 and App. X., par. 7.

‡ Vol. II. of Min. of Ev. (C. 9,150 of 1899), Costelloe, 20,057-62, 20,063, 20,205, 20,221-32, 20,292-9.

§ Vol. IV. of Min. of Ev. (Cd. 201 of 1900), Rickman, 21161-87, 21,197-200, and App. II., par. 28, but see Harper, 22300-3, and App. VII., par. 1, C. (ii.).

|| Vol. II. of Min. of Ev. (C. 9150 of 1899), Vigers, 19500-1, 19532-8, 19609-10, 19620-5.

¶ Vol. IV. of Min. of Ev. (Cd. 201 of 1900), H. A. Hunt, 20,991, 21,010, 21,014-9, 21,031, 21088-91, and App. I., pars. 3, 4, 13.

** *Ibid.*, Rickman, 21,188-92, 21,195-6, 21,262, 21,334-43, and App. II., par. 28.

and structures, thought that it was possible to make such a valuation, and worth while for the purpose of correctly ascertaining the proper amount of deductions to allow. The question of valuation, he said, was only a matter of skill. But he pointed out that "difficulties would arise where the ground rent of a leasehold was relatively large, and represented a first charge on the building, and not merely the value of the bare land. In such a case the freeholder, if he were the party in receipt of the full ground rent, would desire not to be assessed on the whole annual sum reserved under the lease, while the lessee would hold that the whole was site value. Such disputes would be reduced in proportion to the closeness of the definition adopted. Other difficulties would arise which definition would not so readily avoid; as, where the capabilities of the site were not easily determinable; where the concurrence of two or more freeholders might be necessary to secure the best use; and where rights of adjoining properties to light and air might be undeterminable quantities."*

Mr. Cross, surveyor and valuer, of Manchester, thought that though it would not be actually impossible to put a separate figure upon the value of a site and a structure, it would be extremely difficult, and that it was not really a proposal which could be put into actual practice, and, in any event, that it would not be worth while owing to the cost. He pointed out, among other things, the difficulties of dealing with restrictive covenants and questions of rights of light, &c., and the expense involved in employing valuers, instead of simply taking the rent as the basis for valuation. He also pointed out that the valuer would have to take into account, not only the actual use to which the land is now put, but the use to which it might be put.†

Mr. Wainwright, architect and surveyor, of Liverpool, expressed the opinion that, though it was not impossible to value site and structure separately, it would be a very difficult matter.‡

Mr. Mathews, land agent and surveyor, of Birmingham, thought that though it was possible to put a separate value on site and structure, it was not practicable, as it would involve an inquiry into the most productive use the land could be put to. He also thought that the proposed system would give rise to endless litigation.§

Mr. F. W. Hunt, architect, agent and surveyor, of London, also stated that though a separate valuation of site and structure was possible, he considered that the proposal was not a practicable one. To arrive at the value of a site, he said, "is a matter upon which we should differ very much indeed. The friction and the annoyance in settling it would cause more difficulty than benefit." . . . I think that the only rateable value of the land is the beneficial occupation—what is its use, and what is its value having regard to its present use."||

Mr. De Bock Porter, Secretary to the Ecclesiastical Commissioners, stated that it would be possible to make a separate valuation of sites and structures, but pointed out the difficulty of dealing with restrictive covenants and easements, the expenses and friction involved, which, he thought, would be out of proportion to the advantage gained. It would, he said, be impossible to estimate the possibilities of the site; only the existing value in relation to the existing tenement as a whole could be properly valued. "When the site is put to its best possible use, then the Local Authority would get its share of the value which would accrue from the letting on the improved method."¶

Mr. Sargant generally supported Mr. De Bock Porter's views.**

Estimates of what it would cost to make a separate valuation of site and structure were given by some of the witnesses.

Mr. Harper, then Assistant Valuer to the London County Council, when he was examined on the first occasion by the Commission, stated, on an estimate made on the spur of the moment, that he expected that the ascertainment of the site value in any given quinquennial epoch once begun and started would be less than 25,000%.

* Vol. IV. of Min. of Ev. (Cd. 201 of 1900), Sabin, 21,358, 21,367, 21,384, 21,481, 21,495, 21,547-8, 21,562, 21,573, and App. III., par. 4.

† *Ibid*, Cross, 21,586, 21,651-64, 21,665-7, 21,693-705, 21,757, 21,794, 21,801.

‡ *Ibid*, Wainwright, 21,877-83, and App. V., par. 10.

§ *Ibid*, Mathews, 22,094-101, 22,116-8, 22,122, and App. VI., par. 17.

|| *Ibid*, F. W. Hunt, 22,546, 22,549, 22,571, and App. VIII., pars. 11, 12, 13, 17-24.

¶ *Ibid*, De Bock Porter, 22,722, 22,755-68, and App. IX., par. 11.

** *Ibid*, Sargant, 23,365, and App. XI., par. 23 (4). See also C. 9528 of 1899, p. 216. Bastable, *ibid* p. 143; Price, *ibid*, p. 185; Blunden, *ibid*, p. 194; Lord Farrer, *ibid*, p. 82.

Mr. Harper subsequently wrote to the Commission as follows: "I think an assessment of each separate site in the county of London, if carried out by expert surveyors—not necessarily of the most eminent rank—would probably cost 40,000*l.*, if it had to be done under conditions similar to those governing the present quinquennial assessment. This is exclusive of any cost of litigation which might arise out of the valuation." On the occasion of his second examination Mr. Harper stated that he had no hesitation whatever in saying that it would be possible to get a valuation of the sites of the 590,000 hereditaments in London at rather less than 1*s.* a piece.*

Mr. Sabin put the cost of valuation, apart from the cost of litigation, at considerably higher than 40,000*l.* if the work was done by experts. The initial cost, he said, would be large, but the subsequent valuations would be moderate. The cost, he thought, might be 3*d.* in the *£* on the site value of London.†

Mr. Sabin pointed out that the disputes would cause an increase in the total number of objections and appeals. He says:—

"These disputes would cause an increase in the total number of objections and appeals in any valuation list. Such appeals are now practically confined to those of aggrieved ratepayers, except in great questions of principle. In the event of the occupying ratepayer objecting, and there being also a building owner, an improved ground-rent owner, and a site owner, it is within possibility that all might appeal. Such composite appeals might, however, be required to be presented in a consolidated form, and be decided upon as one case. The additional number of potential appellants in the Metropolis would be the total number of properties to be assessed, plus the number of intermediaries between the occupier and the freeholder. This is, however, an extreme supposition. Over districts where a building estate had been developed rapidly, and the sites leased within a moderate time, a deduction, or addition, to the average ground rent would represent a fair site value. Where sales had been effected under similar circumstances, it would not be difficult to fix a uniform price per yard sufficiently accurate for the purpose, and take a percentage thereon."‡

Mr. Cross pointed out that an independent survey and valuation of every separate property would have to be made and expressed the opinion that the expense would be "very onerous," and that it would not be worth while to do it.§

Mr. H. A. Hunt said it would probably cost several millions to value the sites in London if experts were employed. He also thought that the cost of the litigation might come to as much as the primary valuation if it were indifferently done.||

Mr. Wainwright asserted that it would be impossible to value sites at 1*s.* a piece, and that the valuation of half a million houses would cost over two millions.¶

Reviewing the evidence we have taken on this subject, we think that although it cannot be said that it would be impossible to assign separate values to site and structure, especially where a comparison could be made with neighbouring property of a similar character which had been recently let, such a system would certainly be attended with considerable uncertainty, complication, and expense, and in this respect our conclusions are identical with those of the Select Committee on Town Holdings, who reported "that the scheme is open to very great objection on the ground of the difficulty and uncertainty of the proposed system of valuation." The valuation of every site, upon the basis of the rent which might be obtained for it, if it were cleared, would be highly speculative where no means of comparison was ready at hand, and even where such means existed, many varying factors, such as rights of light, and the existence of easements, and other restrictive covenants, would have to be allowed for, and the circumstances of the surrounding property closely investigated. As the term for which a lease was granted approached its termination, further difficulties would arise, especially where the capacity of the site might not be fully utilised by the buildings then standing. And when all these questions had been considered, the results would be so hypothetical in character that a large number of appeals and attendant expense would be inevitable.

A separate valuation of sites would not be impossible, but would be complicated, expensive, and uncertain. Difficulties as to sites not fully utilised by buildings, and as to leases approaching their termination.

* Vol. II. of Min. of Ev. (C. 9150 of 1899), Harper, 12,594-6, and Vol. IV. of Min. of Ev. (Cd. 201 of 1900), 22,397-400.

† Vol. IV. of Min. of Ev. (Cd. 201 of 1900), Sabin, 21,392-401, and App. III., par. 3.

‡ *Ibid.*, Sabin, App. III., para. 5.

§ Vol. IV. of Min. of Ev. (Cd. 201 of 1900), Cross, 21,757-63.

|| *Ibid.*, H. A. Hunt, 21,045-54.

¶ *Ibid.*, Wainwright, 21,916-7.

The abandonment of the present system of assessing the annual value of the whole hereditament as it stands is most undesirable, unless important objects are to be secured thereby.

The proposal really involves a fundamental alteration in the present system of arriving at the net annual value of property, a system which is based upon the rent which a tenant from year to year might be expected to pay for the whole rateable hereditament as it stands. This system is not unattended with considerable difficulty in its practical application, but it has stood the test of experience, it is well understood, and, in our opinion, there would be an immense increase of cost and considerable litigation if the ascertainment of values for rating purposes were to be made dependent on the hypothetical considerations to which we have referred. As the late Lord Farrer said, "Valuers will, no doubt, but a valuation on anything, whether they know anything about it or not; but the question is what real basis they have for their valuation. The only ultimate basis of a valuer's knowledge is his experience of actual market values; and as the land and the houses upon it are sold and let together, no such basis can exist for a separate value of the two things."

Unless, therefore, some important object is to be gained, which cannot possibly be carried into effect except by recourse to the dual system of valuation proposed, we feel that its introduction would be indefensible. Any further departure from the basis of fact, and the consequent extension of the element of hypothesis in the valuation of property is obviously to be avoided if practicable, and we are unable to concur in the view expressed by the various supporters of the scheme, that the ends which they respectively have in view would justify the introduction of an admittedly difficult and intricate system which would certainly result in further inequalities of valuation as between one ratepayer and another.

The practice as to deductions can be rectified by other means.

We have elsewhere referred to the present practice which exists in the ascertainment of the net annual value of property, and expressed the opinion that the scale of deduction prescribed either by law or practice might with advantage be applied with more elasticity by Assessing Authorities.

The separate valuation of site and structure would not assist in the division of rates between owner and occupier—even if such a division were desirable.

With regard to the suggestion that the separate valuation of site and structure would assist the division of rates between owner and occupier—a proposal which we cannot endorse—we would point out that the result of such valuation would not be of any assistance in the determination of the real value of the various interests in the property, since those interests are charged on the hereditament as a whole, and include in their security both site and structure. Apart from the immense difficulties which arise in the varying conditions of the contractual obligations, no sound apportionment could be made on site value only, and the ascertainment of the land value does not seem to us to be of any utility, even if it were decided to introduce a system of dividing rates as between owners and occupiers.

The separate valuation of sites would not improve valuation generally.

It is also claimed that the separate assessment of site values would tend to a fairer assessment of the hereditament as a whole, on the ground that land is a property which commands a larger number of years' purchase in the market than buildings or structures. This raises the question whether the basis of the assessment of property for local taxation should be radically altered by the substitution of capitalised for annual value. We have already expressed our opinion against the introduction of such a change.

A special additional tax on "site" land values would be inequitable and cannot be justified either on the ground of ability or benefit.

The remaining, and by far the most important, object for which the new system of valuation is sought to be introduced is the imposition of a special tax on the "site" or land values, and as to this, we desire to say that we cannot concur in the suggestion that it would be equitable to select land as a particular class of property and place on it a burden in addition to that which it bears in common with all other rateable properties. Such a proposal does not appear to us to be justified upon either of the two grounds which have hitherto formed the basis of our system of local taxation, since neither in respect of their ability to pay, nor of the benefits which they receive, does it appear to us that the owners of land values, using the term in its widest sense, contribute inequitably to local expenditure at the present time, as compared with the owners of other classes of rateable property. It would be difficult, in our opinion, to maintain any effective distinction between sites which have increased and sites which have diminished in value; but, even if it were possible, land is not the only class of rateable property the value of which may be enhanced by circumstances beyond the influence or control of its owners, and we see no reason why, by reason of such enhancement of value, it should be placed in a new and separate category so far as rating is concerned. In any case, however, it is obvious that, if a special burden is to be imposed on land, on the ground of any increase of its object, the object could not

A general rate on all site value would be in no way proportioned to the increments of value, but would fall also on the sites which have decreased in value.

be equitably met by the imposition of a new rate on site value from year to year. The extent of such increase varies not only as between district and district, but as between different parts of the same district, and in some cases there is either no increase at all, or a diminution of value. The imposition of a new rate of any given amount upon the annual value of all property in land would, therefore, bring into existence new inequalities of liability, unless measures were taken to differentiate not only between district and district, but between property and property—an obligation which, in our opinion, could not be satisfied by any possible modification of the existing rating machinery.

A further difficulty arises in considering the manner in which existing contracts should be dealt with. We see no justification for allowing existing contracts to be broken for the benefit of occupiers who have not shown that, as between themselves and the owners, those contracts are unjust. Trustees and others have purchased ground-rents on the faith of contracts that the occupiers should pay all rates on the properties which secure the ground rents, and all such persons would be injuriously affected by the proposed schemes, for the benefit of occupiers who, through their representatives, incur and control the expenditure which falls on the rates. Other advocates of the special tax proposed have, however, expressed their desire to leave such contracts undisturbed in any manner whatever, the result being that large numbers of owners who have accepted fixed rents for fixed periods, extending to 99 and 999 years, or even in perpetuity, on condition that their lessees shall bear all rates and taxes, would be entirely unaffected by the proposal. The new tax would, in such cases, fall to be borne by the lessees, who are not only already rated to the full extent of the enhanced value of the property, but whose interest in it is often gradually diminishing in value, both by reason of the effluxion of time and the growth of waste and dilapidations. The case of the purchaser of a 99 years' lease of a house, subject to a ground rent, may be cited as a case in point. Large numbers of such leases have been purchased in recent years through the instrumentality of building societies and other provident organisations. The value of the hereditament to the lessee increases but slowly, his capital outlay should be replaced, and the lessor's claim for dilapidations will ultimately fall to be met. It would be difficult in such cases to reconcile the lessee to the justice of imposing upon him a new and special tax, from which the lessor would be exempted by reason of the existence of a contract having still a long term to run, and a particular form of thrift which Parliament has in the past done much to protect and promote would be seriously prejudiced.

Existing contracts present an insoluble difficulty. Breach of contract is indefensible, and on the other hand, a new site value rate falling on occupiers and lessees would be most burdensome and unfair.

To conclude our observations on this branch of the subject committed to us, we would remark that the advocates of what would be in effect a new land tax, to be applied in aid of local expenditure, have failed to convince us that it would be equitable to select a particular class of rateable property for the imposition of a new and special burden. No new tax on land appears to us to be required to meet any special expenditure incurred by Local Authorities for its benefit, nor does land differ so essentially from other property, as regards the alteration of its value from time to time, as to justify it being rated exceptionally. In any case it would, we believe, be impracticable to ascertain what that alteration may be—a problem which must of necessity be solved if the tax is to be of equal incidence; whilst the practical difficulties of ascertaining even the annual value of what is one element only in the value of the rateable hereditament, and of paying due regard to the existence of contracts having either a perpetual existence or a long term of man, constitute, in our judgment, additional reasons against any alteration of our rating system in the direction proposed.

No new tax on land is practicable or equitable.

(b) URBAN RATING AND SITE VALUES.

Separate Report on Urban Rating and Site Values, signed by the Right Hon. LORD BALFOUR OF BURLEIGH, K.T., the Right Hon. LORD BLAIR BALFOUR, Sir EDWARD HAMILTON, K.C.B., Sir GEORGE MURRAY, K.C.B., and Mr. JAMES STUART.

(Report included in the Commission's final report, published in 1901.)

SEPARATE REPORT ON URBAN RATING AND SITE VALUES.**I.—INTRODUCTORY.**

Expenditure on Urban Improvements is properly local, and may rightly be defrayed by charges in respect of immovable property.

We are unable to concur in the conclusions arrived at by our colleagues with regard to the rating of Land Value in Chapter IX of the Majority Report. As will be seen, we entirely agree in what they say as to the impossibility of allowing existing contracts to be broken, but we think it expedient to state our views on this and other parts of the subject in somewhat greater detail.

We have elsewhere dealt with the question how that part of the expenditure of Local Authorities which is National in character ought to be met; but there remains an enormous and rapidly increasing expenditure, the greater part of which is devoted to urban improvements, that expression being used in a wide sense. We are agreed that this expenditure is properly local in character, and has no claim to assistance from the State. We also agree that, since it is mainly beneficial to the owners and occupiers of immovable property, the question of obtaining contributions from other sources does not arise.

But there is a widespread belief that the system of Urban Rating is defective, and that, if the supposed defects were removed, there would be secured for the overburdened occupiers a substantial relief from the pressure of rates—in other words, that there is, in connexion with site values, a considerable source of wealth, in respect of which persons are either not taxed, or insufficiently taxed, for local purposes.

We believe that about this question there is a great deal of misconception, giving rise to unfounded and exaggerated statements; and in order to understand the real position of affairs, it is most necessary to have a clear idea of the systems under which land in towns is commonly developed and held.

II.—URBAN TENURES.

Town Holdings: building tenures, intermediate tenures, occupation tenures, and mortgages.

In the great majority of cases, urban rateable property is not owned and occupied by the same person; but rights or interests in it, of different kinds, and for varying periods of time, are distributed between several persons.

These rights or interests, subordinate to the freehold, may be roughly classified under the two main heads of building tenures and occupation tenures.

Without attempting to enumerate all the arrangements which may be made, we may cite the following examples of the building systems commonly employed in developing urban land:—

Freehold building system.

- (1.) The landowner may himself build on his land, or may sell it outright to someone else who builds on it. This freehold building system, which involves no leasehold tenure at all, is common everywhere, but especially in the North of England.

Rentcharge system.

- (2.) The landowner may part with his land in exchange for a perpetual or practically perpetual annuity. Under this, which may be called the rentcharge system, we include three methods which, though legally different, are substantially similar in economic character, inasmuch as the original owner retains practically no reversionary interest:—

- (a.) The chief-rent system.
- (b.) The 999 years' lease.
- (c.) The Scottish feu-system.

London leasehold system.

- (3.) Under the leasehold system proper, as existing in London and many other towns, the freeholder grants building leases, reserving a "ground-rent" for 80 or more commonly 99 years, at the end of which period the land and also the buildings thereon revert to him.

The house when built is seldom occupied by the builder. He may sell it, or he may let it, reserving an improved ground-rent, and he may sell the improved ground-rent. He may dispose of it for a sum down *plus* an annual rent. Or he may mortgage it and let it. In this way, various intermediate tenures arise between the freeholder and the occupier. The actual occupier may hold on a weekly, monthly, quarterly, half-yearly, yearly, or three-yearly agreement, or there may be a lease, most commonly for 7, 14, or 21 years. **

The custom varies for different classes of property. The occupiers of places of business, such as factories and banks, are often either freeholders or holders of leases for long periods.

Generally it must be borne in mind that anyone who has any interest in a property can, at any stage, either mortgage that interest, or dispose of it, wholly or in part, either for a sum down, or for an annual payment, or partly for a sum down (often called fine or premium) and partly for an annual payment; and all of these forms of procedure are adopted freely, according to the laws which usually determine the investment of capital, and as the peculiar circumstances of the individuals concerned render convenient.

Two subsidiary points require special notice in these transactions, particularly as regards the London leasehold system.

First, the ground-rent actually reserved under a lease need not, and very frequently does not, represent the real value of the ground. The value of the ground varies from time to time, and it is obvious that a ground-rent fixed 60 years ago is unlikely to represent the true value of the ground to-day. But further, a ground-rent may be much more or much less than the value of the ground even at the date when the ground-rent is fixed.* In fact, a so-called ground-rent is merely an annuity forming a first charge on the property. An "improved ground-rent," *i.e.*, an annuity forming a further charge on the property after the original ground-rent, has still less reference to the actual value of the ground.

Secondly, the popular way of speaking of the "ground-landlord" and the "house-owner" may be misleading. The ground-rent is secured equally on the whole property, site and structure together; and the ground-landlord comes into the reversion of the whole property at the end of his lease. The "house-owner" is not the owner of the house as distinct from the ground, but merely an intermediate lessee, or temporary owner. His interest is in the whole property, site and structure together, but is limited by the duration and the other conditions of his lease.

In order to illustrate the operation of the London leasehold system, it will be convenient here to introduce an imaginary typical town holding, and to follow through the intervening interests as they arise. We purposely choose a case which omits all unnecessary complications.

In 1830 A, the owner of a plot of land in a town where the rates amounted to 2s. 6d. in the £, granted a 99 years' lease of it to B, a builder, at a ground rent of 15*l.* a year, which was, in fact, the true value of the ground at that date. The ground-rent would have been larger, had it not been that B covenanted that he or those holding under him would pay all usual tenants' rates and taxes, present and future, in respect of the hereditament, during the term of the lease. In fact, the estimated amount of that burden constituted an important factor in B's calculations when he contracted to pay 15*l.* a year to A for 99 years.

B, the builder, spent 1,000*l.* in erecting a house on the plot. He reckoned on obtaining a definite return of 6 per cent. on his outlay; and, therefore, to secure this 60*l.*, and cover the ground-rent of 15*l.*, he had to ask a rent of 75*l.* This rackrent of obtained from C, to whom he let the premises on a repairing lease for the remainder of the original term of 99 years. The house was valued, for rating purposes, at its rental, 75*l.*, and, accordingly, the rates, at 2s. 6d. in the £, amounted to 9*l.* 7s. 6d., which sum was payable and paid by C as occupier.

In 1870, C's representative sublet the house to D for the remaining 59 years of the lease at a rent of 100*l.*, thus securing a net income of 25*l.* a year out of the property. In 1899 D sublet to E, for the remaining 30 years of the lease at 120*l.*, thus securing 20*l.* net. Assuming that E has a repairing lease, the rateable value may be

* The variety of arrangements possible may be illustrated by the case of a procedure said to occur in some London suburbs. The builder usually buys a plot outright and builds a house on it. To recoup himself he first creates a "ground-rent" or fixed first charge on the whole property and sells that; then he sells separately the lease of the house, subject to the ground-rent. It is obvious that in such a case the amount of the "ground-rent" depends merely on the taste of investors; in fact, the creation of the ground-rent is an operation very similar to that of "splitting" stock into preferred and deferred.

taken to be the same as the rent, or 120%.* Meanwhile the rates have risen to 4s. in the £ in 1870 and 5s. in 1899; so that 30% a year is now paid by E to the rate-collector.

The rent of the house having increased from 75% to 120%, it is clear that this increase is due to the improved value of the site. The structure is worth not more than the original 60% a year—less, perhaps, if allowance were made for depreciation. Consequently we may fairly assume the site to be worth 60% a year at present. The figures can be conveniently shown in a tabular form as follows:—

Year.	Site Value.	Structural Value.	Total Annual Value.	Rate in £.	Amount of Rates paid.
1830	£ 15	£ 60	£ 75	s. d. 2 6	£ s. d. 9 7 6
1870	40	60	100	4 0	20 0 0
1899	60	60	120	5 0	80 0 0

It is thus obvious that, if the valuation is properly made, the entire value of both the land and the building are included in the value on which rates are levied. But this does not settle the quite different and far more difficult question, upon which party or parties the burden of the rates really falls.

III.—INCIDENCE OF PRESENT RATES.

The ultimate incidence of rates as between seller and purchaser, lessor and lessee.

We accordingly proceed to advert, as briefly as possible, to the intricate question of the "incidence" of rates, *i.e.*, the real or ultimate incidence as opposed to the legal charge. It is necessary to enquire what persons have their incomes really diminished in the long run in consequence of the burden of local taxes as now levied—in other words, who stands to lose by an increase of such taxes, and who stands to gain by their reduction.

Under the general law, the occupier pays the rates; but the question remains whether, in view of this fact, he pays less rent, *i.e.*, whether the rates fall, not really on the occupier, but indirectly upon those who hold superior interests in the property; and, if so, to what extent, and in what proportion. Further, if the immediate landlord really bears some burden, there is the question whether he passes any part of it back to his superior landlord, and if so, what part, and so on.

In cases in which the occupier of a rateable property is also the freeholder, and all the interests are thus united, it seems at first sight reasonable to assume that the owner-occupier, who visibly pays the rate, also bears the real burden. But some important considerations modifying this view must be noticed. When a property has been purchased, it seems probable that such rates as existed or were anticipated at the time of purchase were taken into consideration in fixing the price, so that the burden must be regarded as having fallen, in whole or in part, on the previous owner; and so on indefinitely, if the property has frequently changed hands. Again, if the property in question consists of business premises, it is possible that a part of the burden may be shifted forward in the shape of increased prices on to the consumers of the goods produced or sold.

It is, however, especially in connexion with the leasehold system that a prolonged controversy has arisen as to the effect of rates upon the various parties interested in land and buildings.

We cannot offer an exact solution of this problem—perhaps none is possible. But there are some approximate results which we think may be worth stating.†

Unforeseen increments of rates fall on the lessee for the time being.

It is clear that anyone who takes a long lease takes the risks as well as the profits, which are alike unforeseen. An increase of rates, which nobody foresaw, cannot have affected a rent fixed 80 years ago, and that increase therefore indisputably falls on some lessee. But it is equally clear that the holder of a long lease is in reality a part-owner, as well as a mere occupier or user of the premises, and that the rate falls on him in his capacity as temporary owner, rather than as mere occupier.

In making a new contract, tenants take the rates into account.

Much more important is the question how the burden of rates falls at the time when a contract is made. In the first place there is overwhelming testimony to the

* The usual practice is to put the rateable value somewhat lower than the rent, even under a repairing lease; but we assume for the sake of simplicity that in this case they are the same.

† Compare Memoranda relating chiefly to the Classification and Incidence of Imperial and Local Taxes. C. 9258 of 1899.)

fact that, in entering upon a tenancy, building lessees invariably take the amount of rates into account, and that ordinary occupiers on the whole, and as a general rule, do the same. Some tenants may be careless, some ignorant, and a good many may disregard the last 2*d.* in the £. But the general principle is no more disturbed by such accidents than the principle that a reduction of the tea duty goes to benefit tea drinkers is on the whole disturbed by the fact that some people buy tea carelessly and ignorantly.

We assume, therefore, that the making of a contract for a lease or tenancy is, on the whole, a transaction carried out in a deliberate manner, on business principles, and that intending tenants do take the rates into account. But it would be hasty to infer that such "taking into account" enables them to shift the whole burden of the rates on to the other party, any more than the most accurate knowledge of the customs tariff enables the consumer to make the tobacconist really pay the duty on cigars. The only effective way of bargaining is the threat that the customer will go elsewhere, where he can do better.

Accordingly, subject to various qualifications of more or less importance, the main principle of the incidence of rates is that the tenant has to bear the burthen of that part of the rates which he cannot avoid, go where he will, but the lessor has to bear the real burden of all rates which the tenant could avoid by going elsewhere.

Now rates, being proportioned to the value of the whole property, may be roughly divided into the part proportionate to the value of the site, and the part proportionate to the value of the building. The first part, or what may be called the amount of the rates on site-value, varies from place to place, just as site-value does, and a tenant can avoid this burden, or most of it, by going to an out-lying district where the value of sites is almost negligible. But he will have to pay some rates on his house wherever he may go; and at least this portion of the burden sticks by him, though he will probably shift on to the owner that part of the rates, even on building value, which is due to the exceptionally high poundage rates of any particular district.

Reverting, for the sake of illustration, to the typical instance given above, we may assume it as improbable that anyone in 1830 foresaw the coming increase in rates. But, according to the arguments we have used, it is clear that, if B had not covenanted that he and those holding under him would pay all rates and taxes during the term of the lease, A's ground-rent would have been greater than it is. Indeed it is fairly certain that at least the amount of rates proportionate to the value of the site at that date, viz., 2*s.* 6*d.* in the £ on 15*l.*, or 1*l.* 17*s.* 6*d.* fell in effect upon A. As regards the balance of rates in 1830, many London surveyors, and some economists, hold that this also fell wholly upon A, and is now borne in effect by his representative; but this is an extreme view. It seems likely that if 2*s.* in the £ was then the usual rate in the neighbourhood, the differential rate of 6*d.* in the £ on the structural value of 60*l.* (or 1*l.* 10*s.*) fell upon A, in addition to the rates on the site. But it seems safest to say that the rates on the structural value (2*s.* 6*d.* in the £ on 60*l.* or 7*l.* 10*s.*) were divided in proportions which cannot accurately be determined between A, the owner, and C, the occupier, since B the builder as a business man probably secured clear of rates the normal return on his capital and labour—say 6 per cent. The subsequent increments of burden were probably distributed, on similar principles, among the various sub-lessees, who are also enjoying the enhanced value of the property.

It may be convenient at this stage to notice one of the charges most frequently made against the present system. The complaint is sometimes expressed in the statement that occupiers pay for public improvements twice over, once in rates and again in increased rent. As between lessee and lessor, the complaint is to a large extent based on a misapprehension. Let us suppose that the benefit conferred by an improvement, put in pecuniary terms, is about equal to the burden of the rate levied therefor. In such a case the lessee during the currency of his lease bears the burden and enjoys the benefit, which exactly cancel each other. At the expiration of his lease it does not seem probable that he will remember the one and forget the other. If he remembers both, in making a new bargain, he will decline to pay any increased rent, unless on some quite different grounds, and will simply continue to enjoy a benefit and bear the corresponding burden.

If, however, the benefit exceeds the burden, as may sometimes happen, the lessee secures the whole net gain during the lease current at the time of the imposition of the burden. When the lease expires the landlord will be able to raise his rent; but it is no grievance to the lessee, as such, that he should pay full value for the advantages which he enjoys. Whether, under such circumstances, the question of an adjustment

The owner bears the real burden of the part of rates proportionate to the value of the site, and also probably of any exceptionally high rates.

Do occupiers pay for improvements twice over?

between the landlord and the public does not arise, is another matter, to which we shall advert later on.

There remains the special claim on behalf of the lessee that he ought not to be charged for the whole sinking fund as well as the interest in respect of very durable public works, the benefit of which remains after he has gone. This claim might, perhaps, so far as regards the lessee's grievance, be disregarded on the *de minimis* principle, but in any case the question is not essentially one between lessor and lessee (though it may appear in this shape in certain cases) but between successive generations, *i.e.*, between the ratepayer of to-day and the ratepayer of to-morrow, or the owner of to-day and the owner of to-morrow. If sinking fund periods are really on an average too short (a proposition which we do not endorse), the remedy is to prolong them. No owner's rate could do anything like justice in this respect.

IV.—DIVISION OF RATES.

The system in Scotland and its application to England.

We now pass to consider the proposals for change. And, in the first place, we feel bound to say a word on the old scheme for division of rates between owners and occupiers.

This is a question which goes beyond merely urban rating, since division of rates prevails in Scotland with regard to the majority of rates, urban and rural alike, and has been recommended for like general application in England by more than one authority. The Scottish system will be described in detail in another part of our Report, and we do not propose here to discuss the problems peculiar to that country which arise in consequence. But the question of its application to England deserves some special notice, because, though it has not been advocated before us,* the proposal made by Mr. Goschen in 1870, was emphatically reaffirmed by the very able Report of the House of Commons Select Committee on Town Holdings in 1892.†

The plan recommended by the Committee follows the Scottish system in dividing the rates half and half. But while the Scottish system charges the owner's half finally upon the immediate landlord (*i.e.*, the owner to whom the occupier pays his rent), the Committee, in view of the complications of the English tenures, proposed that one half of the rate should be charged on each lessor in respect of the rent received by him through the whole series of lessors up to the freeholder.

Advantages and disadvantages of system.

We agree with the Committee that such a change of system could only be introduced when new contracts are made, and we do not think that, when contracts are revised, it makes much difference to the ultimate incidence whether rates are charged upon lessor or upon lessee, because each party will in either case take full account of the way in which the burden is distributed. But the question whether under future contracts a part of the rates shall not be charged upon lessors is, nevertheless, of considerable importance for two reasons.

- (1.) As a matter of sentiment—and sentiment undoubtedly plays a part in taxation—a system of direct charge on lessors would help to remove the erroneous impression that the lessor pays nothing in the way of rates.
- (2.) As a matter of expediency, such a system would make immediately and readily available a reservoir of taxable capacity which can now only be drawn on slowly and irregularly, or, to vary the metaphor—it would relieve friction by spreading each new increment of burden more evenly over a larger surface.

At the same time it is obvious that the advantages thus claimed are attended with considerable corresponding dangers and disadvantages. It has often been argued that, if owners are directly charged, they should be given some representation upon the spending authorities or some other special protection. Indeed, the proposals of Mr. Goschen were accompanied by elaborate provisions for this purpose, and the Town Holdings Committee intimated their concurrence in this view. We do not, however, suppose that any effective scheme of this nature would be considered compatible with the increasingly democratic character of local self-government. We accordingly conclude that the scheme of division of rates must be rejected as a rule, though it will be seen later on that we think it very desirable to introduce some system on the same lines with proper modifications and safeguards.

* The rent-duty suggested by Mr. Costelloe as a *pis aller* is somewhat similar in principle (19,965).

† House of Commons Paper, No. 214 of 1892.

V.—THE RATING OF SITE VALUE.

But the proposals which have been put before us with the most authority, and urged with the greatest warmth, are those for the rating of site value, or, as it is sometimes called, ground value, or land value. The term site value is used as meaning the value of land as a bare site, apart from the buildings (if any) which have been erected thereon, and this general meeting is common to the schemes propounded by the London County Council and by Mr. Fletcher Moulton.

It is also common to these schemes that they contemplate as one operation a change of system which appears to us to involve two quite distinguishable propositions; the first being that some part of local taxation should be levied not in proportion to the rateable value of the entire property (site and building together) as at present, but in proportion to the site value only; and the second being that, where property is let on lease, a direct charge should be imposed on some class or classes of lessors, in spite of existing contracts to the contrary.

That these two propositions can be separated, is clear from the precedents in our colonies, where site value taxation in the sense of the first has been in some cases adopted without any attempt to interfere with contracts between owners and occupiers. Moreover, while the second proposition is concerned only with property which is let to a tenant, the operation of the first would extend to all rateable property whatever.

The ordinary proposals for rating site value combine two different propositions, viz.: (1) a rate proportioned to the value of sites only, (2) a direct charge on the lessors.

VI.—THE LONDON COUNTY COUNCIL SCHEME.

The proposal of the London County Council was set forth in a series of resolutions which were explained and defended before us by the late Mr. Costelloe.* The Council did not officially formulate a complete scheme for giving effect to their proposal. But such a scheme was put before us by Mr. E. J. Harper, at that time Assistant Valuer to the Council, who gave evidence in his personal capacity, but informed us that his scheme had been on a former occasion forwarded by the Council for the consideration of the Government.†

The object which the Council has in view is to obtain a new source of revenue, and, holding "that considerable expenditure has been incurred from public funds " which has largely contributed to the increase of site value," it considers that such revenue "should be obtained by means of some direct charge upon owners of site " values." Owners of site values are defined as "all persons deriving a revenue, or " use equivalent to revenue, from the value of a site," and site value as "the annual " rent which, at the time of valuation, might reasonably be obtained for the land as a " cleared site, if let for building by an owner in fee, subject to equitable reduction in " exceptional cases in which the full site value thus defined is not being enjoyed or " obtained by any person or persons." Existing and future contracts which would otherwise exempt the owner from payment of the charge [to be termed "owners' tax"], are to be invalid. The tax is to "commence at the rate of 6*d.* in the £ per annum, " and rise gradually to such sum as Parliament may determine," and "any increase " of burden or expenditure for new services should be equitably shared between the " present rate on occupiers and the proposed owners' tax."‡

In defence of these proposals, Mr. Costelloe argued that an increasing burden of rates in London is a matter which concerns the occupiers, and that these increases, in fact, come out of their pockets. By way of proof, he adduced the fact that the London ratepayers constantly and bitterly protest against every increase of rates, even where the increase is for objects which would be pecuniarily beneficial to themselves.§

It was represented as unfair that the increase in the rates should fall on the occupiers, in view of the fact that the improvements produced by much of, if not by all, the expenditure, really go to the profit of the class of owners; and the proposals were, therefore, designed so as to transfer the immediate incidence of a certain part of local taxation from the occupier to the owner, this part being described in greater detail as the increases of recent years as well as the increases of future years.||

Scheme for a direct charge on owners of site value.

Incidence of present rates.

* C. 9150 of 1899, pp 147-149 and 304-332.

† Cd. 201 of 1900, pp. 49-56 and 152-166.

‡ See Resolutions set forth on p. 320 of Vol. II of Minutes of Evidence, &c. (C. 9150 of 1899).

§ *Ibid.*, p. 316.

|| *Ibid.*, Questions 19,914 and 20,140

Mr. Costelloe's interpretation of the Council's policy was, therefore, that the entire cost of such expenditure for administration and improvement as is borne locally ought no longer to be taken out of the pockets of the occupying ratepayers, as it is at present, and that at least a considerable proportion of it ought to be borne directly by the owners of site values.*

Why contracts should be disregarded.

It will be observed that the charge is to be made directly upon the owners of site values (as defined), notwithstanding any past or future contracts to the contrary, and this is justified on the ground that it is unquestionably the right and duty of Parliament to say, when it imposes any public charge, upon whom, and upon what interest, it desires that charge to fall. The case of the income tax was quoted as a precedent for this course, and it was also suggested that the imposition of the education rate in 1870 was a more violent interference with the equities as between the parties to existing contracts than would be the scheme proposed.†

Amount and purpose of new rate.

The amount of the tax was to be 6*d.* in the £ to commence with, and the proposal was to obtain power from Parliament to increase it, from time to time, especially as new expenditure for the benefit of owners might have to be incurred—such, for example, as the new bridges or the Strand improvement. The Council was prepared to acquiesce in the restriction of the increase to a certain amount per annum, and in the determination by Parliament of a maximum beyond which, without further Acts of Parliament, the tax should not go. The sum of 2*s.* in the £ had, it was stated, been discussed as the present maximum, although no amount was specifically recommended by the Council.‡

Objections to taxation of buildings.

Finally, Mr. Costelloe expressed the opinion that there was a considerable argument against including in any assessment for rating the building value which represents a return upon the investment of capital in providing accommodation,§ and that the relief which would be afforded to buildings by the taxation of site values, would have the beneficial effect of encouraging building operations upon the outskirts.||

Mr. Harper's scheme for throwing the charge upon the true owner of site value by a system of deductions from rent.

Turning to Mr. Harper's evidence (which we read as supplementary to Mr. Costelloe's), we find that under his scheme the site value rate would, in the first place, be collected from the occupier. It would then be thrown upon the "proper parties" by a system which is contained in four "Rules for Deduction from Rent." These rules would be printed upon the demand note and upon a "Certificate for Deduction" to be attached to the receipt given by the rate collector. They are as follows:—

Rules for Deduction from Rent.

										£
Rateable value A	..	..	..	..	..	..	..	..	..
Site Value B	..	..	..	..	..	..	..	..	..
Balance	..	..	..	..	..	..	..	..	..

1. If the rent you pay is a ground-rent, or, in respect of land only, deduct *xd.*¶ in the £ upon the amount of such rent.
2. If the rent you pay includes buildings or other property besides land, subtract the balance C from the amount of such rent, and deduct *xd.*¶ in the £ upon the remainder.
3. If the rent you pay is not a ground-rent, you are entitled to deduct in any case upon the amount of ground-rent paid by any superior landlord.
4. But you are not entitled to deduct a larger sum than you have actually paid or allowed.

The site value and rateable value having been ascertained separately, the deduction of the one from the other would leave a "balance" which would normally be equivalent to the structural value, and which in any case does not represent any portion of the site value. If this balance be deducted from the rent paid by the occupier of a building the remainder would include the site value.

* Vol. II. of Minutes of Evidence, &c. (C. 9150 of 1899), p. 307.

† *Ibid.*, Questions 19,926 and 20,084.

‡ *Ibid.*, Questions 19,938-9.

§ *Ibid.*, p. 321.

|| *Ibid.*, Question 20,274.

¶ *x* being the amount of the rate.

VII.—MR. FLETCHER MOULTON'S SCHEME.

Mr. Fletcher Moulton's proposal (if we have understood it rightly) is, that for the present rates there should be substituted a dual system, viz., first, a rate or tax proportioned to the ground value only and charged upon owners of ground value; and secondly, a rate on building value charged upon occupiers.*

Apart from the question of adjusting the new system to existing contracts, the proposal is, that the ground tax should be heavier than the building tax by some fixed proportion (say one-third) *i.e.*, that the ground tax should be 8s. in the £ if the building tax were 6s.†

In support of the differential rating of site values, Mr. Fletcher Moulton argues that "the growth of the value of land in towns is due to the presence of the population "creating an increased demand," and that such increase in value can only be maintained, if large expenditure is continuously made, and that this expenditure leaves the owners in the possession of very much the greater part of the increase in the value of the land. Accordingly, he contends that the present system of levying rates in proportion to the whole value of the property is unjust; for they are usually paid by those who only possess a portion, and often a very small portion, of the property.

Other arguments put forward are that land and building are widely different in their nature, origin, and incidents, the buildings being worth a less number of years' purchase, and their value being due to the expenditure of capital, and that a tax upon buildings proportionate to their value drives people to take poorer houses, whilst taxation on the land has no such effect.

In ascertaining which of the parties interested in any hereditament is the actual owner of the site value, Mr. Moulton contends that the right method is, not to look into the history of the transactions by which the parties have acquired their share of the revenues of the year, but to see who has the security which is the characteristic of land, viz., its permanency.‡ Thus it may be asked, if an uninsured bankrupt lessee had his house burnt down, whose receipts would be safe. Evidently, Mr. Moulton answers, those of the ground landlord and his lessees in order of priority, so far as such receipts were covered by the annual revenue which could then be obtained for the site. These parties may have expended money upon building, but it is maintained that their interests are now far more valuable than if they depended solely upon bricks and mortar.§

The method proposed for securing that the tax would fall upon the owners so defined is, that the tenant should pay the tax and deduct it from the rent he pays to his immediate landlord, who would make a like deduction from the rent paid to his superior landlord, and so on, provided that the rent paid was greater than the estimated annual ground value. If it were not, the deduction should only consist of the amount of the ground tax upon the rent paid.

VIII.—CRITICISM OF THE SCHEMES.

The first comment on these proposals is that, while they are in substantial agreement as to the definition of site value, they disagree fundamentally in determining who is the owner of site value. For the easier comprehension of this point, we may repeat in brief our typical instance|| :—

					£
1830.	A let land to B for ...	...	...	...	15
	B built a house and let it to C for	...	...	...	75
1870.	C sublet to D for ...	...	...	...	100
1899.	D sublet to E for ...	...	...	...	120
					—
	Site value ...	...	...	...	60
	Structural value ...	...	...	...	60
					—
	Rateable value...	...	...	...	120
					—

Proposal for a rate on site value charged on owners, and a smaller rate on building value charged on occupiers.

Reasons for taxing sites more highly than buildings.

The ground landlord and the lessees nearest to him are the owners of site value.

Fundamental disagreement on the question, Who is the owner of site value?

* Vol. IV. of Minutes of Evidence, &c. (Cd. 201 of 1900), pp. 71-86 and 174-5.

† *Ibid.*, Q. 22,947.

‡ It may be observed that a leasehold ground-rent with only a nominal reversion (*e.g.*, for a single day) has very little "permanency," yet such a leasehold ground-rent would often be treated under Mr. Moulton's scheme as part of the ground value.

§ Q. 22,831-4 and 23,035.

|| See p. 154.

The site value being thus only half the rack-rent of the whole property it is clear that the rents paid to the lessors cannot all be considered to be derived from site value. In the eye of the law, all the rents alike arise out of and are secured on the whole property, site, and structure together. But for the purpose of taxing the owners of site value, it is necessary to distinguish some of them as arising from the structure, and others as arising from the site.

Mr. Fletcher Moulton, as has been seen, looks at the question rather from a legal point of view, and pays special regard to the securing of the interest. Consequently, he holds that A enjoys site value to the extent of 15% a year, and B to the extent of 45%. The remaining 15% net received by B, and the net receipts of C (25%), and of D (20%), he attributes to the bricks and mortar, or the structural value.

Mr. Harper, from a more strictly economic point of view, attempts to eliminate from each rent the elements which represent, as a matter of fact, the return due to the builder's capital and labour, and calls the residue the site value. Thus he agrees with Mr. Moulton that A enjoys site value to the extent of 15% (the original value of the land), but he holds that B's net receipt of 60% is simply the return due on the building, and that the remaining 45% of site value has got into the hands of C and D, because the increment of value of a property, apart from new building, must be attributed to the site.*

These results may be conveniently exhibited in a tabular form as follows :—

TABLE I.—MR. FLETCHER MOULTON'S VIEW.

How Site Value has been, and is being, enjoyed.						
Year.	A, or his representative.	B, or his representative.	C, or his representative.	D, or his representative.	E, or his representative.	Total Site Value.
1830	£ 15	£ —	£ —	£ —	£ —	£ 15
1870	15	25	—	—	—	40
1899	15	45	—	—	—	60

TABLE II.—MR. HARPER'S VIEW.

How Site Value has been, and is being, enjoyed.						
Year.	A, or his representative.	B, or his representative.	C, or his representative.	D, or his representative.	E, or his representative.	Total Site Value.
1830	£ 15	£ —	£ —	£ —	£ —	£ 15
1870	15	—	25	—	—	40
1899	15	—	25	20	—	60

* If the *Rules* given above (p. 159) be applied to this case, it will be found that—

E. shifts back on D. the whole site value rate, and himself pays on	£	0
D. shifts back on C. the site value rate on 40%, and himself pays on	20	
C. shifts back on B. the site value rate on 15%, and himself pays on	25	
B. shifts back on A. the site value rate on 15%, and himself pays on	0	
A. pays the site value on	15	
Total site value	60	

The practical importance of this divergence of opinion is manifest. The two schemes would differ in operation very substantially, and in a very large number of cases.

In our opinion, neither scheme is workable or equitable, especially as applied to rents fixed under existing contracts, but some examination of the respective merits of the two schemes may be useful.

Mr. Moulton bases the general case for taxation of ground values largely on the history of urban property and the causes of the growth of ground values. It might be expected that the features which, in his opinion, make ground value in general a proper subject for special taxation, would also guide him in selecting the particular interests in a property on which the tax should be imposed; that is to say, that he would adjust the additional taxation so as to make it fall on those persons who have, in fact, derived benefit from the unearned increment of value. But, instead of this, we find that he abandons the historical ground when he comes to apportion the burden between the different owners.

Mr. Fletcher Moulton's scheme contains inconsistencies, and would in many cases conspicuously fail to reach the supposed "unearned increment."

As a reason for taxing land more heavily than buildings, he says* :—

"The land acquires its value mainly from the communal expenditure, and this value is independent of the direct expenditure of the owner of the land. It remains when the buildings have to be removed, and it partakes of all the improvements that are made in the neighbourhood, while those very improvements may be fatal to the continued value of the building by rendering it unsuitable to the locality."

But in discussing the apportionment of the tax between owners, he says† :—

"The town has no concern in the history by which a man acquired the interest that he has to-day."

And with reference to the rent received by B in a case similar to that quoted above, he says† :—

"I do not think at the moment that it does represent interest on his money. I think that your illustration shows the way in which he got into the position in which he now is, that is to say, by the expenditure of money, but I think that his interest is far more valuable at this present moment than if it depended upon bricks and mortar; his interest now, thanks to the development of the town, thanks, perhaps, to some of his subordinate lessees, who have developed the property, has passed from what I may call a building interest into a ground value, the capital value of which is much higher, and I do not think it unfair that he should now pay a higher tax than he would have paid, had his interest been an interest depending on his bricks and mortar."

Now, there may be a case for paying some regard to capital values in taxation—in other words, the higher capital value of the superior interests might be some justification for taxing A and B rather more heavily, in proportion to their annual receipts, than C and D. But it appears to us to be a weak basis for a large conclusion to argue that, because the interests of A and B would sell for more years' purchase than those of C and D, therefore A and B ought to be taxed exclusively, while C and D escape scot free.

The proposal is, however, particularly strange from the point of view which associates ground value with unearned gain, and benefit from public improvements. For if there is any unearned gain about the property, it lies fresh and obvious in the pockets of C and D—if anyone has gained from public improvements, it is C and D almost exclusively. Yet Mr. Moulton proposes to exempt C and D from all taxation whatever.

The point can be further illustrated by consideration of the way in which the scheme would work in the future. Let us suppose the system in operation in the present year, so that A and B are already paying their share. Let us further suppose that a great public improvement is made which increases the value of the property by 15*l.* a year. As this increment of value clearly belongs to the site, the site value is raised from 60*l.* to 75*l.* The question then arises what the effect on the several parties would be under Mr. Moulton's scheme. E, the last sub-lessee, gets the whole current benefit from the improvement, but his liability will not be increased at all, he will continue to pay so much of the rates as is levied in respect of the structural value (60*l.*) and no more. C and D get no immediate cash benefit, but a decided improvement in the security of their property—they pay nothing, as before. B gets no benefit whatever, except an almost appreciable improvement in the security of his already well secured rent—he has no reversion; yet the effect of the improvement will be that he has to pay the ground-rate on 60*l.* instead of on 45*l.* In a word, Mr. Moulton's scheme would seem to produce this incongruous result, that the

* Vol. IV. of Evidence, &c. (Cd. 201 of 1900), p. 157.

† *Ibid.*, Q. 22,898—4 and 22,875.

taxation on the lessor will be increased, whenever and because the lessee secures some "unearned increment."*

Mr. Harper's scheme is well adapted for its purpose, but is not without flaws, and is very complicated.

Mr. Harper's scheme for levying the site value rate, and the definition of "owner of site value" on which it is based, are much more difficult to understand, but a close study of its working will satisfy anyone that it is devised with great ingenuity to secure the object at which it aims.

That object is, generally stated, to eliminate from each rent payable in respect of a property the elements which represent, as a matter of fact, in each case, the return due to the builder's labour and capital, and to impose a tax upon the remaining interests which can consist of nothing but site value. And the general proposition on which it appears to be based may, if we understand it rightly, be stated in a different and perhaps more intelligible form, as follows, viz., that, on the grant of a lease, the lessor secures for himself the annual value of the site as it then exists, less such portion as may have been secured to prior lessors under previous contracts (if any); and that each lessee enjoys any subsequent increase of that value during the currency of the lease.

In addition to the difficulty of dealing with specially complicated cases, there seems to us one serious flaw in the internal consistency of Mr. Harper's scheme. Let us suppose that at the time when a ground-rent is fixed it contains some element besides mere ground-value, and is therefore in excess of the actual ground value as at that time; let us further suppose that subsequently the ground-value increases till it is equal to the ground-rent. Then under the theory of the scheme some subsequent lessee is clearly in receipt of that increment of ground-value; but under the rules the tax on that portion of the site value will fall, unfairly, upon the ground landlord.

We are not concerned to consider whether Mr. Harper's scheme might not be criticised with some force—for instance, from the point of view of Mr. Fletcher Moulton—for ignoring such characteristics of land value as permanence and security. But our main objection to both these schemes, and to others like them, is that they impose a burden upon the rents which tenants have covenanted to pay free of all rates, and which have in many cases been purchased by investors in the open market on that understanding. We now proceed to set forth this objection more fully.

IX.—EXISTING CONTRACTS AND MORTGAGES.

Violation of contracts is indefensible.

The general question of existing contracts was thoroughly discussed by the Town Holdings Committee, with whose conclusions we agree. Legislation enabling occupiers to violate the contracts which they have deliberately made, and to escape the obligations which they have solemnly undertaken, would be, in our opinion, indefensible. We could admit no compromise on this matter of principle, but it may be worth while to remark, as a secondary consideration, that, after all, the lessees of town property have, as a rule, not made by any means a bad bargain.

There are, however, a few points which we are tempted to add, mainly to illustrate the extraordinary difficulties of a more practical nature which are involved, and the dubious character of the public benefits which could, on any view of the case, be hoped for.

Rent is closely analogous to purchase money, and from this point of view the lessee may be said to be the real owner of Site Value.

We noted above† an important characteristic of dealings in urban real estate, that in every transaction the question arises whether payment should be in the form of a lump sum down or an annual rent, or partly in one form and partly in the other. The form adopted depends solely on the momentary convenience of the parties concerned, and alters the substantial character of the transaction only in the slightest degree. That neither party considers it very essential is evident from the advertise-

* Incidental difficulties of detail, which would probably prove very serious in the working out of Mr. Moulton's scheme are as follows:—

- (1.) The operation of dividing the value of every property into site value and structural value is a different one from that of merely ascertaining the value of the site and might prove even more difficult. It is not clear, for instance, on what principle a structural value can be assigned to a building which is a mere incumbrance on the site.
- (2.) Mr. Moulton does not exactly say so, but apparently he contemplates that his scheme should be applied to all rates. Now the Guardian's Rate and the County Rate (to name the two most important only) are levied over areas which in very many cases are partly rural and partly urban. Yet Mr. Moulton expressly states that the scheme would apply to urban but not to rural districts (23,004-5). The adjustments that would thus be necessary would not, perhaps, be strictly impossible, but would add enormously to the complications of the scheme and would apparently involve the arbitrary recasting of our local government areas for this special purpose.

† See pp. 153 and 154.

ment columns of the newspapers, which often contain offers of a house for sale for a lump sum down, with the addition—"part of the purchase money may remain on mortgage, or be paid as rent." We will suppose the case of two persons of similar means occupying two similar adjacent houses. X has a lease, and pays the rack-rent year by year. Y has bought the leasehold of his house, subject to a nominal ground-rent, but the purchase money is payable by instalments, which is a common arrangement. It seems to us that there is no substantial difference between X and Y; yet, under either of the schemes we have been considering, Y is an owner of site value, and will be taxed, while X will escape. Such anomalies would be repeated again and again.

The above considerations suggest that there is something to be said for the view that the lessee rather than the lessor is the true owner of the site value for the term of his lease. The test case is the purchase of the whole leasehold interest in a property for a single payment in cash. In this case all parties would agree that, for the purpose of taxation during the period of the lease, the purchaser must be regarded as the owner. But then the question arises whether his position is materially different from that of a man who pays a similar price for similar advantages, but pays it in 21 or 99 annual instalments. It is particularly clear in the case of feu duties and chief rents (to which no reversion is attached), that the transaction is equivalent to a sale, except that the purchase money is paid in the form of a perpetual annuity. But the same principle really applies also to tenancies for limited terms.

It has been suggested that an owner ought to be rated before his reversion comes in, because the capital value of that reversion is increasing. But, whatever force there may be in this argument (and we do not assign much weight to it), in any case no scheme has been put before us which would attain this object except some incidental suggestions as to a municipal death duty, which, under present circumstances, we consider to be impracticable. Both Mr. Moulton and Mr. Harper would rate equally a rent with no reversion attached to it, and a rent which is going to be multiplied twenty-fold when the reversion comes in.*

Capital value of reversions not a subject for rating.

Finally, it is worth enquiring for whose benefit the proposed breach of contract can be said to be necessary. The immense mass of occupation tenancies are of short currency. In particular, the vast majority of those who do not pay large rents occupy premises on tenancies for not more than twelve months. Frequently, indeed, they are compound householders paying no rates at all directly. Now, the difficulty of providing working-class house accommodation is a really pressing evil. But the proposed violation of contracts would be of no advantage to those who stand in need of help; or rather it would greatly aggravate the existing evils by destroying confidence and discouraging building enterprise. Thus the question of existing contracts is hardly worth raising so far as the great majority of occupiers are concerned. It is only of importance in the case of long leases, and the holders of long leases are substantially a section of investors, who stand towards the lessors in very much the same relation as that in which the ordinary shareholders stand towards the preference shareholders in a joint stock company. The holders of ordinary or deferred shares in a railway company have to stand the racket of increased rates, just in the same way as lessees of house property have to do, and the general public is hardly more concerned in the controversy between lessees and lessors than a railway passenger would be in a dispute between two sections of shareholders.

The question of existing contract does not concern the public at large.

* We do not, of course, ignore the fact that both Mr. Costelloe and Mr. Moulton expressed willingness to show some consideration for existing contracts. We think the assurances were in neither case satisfactory, but Mr. Moulton did at least propound some sort of principle, and it is interesting to consider how it might operate. The ground-rate under Mr. Moulton's scheme would be partly a new tax and partly a transfer of existing rates. The new tax would be imposed quite regardless of contract, but the larger part of the future ground-rate would be a transfer of the existing rates (Q. 22,887). As regards this transferred portion, Mr. Moulton says—"I should probably take what I consider to be a fair allowance for the rates that were stipulated for, and either add that to the rent, or allow that still to be paid by the occupier as a payment under his contract." And in answer to the question "Who is to decide what is fair?" he says—"Probably it would be an average rate, or something derived from the average rate over a certain period prior to the contract, or something of that kind." (Q. 22,911-12.)

We need not dwell on the extraordinary complications which any such adjustment would involve—instances in which it would really be impracticable readily suggest themselves. But it will be seen that on this principle the ground-rents fixed many years ago, when rates were low, would have to bear a much larger proportionate reduction than the ground-rents fixed in recent years. The latter would, in fact, nearly escape any deduction under this head, and as they are, of course, generally the largest in amount, it would seem that the relief afforded might in this way be seriously qualified.

Difficulty with regard to mortgages.

There is one peculiar point which presents some difficulty on either view—the treatment of mortgages. Perhaps the majority of buildings are erected with borrowed money; and it is, therefore, a question of the first importance whether a mortgagee is to be regarded as the owner of site value and liable to taxation as such. On this point Mr. Moulton expressed a strong opinion that a mortgagee is not the owner of site value;* but Mr. Costelloe appeared to hesitate.† We do not doubt the correctness of Mr. Moulton's exposition of the law on this subject, and we are not disposed to deny that it would be theoretically and practically absurd to rate mortgagees under any such scheme. But we think nevertheless—and Mr. Costelloe's hesitation confirms us in this view, as well as the analogy of Schedule A of the income tax to which he referred—that the train of thought (whether on Mr. Moulton's or Mr. Harper's line) which leads up to the rating of chief rents and feu duties, would naturally carry us on to the rating of mortgages. Moreover, in our judgment, the rating of other fixed charges on land without regard to contracts, coupled with the exemption of the particular charge put in the shape of a mortgage, would lead to great anomalies and hardships.

X.—WHAT RATING OF SITE VALUES REALLY MEANS.

The various schemes put forward for rating the owners of Site Value are open to objection.

We feel bound, for the reasons which we have explained, to condemn unhesitatingly all the schemes which have been put before us in connexion with the rating of site values. And we think that we have shown—following in this respect the finding of the Town Holdings Committee—that the agitation on the subject has to a great extent proceeded on a mistaken basis. Starting from a popular misconception of the effect of our existing system of local taxation, the movement has ended in a deadlock, due to the rivalry between several abortive schemes which are alike unworkable and are mutually destructive. But it does not, however, seem to us that the ideas which underlie the movement are entirely unsound.

In the first place, we hope we have made it clear that, whatever may be the better view on the vexed problem of the apportionment of site value, in any case interests in site value are distributed in an intricate manner amongst a great number of parties: and the popular view, which associates the enjoyment of site value with the freeholder or ground landlord exclusively, is in most cases very wide of the mark.

Next, it is certain that site value is included (except in the case of uncovered land) in the value upon which rates are at present assessed: and it is generally probable that every party connected with the property bears indirectly some part of the burden: or at least that the rent which a lessor can obtain, when he makes a new bargain, is diminished on account of the liability to rates which attaches to the occupation of the premises.

But Site Value is a fit subject for direct taxation.

But these propositions, which would receive, we believe, the almost unanimous adherence of those who have studied the subject, do not, in our opinion, by any means dispose of the question whether urban rating is susceptible of reform. We have still to ask, first, whether site value is or is not, so exactly similar in character to building value that justice and policy require or admit of exactly similar treatment for both, and, secondly, whether there are not considerations which tell in favour of making the charge which falls upon those who have superior interests in urban hereditaments more direct and visible.

After prolonged and careful consideration of these questions we agree with the Town Holdings Committee that a system of direct charge upon owners is desirable, at any rate on political and sentimental grounds, however little effect such a change may have upon the real incidence of taxation. But we go further than that Committee in considering that it is also eminently desirable that the charge which now falls indirectly and irregularly on site value should, if possible, be made more direct and visible, as well as more accurately and evenly proportioned. It is, no doubt, a fallacy to suppose that there are huge untapped sources of revenue in connexion with urban land, but it is not a fallacy to think that urban site value is a form of property which from its nature is peculiarly fit to bear a direct and special burden in connexion with "beneficial" local expenditure.

The essence of the rating of Site Value is not a charge upon owners, but a local re-distribution of burden.

The mistake made hitherto has been to regard the taxation of site value as primarily a question between the parties interested in any one hereditament, or as essentially depending on the rights or wrongs of the dispute between the ground landlord and the string of lessees as to the fairness of their contracts.

* Vol. IV of Minutes of Evidence, &c. (Cd. 201 of 1900), Questions 22,874–6.

† Vol. II of Minutes of Evidence, &c. (C. 9150 of 1899), Questions 20,048–52.

The real question as to the taxation of site value is the question whether there ought not to be a tax on site value where it exists, and in proportion to the amount of it which exists in each place. In other words, site value is in essence *local*, and the effect of taxing site value would be primarily a *local* redistribution of burden, not primarily a redistribution of burden as between the parties interested in each single hereditament, but as between different districts and different hereditaments.

Suppose three properties, the annual value of which is made up of site value and structural value in the respective proportions indicated by the following diagrams:—

A.	B.	C.						
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; padding: 5px;">£25 Structure.</td> </tr> <tr> <td style="padding: 5px;">Site. £75</td> </tr> </table>	£25 Structure.	Site. £75	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; padding: 5px;">£50 Structure.</td> </tr> <tr> <td style="padding: 5px;">Site. £50</td> </tr> </table>	£50 Structure.	Site. £50	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; padding: 5px;">£75 Structure.</td> </tr> <tr> <td style="padding: 5px;">Site. £25</td> </tr> </table>	£75 Structure.	Site. £25
£25 Structure.								
Site. £75								
£50 Structure.								
Site. £50								
£75 Structure.								
Site. £25								

Each property is of the rateable value of 100*l.*, but in A the site is worth 75*l.*, in B it is worth 50*l.*, in C it is worth 25*l.*; structural value constituting the balances of 25*l.*, 50*l.*, and 75*l.* respectively.

The question at issue as between an ordinary rate and a site value rate can now easily be made clear.

Suppose 3*l.* has to be raised. Under the present system, as each house is of the same rateable value, 1*l.* will be charged in respect of each, but under a site value rate the result would be different, because A's site is worth three times as much as C's, and therefore the charge will be:—

					£	s.	d.
In respect of A	...	...	...	...	1	10	0
" " B	...	...	...	...	1	0	0
" " C	...	...	...	...	0	10	0
Total	...	...	...	...	3	0	0

It will be observed that the charge in respect of B remains the same in both cases.

This illustration shows the manner in which the burden would be redistributed as between different hereditaments and different districts, if a site value rate were substituted for an ordinary rate.

It is this redistribution of burden between hereditaments and districts which constitutes the essential and peculiar feature (good or bad) of site value taxation. The question of a direct charge on this or that class of owners is a quite different question, which must be argued on different grounds.

XI.—WHY SITE VALUES SHOULD BE RATED.

We should be sorry to lend any countenance to the crude and violent theories which some witnesses have put before us on the subject of the taxation of land. But a cause which is reasonable in itself ought not to be prejudiced by the excesses of its unreasonable advocates, and a careful consideration of all the particular circumstances of urban local taxation has led us to the conclusion that a moderate rate proportioned to site value ought to be imposed as part of any scheme for the readjustment of the burden of local taxation in urban districts.

A moderate rate on site value should be imposed in urban districts.

The commonest argument, and the argument which appeals most forcibly to the popular mind in favour of such a tax, is that the owners of urban land have received and continue to receive increases of value which are not due to any exertion or action on their part, but to causes over which they have no control.* But we could not assent to the principle that all gain which could more or less plausibly be described as unearned or automatic should be specially taxed, for the reason, amongst others, that a consistent application of this principle would be impracticable. Nor can we admit that urban land, even if it affords the most striking instance of such gain, is unique in this respect.

Causes of increase of site values.

* The point that in some cases owners have contributed to the value by expenditure on roads and other means of development, should, of course, not be neglected. Compare the evidence of Messrs. Harper (Q. 22,261-78) and Mathews (Q. 22,190-2).

The value of sites is increased by public improvements.

There is, however, another feature about urban site value, which appears to us to be almost, if not quite, peculiar to it: that is, the increase of value due to the expenditure of public authorities on improvements. We admit the extraordinary difficulty of exactly correlating the burden and the benefit of such expenditure over different areas, but we think that the general truth that the benefit of improvements attaches to the site is a powerful argument for making the necessary taxation proportionate to the site value.

However this may be, there are, in our opinion, other even weightier considerations in favour of a special rate on site value.

A site value rate is expedient because it would not hamper development.

In the first place, there is a strong argument for rating site values on the ground of public policy, regard being had to the effect of taxation on industry and development. Our present rates indisputably hamper building. Buildings are a necessary of life and a necessary of business of every kind. Now, the tendency of our present rates must be generally to discourage building—to make houses fewer, worse and dearer. As Mr. Fletcher Moulton says: "A tax upon buildings proportionate to their value necessitates that the rent of buildings should represent a high rate per cent. on their cost. In other words, it drives people to take (and, therefore, drives builders to build) poorer houses. Taxation on the land has no such effect."*

Consideration of a concrete case will easily show the truth of this proposition. The effect of substituting a site-value rate for an ordinary rate in a town will be, roughly speaking, to decrease the burden in the outskirts and increase it at the centre. Now, an increased burden will certainly not stop building at the centre of a town—it will merely diminish the peculiar advantages of the central position, in other words, it will prevent the site-owner from obtaining so much rent. But a diminution in the burden in the outskirts may very well tempt builders to build, and occupiers to live, in places where before it was not worth their while to go, and, of course, any increase of building on the outskirts tends to reduce the pressure for accommodation all through the town; while the quality of the accommodation also is likely to be improved by the lightening of the burden on building value.

While the rating of site value thus concerns the public at large as an administrative reform, it is of special importance in connexion with the urgent problem of providing house accommodation for the working classes. Anything which aggravates the appalling evils of overcrowding does not need to be condemned, and it seems clear to us that the present heavy rates on buildings do tend to aggravate those evils, and that the rating of site values would help to mitigate them. If more of the burden were thrown on sites, the portion left to be borne by buildings would be diminished, and this would weigh with the builder who is hesitating to embark on the erection of new structures.†

Greater ability to pay in respect of site

In the second place, site value differs from structural value, not only in origin, as we have above shown, but also in present character. A structure is a wasting, perishable property which requires repair and renewal, while a site is permanent and, as a rule, increases rather than diminishes in value. Consequently, when the main part of the value of a hereditament can be attributed to the site, that hereditament represents a greater ability to pay than one in which structural value predominates. If this consideration be neglected, there must be a certain inequity, not only as between properties, but as between different districts which contribute to a common charge: for rates are far more burdensome in a district where the site value is low, and the ability to pay small, and where development is therefore liable to be arrested.

It may thus be argued, and we think with some force, that, as between ground owners, the present system is unfair. For instance, suppose that M has a plot of ground in Fulham, and has leased it at a ground-rent of 30*l.* to a builder, who erects on the site premises rented and rated at 180*l.* a year. The rates are 5*s.* in the *£*, and, therefore, the amount payable in respect of the premises is 45*l.* Now, if we accept the view held by the majority of the London surveyors, that at the commencement of a building lease, the whole of the rates fall on the ground landlord, then M's ground-rent will have been reduced, by the estimated burden of the rates, from 75*l.* to 30*l.*, or by 60 per cent.

N has a plot of ground in Mayfair, and has leased it at a ground-rent of 400*l.* to a builder, who erects on the site premises rented and rated at 800*l.* a year. The rates, at 5*s.* in the *£*, amount to 200*l.* On similar assumptions as to incidence, N's ground-

* Vol. IV. of Evidence, &c. (Cd. 201 of 1900), p. 157.

† Compare Professor Marshall, Memoranda, &c., C. 9528 of 1899, p. 118.

rent in Mayfair will have been reduced from 600*l.* to 400*l.*, or by only 33·3 *per cent.*, which is only half the reduction to which the ground owner in Fulham had to submit.

This is, no doubt, the extreme view of incidence, and we adopt it in this form only as an *argumentum ad hominem*, but the same result follows to a less extent on a more moderate view of incidence.

Site value and building value being thus of different and even opposite characters in many respects, it appears to us that a system which treats them exactly alike, as our present rating system does, is *prima facie* unfair and unwise.

At the same time we would not propose, and we find no justification for anything like the spoliation of a particular class. Indeed, while a site value rate would, in our opinion, be a means of securing a somewhat larger contribution from the owners of the swollen site values of the central districts of our cities, it might prove rather advantageous to owners in the outlying districts; for if the rating of site value gives a stimulus to development, as we believe it will, a secondary effect of the reform will be to increase the demand for building sites.

We do not forget that almost any change in the incidence of taxation causes some disappointment of legitimate expectations, and we recognise that, since sites have been and are continually bought, sold, and leased for good consideration in the open market, it is out of the question to impose taxation of a confiscatory character. But there is a special circumstance which appears to us to make the present moment especially fitted for the imposition of the proposed rate—a circumstance which, indeed, makes the imposition of such a rate indispensable to avoid injustice. Under the proposals which we have severally made, the burden upon ratepayers in connexion with onerous expenditure on national services would be permanently lightened in urban as well as in rural districts. Now, we admit, and indeed contend, that a large part of the present rates falls on the owners of site values in towns. But the more the burden of rates actually falls upon them now (and some eminent authorities maintain that the entire burden falls on them) the greater will be the ultimate relief which will accrue to them from the increase of State aid. Accordingly, unless the owners of urban ground values are to be relieved at the expense of the taxpayer (a course which probably no one would advocate), it seems most necessary to accompany the increase of subventions in urban districts by the imposition of a site value rate. We have given our reasons for holding that such a rate would tend to fall on the owners of site value, and not on the occupiers; and it follows that by this means, and by this means alone, the benefit from increased subventions will be secured for those for whom it is intended, namely, the occupiers, and especially the heavily burdened occupiers of the poorer districts.

A site value rate is especially equitable and necessary in conjunction with an increase of subventions in urban districts.

XII.—VALUATION OF SITES.

General logical objection may, perhaps, be raised to the validity of the conception of site value.

Meaning of Site Value.

The value of anything is what it will fetch in the market. A building and its site can only come into the market together, so long as the building stands. It may thus be urged that it is improper to assign a value to one of the elements of the composite whole, since neither element can be the subject of a separate transaction, so long as the whole remains in existence. The reply is that indisputably the site would have a value, if clear of buildings, and that this conception of site value is a perfectly clear one, and is necessarily used by surveyors in daily business.*

But, though the conception is intelligible and familiar to those accustomed to deal with property, it by no means follows that it is an easy task to make a valuation of sites that shall be a satisfactory basis for taxation. Our evidence shows clearly enough not only that special difficulties would arise in particular cases, but also that some respectable authorities consider that a site valuation (if practicable at all) would not only be enormously expensive, but would involve a serious danger of errors and disputes.

A system of taxation ought not to be judged from the point of view of Utopia, and from a practical point of view it is of interest to compare the proposed system with that now existing.

How far a valuation of sites would be more difficult than the present valuation of hereditaments.

* Since a building apart from its site cannot possibly come into the market, "structural value" is a less clear conception, and can apparently be defined best as the equivalent of the normal cost of reproducing the structure, less some allowance for depreciation if the structure has deteriorated. But it is very doubtful how much this conception has in common with the notion of "value" as understood by economists, *c.g.*, in the case of a structure wholly unsuited to its situation.

The test enjoined by the existing law for the valuation of property is *strictly hypothetical*, viz.: the rent at which a property might reasonably be expected to let. The value cannot therefore be finally determined by the ascertainment of any actual fact. But the great majority of properties are, in fact, let to tenants, and the actual rent paid (where it can be ascertained) is generally accepted as the best evidence of the true value. Now with regard to all properties which are actually let at a recently-fixed rack-rent, a site valuation would be more hypothetical and less automatic than the present system, since transactions in bare sites (whether leases or sales), though by no means infrequent, are less common than dealings in house property.

But there are a very considerable number of properties which are not let at a rack-rent, and in these cases the present system is far from being simple or automatic. We doubt whether a site valuation of London would present any problem more difficult than some questions which have to be answered under the present system, e.g., at what rent the Bank of England, Charing Cross Station, large buildings used for clubs, or warehouses, and, in fact, a large number of structures built and used for special purposes, might reasonably be expected to let from year to year. Indeed, as mentioned in the Majority Report,* one of the recognised methods of valuing property at present consists of putting a value first on the site and then on the structure, and adding the two together. In these cases a site valuation would obviously cause no increase of disputes or expense.

Even with regard to residences, a house which is not let at a rack-rent (and in cases in which there is no similar neighbouring house let at a rack-rent) is not at all a simple thing to value on the present system. Besides the advantages of situation (the only point with which a site valuation would be concerned), account has to be taken of such matters as the style of architecture and the character of the accommodation, with regard to which tastes vary greatly.

A valuation of Sites is practicable and not too expensive.

On the whole we are disposed to think that a valuation of sites, sufficiently accurate for the purpose and not inferior to the present valuation of hereditaments, could be made without undue labour and expense. The evidence afforded by sales and leases of sites, constitutes, we believe, an adequate basis for an expert's judgment, and the valuation so made can in most cases be checked by deducting the value of the structure (i.e., a percentage on the normal cost of reproduction) from the rack-rent of the whole property. Such a valuation could obviously be made only by a professional expert, though the data and inferences on which it is based can be understood and criticised by any one possessed of common sense and local knowledge.

Though there is still some conflict of opinion among competent persons, the weight of the evidence we have received appears to us to tend towards the conclusion that a separate valuation of sites is feasible. We may refer in particular to the able and detailed argument of Mr. Edgar Harper,† and the instructive remarks of Mr. J. G. Barton, C.B., the Commissioner of Valuation in Ireland.‡ Moreover, in several of our Colonies, separate valuation is in actual operation.§

Independent advantages of separate assessment.

Moreover, it must be remembered that, apart from its being a necessary preliminary to any differential taxation, separate assessment has itself not unimportant advantages:—

- (1.) Rating authorities would be less dependent than they now are on the actual rent paid in fixing the valuation of the property. Being under the necessity of valuing the site by itself, they would be more readily able to make its valuation keep pace with the increase of value; and those fortunate occupiers who hold an improving property at a rent fixed years ago ought not, in our opinion, to escape as easily as they do now from being rated on their full value.
- (2.) The Majority Report refers to the injustice which arises from the present practice of allowing, uniformly, the *maximum* deductions for repairs, insurance, &c., to arrive at rateable value.|| These deductions should obviously be made in respect of the structure only, instead of being taken as at present at a uniform percentage on the gross value, no matter whether that value be due to site or structure. Special attention has been drawn to the case of London, where the relative values of site and structure vary greatly in

* See p. 3.

† Vol. II of Minutes of Evidence, &c. (C. 9150 of 1899) pp. 13-32 and 234-253, and Vol. IV (Cd. 201 of 1900), pp. 43-57 and 152-166. Compare also Sabin (Questions 21,258, 21,546, &c.); Cross, 21,799; Vigers, 19,500-4.

‡ Vol. V of Minutes of Evidence, &c. (Cd. 383 of 1900) pp. 138-147.

§ Vol. IV of Minutes of Evidence, &c., pp. 236-278.

|| See page 52.

different districts, but where, nevertheless, it is usual to allow the full maximum deduction under the Metropolis Valuation Act, 1869, in all cases. There arises thus an indisputable inequality between one property and another, and also between districts which contribute to a common charge on the basis of rateable value. For instance, if a hereditament consisting of a small house on a valuable site has the same "gross value" as one consisting of a large house on a less valuable site, the same deduction is allowed from the "gross value" of each hereditament, though, if the houses are similar in all respects other than size, the average cost of repairs, insurance, &c., in the latter case must be greater than in the former. Thus, if a property has a gross value of 900*l.* a year, made up of site value 600*l.* and structural value 300*l.*, at present a deduction of the-sixth of the whole gross value (one-sixth of 900*l.* = 150*l.*) would be allowed, and the rateable value would be put at 750*l.* Properly the deduction of one-sixth should only be allowed on the structural value (one-sixth of 300*l.* = 50*l.*), and the rateable value should be 850*l.* A separate valuation of sites would afford by far the most convenient and accurate means of correcting this injustice; and a surveyor of experience informed us that on this account alone such a separate valuation would, in his opinion, be desirable.*

XIII.—HOW SITE VALUES SHOULD BE RATED.

Concluding then that a valuation of sites can be made, we next have to consider in what manner it should be utilised for the purpose of taxation.

A proposal has sometimes been made for the division of rates in proportion to the respective value of site and structure, *i.e.*, a scheme by which the total rates levied in respect of each hereditament would remain the same as at present, but the part proportionate to site value would be charged on the "owners of site value" and the rest on the occupiers. But this scheme is open to all, and more than all, the objections which can be brought against the whole scheme for the division of rates half-and-half between owner and occupier; and, on the other hand, it has none of the advantages which may be claimed for true site value taxation as we have defined it.

We therefore have recourse to the idea of a special site value rate, to be levied alongside of the existing rates.

Questions then arise as to the area over which, and the Authority by which, such a rate should be raised.

The question of area is a difficult one. We have no doubt that the scheme should be confined to urban districts in a non-technical sense of the words, and to land which has received the large increase of value which is associated with a dense population and the execution of the great services of urban local government. But we frankly admit that to define the suitable areas by a precise formula is not easy, for it is well known that some "urban districts," in the technical sense, are really more rural in character than some areas still known as "rural." It might be confined to boroughs and urban districts with a population in excess of 10,000, though it might be well to include any urban districts with a population between 5,000 and 10,000 in which the density of population was in excess of, say, 10 per acre. For London we think the area should be the administrative county.

The town or urban district council, and in London the County Council, should be the authorities responsible for raising the rate and entitled to receive the proceeds. The actual collection should be carried out through the same machinery as the collection of the ordinary rates.

It may be urged that, since site value is included in the value on which rates are at present raised, the imposition of a special site value rate would be making the owners of site value pay twice over. We cannot admit that this statement is correct. The owner of site value would not be taxed twice over for the same purpose, for, of course, if the charge for an improvement were defrayed from the site value rate, the ordinary rates would be relieved from that charge. The result of the proposal indicated in the immediately preceding paragraphs would be that all urban rateable property would be taxed alike, as at present, for such purposes as poor relief, police, &c., and that expenditure on improvements beneficial to site value would be defrayed by a special charge proportional to the site value alone. Of course it would follow that the

Division of rates in proportion to value of site and structure not desirable.

A special site value rate should be levied in urban districts.

* Vol. IV. of Minutes of Evidence (Cd. 201 of 1900) Sabiu, Q. 21,475.

total rates on site value would be higher than the total rates on the structural value, and it is open to anyone to describe this arrangement as "double taxation." But, in any case, it is only double taxation in the sense in which the occupier of licensed premises can be said to be taxed twice over, because he pays both Income Tax on the value of his house and a license duty which is proportioned to the same value.*

The rate should be charged in part on owners when existing contracts expire.

The mode of charging the rate is a rather complicated matter, with regard to which it is not easy to choose between several alternative plans. We have more than once indicated our opinion that the real incidence of a rate depends mainly on the nature of the property in respect of which it is levied, and it is but little affected in the long run by being primarily charged on this or that particular person. Thus, we believe that the real ultimate incidence of a site value rate would be upon the owners of site value in any case, even if it were simply charged on occupiers as the present rates are. The ultimate incidence cannot be effected by the mere legal mode of charge, so long as contracts are respected, because, when a new bargain is made, each party will take full account of the way the burden is distributed. Accordingly, we regard the question of the party on whom a rate is to be charged as a question of sentiment and temporary convenience; but within these limits it is of very considerable importance. The present system of concentrating the whole legal charge upon occupiers and leaving them to shift it so far as they may be able, or to contract themselves out of it, if they see fit, has very great advantages. But it has also serious disadvantages, to which we have drawn attention.

- (1) As regards rates existing when any contract is made, it obscures the shifting and diffusion of the burden which without doubt really take place; and the apparent inequality is made a popular grievance.
- (2) As regards increase of rates, and especially increase during the currency of any contract, it unduly narrows the reservoir of taxable capacity which can be readily and immediately drawn upon, and thus causes chronic friction.

On the other hand the danger is obvious that a direct charge of rates upon lessors might lead to extravagance and plunder, since lessors in most cases have no votes as such, and if they had votes would probably have no adequate voting power.

Balancing these considerations one against the other, we are disposed to recommend that under future contracts the site value rate should be charged partly on owners and partly on occupiers. The rate should be collected in the first place from the person at present liable to pay rates; and no deduction should be permitted from rents fixed under existing contracts; but the share of the rate chargeable on owners should be deducted from all rents hereafter fixed, and all agreements to the contrary should be declared of no effect. Strict respect for existing contracts would not be incompatible with the immediate and universal imposition of the tax. For its primary object, which is the readjustment of burden as between different hereditaments and different districts, would in any case be effected at once. It may, of course, be urged that the effect would be to increase the burden upon occupiers. But this is true only to a very limited extent. In the first place, the burden would only be increased in central districts, where site value is high—elsewhere it would be diminished. In the second place, the great majority of ratepaying occupiers have short tenancies, and will be able to throw back the owner's share of the charge at an early date. The mass of compound householders are only concerned in so far as they will benefit indirectly but surely by the lightening of the burden on buildings; while those who hold long leases are really part-owners and in very many cases (especially in central districts) are themselves deriving benefit from the increased value of the site. In the third place, the new charge, even where it falls most heavily, would be counterbalanced by the relief proposed to be granted in the shape of increased subventions.

* There are two other misconceptions which it may be well to remove:—

(1.) Students of Local Taxation and of Income Tax statistics are familiar with the division of rateable property into the two classes of "Lands" and "Houses." In this classification "Land" means uncovered land, i.e., mainly agricultural land, "Houses" means the entire hereditaments, site and building together. This classification has, therefore, nothing to do with the distinction between site value and structural value, which we are discussing in the text, and a Site Value Rate such as we propose would not increase the burden on "Lands" as distinguished from "Houses," except in so far as the new rate was applied to uncovered land.

(2.) For several reasons it would be a misconception to describe the site value rate which we propose as "a new Land Tax." For one thing, the Land Tax is an ancient fixed charge on immovable property, and the distinction of site and structure was never thought of in connexion with it. Thus, an ordinary rate is far more like the Land Tax than the new special rate which we suggest. If anyone can be said to impose a new Land Tax, it is the Local Authority which adds a penny to the Poor Rate, not the advocates of a special rate on site value.

It may be observed that the effect of the proposal would be in many respects similar to that of the London Equalisation of Rates Act, 1894,* a measure which appears on the whole to have operated not inequitably.

As regards the different lessors on the other hand it will be seen that as each re-enters upon his property, he will become liable for a direct and visible charge, as well as for the share of the present rates which falls indirectly upon him; and the prospective value of a reversion will be correspondingly diminished.

The problem of deciding which of the several owners ought to be taxed as the owner of site-value becomes less important, when the operation of the scheme of deduction is confined to future contracts; and most of the difficulties will, we believe, disappear when it is recognised that, on the grant of a lease, the lessor secures the value of the site as it then exists, less such portion as may have been secured to prior lessors under previous contracts (if any), and that each lessee secures any subsequent increase of that value during the term of the lease.

We have already expressed the opinion that to confer upon occupiers, even indirectly—in their capacity as voters—the power to impose or increase a rate payable by owners is a measure which ought to be accompanied by stringent safeguards.

We accordingly propose that the purposes for which the site value rate might be raised should in the first place be defined by Statute. We are conscious of the difficulty of framing an exact definition or an exhaustive catalogue of such purposes; but speaking generally we are of opinion that they should be strictly limited to expenditure tending to increase directly the value of urban land.

In the next place, although as regards equity of distribution and ultimate incidence, the site value basis is the important matter, and the charge on owner or occupier is a matter of temporary convenience, we recommend that one-half of the site-value rate should be deducted from the rents payable to owners under all future contracts, and the remaining moiety should be finally charged upon occupiers.†

Lastly we would suggest, that the rate in the £ of the new impost should be strictly limited by Parliament.

The proposal to divide the site-value rate half and half between owner and occupier would be consistent with the recommendation of the Town Holdings Committee for the division of rates, except that not all the rates, but only the special site value rate would be thus divided. From the point of view of reasonable conservatism, such a scheme would provide, alongside of the other safeguards, an automatic safeguard against predatory tendencies, because for every penny charged on the owner the occupier would have to pay a penny out of his own pocket. From the reform standpoint, on the one hand, it offers not less attractions, for in reality the substantial reform desired is the imposition of a rate in respect of site value, and with such safeguards it would indisputably be easy to ask Parliament to sanction a higher maximum rate and a greater elasticity in its application. Moreover, there is a good deal of expenditure which undoubtedly increases the value of sites, but yet concerns the owners, as distinct from the occupiers, only remotely. For such expenditure a site value rate on occupiers appears to be theoretically the most equitable mode of charge.

We are aware that a scheme for taxing site value, but saving existing contracts, may be attacked on one side as ineffective, and on the other as revolutionary. But we entertain a hope on the contrary that some such scheme may commend itself to persons of different opinions. We do not flatter ourselves that the views which we have expressed on the intricate question of the incidence of the present rates will command universal assent. Some persons will continue to think that the occupiers really bear all the burden. We are unable to assent, but we would commend our

Necessity of safeguards. Limitations of purposes and amount of rate.

The best plan would be to divide the site value rate half and half between owner and occupier.

The desirability of a rate on Site Values does not necessarily depend on any particular view of incidence.

* 57 & 58 Vict., c. 53.

† In this connexion we may refer to some remarks made by Mr. Costelloe. He said: "I am inclined to think that, in the long run, the proportion to be borne by different tenements (apart altogether from the question of the direct burden on the owner) will be divided up, not according to the present rateable value so much as according to the present site values. I think you will find that it is quite a possible view that, in the end, the site values column which we propose will come to be, not only the measure of the owner's rate, but also the measure of the occupier's rate. As between tenement and tenement, I think there would be advantages in estimating the assessable value of each tenement, not by the present measure, which is the rent it will bear from year to year, but by the site value measure, that is to say that tenements bearing a high site value, such as tenements in the city, ought to bear, even in the shape of an occupier's rate, a higher proportion than tenements upon the outskirts, which have a practically vanishing site values estimate, but which now bear a considerable proportion of the rates, because of the building value which is put upon them. I think that the present system, as a matter of fact, tends in a certain way to discourage building on the outskirts, and in a way which is hardly fair to the various interests concerned." (Vol. II. of Minutes of Evidence C. 9150 of 1899—20,274.)

proposal to such persons as an honest attempt to make the owners of site values contribute fairly to the expenditure from which they derive benefit. Others may continue to hold that all rates fall *ab initio* on the ground landlord. Again we are unable wholly to agree, but to such persons we would appeal especially to recognise that a scheme which pays absolute regard to contracts can at least work no injustice to ground landlords, while it will do something to remove an apparent grievance which stirs dangerous ill-will.

XIV.—UNOCCUPIED PROPERTY AND UNCOVERED LAND.

Unoccupied properties should be subject to the Site Value Rate.

Properties which are unoccupied, whether empty buildings or uncovered land, are not generally liable to rates in England and Wales, though it appears that in Scotland unlet properties are liable in law for the owner's share of almost all the rates which are levied wholly or partly upon owners; and in the City of London unoccupied tenements are liable for one-half of the sewers rate levied by the Corporation.

We believe that it will be generally agreed that it would be fairer to the other ratepayers, if some change were made in respect of empty properties, which, undoubtedly, receive some benefit from public expenditure, and take the place of property which would otherwise contribute to such expenditure. But, at the same time, there would be hardship if the full burden of rates were imposed in such cases. We think the equity of the case would be met by continuing the exemption of unoccupied property from the ordinary rates, and by providing that the new site value rate which we have proposed should be charged in respect of all unoccupied, as well as all occupied property.

This procedure derives additional support from the fact that the ground rent and other fixed charges continue to be paid whether the property is occupied or not, and it would also guard against a danger to which the Town Holdings Committee drew attention—that taxation of vacant houses “would tend strongly to check the supply of houses,”—since a rate in respect of the site alone would have no such effect. It would be a simple operation to levy the new rate in respect of the value of the site of empty buildings.

But a far more intricate problem presents itself when we come to deal with uncovered land. For here it is no longer merely a question of occupation or non-occupation, but we have to face also the difficulty of valuation.

Uncovered land in urban districts is mostly occupied, and, therefore, already rated to some extent, but not in full, nor on its value for building.

Uncovered land in urban and suburban districts is not to any great extent actually unoccupied; it is mostly occupied for pasture, gardens, recreation grounds, or various “accommodation” purposes. When occupied, it is rateable (subject, of course, to the limits imposed by the Public Health Act and the Agricultural Rates Act), and being rateable, it must be valued at the rent which a tenant might reasonably be expected to give. But this has been interpreted to mean the value to an occupier in its existing state, *rebus sic stantibus*. Thus, land used for agricultural purposes must be valued at the rent which an occupier using it for agricultural purposes would give, although if it were offered for building it might be possible to obtain a rent many times greater.

The alleged holding-up of land.

Beyond the merely fiscal aspect of this question, it is necessary also to bear in mind the allegation, frequently made, that land is withheld from building by persons who are speculating for a rise, and the suggestion that the method of taxation should be altered with a view to removing the premium now existing in favour of this practice. It cannot be disputed that land is sometimes withheld from building; but, on the whole, though it is very difficult to obtain definite and exhaustive information, we are inclined to believe that merely speculative holding-up does not occur to any great extent, or for very long periods. The cases in which speculation might appear to be the motive will often be found to be complicated by other and less simple considerations, *e.g.*, if an estate is being developed as a high-class residential neighbourhood, the owner often prefers to wait a while for desirable tenants rather than grant leases for factories or small houses. Again a large suburban garden is, no doubt, often preserved as a garden, when it might be cut up into building lots, as much for the sake of the amenity which it affords and in order to avoid disturbance, as on account of the increase in the value which it will command in the building market hereafter.

Rating of uncovered land on its

If we take a strong case, such as that of a plot of land in a neighbourhood well provided with open spaces, and suffering from lack of house accommodation; if we assume that such a plot, being in a favourable situation, would beyond all doubt let

at a considerable ground rent, that it is increasing in value because the town is spreading round it, and is being improved by large expenditure which involves heavy rates, and that the owner, reckoning on this increase, declines to allow the land to be utilised; in such a case we apprehend there would be little difference of opinion as to the propriety of imposing a moderate charge proportioned to the true value of the site. But, having said thus much, we are bound to admit that the difficulties of devising a scheme which will meet such cases without involving undesirable results in other cases are very serious.

building value clearly desirable in some cases, but surrounded by difficulties.

The question first came into prominence when the Royal Commission on the Housing of the Working Classes recommended (in a majority report from which some of the most eminent members dissented) that "land available for building in the neighbourhood of our populous centres" should be "rated at, say, 4 per cent. on its selling value."*

Proposal of Housing Commission—in what respects defective.

Such a proposal seems, for several reasons, impracticable. First, to charge *the whole* of the rates on a value thus arrived at would be plainly excessive. The scheme put before us by the London County Council contemplated only the imposition of a special rate of limited amount. Secondly, the attempt to rate vacant land on its capital value, without any corresponding charge on other property, was anomalous, and, as Mr. Goschen observed, certain to lead to evasion by the running up of temporary structures. But perhaps the most important defect of the proposal in the absence of any distinction between land which is actually ripe for building and land which is only ripening. To the latter class belongs much land, some of it included in urban areas, which at present is genuinely and entirely agricultural, which, in fact, nobody would take for building, but which has a selling value greater than the capitalised equivalent of the agricultural rental, because there is a prospect that some day it may be wanted for building. Such land may be rightly taxed by reference to its selling value, rather than by reference to its existing annual value, in the case of an impost like the estate duty, which treats all property alike on a capital basis. But to incorporate such a tax in our present system of rating would be anomalous and oppressive, and could not be defended on the ground that it would tend to oblige the owner to place the land in the building market, since *ex hypothesi* no one would be willing to lease it, however willing the owners might be to offer it.

These weighty objections would be met by the revised proposal which we are inclined to recommend for adoption, viz., that the new site value rate which we have proposed should be charged in respect of the site value of all uncovered land which is intended to be let, or could be let, with a covenant for immediate building.

The new Site Value Rate should be levied in respect of all land which can be let for immediate building.

This proposal has various considerable advantages. In the first place, the charge would be moderate in amount. In the second place, it would avoid the injustice of taxing owners and occupiers of agricultural land upon a capital value which could not be realised in the form of annual income. In the third place, it adheres closely to the definition of value as the rent at which a property might reasonably be expected to let. It may, indeed, be urged that this definition, even as it stands, ought to cover the rent which a tenant would give for land for building purposes. The courts of law have, however, decided against such a view, on the ground that land must be valued on the hypothesis that it is to be used for the same purpose for which it is at present used, or in its present state *rebus sic stantibus*. What our proposal amounts to is, in effect, the removal of the limitation thus put upon the definition of value.

It is an important question of policy whether the rating of uncovered land might not unduly discourage the preservation of open spaces. The reply to the objection on this ground is that a space reserved for private occupation is, as a rule, of less public advantage than a space dedicated to the public. The rating of vacant land would facilitate, and ought to be accompanied by, a liberal and far-sighted policy in the direction of acquiring parks and gardens for public use. The present system may help to preserve some open spaces, but it is, at best, a mere accident if those spaces are situate where they are wanted. The reform which we propose would make it easier to get houses where houses are wanted, and open spaces where open spaces are wanted. A provision might be added, empowering the local authority to reduce or remit the charge in any case where that authority considered the retention of the land in its present condition desirable on public grounds, even although it were not formally dedicated to the public.

The discouragement of open spaces.

* C. 4402 of 1885, Reprint (1889), p. 69.

Further, we think that, in putting our proposal into legal shape, provision should be made for safeguarding land which is *bonâ fide* occupied as a garden or pleasure grounds in connection with a dwelling-house, and thus adds to the amenity and healthfulness both of the hereditament and of the neighbourhood. In such a case, it would probably be well to enact that no higher value should be put upon the site than such proportion as will fairly be attributed to it, if the property continues to be valued and occupied as a whole, in accordance with the principle described by the words *rebus sic stantibus*. The value of such a provision can easily be illustrated; for instance, it seems obvious that, when the ground now forming Brockwell Park (and wholly exempt from rating under a recent decision of the House of Lords) was in private hands, it would have been in the public interest not to put such a burden upon it as would have tended to prevent its being maintained as an open space.

There are, however, other classes of uncovered land; and, first, there are the plots of land which may sometimes be seen in important thoroughfares, lying waste and neglected, destined for no purpose but building, yet withheld from the builder. In such cases, we entertain no doubt, either as to the propriety of imposing a rate on the true site value, or as to the ease with which this object can be effected. Next, there is a somewhat different class of land—which is, perhaps, the most important in this connection—the land on the outskirts of towns, which continues in use for agricultural purposes, when it is fully ripe for building.

Difficulties
of Valua-
tion and
suggested
safeguards.

With regard to such properties, we do not disguise from ourselves that there would be some difficulties in carrying our proposal into effect. There can be no doubt that the task of determining what land could be let for immediate building, and of assigning a value to such land, involves some risk of mistakes. It is impossible to frame a legal definition of such land which would work automatically, and the decision could only fairly be made on the facts of each case and in the light of both expert and local knowledge.

The burden of proving that land was ripe for building would, of course, fall on the Assessing Authority; and it may be observed that if, in doubtful cases, a mistake were sometimes made, no very great injustice would result, because in such cases the site value would necessarily be small, perhaps, indeed, not greatly in excess of the accommodation value at which the land ought to be rated under the present law. By way of further safeguard, in addition to the rights of objection and appeal, it may be suggested (following the precedent of the scheme for betterment charge as settled by the House of Lords) that, if the owner of the land considered the valuation excessive, he should be entitled to require the Local Authority to take over the land at a fixed number of years' purchase of that valuation.

Further, it is to be remembered, in the first place, that we do not propose to empower the Local Authority to impose the whole of the rates upon the value thus ascertained, but only a special rate of limited amount; and secondly, that the general scheme for a site value rate is very advantageous for suburban landowners, because the rate would be small in the outskirts of a town, as compared with the present rates. Thus, against the new burden involved in the extension of the site value rate to uncovered land, it seems fair to set the consideration that, if the owner of such land would consent to let it for building, he would generally be able to do so to greater advantage than at present.

XV.—SUMMARY.

Summary of
conclusions.

It may be convenient that we should here briefly summarise the conclusions which we have formed on the question of Urban Rating, and to which we desire to call special attention. They are as follow:—

- (1.) That misconception and exaggeration are specially prevalent on this subject.
- (2.) That, as a rule, others besides the freeholder are interested in site values.
- (3.) That the value of the site as well as of the structure is at present assessed to rates.
- (4.) That, while site value is enhanced automatically by extraneous causes, yet it has no monopoly of such enhancement; but that the outlay of ratepayers' money does increase the value of urban sites to a special, though not easily measurable, extent.
- (5.) That site and structure, which are now combined for rating purposes, differ so essentially in character that they ought to be separately valued.
- (6.) That, when separated from structure, site value is capable of bearing somewhat heavier taxation, and should be made to bear it, subject, however, to strict respect for existing contracts.

- (7.) That the differential treatment should take the form of a special site value rate, payable in part by means of deduction from rent on the Income Tax method, and that thus a part of the burden should visibly fall on those who have interests superior to those of the occupier.
- (8.) That, subject to the conditions which we have specified, the special site value rate should be charged in respect of unoccupied property and uncovered land.
- (9.) That, if proper regard be had to equitable considerations, the amount capable of being raised by a special site value rate will not be large; and that the proceeds of it, whatever the amount may be, should go in relief of local, not Imperial, taxation.
- (10.) That it may be well to apply the scheme on the principle of "local option," and to limit the immediate introduction of it to urban places, having a population in excess of a given number, and of a given density.

The advantages which can be claimed for the proposal are, we venture to think, not inconsiderable. Advantages
of the
proposal.

- (1.) It would conduce to placing the urban rating system on a more equitable and thus sounder, basis.
- (2.) It would be making the ground-owner, and others who may under the leasehold system acquire an interest in site values, contribute somewhat more to local taxation than they do now, and the contribution would be direct and visible.
- (3.) It should go some way towards putting an end to agitation for unjust and confiscatory measures.
- (4.) It would enable deductions for repairs to be made solely in respect of the buildings.
- (5.) It would do something towards lightening the burdens in respect of building, and thus something towards solving the difficult and urgent housing problem.
- (6.) It would tend to rectify inequalities between one district and another district, and between one ground-owner and another ground-owner.
- (7.) It would, or at least it should, conduce to the removal of some of the widely-spread misconceptions which seem to prevail, not only in political circles, but among economic authorities and responsible statesmen; for, while it would be an admission that there were defects in the urban rating system and an attempt to remedy those defects, it would show that there is no large undeveloped source of taxation available for local purposes, and still less for national purposes.

We would point out that, if a moderate proposal to effect these objects is ever to be made, it would be specially opportune to make it at a time when, under the schemes which we are putting forward the burden of rates in towns will be appreciably relieved. By making use of this opportunity, it will be possible to introduce a sound and advantageous principle into our local taxation without disappointing legitimate expectations. More especially, since anything that tends to relieve the pressure of local taxation, or to prevent the growth of it, must ultimately, sooner or later, benefit the owners of site values, it seems desirable that any increased provision made by the State in aid of services locally administered shall be accompanied with some make-weight in the shape of an owners' site value rate.

BALFOUR OF BURLEIGH.

J. B. BALFOUR.

E. W. HAMILTON.

G. H. MURRAY.

*JAMES STUART.

**Mr. Stuart's Reservations as expressed in the Memorandum
referred to are as follows.**

"I have signed the Separate Report, on Urban Rating and Site Values. Here again I may say that I have signed that Report, as I have signed the other, not considering its recommendations the best possible, but remembering that here, too, as in the question of rating generally, there must be some give and take between those who are dissatisfied with the existing system, otherwise no change in the direction of reform will be obtained. And, while I regard some of the comments on proposed systems as not justified, and while I would have wished to have seen proposals adopted which involved fewer restrictions, nevertheless I consider that the suggestions of the Report on Site Values would, if embodied in law, make a much needed and useful reform, and I have therefore appended my signature thereto."

(c) RATING OF LAND.

Report by His Honour Judge O'Connor, K.C.

(Report included in the Commission's Final Report, 1901.)

TO THE KING'S MOST EXCELLENT MAJESTY.

MAY IT PLEASE YOUR MAJESTY :

With much regret I find myself unable to subscribe the Report of the great majority of the Commissioners, and venture only with diffidence and reluctance to state the grounds upon which I am constrained to differ from the conclusions of gentlemen so much more qualified than myself to deal with the subject referred to us. That Report, however, seems to me to be for the most part taken up with matters which, however interesting and important in themselves, are quite outside the Terms of Reference, and to deal only in a very slight manner with that which should be our principal concern, viz., the equity of the existing system of taxation for local purposes in respect of real and personal property.

The character of the services which are now locally dealt with; what services ought to be considered local and what national; how relief to local ratepayers should be provided and distributed; the nature, form, and extent of subventions from the Exchequer; the existing rates of exemptions; compounding; the classification of lunatics in workhouses; the proper areas of levy, &c.; the confusion introduced into the public accounts by the system of assigned revenues, and the effect on local finance of the arrangements connected with Exchequer Contributions; all these matters are fit subjects of inquiry; but they have not been referred to us. No doubt the present state of things is an elaborate complication of anomalies in respect of administrative, assessing and spending authorities, rates and areas, deductions, compounding, and differential assessments, differing as between the three countries which make up the United Kingdom, and differing in England as between the Metropolis and the rest of the country. But whether the areas be large or small; whether they be the same for all purposes, or whether, as often happens, there are different areas of charge in respect of different services; and whether services are exclusively local or not, cannot affect the question of equitable incidence of taxation on real or personal property. Whether the area of charge be large or small, the equity or inequity of the incidence will remain the same.

The majority of the Commissioners remark in Chapter III. of their Report that "it would seem necessary to ascertain what are at present the respective contributions of 'realty' and 'personalty.' But this is not possible until there has been discovered a final and exact solution of the baffling problem of the incidence* of rates and taxes

"And lastly, if these difficulties were surmounted the greatest difficulty of all would remain—that of finding a criterion of equity."†

Accordingly they have, as it seems to me, concerned themselves principally with the relief of local ratepayers as a body and with the mode in which such relief should be distributed, while scarcely touching the question of equitable imposition of burden between the different classes of the ratepayers themselves.

This result is probably due to the fact that the terms of reference admit of very varied constructions; and, indeed, after more than four years' consideration of them, there is scarcely an approach to an agreement among the majority of the members of the Commission as to what may be their exact significance.

We are directed "To inquire into the present system under which taxation is raised for local purposes, and report whether all kinds of real and personal property contribute equitably to such taxation; and if not, what alterations in the law are desirable in order to secure that result."

I interpret these words to mean that we are to report with a view to the alteration of the law, if such alteration is found desirable after an inquiry into the contributions made by all kinds of real and of personal property under the present system of taxation for local purposes.

In order to do this it will clearly be necessary—

First to define "local purposes," and also "real" and "personal" property;

* Whatever question may be raised as to the incidence of taxation, this fundamental fact cannot be questioned, viz., that all wealth, all chattels, all rates and taxes, all that any man has for payment or consumption, is but a portion of the product of the labour of the industrial class of the community.

† Pp 10, 11.

Secondly, to ascertain what is the system under which taxation is at present raised for those purposes, and whether under that system all kinds of real and personal property now contribute to that taxation ;

Thirdly, to inquire whether the contributions, so far as traceable, are equitably exacted :—and, as involved in this, what is “ equitable.”

“ Local purposes ” may, in the words of the main Report, be taken to be purposes for which local public authorities are now authorised to expend money.

Of the so-called local public services in respect of which local authorities are now empowered to levy rates, it will be, of course, admitted that some are rather national than local, and should be provided for from national resources and not at local charge, whilst others, like refuse-removal, gas, and water supply, &c., which any individual would have to secure on his own account if they were not supplied by local authorities, are not properly speaking rate-services, but are what the individual would otherwise have to pay for just as he pays for his food and clothing—quite irrespective of the classification of his property.

The services of a national character and those of a personal character being eliminated, there remain, as matter for local taxation properly so called, only services of a public character of local convenience or advantage. These all relate to the amenities, improvements and protection of the neighbourhood and enhance the eligibility and the value of the land of the district.

With reference to the terms “ real ” and “ personal,” it is manifest that they cannot be taken here in their strictly legal acceptation and as “ terms of art,” for there are forms of both real and personal property as understood at law which do not admit of being made the subjects of valuation or assessment. The terms movable and immovable probably come nearer to the sense intended ; but, in truth, houses or machinery are not absolutely *immobilia*. The only thing that is *immobile* is the earth, and as there is a fundamental and natural difference between the ground and all other objects of ownership I shall consider the land apart from every other form of property.

As to the system under which taxation is at present raised for local purposes, it is not necessary to go beyond the detailed and exhaustive statement in Chapters I. and II. of the main Report, or the admirably lucid exposition contained in Chapter I. of the Report by Sir Edward Hamilton and Sir George Murray.

From either the one or the other statement, it will be gathered that there are many separate authorities which, over different and often overlapping areas, impose, assess, collect, and disburse rates of divers denominations, for a great variety of purposes, on different forms of property, with different modes of valuation, and varying proportions of charge.

The different rates came into existence at different times, but for the most part they are collected after the manner of the Poor's Rate first imposed under the statute of Elizabeth.

This statute provided that the overseers of every parish appointed under it should “ raise by taxation of every inhabitant, parson, vicar, and other, and of every occupier of lands, houses, tithes impropriate or propriations of tithes, coal mines or saleable underwoods, in the said parish . . . according to the ability of the said parish ” —for the relief of the poor.

It will be observed that all the properties or interests here enumerated are interests in land, houses being, on the principle *quicquid plantatur*,—identified with land, and the “ ability ” of the parish was measured by the estimated value of houses and land. It certainly did not include personal property. It is true that afterwards, here and there, at irregular intervals and in an irregular and uncertain fashion, people were rated on interests not covered by the terms of the statute, and it is also true that the practice, irregular and illegal as it was, having been in some cases of long standing, was accepted as established by courts of law. But none the less, the great body of the people over the greater portion of the country successfully resisted the repeated attempts to rate pure personal property.

In 1836 the Parochial Assessments Act prescribed as the basis of valuation of such properties as were liable to be rated “ an estimate of the net annual value of the several hereditaments rated thereunto, that is to say, of the rent at which the same might reasonably be expected to let from year to year, free of all usual tenants' rates and taxes, and tithe commutation rentcharge, if any, and deducting therefrom the probable average annual cost of the repairs, insurance, and other expenses, if any, necessary to maintain them in a state to command such rent.”

Here again it will be seen at once that what was to be rated was not any interest of the tenant, but the annual value of the hereditament to the landlord.

In 1840 the Poor Rate Exemption Act enacted that "It shall not be lawful for the overseers of any parish, township, or village to tax any inhabitant thereof, *as such inhabitant*, in respect of his ability derived from the profits of stock-in-trade, or any other property, for or towards the relief of the poor."

It will be observed that this statute did not relieve of liability any inhabitant occupier *as such occupier*.

Since 1840 a number of decisions have been obtained in the Courts in accordance with which certain forms of machinery have been held liable to be taken into account in the valuation of the premises where they are found; but there is much doubt and difficulty as to the valuation of machinery and much divergence in practice in different places.

Thus it may be said, shortly, that the three forms of property now liable to be rated are lands and interests in land, buildings, and machinery.

The question, then, which is embodied in the terms of reference will relate to all forms of property, but to these three in an especial manner; and the point for consideration is, whether, in the first place, the contributions from these several forms of property are equitable as between themselves.

In the absence of any suggested standard or criterion of equity, it may be reasonably assumed that the old equitable principle will, in this case, also hold good, viz., that he who takes the benefit should also take the burden; and in the light of this principle we must proceed to consider the nature of the different kinds of property in respect of which ratepayers are now burdened.

Now, between land and every other form of property there is an obvious, abiding and essential difference. Every other form of property is transitory, wasting, and destructible, the temporary production of human industry, obtained by labour out of the material which the land supplies; but the land is not of human production: and as no man made it, so no man can destroy it; "no man, however feloniously inclined, can run away with an acre of it." Man's very body is built up of its substance; he is taken from it, and will return to it; while he lives, he must live and labour upon its surface. Equity and right reason would appear to suggest that the product of human industry should be the absolute property of the person or persons that created it, whether the creation be of food, or habitation, or instrument, or any other thing. But with the land it is different. Equity and right reason here suggest that, as access to the face of the globe is for mankind a necessary condition of existence, and yet land is incapable of creation by human industry, the same rule of absolute and exclusive ownership cannot apply. On this point the law of England is in accord with common sense; and according to that law land is not the subject of absolute property. "No man is, in law, the absolute owner of lands. He can only hold an estate in them," and that estate he holds under the Crown as representative of the community.

It is then in accordance at once with reason, equity, and the law, to say that England belongs to the English; that the land of England, with all that is beneath its surface, and all that it produces by the unassisted force of nature, belongs to the people of England. Whatever may at any time be the authorised occupation of its surface, or of any part of it, however turned to account—well or ill, or not at all—however its resources, in whatever hands, may be developed or neglected, it is true to say collectively that the land of England belongs to the people of England.

The facts of the existing situation, however (it is not necessary to consider here how they may have been brought about), furnish an extraordinary contrast with this natural and equitable view. The 32,000,000 of acres of country which stretch from Berwick-on-Tweed to Land's End, and which bear upon their bosom a population of 30,000,000 of human beings, are divided between a comparatively small number of freeholders, collectively forming only a tiny fraction of the inhabitants. These freeholders part with the occupation right of the different portions of the land only on terms, terms which, from generation to generation, and from decade to decade, are continuously advancing, whilst the overwhelming mass of the community, who are born, and live, and labour, and are buried in it, can exist on it only on condition of payment to the freeholders. They could live in any other country on the same or perhaps better terms.

It is plain that if a man does not own any land he must live upon the land of another; and he must, directly or indirectly, pay to him that owns it a premium or rent for permission to be there. This is the condition of the vast majority of the people of England; and every man, woman, and child in the community who has no share in the property in the land is—whether conscious of it or not—as much a rent-producing machine for the benefit of the landowners as the cattle that browse in the fields.

This fact, of itself, may of course be unobjectionable, for it is clear, firstly, that separate occupation of land, secured under the law, is indispensable for human industry and the development of the resources of the country; and, secondly, that a very large proportion of mankind have not either the inclination or the capacity to deal with it themselves. But the fact itself remains, viz., that the population of England is divided into two classes, one comparatively small, and the other immense the one composed of the owners of the land, and the other composed of the non-owners of land. The first, *quod* owners simply, “toil not, neither do they spin,” but they receive from the majority of their fellow citizens a quittance amounting to more than a hundred of millions sterling in the year; while the second, or industrial class, have to labour not only for their bread, but also to pay for their foothold in the country. It may indeed be said that there are three classes, of which one not being composed of land owners, and not being industrial, are yet provided for by the industrial portion of the community. These are found in the workhouses in receipt of what is called in-door relief. However great may be the social or moral distinction between this class and the owners of interests in the land, from the point of view of political economy, the analogy is obvious.

The amount which the industrial portion of the community have in this way to pay out of the produce of their labour increases with the increase of their own number. It is only the presence of man that gives value to land. Land at the North Pole has no value, because men are not there; it is of comparatively small value where people are few, as on Salisbury Plain; it is of very high value in the City of London, by reason of the concourse of people who desire to use it. Value is only the measure or token of the amount of human effort which any thing or service can command at any given time and place. It does not signify how that effort may be induced, or what may be the motive of it. The association of beautiful scenery, the proximity of a harbour or market, the accessibility of minerals, agricultural fertility, commercial convenience, or any other attraction may furnish a special inducement to compete for a particular spot, but the bare requirement of ground to stand or sleep on will, with an increasing population of non-owners of land, secure for the owners an increased tribute.

These considerations will be enough to show how essential a difference there is between the two chief kinds of property now liable to be rated, viz., land and buildings, and how reasonable and equitable it is that land or interests in land should be made the subject from which the services in the public interest should be supplied. A little further consideration will show in how different a position any other form of property stands. The increase in valuation, which has been so noticeable during the last 50 years, is due to the increased value of houses as well as to increase in the value of land. But a marked distinction must here be made. It is true that there has been a very much larger amount of money laid out in houses than was the case before; but this is a matter of expense, of sinking capital in the employment of labour, and in paying for materials. A structure once erected remains a perishable commodity, maintained in condition only by the constant expenditure of more material and more labour, but on these conditions houses can be multiplied according to the multiplication of the people, as coats and books and other created commodities all can. But the land is constant in quantity and limited, and has to do for all, however many. Again, if each of two men resolves to build a house of a certain size and style, but one of them builds his house in an out of the way part of Salisbury Plain, and the other of them builds his house in Cornhill, it is probable that the former, having to transport labour and material, will have to pay more for the erection of his Salisbury Plain structure than the other would spend in London, where conveniences are greater. But the Cornhill house would readily let at a rent many times as great as the other house would command. The difference in rent would represent the difference in site value, and not the difference in structural value. The distinction between site value and structural value represents a difference which is a difference not of degree only, but of kind. The structural value is due to individual action; the site value depends on the action of

the community. If it is suggested that an individual may do much to develop a site value, the obvious reply is that whatever he so does is included in his individual property as being of his own creation. If he should also be the freeholder this will in no way affect the matter. The improvement which he creates he creates not in his capacity of mere landowner, but in his capacity as an industrial member of the community, and equity requires that he should have the full benefit of it. But the land which he owns is no more of his creation than it is of his neighbour's, though his ownership marks him off from the majority of his fellow citizens as one of the class endowed with the land of the country. If an owner of agricultural land builds a farm-house with its necessary accessories, having, perhaps, reclaimed or drained the land, made or paid for the roads, erected the fences and constructed the ditches, &c., he is, in respect of his having created a farm as a going concern, as much an industrial member of society as the shipbuilder, the tailor, the doctor, or the ploughman, and as such is a benefactor of society. Society may well be satisfied with the service which he thus renders, and leave his buildings and improvements unburdened by taxation. But with regard to the land, on which his intelligence and resources have been exercised, he is debtor to the community at large, as being in privileged and protected ownership and occupation of a portion of that common patrimony which belongs to the community first, and to him only in a secondary and conditional manner.

Again, if upon the banks of the Tyne landowners have for generations allowed to lie useless a low and swampy stretch, until some energetic, enterprising, and intelligent industrial, taking it at a rent, digs out a dock and starts the business of a shipbuilder, organising labour, creating employment, gathering a vast army of workers, and develops a town, and if with every increase of service which he thus renders to his fellows he is constrained to pay to the landowners, who have all the while done nothing, a constantly increasing rent until land, originally worth a pound a year, is now worth a thousand, is it not in accordance with reason and justice that the thousand a year should be rated in the hands of the landlords rather than that the shipbuilder should be further charged? The structural value of the created property is maintained or increased only by constant expenditure by the individual on construction and repair of buildings and machinery. The whole value added by reason of the increase of men upon it attaches to the land and inures to the advantage of those between whom the interests in the land are divided.

Similarly it may be said of every other person who gives his fellow-men useful services, whether professional, clerical, medical, legal, artistic, or literary; by invention, production, or distribution, by land or sea, in public or domestic life, that he benefits the community by his industry, and should be allowed to enjoy the full fruits of it. Those services, whatever they are, if rendered for the personal and peculiar benefit of any individual, should be paid for by him; while the cost of services which are rendered to the community should be defrayed from the common patrimony, national services from the common fund of the nation, and local public services from the common fund of the locality.

The above considerations drive me to the conclusion that equity requires that houses and machinery should not be rated for local purposes; but that the cost necessarily incurred in connexion with those services should be defrayed at the expense of the land-interests of the locality. And this principle, being sound, will be applicable to all land, in town and country alike, to whatsoever purpose applied, and whether the particular industry carried on upon it be or be not remunerative in the hands of the industrial occupant. If this principle is adhered to, the cases of special properties such as railways, canals, docks, gasworks, and tramways, will present no difficulties such as beset the existing system. A railway station in a town, or the line which runs across the country, would be assessed according to the value of the land occupied, and no more; and so of all similar undertakings. An acre of agricultural land would be assessed according to its own value as land, quite irrespective of any building or other agricultural improvements; an acre of land in Salisbury Plain would pay its petty due; and the magnificent properties in the crowded cities would pay in proportion to the site value which the presence of the crowds had caused. The difficulty now raised with regard to what is called "unoccupied" land would at once disappear. It would be rated according to its value. But there is, in truth, no such thing as unoccupied land in England. If not let, land is in the hands of the owner, who retains it for his own purposes, just as a tenant might do.

The principle embodied in the foregoing remarks appears to be virtually, though not in terms, adopted in the Report on Urban Rating and Site Values which has been signed by a minority of the Commissioners. I should be glad to be allowed to associate myself with that singularly able document, at any rate so far as it goes in the application of the principle. I am, however, unable to discover any logical distinction between different portions of land accordingly as they may happen to be in urban or rural areas, or as they may or may not at the moment be built on. The limitation to urban areas appears to involve an abandonment of principle, and to reduce the proposal to the level of a makeshift compromise, without logical justification. The same objection holds good against the schemes put forward by Mr. Fletcher Moulton and the London County Council. But assuming the frank and unqualified acceptance of the fundamental principle and its application to every acre of the country, urban or rural, and whether utilised or not, the remaining points to be considered are:—

- (a) whether the principle admits of practical application, that is, whether the valuation of land as distinguished from buildings or other improvements is in practice possible;
- (b) whether the charge of rates can be distributed equitably in proportions corresponding with the different shares in the interest in land; and
- (c) the effect of existing contracts.

(a) With reference to the first point, many witnesses who appeared before the Commission, dwelt with emphasis on the alleged or suggested difficulty of estimating the value of land apart from the buildings upon it; but no one of the expert witnesses would say that it was impossible, and none would admit that he could not himself do it if it was necessary. But, in fact, the matter is past the stage of mere argument, for not only is the thing being done every day for private purposes, but it is also done on public account in all three countries under the established practice. The entire system of valuation in Ireland under Acts of Parliament is based upon the separate valuation of land and of buildings. In England, land has to be separately valued in the country for the purposes of the Agricultural Rates Act, which prescribes the procedure for ascertaining, and the Returns which are to show, the division between the rateable value of agricultural land and that of the buildings and other hereditaments. Under numberless private Acts of Parliament the thing has been done for many years in connexion with compensation to owners, lessees and occupiers disturbed in their "quiet enjoyment" by promoters. In the case of the Tower Bridge Southern Approach Act, 1895, not only was the valuation differentiated, but the principle set forth above was recognised and applied when (under Section 36) the County Council of London was empowered to charge lands not taken over by them, but increased in value by their improvements, the charge to be apportioned between all the parties having any estate or interest, freehold or leasehold, in such lands. When the matter is considered quietly, apart from personal interest or the prejudice of class or profession, it will be easily seen that there is no real difficulty about it, and that it would be just as practicable to make a map of the whole country, showing the valuation per acre or rood or plot of the surface of the land, as it is to make an Ordnance Survey Map, showing the elevation above the sea of every part of the country. In both there would be plains and slopes and peaks, though the summits of the physical contours would often be the depressions of the valuation contours, and vice versa.

(b.) As regards the second point, as to the equitable distribution of charge among the different interests in land, it is necessary to keep clearly in mind that the fee-simple owners do not personally represent, or at least enjoy, the full property in the land. Many a freeholder can claim as his own but a very small, sometimes, indeed, a merely nominal, property; and equity requires that the burden should only be in proportion to the benefit. From the fee-simple of any parcel of land, there may be carved out many other estates and interests, freeholds as well as leaseholds, and interests in the nature of charges on the land, such as tithe rentcharge, settlement charges or certain forms of ground rents. These are all really portions of the interest in the land, and as it were, slices out of the cake. They should all contribute in their proportion to make up the assessment in the whole. Or again, a fee-simple holder may let his land for 999 years; his lessee may sub-let with some advance for 99; the first sub-lessee may sub-let again for 60, the second sub-lessee may sub-let for 21, and the tenant for the

21 years' term may sub-let for three years or less to the ultimate occupier. Any one or other of the members of this series may build or effect improvements. There may be mortgages and sub-mortgages. The business of the occupier may be remunerative or not. All these details are matters of no consequence and involve no difficulty. At each step between the occupier and the builder, so much of the rent as represents the value of the structure will be paid without deduction; but, if from the rent which the ultimate occupier pays to his immediate lessor, he is allowed after payment in respect of the house, to deduct the poundage on the valuation of the land—the land alone being rated—he will himself have to pay the poundage on any part of that valuation which may be in excess of the land rent. And this is as it should be; for to that extent, he is enjoying a portion of the value of the land. Further, each of the lessees in turn should be entitled to deduct from the sum which he pays to his lessor, poundage on so much of it as represents the valuation of the land—he himself bearing the burden in respect of the difference between what he pays to his lessor and what he receives from his lessee, in respect of the land—the value of the house being separately regarded until it comes to the turn of the builder; who, of course, deducts in respect of the whole sum paid by him. The superior holders then in turn pay each upon what he receives. In this way the charge in respect of the land will be distributed equitably between those who share the benefit of it. The question of mortgages has been suggested as a difficulty. The difficulty, however, is only imaginary. It is true that, according to legal phraseology, a mortgagee has the legal estate; but in equity and practice the mortgagee is only a secured creditor and has no real ownership of the land until he forecloses. If he foreclosed or became mortgagee in possession he would, of course, be liable to pay, or accountable for, the rates to the same extent as his mortgagor.

To show how very simple the matter is, we may take the case suggested under the heading "Urban Tenures" at the beginning of the Minority Report as a typical town holding.* In this case, A, the freeholder, having in 1830 let to B at 15*l.* a year for 99 years, B built a house for 1,000*l.* and sub-let to C for 75*l.*, the value of the house being (*ex hypothesi*) 60*l.* a year. C or his representative, in 1870, sub-let to D at 100*l.* a year; and D, in 1899, sub-let to E at 120*l.*

Now, assuming the adoption of the principle above set forth, nothing could be more simple than this case. The house which represents 60*l.* is not rated. E therefore will pay to D 120*l.*, of which 60*l.* is for the house and 60*l.* in respect of the land. He will have paid the rates on this latter 60*l.*, and will deduct the amount from the 120*l.*, not having himself any share in the beneficial ownership of the land. D has to pay to C 100*l.*, of which 60*l.* is for the house and 40*l.* for the land. By reason of E's deduction he has paid rates on 60*l.*, but he recoups himself to the extent of the rates on the 40*l.* which he has to pay to C, and so bears the burden in respect of his share of the land interest, *i.e.*, 20*l.* only. C in his turn has to pay to B 75*l.*, of which 60*l.* is in respect of the house and 15*l.* in respect of the land. He deducts the rates on the 15*l.*, and so himself bears the burden to the extent of the difference between that 15*l.* and the 40*l.* received from D, *i.e.*, on 25*l.* B in his turn deducts the rates on the 15*l.* which he pays to A the freeholder for the land only; and this amount of the rates A pays. The rates, therefore, on the 60*l.*, the value of the land, will be distributed between A, C, and D, in the proportion of 15*l.*, 25*l.*, and 20*l.*, which are their respective shares in the value of it. B, who built the house, but who, like E—the rent-paying occupant—has no share in the value of the land, will, like E, pay no rate in respect of it.

It will probably be objected that if the landowners are thus saddled with the rates, they will only add on a similar amount to the rent. The reply to this is threefold, *viz.*, first, that whatever is paid by anybody for rates, or rent, or anything else, must come from the product of the labour of the industrial portion of the community; secondly, that in any case the landlord gets what he can, and the tenant pays what he must; thirdly, that at present either the landlord does, as some contend, really bear the burden of the rates at least indirectly, or he does not. If he does, it will be no hardship upon him if it is made to be seen that he does so; and if he does not, then the tenant is not damnified if he has only to pay under the name of rent that which he now pays under the name of rates.

(c.) The last point which remains to be considered is that relating to existing contracts. As to this it is manifest that equity requires that all existing contracts should be absolutely respected. It may be that many of them will have to run not for

* P. 154.

years only, but for lives and longer. No matter, for although there would appear to be, according to the view taken in this Report, much that is inequitable in the present arrangements, and much that calls for change in the interests of the public, yet a disregard of contractual relations would be a more serious injury to the public than even the existing system of rating. If it is said that existing contracts will stand in the way of, or delay to a very great extent, the reform suggested, the answer is that the duty cast upon this Commission is not to secure or propose immediate alteration of the law, but rather to indicate the direction in which equity points—not to put forward proposals for immediate and universal application which would be revolutionary, but to show the direction in which reform should be attempted, and the mode in which existing injustice may be removed without shock to the body politic. But yet for the great majority of occupiers a very few years would have completely established a new system. The longest running contracts are also fewest in number, and the alteration once introduced (all contracts made contrary to it after a certain date being declared void) would work gradually and smoothly until it was in time completely effected.

In conclusion, I would venture to suggest that a change based on sound principle and carried out by gradual adjustment is not only not revolutionary, but is dictated by prudence. It is difficult to believe that with the diffusion of education, or at least of political information, the great mass of the people of England will long remain unconscious or heedless of the true economic position. If and when they realise it, they will probably be drawn to exercise that power, which the franchise places in their hands, to secure through the instrumentality of the Commons House of Parliament a readjustment of taxation, relief for industry in every form, and the imposition of the burden where also the benefit rests. But if this were done in consequence of popular agitation, and as the result of vehement party struggle, the hardship to individuals would be sudden and great, and the dislocation of interests detrimental to the community.

The conclusions, therefore, which I have humbly to submit are :—

1. That local public services properly so-called,—and as distinguished from general public services on the one hand, and on the other from services rendered to the individual on his own premises,—are alone the proper grounds for local taxation ;
2. That land (except land already dedicated to public use), and land only, should be rated for local public services ;
3. That all existing contracts should be respected ;
4. That the levy should be made from the occupier, with right of deduction, after the Income Tax method, secured to each lessee in respect of the superior interests in the land.

With the last paragraph of the Report of the Majority I desire very heartily to associate myself. It is the paragraph which contains a well-earned acknowledgment of the services of the Secretary, Assistant Secretary, and Clerical Staff, whose efficiency, assiduity, and unfailing urbanity have been of inestimable value throughout the long and laborious work of the Commission.

ALL WHICH I HUMBLY SUBMIT TO YOUR MAJESTY'S GRACIOUS CONSIDERATION.

ARTHUR O'CONNOR.

(d) METHOD AND COST OF VALUING SITES.

Memorandum prepared for the Commission by Mr. Edgar Josiah Harper, Assistant Valuer (now Statistical Officer) to the London County Council. [See MINUTES OF EVIDENCE, QUESTIONS 22,201-22,524.]

EXTRACTS FROM MINUTES OF EVIDENCE, VOL. IV, PUBLISHED IN 1900.

The statements contained in the present memorandum represent the personal views of the witness, and are not put forward on behalf of the London County Council. It is necessary to make this statement, because on a previous occasion the witness was instructed by the Council to give evidence as to certain matters of fact and practice only.

I.—METHOD OF VALUING SITES.

1. In the great bulk of cases, the definition suggested by Mr. Costelloe, viz. :—“The full amount which would be obtainable by way of rent on a building lease in the usual form for a term of not less than 99 years, if the site of the tenement were let as a cleared site by the owner in fee, without any fine or restriction other than the usual building covenants,” would be a sufficient guide to an expert surveyor; and the difference between an expert estimate of the annual value of the site, so made, and the true rateable value of the whole hereditament, would fairly represent the structural value. The difficulty arises entirely in connexion with exceptional cases, which may to some extent be grouped as follows :—

(A.) *Reclaimed land.*—This category is intended to include wharf sites and embanked land, where the original surface of the land has been altered, and retaining walls and other structures built into it in order to render it serviceable for the purpose for which it is used. The capital so expended is really merged in the value of the land. If the expenditure in question took place within the present generation, or say not more than 30 years ago, a deduction in the shape of a fair percentage upon such expenditure should be allowed from the present annual value of the site before levying a tax upon it. Where, however, the expenditure took place more than 30 years ago, the difficulty in obtaining accurate particulars of the cost and the fact that the original outlay will in all probability have been recouped render a deduction no longer desirable. A longer period might be necessary for work of unusual strength and durability, and the percentage to be deducted should also be elastic within defined limits.

(B.) *Sites which cannot be fully used*, owing to the unsuitability of existing structures. This category must be divided into those cases where :—

- (i.) the value of the site alone, if cleared, would exceed the present rateable value ;
- (ii.) the value of the site alone, if cleared, would not exceed the present rateable value ;

In the first case, no hardship would be inflicted upon the owner by assessing him upon the full annual value, because it would pay him to destroy the structure which now hinders his receiving the largest possible return from his land. In the second case, it would be a hardship to compel payment upon the full value of the site, when only part of that value can be enjoyed under existing conditions. It is true that the whole value could be obtained if freeholder and lessee agreed to combine in order to demolish the building; but in that event they would jointly incur a loss of structural value, *ex hypothesi* greater than their gain in site value. In such cases, therefore, it is suggested that only that part of the value of the site which is actually enjoyed or yields revenue should be included in the assessment. The proper proportion might be arrived at by deducting the annual equivalent of the structural value from the rateable value.

Site value, proposed definition of. In the great bulk of cases site value plus structural value would equal rateable value.

Site value of reclaimed land. A deduction should be made in respect of capital expended if the expenditure took place not more than, say, 30 years ago.

Site value rate. Assessment of sites which cannot be fully used. If the site value exceeds the rateable value of the whole hereditament, it should be assessed in full, but if it does not exceed the rateable value, it should only be assessed on that part which is actually enjoyed or yielding revenue.

Holland House and Park furnish a good example of the first case; and a row of houses in that part of Shaftesbury Avenue which, before it was widened, was known as Dudley Street, Soho, may be considered typical of the second. Before the improvement was effected, these houses were rented at about 45*l.* per annum each. To-day the site of each, if cleared, would be worth at least 40*l.* per annum; but the rateable value of the existing premises should now be about 60*l.* Deducting from this 35*l.*, the annual equivalent of structural value, would give 25*l.*—instead of 40*l.*—as the fair assessment of the value of the site, subject to existing conditions.

(c.) *Uncovered land.*—This must be sub-divided into three classes, viz. :—

- (i.) Agricultural land.
- (ii.) Land ripening for building.
- (iii.) Building land.

Site value of agricultural land. Deduction should be made for capital outlay.

No difficulty arises under Number (i.) as such land is already assessed under the existing law; but, where a capital outlay has been made for draining, fencing, or otherwise improving the soil, a percentage upon such outlay during the period over which its benefits extend might fairly be allowed as a deduction from the assessment arrived at under the existing law.

Site value rate. Land ripening for building should not be assessed on a greater amount than the annual value presently utilized, otherwise capital value would be introduced.

(ii.) Until land becomes ripe for building, it would inflict hardship to assess it upon any greater value than the annual revenue which, at the time of valuation, it is capable of yielding. Such land is often called accommodation land, and is used as pleasure grounds, cricket fields and tennis lawns, or sometimes as market gardens and for agricultural purposes. The reasonable rent for such land, taking one year with another, less a fair percentage on the capital outlay for such temporary improvements as cricket pavilions, would be a fair basis for assessment. It is true that such land possesses a capital value greater in proportion to the annual revenue derived from it than usual. This proportion is greater or less according to the length of time likely to elapse before the land becomes absolutely ripe for building; and the extra capital value represents the equivalent in present money of a future annual value, not now realisable. It does not seem practicable to use both annual value and capital value as bases of assessment for the same tax; and unless the former is to be wholly dropped, there would be grave danger in adopting the latter in any special case.

Assume, for the sake of the argument, that an acre of land is expected to yield, 20 years hence, a ground rent of 100*l.* per annum. Its present capital value would be about 800*l.*, though it might not be yielding a higher rent than 5*l.* per annum. Taking 4 per cent. on capital value would give an assessment of 32*l.*, or 27*l.* per annum more than the land could yield under existing conditions. And as the 100*l.* per annum, when it arose, would, *ex hypothesi*, also be liable to the tax, any charge upon the 32*l.* assessment could only fall, by anticipation, upon the same revenue, which would thus be taxed twice over.

Site value rate. Building land should be assessed in the same way as land built over. Difficulty of distinguishing between land which is ripe and that which is only ripening.

(iii.) Building land.—This would, of course, be assessed in the same way as the great bulk of sites coming under Mr. Costelloe's definition.

It is, no doubt, difficult to distinguish exactly between land which is actually ripe for building, and land which is only ripening. Such a distinction can only be fairly made by an expert; and this lends weight to the argument that the tribunals dealing with assessment should be composed of, or advised by, experts. No expert engaged in the preparation of a valuation list would be likely to include as building land any site as to which reasonable doubt existed.

Site value of brickfields. During the period when used as such, the assessment should be taken at a percentage of the output.

(d.) *Brickfields.*—These present the difficulty that their value is realised by the actual excavation and removal of part of the land itself. Thus the value derived is greater or less according to the rate at which such excavation proceeds; and, accordingly, it is not practicable to let lands for brickmaking at a fixed rent from year to year—the payment is usually calculated according to the output. It should also be remembered that, when the brick-earth is removed, the land cannot be built upon without incurring a heavier expenditure than usual for foundations. Thus the value of the brick-earth can only be realised at the expense of the future building value, if any. Bearing in mind these considerations, the site value of land suitable for brickmaking should not be assessed differently from other land, except during the period when it is in use for brickmaking. During that period the assessment should be arrived at—as the rent, or rather royalty, now is—by taking such a percentage upon the output as would allow the brickmaker the usual profit upon his expenditure.

Mines may cause a difficulty of the same character, and could be similarly dealt with. But none are likely to be worked in the county of London.

II.—THE COST OF VALUING SITES.

2. On the 2nd January last the witness wrote in answer to an inquiry from the Commission as follows :—

“ In reply to Mr. Stuart’s question, arising out of my answer No. 12,596, I think an assessment of each separate site in the County of London, if carried out by expert surveyors—not necessarily of the most eminent rank—would probably cost 40,000*l.* if it had to be done under conditions similar to those governing the present quinquennial assessment. This is exclusive of any cost of litigation which might arise out of the valuation.”

In making this estimate of 40,000*l.* it was assumed that, as the officials now acting for the Overseers and Assessment Committees would be unable to make a separate valuation of sites with the requisite accuracy, the work would be done by valuers employed for the purpose.

3. Since the preparation of that estimate the first Report of the Commission has been published. As that Report makes certain recommendations for improving the valuation machinery, the witness has revised his figures on the basis of those recommendations. It will easily be perceived that, if the ordinary valuation list is prepared by a professional surveyor, he would be able, with a slightly increased staff, to make a valuation of sites concurrently with the valuation of hereditaments. The provision of a County Valuation Authority, under whose general supervision the persons preparing the Valuation Lists would act, cannot fail to promote uniformity. The surveyors concerned could be kept in close touch with each other and with the central authority, and would thus be in a position to render mutual aid—a most important point in a valuation to be made on a new basis.

4. The valuation expenses of the London overseers in the quinquennial year 1895–6 amounted, as far as can be ascertained, to 31,359*l.** Assuming that the professional surveyors engaged to prepare the lists were permanent salaried officials, and that the present abnormal pressure of work every fifth year were avoided by a system of revaluing in sections, it is estimated that such officials could prepare a site valuation for London at a cost not exceeding 25,000*l.* beyond the ordinary expenditure upon valuation. Such a valuation must obviously, on the first occasion, be completed in one year; but that need not apply to subsequent re-valuations, which would naturally cost less, as the necessary plan work would not require repetition.

5. None of the above figures include anything for the cost of possible appeals. The cost of the litigation in which the Overseers and Assessment Committees of London have been engaged in the past cannot be obtained except by asking for a return from each of these bodies, nor would the information be a reliable guide to the probable cost of litigation in future, if the recommendations of the Commission became law. In this connexion a great deal depends upon the manner in which the surveyors engaged on the work exercise their discretion. In the opinion of the witness they would—especially in the case of the first valuation—be careful not to put down an extravagant figure in any case; and where a reasonable doubt existed, the ratepayer would probably get the benefit of it.

6. A large number of objections and appeals could be avoided if the time now allowed for giving notice of objection were considerably increased. At present only 25 days from the date of the deposit of the valuation list are allowed for this purpose. If that period were extended to, say, two—or even three—months, and in the meantime ratepayers were encouraged to apply, more or less informally, to the official who had prepared the list, he would frequently be able to satisfy them. Or he might obtain at such interviews further information which would justify him in reporting to the District Committee, when the list came before them for revision, in favour of the modification of particular items in the list. If this course were followed, it is unlikely that any considerable proportion of cases would form the subject of formal objections or appeals for consideration by the District Committees, County Valuation Authority, or Quarter Sessions.

7. Taking, therefore, the two points together, viz., the employment of professional surveyors as permanent officials, and the valuation of sites concurrently with the

Valuation of sites. Estimated cost of valuing each separate site in London, (1) if carried out by expert surveyors specially employed, and (2) if the recommendations contained in the first Report of the Commission became law.

Valuation of sites, Question of probable cost of litigation. If the period for giving notice of objection to valuation was extended, and professional surveyors employed to value the sites along with the ordinary valuation, the cost would not be much in excess of the amount now expended.

* See Return of Expenditure and Taxation, 1895–6, presented to the London County Council, No. 382.

valuation of hereditaments, the witness considers that on the whole there would not be—even upon the first valuation of sites—any considerable addition to the cost of litigation upon questions of fact. New points of law may, of course, be raised; but the opportunity for this depends more upon the draughtsmanship of the Bill than the actual work of valuation.

III.—THE SYSTEM OF DEDUCTION.

Site value rate. Suggested scheme for securing that the rate would fall upon the owners of the various interests.

8. In 1893 the witness framed a scheme by which taxation of Site Values might be thrown upon the proper parties, and it was endorsed and presented to the Local Government and Taxation Committee by the Council's Valuer. This scheme, with an addition suggested by Mr. Costelloe, was recommended by the Committee to the Council for adoption. On the 23rd of January, 1894, the Council passed a resolution directing, *inter alia*, that the Valuer's report and the various documents therein referred to should be forwarded to the Government with a view to the framing and introduction of a measure for the taxing of Ground and Site Values.

9. The object of the scheme of deduction thus approved was to ensure, if possible, that each pound of net annual site value bore its own sixpence or shilling of rate, as the case might be. It is fully explained and illustrated by actual cases in the accompanying document.

9, Spring Gardens, S.W.,
March 11th, 1899.

Paper handed in by Mr. E. J. Harper, and to which reference is made in the foregoing Memorandum, and in the Minutes of Evidence given by the Witness.

LONDON COUNTY COUNCIL.

FORMS of DEMAND NOTE, RECEIPT AND CERTIFICATE, and REPORT OF VALUER, referred to in the REPORT of the LOCAL GOVERNMENT AND TAXATION COMMITTEE on the RATING of LAND VALUES.

1.—Demand Note.

TO BE DEDUCTED FROM YOUR RENT.

SITE RATE VALUE—DEMAND NOTE.

To M _____

The Collector makes application for payment of the following Rate made on the _____ 189_____.

Description of Premises _____ Situation _____

Assessment No. _____

Site Value £ _____

Amount of Rate due at *rd.* in the £ - - - - £ . . .

RULES FOR REDUCTION FROM RENT.

Rateable value - - - - A £

Site value - - - - B £

Balance - - - - C £

1. If the rent you pay is a ground rent, or in respect of land only, deduct *rd.* in the £ upon the amount of such rent.

2. If the rent you pay includes buildings or other property besides land, subtract the balance C from the amount of such rent, and deduct *rd.* in the £ upon the remainder.

3. If the rent you pay is not a ground rent, you are entitled to deduct in any case upon the amount of ground rent paid by any superior landlord.

4. But you are not entitled to deduct a larger sum than you have actually paid or allowed.

NOTE.—All receivers of rent are bound to allow the deductions made in accordance with the above rules on proof of payment or allowance of rate, and incur a penalty of FIFTY POUNDS by refusing to do so.

Collector _____ Office _____

Local Assessor _____ Office _____

N.B.—All payers of this rate have the right of appeal to the Valuation Court appointed by law.

None but the printed official receipt will be recognised. The rules and all information necessary for obtaining the proper deductions will be found thereon.

Copies of the Rules for Deduction can be obtained of the Collector, at the Vestry Hall, and at the County Hall, Spring Gardens, S.W.

[NOTE.—The object and effect of these rules is to separate, by a simple and untechnical method, those parts of the several rents which may be deemed to be "site value" from those which are attributable to the expenditure of capital on buildings, &c.]

2.—Receipt and Certificate.

<p style="text-align: center;">SITE VALUE RATE.</p> <p style="text-align: right;">_____ 189</p> <p>Description _____</p> <p>Situation _____</p> <p>Assessment No. _____</p> <p style="padding-left: 40px;">Rateable Value A £ _____</p> <p style="padding-left: 40px;">Site Value - B £ _____</p> <p style="padding-left: 40px;">Balance C £ _____</p> <p style="padding-left: 40px;">Amount due - £ : : _____</p>	<p style="text-align: center;">TO BE DEDUCTED FROM YOUR RENT.</p> <p style="text-align: center;">SITE VALUE RATE.</p> <p>RECEIVED this _____ day of _____ 189__</p> <p>from M _____ the sum of _____ pounds</p> <p>_____ shillings _____ pence in respect of rate for</p> <p>the half-year ending _____ 189__ in</p> <p>accordance with the particulars in the margin.</p> <p style="text-align: center;">£ : :</p> <p style="text-align: right;">_____ Collector.</p> <p>N.B.—The original payer of the rate should retain this receipt.</p>
<p style="text-align: right;">_____ 189</p> <p>Description _____</p> <p>Situation _____</p> <p>Assessment No. _____</p> <p style="padding-left: 40px;">Site Value £ _____</p> <p style="padding-left: 40px;">Amount due - £ : : _____</p>	<p style="text-align: center;">SITE VALUE RATE.</p> <p style="text-align: center;"><i>Certificate for Deduction.</i></p> <p style="text-align: right;">_____ 189__ .</p> <p>I HEREBY certify that M _____ has paid the</p> <p>sum of _____ pounds _____ shillings _____ pence, being</p> <p>the rate due for the half-year ending _____</p> <p>189__ in accordance with the particulars in the</p> <p>margin, and that he is entitled to deduct from his</p> <p>rent as much of the said amount as the rules will</p> <p>allow.</p> <p style="text-align: right;">_____ Collector.</p>
<p>RULES FOR DEDUCTION FROM RENT.</p>	
<p style="text-align: right;">£ s. d.</p> <p>Rateable Value A _____</p> <p>Site Value - B _____</p> <p>Balance - C _____</p> <p style="padding-left: 40px;">Amount due - £ : : _____</p>	<p style="padding-left: 40px;">Rateable Value A £ _____</p> <p style="padding-left: 40px;">Site Value - B £ _____</p> <p style="padding-left: 40px;">Balance - C £ _____</p> <p>1. If the rent you pay is a ground rent, or, in respect of land only, deduct <i>sd.</i> in the £ upon the amount of such rent.</p> <p>2. If the rent you pay includes buildings or other property besides land, subtract the balance C from the amount of such rent, and deduct <i>sd.</i> in the £ upon the remainder.</p> <p>If the rent you pay is not a ground rent, you are entitled to deduct in any case upon the amount of ground rent paid by any superior landlord.</p> <p>4. But you are not entitled to deduct a larger sum than you have actually paid or allowed.</p> <p>NOTE.—Each payer of rent in respect of the premises described in the margin, must, on receipt of the proper allowance from his landlord, endorse the amount of such allowance with the date and his usual signature on the back of this form, and hand it to his landlord, who will thereupon be entitled to deduct the proper proportion from his rent (if any) in a similar manner.</p> <p>N.B.—Copies of the Rules for Deduction can be obtained of the Collector at the Vestry Hall and at the County Hall, Spring Gardens.</p> <p>In the event of any difficulty on questions of deduction, reference may be made to the local assessor, and a certificate of the proper deduction in any case to be made may be obtained, provided always that any person feeling himself aggrieved by any such certificate has a summary right of appeal to the Valuation Court.</p>

••

I acknowledge the allowance of a deduction amounting to £ :
Date _____ Signature of Occupier _____

I acknowledge the allowance of a deduction amounting to £ :
Date _____ Signature of Lessee _____

I acknowledge the allowance of a deduction amounting to £ :
Date _____ Signature of Lessee _____

I acknowledge the allowance of a deduction amounting to £ :
Date _____ Signature of Lessee _____

I acknowledge the allowance of a deduction amounting to £ :
Date _____ Signature of Lessee _____

I acknowledge the allowance of a deduction amounting to £ :
Date _____ Signature of Lessee _____

LONDON COUNTY COUNCIL.

To the Local Government and Taxation Committee.

Valuer's Department,
Spring Gardens, S. W.,
11th December, 1893.

REPORT ON THE RULES FOR DEDUCTION.

(Proposed for the Draft Bill as to the Taxation of Site Values.)

PART I.

November 29th, 1893.—“Valuer to report fully concerning the principles embodied in the rules for deduction appended to the Valuation Sub-Committee's Report, and as to their practical application.”

As most of the rules for deduction are due to the suggestion of Mr. Harper, I requested him to prepare a report on the above reference. After carefully considering all the questions involved, I fully confirm the views stated in his report, and beg to submit it for the information of the Committee.

ANDREW YOUNG,
Valuer.

To ANDREW YOUNG, Esq., Valuer to the London County Council.

I understand that the Local Government and Taxation Committee desire a full explanation of the principles embodied in the rules for deducting the proposed site value rate from rent, and of the practical application of such rules.

It will probably facilitate the answer to this request if I explain the process of thought by means of which I arrived at Rules, 1, 2 and 4—Rule 3 being the proposal of the Chairman of the Committee. The separate valuation of every different interest in each site seemed, at the outset, too huge a task; and knowing the success which has attended the system by which Property Tax is automatically made to fall *pro rata* on the receivers of rent, I felt convinced that this system could be adapted to the purposes of the Committee. From this starting-point, Rule 1 was an obvious inference. Where rent is made up of site value only, the Property Tax system of deduction will apply without modification.

Then presented itself the more serious question of dealing with rents which included other elements as well as site value. It became necessary so to divide rents of this character that the Property Tax system could be made applicable to that part of the rent which represents site value. The initial difficulty here has frequently been mentioned to the Committee, viz.—That in many cases the addition to the annual site value of a percentage on the cost of building would produce a sum differing from the rateable value of the premises as a whole. It is impossible to conceive, and therefore impossible to value, a building without a site; the utmost that can be done in this direction is to make an estimate of the cost of the building; but this of course is no proper criterion of value. Wherever the full capacity of a site is developed by the building erected upon it, the difficulty does not arise; but when it is considered that in London there are vast numbers of buildings which do not utilise their sites in the best way or to the full extent (many being quite incompatible with, and incumbrances upon, the sites they occupy), the practical impossibility of dividing rateable value accurately into two independent factors, one of which shall represent an assessment of the building, will be more completely realised. These considerations induced me to abandon the attempt to proceed by making a separate estimate of the building value. The next idea was that the necessary measure for apportioning a Site Value Tax among the actual rents might be obtained simply by subtracting the site value from the rateable value. If this “balance” (which is not site value) be subtracted from any rent of the class under consideration, what is left will certainly include the site value. This chain of reasoning gave the basis for Rule 2.

On applying this rule, however, to actual cases, it was obvious that it did not meet all the facts. In any ordinary yearly tenancy the sum obtained by deducting Balance C from the rent proved to be greater than the site value. The reason proved to be that such rents include the average annual cost of repairs and insurance. This

was confirmed by the fact that no such inconsistency arose in applying the rule to leasehold rents, from which the elements of repairs and insurance were excluded. A simple proviso to prevent the occupier (who would be first payer of the rate) from deducting a larger amount than he had paid was found to meet the case completely; and hence Rule 4.

The conclusion may be stated thus. It is obvious that all rents which include nothing but site value are equitably* rated under Rule 1. All rents which do not fall under Rule 1 are divisible into two factors, viz. :—

- (a) Site value.
- (b) All other elements.

Rules 2 and 4 provide for the complete elimination of all other elements except site value from every rent. It is therefore impossible that the rate should fall on any part of a rent which does not represent site value.

There will be a certain number of cases to which Rules 1, 2 and 4 will not apply. It will be noticed that these rules are based on the assumption that the Balance C remains a fairly constant quantity. This, however, though usually the case, is not so where additions have been made to the structure during the term of a lease; and Rule 3 was devised by the chairman as a means of partially meeting the difficulty in such instances. For, if the subtraction of Balance C from the rent (in a case like this) left a remainder smaller than the superior ground rent, such a result would be unjust because any such rent must be taken to include at least as much site value as the superior ground rent. Rule 3, by allowing a deduction upon the basis of any superior ground rent, will in practice meet the difficulty in a large number of cases.

Other difficulties may arise such as that disclosed in the illustration of No. 327, Upper-street, B, the lessee for 21 years, under Rule 2 would subtract the Balance C (16*l.*) from his rent (14*l.*), and there being no remainder, he would have no basis for deduction. Moreover, as the superior ground rent is a peppercorn, even Rule 3 will not assist. The reason is (as will be seen by the note appended to the case) that a structural addition has been made. But, as it is clear that some site value is included in his rent, B would be entitled under the committee's recommendation (13) to appeal to the assessing authority. That authority would have among its valuation lists the exact information needed to correct the calculation, viz., the increase made in the rateable value in consequence of the structural addition in question. In the case under notice, this would be 8*l.* rateable; and, allowing this off the balance C (16*l.*), would leave 8*l.* only as the sum to be subtracted from B's rent (14*l.*), and thus enable him to deduct rate on 6*l.*, which is the amount of site value included in that rent. It might be possible to draft a rule expressing this process; but this would hardly be of service to a layman, owing to the complications involved. It is, however, a matter of every day experience with experts, and would be easily dealt with on appeal.

There is no insuperable difficulty to prevent the ordinary mind from following the illustrative tables throughout; but it is of course necessary that each deduction should be worked out according to the rules, and the figures in the three columns headed "site value rate" properly checked, by each reader for himself, otherwise the thread of continuity is lost. Take as a specimen the case of B, the building lessee of No. 48, Regent Street, who receives 255*l.* and pays 45*l.* B first proceeds to ascertain how much his sub-lessee A is justified in deducting. As the site value is only 200*l.*, the rent of 255*l.* clearly falls under Rule 2. He must, therefore, deduct Balance C (160*l.*) from the rent, leaving 95*l.* as the sum upon which A is entitled to deduct; and, at 1*s.* in the £, this gives 4*l.* 15*s.* as the amount to be deducted. B then turns to his own deduction. His rent of 45*l.* is obviously a ground rent, and he can therefore, under Rule 1, deduct 1*s.* in the £ upon it, viz., 2*l.* 5*s.*, leaving as the net charge upon himself 2*l.* 10*s.*, which is exactly 1*s.* in the £ on the net annual site value which he personally enjoys. Working out each item in each illustration in this way no difficulty will be found—although some labour may be entailed—in following out the whole of the illustrations.

Since the rules were first formulated every opportunity has been taken in the department of testing their working by applying them to all rentals dealt with from day to day. The result of these experiments, extending over many months, has been to convince me that, with the assistance of recommendations (12), (13) and (14) of the committee,* the rules for deduction will be found to answer all practical ends.

* These recommendations are contained in the Report by the Local Government and Taxation Committee of the London County Council on the subject of the rating of land values (Return No. 127), P. S. King and Son, Great Smith Street, Westminster, S.W.

In the case of the illustrations Nod. 10-14, which are in the nature of hard and exceptionally complex cases laid before the sub-Committee as crucial tests of this or any possible scheme, the working of the proposals contained in the parliamentary print of Mr. Dalziel's Bill were, by direction of the Committee, added to the tables for comparison. It was stated, however, that there was a mistake in the printed Bill, and that the method of deduction intended was somewhat different. The comparative tables therefore have not been applied to the cases now added, Nos. 1 to 9. These are given as some of the many ordinary properties to which the proposed scheme has been applied by way of trial, while the subject has been pending in the Committee.

EDGAR HARPER,
Assistant Valuer.

9th December, 1893.

Ordinary cases, selected from those worked out in the valuer's department, to illustrate the working of the rules for deduction. The amount of the rate has been taken at a shilling in the pound.

(1.) No. 14, BROOKE'S MARKET, HOLBORN.

Premises assessed at 8*l.* gross—6*l.* rateable.

Correct figures would be 20*l.* gross—16*l.* rateable.

Rateable value A	-	-	-	-	-	£16
Site value B	-	-	-	-	-	8
Balance C	-	-	-	-	-	£8

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupying lessee, 3 years	£ —	£ 26*	s. 8	s. 8	s. Nil
B. Lessee, 21 years	£ 26*	£ 20	s. 8	s. 8	s. Nil
C. Freeholder	£ 20	Nil	s. 8	Nil	s. 8

* Includes rates and taxes, which are here assumed to be allowed for according to the scale recently adopted by the Assessment Conference.

(2.) No. 302, UPPER STREET. (Now demolished.)

Premises assessed at 204*l.* gross—170*l.* rateable.

Rateable value A	-	-	-	-	-	£170
Site value B	-	-	-	-	-	35
Balance C	-	-	-	-	-	£135

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupying lessee, 21 years	£ —	£ 170	£ s. 1 15	£ s. 1 15	£ s. Nil
B. Lessee, 61 years	£ 170	£ 25	£ s. 1 15	£ s. 1 5	£ s. 0 10
C. Freeholder	£ 25	Nil	£ s. 1 5	Nil	£ s. 1 5

NOTE.—It appears from the figures by the time that B sublet at 170*l.*, the site value had reached 35*l.* Therefore he is charged with the new rate on a basis of 10*l.*

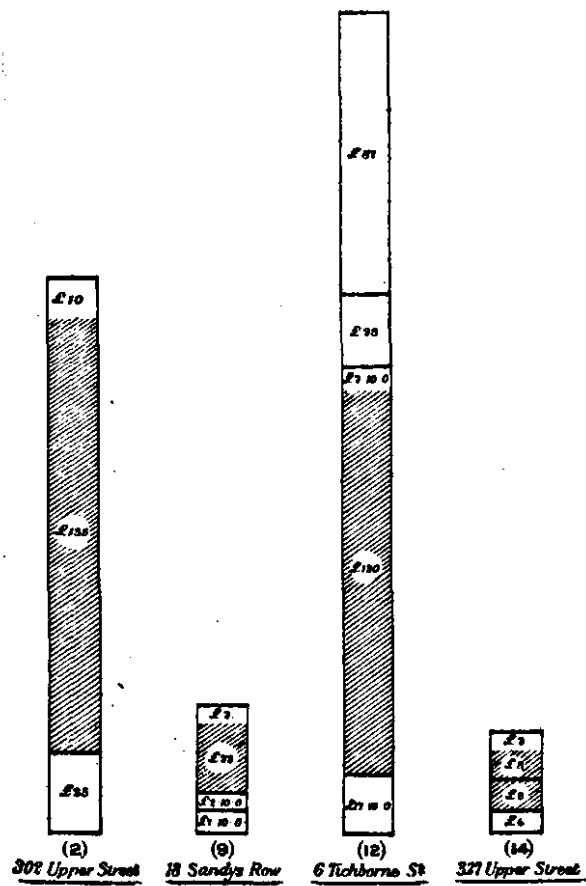


Diagram to illustrate the working of the Rules for Deduction in Nos. 2, 9, 12 and 14 of the cases referred to in the witness' memorandum.

The spaces between the broad dividing lines indicate the net annual value enjoyed by the owner of each separate interest.
Site Value is indicated by *plain spaces*.
Structural Value is indicated by *hatching*.

(3.)

No. 39, STAR CORNER, BERMONDSEY.

Premises assessed at 42% gross—35% rateable.

Rateable value A	-	-	-	-	-	£35
Site value B	-	-	-	-	-	9
Balance C	-	-	-	-	-	<u>£26</u>

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
	£	£	s.	s.	s.
A. Occupying lessee, 14 years	—	36	9	9	Nil
B. Lessee, 31 years	36	6	9	6	3
C. Lessee, 60 years	6	3	6	3	3
D. Freeholder	3	Nil	3	Nil	3

NOTE.—The building lessee here is B, and it appears therefore that C has made a profit of 100 per cent. out of the improvement of the site as such. A further like profit has been also made by B himself, inasmuch as he has let for 36% a tenement in which the building is evidently not worth more than 26% a year.

(4.)

No. 2, CULVERT PLACE, BATTERSEA.

Premises assessed at 18% gross—14% rateable.

Rateable value A	-	-	-	-	-	£14
Site value B	-	-	-	-	-	4
Balance C	-	-	-	-	-	<u>£10</u>

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
	£	£ s.	s.	s.	s.
A. Weekly tenant (9s. per week)	—	23 8*	4	4	Nil
B. Building lessee, 99 years	23 8*	4 0	4	4	Nil
C. Freeholder	4 0	Nil	4	Nil	4

* Includes rates and taxes. It will be seen that the builder here escapes all the taxation, because the present estimate of the site value does not exceed the ground rent which he has to pay.

(5.)

No. 45, RENFREW ROAD, KENNINGTON.

Premises assessed at 40% gross—34% rateable.

Rateable value A	-	-	-	-	-	£34
Site value B	-	-	-	-	-	8
Balance C	-	-	-	-	-	<u>£26</u>

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
	£	£	s.	s.	s.
A. Yearly tenant	—	40	8	8	Nil
B. Building lessee, 65 years	40	7	8	7	1
C. Freeholder	7	Nil	7	Nil	7

NOTE.—This, again, is the simple case where the building lessee obtains a small profit beyond the necessary return on his expenditure for building.

(6.)

NO. 493, EAST INDIA DOCK ROAD.

Premises assessed at 36l. gross—29l. rateable.

Rateable value A	-	-	-	-	-	£45
Site value B	-	-	-	-	-	8
Balance C	-	-	-	-	-	<u>£37</u>

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupying lessee, 21 years	£ —	£ 45	s. 8	s. 8	s. Nil
B. Building lessee, 99 years	45	6	8	6	2
C. Freeholder	6	Nil	6	Nil	6

NOTE.—Even if the existing incorrect assessment be used, the deductions allowed will be the same. The building lessee has obtained not only the annual value of his building, but also a small improved rent for the site.

(7.)

NO. 334, KENTISH TOWN ROAD.

Premises assessed at 49l. gross—41l. rateable.

Rateable value A	-	-	-	-	-	£41
Site value B	-	-	-	-	-	14
Balance C	-	-	-	-	-	<u>£27</u>

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupying lessee, 12½ years	£ —	£ 45	s. 14	s. 14	s. Nil
B. Lessee, 62 years	45	12	14	12	2
C. Freeholder	12	Nil	12	Nil	12

NOTE.—There seems in this case to have been a small increment in the value of the site between the granting of the original lease and the commencement of the occupying term.

(8.)

THE COOPERS' ARMS, 309, HIGH STREET, POPLAR.

Premises assessed at 100l. gross—84l. rateable.

Rateable value A	-	-	-	-	-	£84
Site value B	-	-	-	-	-	16
Balance C	-	-	-	-	-	<u>£68</u>

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupying lessee, 40 years	£ —	£ 100	s. 16	s. 16	s. Nil
B. Lessee, 60 years	100	75	16	7	9
C. Freeholder	75	Nil	7	Nil	7

NOTE.—It is clear that in this case the freeholder C let the property with an existing building, and also that during the 20 years for which B appears to have occupied the property the site has, at least, doubled its value.

(9.)

No. 18, SANDY'S ROW, WHITECHAPEL.

Rateable value A	-	-	-	-	-	-	£34
Site value B	-	-	-	-	-	-	12
Balance C	-	-	-	-	-	-	<u>£22</u>

Interest.	Rent.		Site Value Rate.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
	£ s.	£ s.	s. d.	s. d.	s. d.
A. Yearly tenant	-	-	12 0	12 0	Nil
B. Lessee, 38 years	40 0	10 0	12 0	10 0	2 0
C. Lessee, 40 years	10 0	7 10	10 0	7 6	2 6
D. Lessee, 40 years	7 10	7 10	7 6	7 6	Nil
E. Freeholder	7 10	Nil	7 6	Nil	7 6

NOTE.—This is a case where the building value seems to have entered into the calculation of rental between the lease granted to B and the tenancy granted by him to A. B appears, however, to have also obtained a small benefit by the increasing value of the site. D has evidently parted with his interest in the land without enjoying any increase of value, and accordingly he escapes the rate.

Cases to illustrate Special Difficulties in the working of the "Rules of Deduction" considered by the Sub-Committee, as referred to in the Report of the Local Government and Taxation Committee, with the Comparative Results of the Method of Deduction proposed in Mr. Dalziel's Bill.

NOTE.—The whole of these cases, with the exception of the first, are taken from actual facts within my knowledge in connection with street improvements carried out by the late board. The amount of the rate has been taken at a shilling in the pound.

EDGAR HARPER,
Assistant Valuer.

(10)

CHAIRMAN'S HYPOTHETICAL CASE.

Premises assessed at 150*l.* gross—125*l.* rateable.

Rateable value A	-	-	-	-	-	£125
Site value B	-	-	-	-	-	55
Balance C	-	-	-	-	-	<u>£70</u>

Interest.	Rent.		Site Value Rate.			Land Value Rate as proposed in Mr. Dalziel's Bill.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
	£	£	£ s.	£ s.	£ s.	£ s.	£ s.	£ s.
O. Let to occupier	-	150	2 15	2 15	Nil	2 15	2 15	Nil
A. Leaseholder at 7, 14, or 21 years.	150	120	2 15	2 10	0 5	2 15	2 15	Nil
B. Sub-lessee for 78 years, after holding for 10 years, grants a term of 7, 14, or 21 years.	120	80	2 10	0 10	2 0	2 15	2 15	Nil
C. Builder after 2 years grants a sub-lease for 78 years.	80	10	0 10	0 10	Nil	2 15	2 15	Nil
D. Building Estate Company after holding for 5 years grants a lease for 80 years.	10	Peppercorn	0 10	Nil	0 10	2 15	Nil	2 15
E. Freeholder granting a lease for 99 years with or without a fine.	Peppercorn.	Nil	Nil	Nil	Nil	Nil	Nil	Nil

NOTE.—It is assumed that this site is part of a large estate belonging to the same freeholder, and that he lets it to a building estate company who develop the property by the formation of roads, sewers, &c. It will be seen from the figures that the builder C, who takes an 80 years' building lease from the company, fails to obtain a profit in the nature of site value, the rent at which he sub-leases being only sufficient to pay the interest on his outlay plus ground rent. The sub-lessee B, after ten years' waiting, gets the benefit of a great rise in rent (from 80*l.* to 120*l.*), although no addition is made to the building. This is evidently land value. A (leaseholder for 7, 14, or 21 years) makes an apparent profit of 30*l.*, but of this 25*l.* represents his average annual expenditure for repairs, as shown by the difference between the gross and rateable assessments, leaving him a net profit rental of 5*l.* per annum.

(11.)

48. REGENT STREET.

Premises assessed at 300% gross—250% rateable.

Correct figures would be 432% gross—360% rateable.

Rateable value A	-	-	-	-	-	£360
Site value B	-	-	-	-	-	200
Balance C	-	-	-	-	-	£160

Interest.	Rent.		Site Value Rate.			Land Value Rate as proposed in Mr. Dalziel's Bill.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Lessee for 21 years from 1864.	£ 543	£ 255	£ s. 10 0	£ s. 4 15	£ s. 5 5	£ s. 10 0	£ s. 10 0	£ Nil
B. Building lessee for 99 years from 1820.	255	45	4 15	2 5	2 10	10 0	10 0	Nil
C. Freeholder	45	Nil	2 5	Nil	2 5	10 0	Nil	10

NOTE.—B and his predecessors held an ordinary building lease and erected the building. During the 44 years prior to the date of A's lease the rent obtained was, no doubt, less than 255%. The letting to A, after allowing a fair interest on outlay, represented a profit to B of 50% per annum in the nature of land value. A subdivided the shop, and let out the three subdivisions and the upper floors to separate tenants. Out of the gross rents he received (543%), he provided for the expenses of cleaning, caretaker, water, repairs, and tenants' rates and taxes. 183% was an ample allowance for these expenses and interest on his outlay, and left him with a net rental of 360% (being the correct rateable value taken), or a profit of 105% per annum in the nature of site value.

(12.)

No. 6, TICHBORNE STREET.

(Now demolished.)

Premises assessed at 300% gross—250% rateable.

Rateable value A	-	-	-	-	-	£250
Site value B	-	-	-	-	-	130
Balance C	-	-	-	-	-	£120

Interest.	Rent.		Site Value Rate.			Land Value Rate as proposed in Mr. Dalziel's Bill.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupying lessee, 7 years from 1866 (Ladyday).	£ s. —	£ s. 250 0	£ s. d. 6 10 0	£ s. d. 6 10 0	£ s. d. Nil	£ s. 6 10	£ s. 6 10	£ s. Nil
B. Lessee, 20½ years from 1866 (Ladyday).	250 0	163 0	6 10 0	2 3 0	4 7 0	6 10	6 10	Nil
C. Lessee, 21 years from 1865 (Christmas).	163 0	140 0	2 3 0	1 0 0	1 3 0	6 10	6 10	Nil
D. Building lessee, 72 years from 1843.	140 0	17 10	1 0 0	0 17 6	0 2 6	6 10	6 10	Nil
E. Freeholder	17 10	Nil	0 17 6	Nil	0 17 6	6 10	Nil	6 10

NOTE.—The freeholder originally leased the site of which this formed a part for 70% per annum. The building lessee D erected 4 houses upon it, and one-fourth of the ground rent (17% 10s.) was apportioned upon No. 6. In leasing to C, D obtained only 2% 10s. profit rental (or land value) beyond the interest on his outlay; but he also received a premium of 150%. A speculator, B, then succeeded in getting from C a lease for his full term at 163% (for which he paid a premium of 500%), while at the same time he sub-leased to A for 7 years at 250%, receiving a premium of 100%. Thus for a net payment of 400%, B obtained a net income of 87% per annum for 20½ years, with the prospect of an increase after the first 7 years, all of which was in effect a speculative profit by the increment of site value.

(13.)

No. 42, STAR CORNER.

(Now demolished.)

Premises assessed at 42% gross—35% rateable.

Rateable value A	-	-	-	-	-	£35
Site value B	-	-	-	-	-	8
Balance C	-	-	-	-	-	£27

Interest.	Rent.		Site Value Rate.			Land Value Rate as proposed in Mr. Dalziel's Bill.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupying lessee, 6½ years less 21 days from 1882.	£ —	£ 39	s. 8	s. 8	s. Nil	s. 8	s. 8	s. Nil
B. Lessee, 38½ years, less 7 days from 1850.	39	4	8	4	4	8	8	Nil
C. Building lessee, 61 years from 1828.	4	4	4	4	Nil	8	8	Nil
D. Freeholder	4	Nil	4	Nil	4	8	Nil	8

NOTE.—The property was part of a larger holding included in the building lease granted by D to C. After the erection of the building, C, in 1850, probably in order to obtain ready money, sold a sub-lease of No. 42, Star corner, to B, for practically the remainder of his term at the same ground rent as he paid, retaining the rest of the holding. B afterwards sub-leased to A at a rack rent in the ordinary way.

(14.)

No. 327, UPPER STREET.

(Now demolished.)

Premises assessed at 30% gross—24% rateable.

Rateable value A	-	-	-	-	-	£24
Site value B	-	-	-	-	-	8
Balance C	-	-	-	-	-	£16

Interest.	Rent.		Site Value Rate.			Land Value Rate as proposed in Mr. Dalziel's Bill.		
	Received.	Paid.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.	Gross Amount paid or allowed.	Amount deducted from Rent.	Net Payment.
A. Occupier, 5 years' agreement.	£ —	£ 30	s. 8	s. 8	s. Nil	s. 8	s. 8	s. Nil
B. Lessee, 21 years	30	14	8	6	2	8	8	Nil
C. Building lease, 69 years.	14	Peppercorn.	6	Nil	6	8	Nil	8
D. Freeholder	Peppercorn.	Nil	Nil	Nil	Nil	Nil	Nil	Nil

NOTE.—This is an exceptional case added to show how the ordinary rules of deduction would affect a case where structural additions had been made to the original building at a later date. This also was part of a larger take, and in apportioning the ground rents only a peppercorn was left chargeable to this property. The premises originally comprised ground floor (shop) only, and were no doubt sub-leased to B at a fair rent (14%). B, however, having 21 years' term, added another floor and let to A at 30%; thus getting 24% net after allowing for repairs. Of this 8% may be taken to represent interest on B's outlay, leaving him a profit of 2% per annum beyond in the nature of site value. The exact application of the rules for deduction of the site value rate would here inflict hardship, and it is therefore assumed that in the case of B, C, and D the 8% would be deducted from the balance C before applying the rules, under a suitable by-law, framed (under resolution vii. and ix.) for the guidance of the assessing authority.

(e) TAXATION OF GROUND VALUES.

Memorandum prepared for the Commission by Mr. (now Lord Justice) J. Fletcher Moulton, Q.C., M.P. [See *MINUTES OF EVIDENCE, QUESTIONS 22, 863-23, 160.*]

1. It is, I understand, upon the special question of the taxation of ground values, and not on the general question of local taxation, that the Commission desire to hear my views. I shall, therefore, confine myself to this.

2. The growth of the value of lands in towns is due to the presence of the population creating an increased demand. But the land can only be used for this purpose provided that large expenditure is continuously made in order to render the accumulation of population possible. Draining, lighting, paving, &c., are as necessary for the occupation of land as town land, as is tilling for obtaining a harvest. This expenditure is at the present time undertaken by the municipality, and this municipal expenditure is a necessary condition of the growth and maintenance of the value of town sites.

Value of land in towns due to presence of community, but certain expenditure is necessary.

3. This fact is, no doubt, recognised to some extent by the universal practice of raising a large portion of the funds for municipal expenditure in England by means of rates on the land property in the town, though this custom has of late years been somewhat weakened by the growth of grants-in-aid from the Central Government. These rates leave the owners of town sites in the possession of very much the greater part of the increase in value of the land due to municipal expenditure; and if the rates were considerably increased, this would still be the case. But there is a great opposition to increase of rates, due, I believe, to the erroneous system on which they are levied, which causes them to press unequally and inequitably on those who have to bear them.

Owners of town sites obtain the greater part of the increase in value due to municipal expenditure.

4. At the root of this evil is the state of the law which permits people to make valid contracts among themselves as to the person who is to pay rates. So long as this is permitted it will be impossible for the Legislature to remedy the evils that exist in this form of taxation, for it cannot fix with certainty the incidence of any taxes of this type that are imposed. Existing contracts may turn a fairly apportioned tax into an unfair one, and the force of existing social customs, combined with our laws of property, make it impossible to prevent this injustice being continued by future contracts. The Legislature has already recognised the need of such precautions in the case of income tax and landlord's property tax, and there cannot be any permanent reform in rating unless a similar principle be there adopted. Under present circumstances rates are levied in proportion to the whole value of the property, but they are usually paid by those who only possess a portion, and often a very small portion, of the property. The more valuable interests in the bulk of the landed property in towns are protected by these contracts from any demands that the municipality may find itself obliged to make to meet the public wants, so that any increased call puts a burden on the ratepayers, which bears no proportion to the value of the interests which they hold. This must be so as long as our contracts of tenancy are such that the rates are paid by those who pay the rents and not by those who receive them.

Contracting out of the liability to pay rates should not be permitted.

5. But if this evil were remedied the system of rating would be unfair and oppressive, in my opinion, because the rate is levied upon the total rent of the land and the buildings upon it, without distinguishing between the return due to the value of the land and that due to the value of the buildings upon it. Yet these two forms of property are widely different in their nature, origin, and incidents. The value of the building is due to the direct expenditure of capital in its erection, and it is a property which necessarily requires expenditure to keep it up, and which has only a certain life. The land, on the other hand, acquires its value mainly from the communal expenditure, and this value is independent of the direct expenditure of the owner of the land. It remains when the buildings have to be removed, and it partakes of all the improvements that are made in the neighbourhood, while those very improvements may be fatal to the continued value of the building by rendering it unsuitable to the locality.

Equal rates upon lands and buildings are unfair and oppressive. The two forms of property are different in nature, origin, and incidents.

Taxes upon buildings have the effect of bringing into existence a poorer class of houses than would otherwise be built.

6. This greater permanence in the value of town lands as contrasted with buildings shows itself in the much larger ratio that its capital value bears to its annual return than is the case with buildings. The one is a 30 years' investment, while the other is much less. Hence, a tax on the annual return of the two at an equal rate taxes buildings at a far heavier rate in proportion to their capital value than it taxes land. This is both unfair and impolitic. The land reaps permanent benefit of the communal expenditure, and owes its value to it, but the buildings have been created at great risk and expenditure. Moreover, a tax upon buildings proportionate to their value necessitates that the rent of buildings should represent a high rate per cent. on their cost. In other words, it drives people to take (and therefore drives builders to build) poorer houses. Taxation on the land has no such effect.

Valuation of sites creates no difficulties.

7. It is often stated in answer to the contention that land should be separately taxed that it is impossible to separate the value of the land from that of the buildings upon it. In my opinion there is no substance in this. In my experience I have always found surveyors able and ready to value land in towns by itself, and in many cases they prefer to value it in this way. I am certain that no difficulty would be found in carrying out this method of apportioning taxation if it were adopted.

Site value rate should be higher than rate on buildings, and should be collected from the tenant with an appropriate system of deduction.

8. The valuation of any landed property in a town would then be made in two items, and the rate upon the return from the land would be higher than that from the building. The tenant would pay the ground tax and deduct it from his rent to his immediate landlord, and he would do the same to his superior landlord, provided that the rent he paid to him was greater than the estimated annual ground value. If it were not he would only deduct from his rent the tax upon the amount paid at the rate fixed for the ground tax. In this way the tax would actually be borne each year by those who received the ground values in that year, and each pound so received would bear the tax upon it. No divorce between revenue and contribution would be possible.

Unoccupied land in towns. A tax upon such land would be just and beneficial.

9. In the case of unoccupied land in towns, I am of opinion that this taxation would be both just and beneficial. On examination it will be found that the land is held in that state because a higher price is sought than can be obtained at the time. But for that it would be sold. This price is sure to be a town-site price, and the owner is being assisted to obtain it by the communal expenditure, and ought to contribute to it in proportion to the value of the property. This supposes the case to be one in which the land is not deliberately kept vacant, or only put to small and temporary use, because the owner wishes ultimately to dispose of it at an enhanced price due to the growth of the town during the intervening period. But the latter is a common case, and it is important to put a check upon it, as it is very injurious to the public welfare.

Site value rate. Any increase in the taxation of land should be imposed without regard to existing contracts.

10. So far as the tax would constitute an increase of taxation, it would be proper, in my opinion, for Parliament to authorise it to be imposed on all land in towns whatever be the condition of its present holding. But so far as it is covered by existing rates, which are the subject of contracts which are at present permitted, it would be just to take these into consideration before carrying out in its entirety the division of taxation to which these considerations relate.

IV.

PRACTICABILITY OF LAND VALUE VALUATION.

**SELECT COMMITTEE ON THE LAND VALUES,
TAXATION, &c. (SCOTLAND), BILL, 1906.**

IV.

Practicability of Land Value Valuation.

EXTRACT FROM THE REPORT OF THE SELECT COMMITTEE ON THE
LAND VALUES TAXATION, &c. (SCOTLAND), BILL, 1906.

PRACTICABILITY OF LAND VALUE VALUATIONS.

The system of valuing the land apart from the buildings and improvements on it has already been in operation for some years for purposes of land value taxation, with excellent results, in New Zealand and in several of the Australian Colonies (Parliamentary Papers, Cd. 3191, 1906).

Your Committee would point out that to some extent the Legislature has already provided for the differentiation of land from the improvements on it. Thus, for instance, in Section 6 of the Crofters Holdings (Scotland) Act, 1886, it is stated that, in determining what is a fair rent for a crofter's holding, the Commission is to allow for the value of any unexhausted improvements made by him or his predecessors in the same family. The provisions for compensation for unexhausted improvements under that Act, under the Agricultural Holdings Act, and under various other measures involve the same principle. Nor has the application of it been limited to country districts. The valuation of urban land, apart from the buildings upon it, has been specially provided for in the "betterment" sections of the Manchester Corporation Act, 1894, the London County Council (Tower Bridge Southern Approach) Act, 1895, and the London County Council (Improvements) Act, 1897.

It is, in the opinion of your Committee, undeniable that a considerable expenditure of time and money will be incurred in making the valuation for the first time. This is inevitable. But while the ease with which the valuation can be made has probably been exaggerated by some witnesses, its difficulty has been greatly exaggerated by others. The circumstance that both assessors and land valuers are accustomed to value ground apart from buildings in the ordinary course of their calling seems to have been overlooked. And the lengthy investigation which often results, when a claimant, eager to secure the largest possible amount of compensation for his land, is confronted by a railway company just as eager to pay the smallest possible price, has misled some people into the belief that when it is only a question of the correct figure for a rating standard the same protracted investigation would result. Your Committee do not consider this would be so. The assessor and the ratepayer have not conflicting interests. And expert valuers, if on the same side, have a remarkable faculty for rapid agreement as to the selling price of land. It may be that at first appeals would be numerous; and it might be desirable to make certain changes on the appellate court. This, however, is a question on which no evidence was given, and regarding which, therefore, your Committee offer no opinion. That the assessors would, in many instances, require expert aid to enable them satisfactorily to deal with the ratepayers' returns seems certain. But as the amount and character of the aid required would vary in different burghs, depending, not only on the number and character of the returns, but also on the skill and experience of the assessor, your Committee consider that the question of additional assistance ought to be left to the discretion of each local authority.

Your Committee has considered with much care the method of valuation which ought to be followed. The proposal contained in the Bill referred to your Committee was that the yearly value of a site is to be arrived at by taking 4 per cent. upon the sum which the proprietor may fix as the price which a willing buyer would give to a willing seller of the site in the year when the valuation is made. This mode of valuation frankly recognises that the price of the site is a matter of opinion. It offers no rules for the guidance of the valuator, although it states with perfect accuracy, and

in the usual terms, the test to be applied—what would a man who was willing to buy give to a man who was ready to sell? Now it was said by some witnesses that specific rules must necessarily be laid down to secure justice and uniformity in result. No specific rules or directions were suggested in the evidence, which was mainly confined (on this head) to an elucidation of the inequitable, and, in some instances, absurd consequences which would flow from following any one method uniformly and rigidly. Thus to adopt in all instances the method, useful enough in some, of deducting from the total value the cost of the buildings and then taking the sum left as the value of the land it was shown might, and would, lead to very anomalous results. This cannot be doubted. For a dear and ornate building may not always yield so high a rental as a cheap and plain edifice. And the cost of a building is not always a reliable test of the rental it will fetch. The method in question must, it is plain, be applied with caution, and with a due regard to the suitability of the buildings for the particular site on which they rest, their age, condition and environment. All this is, however, familiar to the intelligent valuator; and on the whole your Committee come to the conclusion that to lay down specific rules for valuation which, of course, must be generally applicable if they are to be useful, would probably give rise to the very difficulties which is the most desirable to obviate. In coming to this conclusion your Committee were much aided by the consideration that the present system works admirably although no definite guidance to valuation is afforded by the Statute. If there be no actual rent paid then the assessor has, in his own way, to determine at what rent the land and buildings might reasonably be expected to let. He must apply his judgment and experience to that question just as, under this Bill, he is to consider and decide at what price the land might reasonably be expected to sell. In most instances it will probably be found that the one problem is as easy or as difficult as the other.

It appeared, however, in the course of the evidence, that a very wide difference of opinion existed upon an important question of principle relative to land valuation. Land in burghs is not infrequently held subject to restrictions of various kinds expressed in the titles. And the question at once emerges ought regard to be had to these restrictions in making the valuations, or ought the ground to be valued as if it were restricted? Your Committee consider that, in making the valuation, regard must be paid to every restriction validly imposed on the ground and legally binding at the date of the valuation. It is not to be forgotten that the restrictions usually found in the title-deeds of property in Scotland are such that, although they may sometimes diminish its selling value, nevertheless they materially conduce to the amenity of the district and the health of the community. Such restrictions seldom benefit the owner *quâ* owner, although they may enhance the value of neighbouring land, the valuation of which will be accordingly increased, and the rating correspondingly heightened. Your Committee, therefore, reject the view that restrictions validly imposed on land, even if they tend to diminish its selling value, should either be disregarded, or separately valued and a rate imposed in respect of this value, on the person maintaining the restriction. If, therefore, a valuation such as your Committee recommend be made, regard should be paid to restrictions validly imposed upon the land.

But, further, it has been brought under the notice of your Committee that in some instances exceptional and substantial expenditure has been incurred in preparing a site for building. As it originally stood the site was, on account of unevenness of surface, slope, or it may be the character of the soil, unfit for building operations. But judicious expenditure has rendered it suitable. In such a case if the owner can satisfactorily prove the amount of the expenditure your Committee consider that allowance ought to be made for it, at all events if it has been incurred within, say, twenty years of the date of the valuation. To make such an allowance would, in the opinion of your Committee, be in strict conformity with the principles of the Bill, which aims at relieving all owners of rating based on industrial expenditure. These observations apply with exceptional force to land which has been reclaimed from the sea.

A clause of exemptions such as is contained in the Bill your Committee consider sufficiently comprehensive. The objection urged that pleasure-grounds, gardens, and open spaces in burghs would be valued as tenement ground in some cases is met by the recommendation that valid restrictions imposed on the land be regarded in making the valuation. But that discretionary powers should be given to the local authorities to

exempt totally or partially from local rating any gardens or open spaces in private hands which in their opinion are beneficial to the community. And so, probably, is the claim that railways, canals, piers, docks, and harbours should be excluded. But if this be doubtful, your Committee are of opinion that the special basis on which these undertakings are now valued for rating purposes ought not to be disturbed. The land occupied by them is in truth *extra commercium*.

The question whether, if the yearly value of land without buildings is chosen as the standard of rating, superiors or owners of existing feu duties ought to contribute to the rates in respect of their share of that yearly value has been the subject of the keenest controversy. There can be no doubt that when the Bill received a second reading, it was expressly stated by a Member of the Government that existing contracts would be untouched, and that Clause 7 would be struck out in Committee. It is impossible for your Committee to say to what extent votes were affected by this declaration. As your Committee have come to the conclusion that the Bill ought not to be further proceeded with, it becomes immaterial what view is taken upon this subject; but as the inclusion or exclusion of owners of feu duties from such a measure as this is a matter of the highest importance, and as much valuable evidence was given upon it, your Committee think it desirable to express the conclusions at which they have arrived thereon. The exclusion of those who draw feu duties from the category of ratepayers is maintained on various grounds. It is said that they are simply out and out sellers of the land who have lent the purchase price to the buyer and continue to draw interest upon it in the form of feu duty. They are thus mere creditors of the owner, and are not themselves owners. It is said, further, that the owners of feu duties, whether the original granters of the feu, or purchasers at a full price of the right to the feu duties, have made a contract under which they are absolutely entitled to payment of a fixed yearly sum, subject to no diminution, and that they have bargained with the feuar that he shall not only pay that fixed sum, but shall also bear the burden of all rates that may be imposed in respect of the yearly value of the property. Exemption from rating under the proposed new standard is, therefore, sought, first, on the ground that the superior is not an owner but merely a creditor of the owner; and, second, on the ground that he has made a firm contract by which he has secured release from all local burdens.

Your Committee has given the most anxious consideration to the case thus presented, for the exemption of superiors and owners of feu duties. It is impossible, in the opinion of your Committee, to accede to the claim. The legal relation between superior and vassal, and their relative rights in the land are familiar and well ascertained in the law of Scotland. When a superior feus land he is not truly divested of the lands contained in the grant. His right in the land continues unimpaired, except in so far as the grant conveys what is called the *dominium utile* or property to the feuar. The effect of the feu contract is to disintegrate the right or *jus domini*, and to partition it so that part remains with the superior, and part goes to the grantee. In all questions with third parties the granter's infestment, as it is called, still subsists, notwithstanding the grant made to the feuar, and his heir is entitled to be vested not in the superiority merely but in the lands themselves. And whether the vassal interferes or not, the superior is entitled to challenge encroachments on the feu. In short, after granting the feu the superior can exercise all acts of proprietorship against everybody except the vassal and those deriving right from him. In every definition or description given by the institutional writers in the law of Scotland of the term "feu," it is carefully stated that, after the grant of lands has been made, the radical right in the lands still remains to the grantor of the feu. The estate in the land, which was undivided before the grant, becomes a joint estate after the grant. And this is still an inherent principle in the Scots system of land rights. A prohibition against the alienation of land is not in the law of Scotland violated by a grant of feu. Your Committee find it impossible, therefore, to accept the view that the superior is not an owner of land, but is a mere creditor of the owner, with a security over the land. He is, in fact, the owner of an interest in the land, and his title, which is, indeed, a title *ex facie* to the land itself, is such as to enable him to prescribe, by the requisite possession, the full right of complete ownership.

It is, in the opinion of your Committee, equally clearly established that the feu duty, which is the annual return from the vassal to the superior, is truly a rent for the land. And the superior's right to the feu duty is preferable to the vassal's right to the lands. In the words of a well-known writer of authority in this branch of the law of Scotland]

“the superior, having a real legal estate in the lands; having, in fact, the right to the lands and to eject the vassal if he does not fulfil the condition by paying the feu duty, the feu duty is a real and preferable burden on the lands—a *debitum fundi*. It is part of the reserved estate in which the superior stands infest; and the superior's claim for payment of the feu duty is ranked as a burden on the feu, in preference to the claim of any third party upon the feu made through the vassal.” (Bell's “Lectures on Conveyancing,” page 634.) If this be sound law, as your Committee believes it to be, then it is impossible to regard the feu-duty in any other sense than as the rent of land just as the superior must be regarded as the owner of land.

In the evidence given before your Committee it was, however, strenuously maintained that to compel those drawing feu duties to make a contribution to rates in respect of the amount so drawn was to violate existing contracts. And although no witness was able to explain what, in the present connection, he meant by that phrase, your Committee understand that it was intended to convey that feuars had become expressly bound to pay all public burdens present and future which might be laid upon the lands. It would be contrary to this bargain, is the suggestion, to permit a feuar to pass part of his own burden on to the shoulders of the superior. Now, it may or it may not be true that, by the Common Law of Scotland, the superior is bound to bear his share of public burdens imposed on the feuar in the proportion which the feu duty bears to the yearly value of the land and buildings. Your Committee offer no opinion upon this question. But this, at all events, is certain—that a clause by which the feuar binds himself to relieve the superior of public burdens present and future is not of unlimited application. It is in law confined to burdens the same in nature and in incidence as those in existence at the date of the contract, and which are, therefore, held to have been a contemplation of the parties at the date of the feu contract. Such a clause affords no relief from burdens created for the first time by supervenient laws. Novelty sufficient to take a public burden out of a clause of relief may arise in either of two ways.—“There may be a burden existing at the date of the contract; and subsequently the incidence of that burden may be so altered that, although the burden *in specie* remains the same, the same in name and the same in application, still a change subsequently made by law in the incidence of the burden may be such that it becomes, with reference to a contract of this kind, a new burden, and is no longer covered by the contract. Or, on the other hand, the incidence of the burden may remain the same, and yet the application of the burden may be so entirely different that the burden will become, although the same in name, yet a different burden *in specie*, and no longer covered by the contract.” (Lord Chancellor Cairns in *Dunbar's Trs.*, 3 Ap. cases, 1305.) A burden, imposed by a supervening law, raised on a different subject, and on a different principle from any sanctioned by law at the date of the contract, falls outside the ordinary clause of relief. If, then, a new burden be imposed, or if the incidence of an existing burden be altered, by laws enacted after the date of the obligation, the clause of relief is, in law, inoperative, so far as that burden is concerned. Now, an assessment on the basis of the yearly value of land, apart from buildings, and levied from the owners of land, including the owners of feu duties would, in the opinion of your Committee, be a new burden differing materially in its character and incidence from any existing burden on land just as an assessment for the support of roads in a country levied on real rent is a burden, different in character and incidence, from an assessment to be devoted to the same purpose but levied on the valued rent. No contract now extant, so far as the evidence laid before your Committee goes, refers to such a burden or contemplates its imposition. Existing contracts would, therefore, be left untouched if the new standard of rating were applied in the case of owners of feu duties created prior to the date when the enactment first takes effect. It is worthy of notice that in the Scotch Valuation Act provision is made for long leaseholders deducting from their rent the proportion of owner's rates applicable to the amount of the rent. If for “lessee” feuar be read, for “actual proprietor” superior, and for “rent” feu duty, then the law at present in force, as contained in the sixth clause of the Scotch Valuation Act, is almost identical with the provisions contained in Clause 7 of the Bill.

The conclusion arrived at by your Committee, that a superior is the owner of lands, that feu duty is truly the rent of land, and that the proposed burden is new in character and incidence, would be sufficient to warrant the inclusion of existing feu duties in the new rating standard proposed to be set up. But on more general grounds the same result is reached. To the extent of the feu duty the vassal is not himself in receipt of the full return from the lands. To the extent of the feu duty the

superior shares with the vassal the yearly return from the lands. If so, on what stateable grounds can the feuar be asked to pay rates in respect of the full yearly return from the land—a return which he does not and cannot receive? As between a feuar after, and a feuar before the measure comes into force, the result of excluding existing feu contracts would be most inequitable. The one would, and the other would not, be in a position to claim relief from the new rate in respect of the amount of his feu duty. No reasonable ground exists for such inequality of treatment. Nor has the proposal to rate a superior on a feu duty which he may receive, but has not yet received, and to free him from rating on a feu duty of which he is in actual receipt, anything at all to recommend it.

A considerable body of evidence was laid before your Committee directed to show that feu duties were a trust investment much in favour in Scotland, and that testamentary and charitable trusts, insurance companies, and many public bodies held feu duties to a large extent as an investment of their funds. It was pointed out, as is the fact, that the holders of these feu duties did not to any extent participate in any rise of values in the land from which they were drawn. And on both grounds it was urged that the owners of feu duties now existing ought not as such to be included in the list of ratepayers. Your Committee cannot accede to this view. If feu duties are, as seems certain, rent of land, and their drawers owners of rights in land—as seems equally certain, there is no more reason why owners of feu duties should be exempt than owners of the full right of property in the land. The maintenance of the security depends on the presence and expenditure of the community, and hence those who benefit ought to contribute to that expenditure. The hardship to people of slender income is mitigated by the circumstance that they will derive some benefit from the lightening of their rates as occupants; and in extreme cases total or partial remission of rates may be secured by application to the rating authority. After all it must not be forgotten that probably more widows and orphans own house property than those who own feu duties, and it is not proposed to exempt them as such if the new rating standard is adopted.

Your Committee desires to place on record its strong opinion that, although the question discussed in the immediately preceding paragraphs is of great interest and importance, there is another aspect of the subject, the importance of which is not always adequately appreciated. The desirability of taking land as the basis of valuation does not depend solely upon the question of the allocation of the burden between parties. The most valuable economic advantages of this reform follow from the change of the basis of rating. We have already referred to the nature of these advantages, which may be thus summarised:—

First.—Houses and other improvements would be relieved from the burden of rating. This would encourage building, and facilitate industrial developments.

Secondly.—As regards the large towns, it would enable land in the outskirts to become ripe for building sooner than at present, and would thus tend very materially to assist the solution of the Housing problem. It would also have a similar effect in regard to Housing in rural districts.

In our opinion these advantages depend upon the alteration of the basing of rating, and are not dependent upon the question as to what proportion ought to be contributed by the various persons interested in the property. Without seeking to minimise the importance of that question, we think it right to point out that the Taxation of Land Values is advocated equally strongly, by persons who take different views upon this aspect of the question.

The views which your Committee have expressed on the main proposals of the Bill render it unnecessary to deal with many topics dwelt upon in the evidence. It was, e.g., predicted that the inclusion of existing feu duties in the new rating standard would stop feuing. This seems very unlikely. For if feuing be, as your Committee were informed, the favourite method of giving out building land, then superiors will be compelled to feu under the penalty of having their land which, your Committee were informed, was at present a drug on the market, left on their hands. If there came a material fall in rents probably most of this unlet property would be in occupancy

again, for no one denies the existence of overcrowding in all our great centres of population. The proved substantial rise in land values within comparatively recent years in certain parts both of Edinburgh, Glasgow, and Aberdeen, although accompanied by a substantial fall in other parts of these cities, does not seem to your Committee to affect in any way the principle and method of the Bill. The soundness of a standard of rating cannot depend on the mere rise or fall of the value of the standard.

Your Committee have had laid before them information regarding the valuation of land apart from improvements in New York, Australia, and New Zealand; but this information has yielded no material aid in reaching the conclusions at which they have arrived. In 1903, a measure was passed by which land alone was directed to be valued in New York City. The statutory direction for this valuation was expressed thus: "The sum for which, in the judgment of the officer making the valuation, each separately assessed parcel of real estate under ordinary circumstances would sell if it were wholly unimproved." It will be observed that this direction is expressed in terms at least as general as those contained in the Bill. Yet the valuation has been made without, apparently, any difficulty being experienced, due to the absence of more specific instructions. But, without a much more minute knowledge of the local conditions than your Committee possess, they consider that no reliable inference as regards the Scots burghs can be drawn from the New York experiment, although it certainly negatives the idea that a valuation of land apart from buildings is impracticable. In the city of New York the thing has been done. It must, however, be observed that no assessment has as yet been made there in respect of the yearly value of land apart from the improvements thereon. In South Australia since the year 1885 unimproved land has been valued and an assessment made in respect of that value. But the tax, which has from time to time varied in amount, has been levied for State and not for municipal purposes. Since 1893 municipalities have been empowered to adopt the unimproved value of land as a basis for local rating; but no Corporation has yet availed itself of the power. The difficulties experienced at the outset in setting up the new standard are graphically described in the Tax Commissioner's Report of 28th October, 1885. The valuation of land apart from improvements on it has actually been made, and with no further direction to the valuator than to find out "the actual value of the land less the value of all improvements, if any, on such land," or, to put it shortly, the amount for which the land would sell without visible improvements. In New South Wales there has been for about ten years past a valuation of land apart from improvements, and this has been chosen as a standard for a State tax of 1*d.* in the £. But this valuation has not hitherto been availed of as a standard for municipal rating. By very recent legislation provision has been made for a municipal land tax on the basis of land values; but the effect of it will not for some time be known. In New Zealand since 1893 the value of land, excluding improvements, has been adopted as a standard for a State tax. And in 1896 municipalities were empowered to adopt this standard for local rating, if a majority of the ratepayers at a poll taken for the purpose favoured its adoption. During the ten years which followed the passing of the Act seventy-five polls were taken for the purpose of adopting the system of rating on the unimproved value. In sixty-three cases the proposal was carried. It was rejected in twelve. There are 113 burghs in New Zealand. Of these, forty-three rate on the "unimproved" value. Of the four chief cities in New Zealand, Auckland, Wellington, Christchurch and Dunedin, two, Wellington and Christchurch, rate on unimproved value. In no instance where the system of rating on unimproved value has been carried have the ratepayers ever reverted to the former system; and the conclusion reached by the Commissioner of Taxes, as the result of personal observation and enquiry is that the exemption of all improvements in fixing the rating standard has to a large extent contributed to the solid prosperity of the Colony. The valuation of ground, apart from buildings, has been made, and apparently without serious difficulty. Nor has any more specific guidance been given to the valuer than this—to fix to the best of his ability the price which the owner would get for his land, without improvement, "if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to require." So far, then, as the information relative to the adoption of this new rating standard in the Colonies goes, it seems to show that to set up this standard is practicable; that no more specific directions for valuing are required than this Bill contains, and that wherever the new standard has been adopted, it has never proved unsatisfactory.

Your Committee will now proceed to summarise the conclusions at which they have arrived. They consider that the new standard of rating, based upon the yearly value of land, apart from the buildings and improvements upon it, is sound, and would prove advantageous, that to set it up, by estimating the value of land apart from buildings, is practicable; that in making the valuation regard must be had to all restrictions validly imposed on the land, and to recent expenditure in preparing it for use; that exemptions such as are proposed in clause 6 of the Bill are proper, but that to these exemptions ought to be added railways, canals, docks, piers, and harbours; that, so far as both occupiers and owners are concerned, the new standard of rating should be substituted for the present standard, and that within the category of owners ought to be included owners of feu duties whensoever created. Your Committee therefore agree to the following.

RECOMMENDATIONS.

I. That the Bill referred to the Committee be not further proceeded with.

II. That a measure be introduced making provision for a valuation being made of land in the burghs and counties of Scotland apart from the buildings and improvements upon it, and that no assessment be determined upon until the amount of that valuation is known and considered.

13 December, 1906.

v.

DIVISION OF RATES BETWEEN OCCUPIERS
AND OWNERS.

SELECT COMMITTEE ON TOWN HOLDINGS.

V.

Select Committee on Town Holdings.

DIVISION OF RATES BETWEEN OCCUPIERS AND OWNERS.

[NOTE.—The Committee was re-appointed on 25th February, 1892, to inquire into that portion of the Original Reference to the Committee which the Committee was precluded by want of time from reporting on last Session, namely, “into the Question of imposing a direct Assessment on the Owners of Ground Rents, and on the Owners of increased Values imparted to Land by Building Operations or other Improvements.”]

Committee nominated of—

Mr. Tyssen Amherst.	Mr. Lewis Fry.
Mr. Gerald Balfour.	Mr. Seale-Hayne.
Mr. Baumann.	Mr. Knowles.
Mr. Beadel.	Mr. Lawson.
Mr. Buchanan.	Sir William Marriott.
Mr. Channing.	Colonel Nolan.
Mr. Cameron Corbett.	Sir Charles Pearson.
Mr. Crilly.	Mr. Randell.
Sir John Ellis.	Mr. James Rowlands.
Mr. Elton.	Mr. Mark Stewart.
Mr. Esslemont.	Mr. Powell-Williams.
Mr. Munro Ferguson.	

The Committee decided against imposing a direct tax on the owners of ground rents and on the owners of increased values, but recommended—

- (1) That under all future contracts local rates shall (except in Scotland) be equally divided between occupiers and owners, and that each owner should have the right of making a proportionate deduction from his superior owner (the owners of ground rents and chief and fee-farm rents included). In Scotland, where a portion of the rates already falls upon house-owners, they should have the right of a proportionate deduction in respect thereof, as against their superiors. Contracts interfering with these rights should be void.
- (2) That all existing contracts should be exempted from the operation of any measure for carrying the above proposal into effect.

* That part of the Committee's report dealing with the foregoing recommendations (which were the only two recommendations the Committee made) is appended herewith.]

DIVISION OF RATES BETWEEN OCCUPIERS AND OWNERS.

The plan of dividing the rates between occupiers and owners has been before the public for a considerable time. It was proposed by Mr. Goschen in his Draft Report submitted to the Committee in 1870, before referred to, and was recommended by the resolutions which constituted the Report of that Committee to the House. It was the principle of Professor Thorold Rogers' motion in the House of Commons in 1886, which was carried by a majority of 40. The plan, as proposed to us, is that the occupier should be entitled to deduct from the rent he pays to his immediate landlord one-half of the rates, and that intermediate leaseholders should be entitled to make proportionate deductions from the rents paid by them, as in the case of Income Tax. Wherever the rent paid is equal to or greater than the rateable value the deduction would be of half the sum actually paid in respect of all local rates, but where the rent is less than the rateable value the deduction would be at a rate in the £ equal to one-half of the sum in the £ which the occupier or lessee pays in respect of such rates. Any contract by which the occupier or lessee would be deprived of this right of deduction would be declared absolutely void.

GOSCHEN'S REPORT.

ROGERS' MOTION.

Rogers(90), 2645.
Farrer (90), 1270, 1375.
Costelloe (90), 4627, 4662.

Farrer (90),
1632.
1272-3.
Costelloe
(90), 4628.
Rogers(90),
2933-4.

As regards the proportion of the rates to be payable by owners, no very distinct reason has been given for the adoption of one half. This division was recommended by Mr. Goschen in his Draft Report, but the Committee in their resolution did not fix any proportion. It was also recommended by many witnesses before this Committee, and if the scheme be adopted we cannot suggest any better plan than that of equal division.

WIDE
OPERATION
OF
PROPOSAL.

It is clear, as before pointed out, that the proposal in question for the division of rates between the occupier and the owners of all superior interests involves a change of much wider operation than the mere assessment of ground rents and ground values. In such a general change many important questions would have to be considered (such as that of the representation of owners) which we have not thought it necessary to discuss.

A provision of importance in the proposal would be the collection of various local imposts in one demand note, a plan which would greatly facilitate the process of deduction as between the various owners.

EFFECTS.

The change proposed would not benefit the large number (who are probably the majority) of occupiers who do not directly pay rates, and, as regards many other cases (especially those of short tenancies), it would be in the power of the persons receiving the rent to re-impose, at least a large portion of the deduction made from the payment to them, in the shape of an increase of rent on the next readjustment of terms.

We therefore think that the proposed change would not afford to occupiers or lessees' relief to the extent some of its advocates anticipate, and, as before intimated, we do not think it will ultimately have any considerable effect upon the real incidence of local taxation.

ADVAN-
TAGES.

We are, however, of opinion that it possesses some advantages of great practical weight. It will impose a portion of the rates, in the first instance, and ostensibly on the persons who already bear a part of the real burden; it will reduce the importance of the difficult questions arising in connection with the "shifting of taxation," and the still more difficult question how far such doctrine is limited by the various causes known as "economic friction." It is not easy to make the abstract reasonings of economists, however well founded, clear to the minds of the great mass of those who have to pay rates; and, in our opinion, the change would do much to remove the sense of injustice which, whether rightly or wrongly, is no doubt at present very widely entertained, by making it clear that at least some share of the local rates is paid by owners.

OBJEC-
TIONS.

Hyde (91),
1835.

Beken (91)
1122.

Hyde (91),
1840

Sargent
(90),
4413-23.

Much objection has been made to the proposed change on the ground that it would give rise to considerable trouble and friction between the parties, owing to disputes as to the proper amount of deduction, and to difficulties in minute calculations when the rates, as not unfrequently happens, include fractions of a penny in the pound, and possibly vary from one quarter of the year to another.

It is also contended that the change will make ground rents a less attractive investment than at present, owing to the fact that they will be liable to deductions of a fluctuating amount, and to great increase in the trouble and expense of collection. It is said that capitalists will thus be deterred from investing in such property, and capital be driven away from the building trade. On the other hand, it may be observed that the new system will diminish the grievance undoubtedly felt by lessees, and to some extent by occupiers, arising from the increases of taxation not foreseen when they made their bargains, and we are disposed to think that its effect in limiting the flow of capital to building operations is at least exaggerated by its opponents.

Mathews
(88), 1412.
Beken (91),
1122.

As regards the expediency of the scheme on general grounds it is admitted that it would work no injustice in the case of future contracts, as all the parties would enter into them with full knowledge of their liability to bear their proportion of the existing rates, and also of the liability to share the fluctuations of taxation.

RECOM-
MENDATION.

While admitting the weight of some of the objections raised to the proposed new system, we think that on the whole the balance of public advantage is in its favour, and we therefore recommend that under all future contracts half of the rates should be borne by owners in proportion to the several rents they receive in the manner above described, and that the liability to deduction should attach, not only to the receivers of the rack rent, but to the owners of all superior interests, including the owners of freehold and

leasehold ground-rents, and also the owners of chief and fee-farm rents, wherever such superior interests arise under contracts made after the new system is introduced.

Much may no doubt be said in favour of exempting from this change some of the above classes of owners whose interest consists only in a fixed annual sum, and who have no real reversionary interest in the property out of which it issues. But in our judgment it is important that the principle of the new system should, if adopted, be applied with as much uniformity as possible, and, besides, we think no line can in practice be drawn which should satisfactorily divide the different classes of owners. There is an almost infinite variety of reversionary interests, and one class becomes merged in the other by scarcely perceptible gradations.

We consider it essential to the proposed change that it should be compulsory, and that all agreements contrary to it should be void. We agree that it is inexpedient to allow any person to contract himself out of direct liability for any impost which the Legislature thinks fit to place upon him; though it must be admitted that even if our proposal is carried out, the case of the compound householder would continue to form an exception to its principle.

EXISTING CONTRACTS.

It need scarcely be said that a strong protest has been made against altering existing contracts by transferring any portion of the rates from occupier to house-owner, and from the house-owner to the owner of the ground-rent. It is said that the parties have themselves definitely settled by contract made for valuable consideration how the burthen of rates should be borne, and that the amount of rent being dependent upon this and other terms of the contract, it would be unjust to interfere with the stipulation in question, without giving the parties the opportunity of readjusting the rent and other terms of their bargain by a new contract, taking the altered conditions into consideration.

It is argued that such a partial interference with the bargain would be a great injustice to very large numbers of persons, not only of those usually classed as ground landlords, but also to the numerous other investors in and holders of ground-rents (whether freehold or leasehold), a class which comprises large numbers of provident people of small means, of trustees, both for public and private purposes, of educational institutions, charities, insurance companies, provident societies, and other associations of a similar nature.

To this argument, which is undoubtedly one of great force, the following answers are put forward:—

(1.) That Parliament is in the habit of interfering with existing contracts when it thinks it expedient in the interests of the community to do so. The case of the income tax has been repeatedly put forward as one in which Parliament has seen fit to inflict a tax which, in spite of any contract to the contrary, the occupier is entitled to deduct from his rent.

(2.) That owing to the existing monopoly of land the parties have not contracted on equal terms.

(3.) That the possession of estates in land has never been regarded or treated by law as if it were the same as the ownership of other property. John Stuart Mill says, "Land is felt even by those most tenacious of its rights to be a different thing from other property . . . The claim of the landowners to the land is altogether subordinate to the general policy of the State." Other economical writers agree in this opinion. Parliament has so often interfered with existing contracts in regard to land, on the ground that the ordinary conditions of demand and supply do not work satisfactorily in the general interest of the community, that there is nothing unusual in interfering with existing leases.

OBJECTIONS
TO ALTER-
ING.

Garrard
(87),
4935.
Mathews
(88), 1398.

Martin (87),
1817.
Gregory
(87),
3491-4.
Vigers (87),
1254.
Sargant
(90), 4491.
Beken (91),
945, 987-
1017.
Mathews
(88),
1899-1401.
Bourne (87),
11447.

ANSWERS.

Webb (90),
453-5.
Harrison
(90), 3496,
3528-3549.
Webb (90),
444-52.

Pol-Econ.
Bk. 2, c. 2,
s. 6.
Chitty, on
Contracts,
12th Ed.,
p. 718-9.

(4.) That circumstances have so altered since the making of the original contracts, and so many rates for new objects have been created, and the old rates so much increased (none of which facts could have been foreseen by the parties contracting), that it is inequitable to hold them to this part of the bargain.

In reply it may be pointed out :—

POWER OF
LEGISLA-
TURE TO
ALTER
CONTRACTS.

(1.) That admitting the power of the Legislature to alter contracts, it ought not to interfere with them so as to inflict injustice on either of the parties, and that the proposed change would inflict grave loss upon large classes of persons without any compensating benefit to them. Income tax is imposed on all incomes of a similar amount irrespective of their source, and in the case of house property is only paid by the tenant in the first instance for convenience of collection, and the proposal under consideration is in fact analogous to the imposition of a special tax on the owners of one class of realized property exclusively.

MONOPOLY
OF LAND.

Report (89),
p. 22.

(2.) The subject of the monopoly of land, and the consequent impossibility of tenants and occupiers making contracts on equal terms with their landlords, has already been dealt with by this Committee in their Report on the subject of Leasehold Enfranchisement. The argument that the parties cannot contract on equal terms is one that appears to us to apply generally wherever the subject of the bargain is an article of which the supply is limited. This fact is one of the main elements of value, and to lay it down as a general principle, that a person who has to give a higher price for an article in consequence of its scarcity is not in a position to make a fair bargain, is to disregard the fact that the laws of supply and demand govern the price of the article.

UN-
EXPECTED
INCREASE
OF TAXA-
TION.
Supra.

(3.) The argument arising from the unexpected increase of taxation has been already fully dealt with, and here it is enough to repeat that if the rise in rates is to be a reason for reopening the contract for the benefit of the lessee as being an uncalculated detriment to him, it is only in accordance with justice that the equally unexpected betterment of his property should be put into the opposite scale.

SPECIAL
INJUSTICE
ON CERTAIN
CLASSES OF
OWNERS.

Report (89),
I.

Farrer (90),
1826.

Tewson
(87), 2798-
801.

Beken (91),
1042, 1082.

Bourne(87),
11299-801.

On the other hand, the suggested interference with existing contracts would inflict special injustice upon certain classes of owners. Speaking generally, it is only in his capacity of reversioner that the owner can derive any substantial benefit from public local expenditure, and in the large classes of cases in which the owner has no substantial reversion, we think it would be especially unjust to attempt to charge him with any part of such expenditure on the ground of benefit received. The case in which the injustice is most clearly apparent is in that of the owner of perpetual chief or fee-farm rents, which, as pointed out in our previous Report largely prevail in some parts of the north and west of England. The owners of these ground-rents are without even a nominal reversion, and their interest consists wholly in a right to receive a fixed annual sum in perpetuity, which is usually amply secured. It is difficult to say what benefit is in such cases derived by the owners from local public expenditure beyond that which accrues to every member of the community. The case of the owner of a ground-rent secured on a long term such as 999 years, though technically different, appears to us to be the same; and we think that the case of all ground-rent owners with remote reversions, down to those falling in after comparatively short terms, such as 90 years, are practically in the same position. Another very common case is that of the owner of leasehold ground-rents with a nominal reversion, who, when the property falls into his hands, and his ground-rent ceases, has, after the lapse of, probably a few days, when his nominal reversion expires, to hand over the property to the next superior owner. As regards all these classes, very strong evidence has been laid before us, showing the injury they would suffer from altering to their detriment the contracts under which they are entitled, and imposing upon them a share of the increased local taxation, from which they have derived and can derive no substantial benefit. The injury to this class of persons is, moreover, not confined to the reduction of income to which they would have to submit, but would extend much further, as the change in the law rendering them liable to deductions of fluctuating amount, would alter the character of their property as an investment, and diminish its capital value in the market, one of the elements in the value of ground-rents being the certainty of the income they produce.

One point previously referred to has been much pressed upon us as a reason why existing contracts should not be exempted from the proposed change. It arises from the fact that loans for permanent improvements are paid off during limited periods. Under the present system, in the case of a lease not falling in till after the expiration of the term during which the loan is paid off, the reversioner has clearly made no direct contribution to the expenditure, while the value of his property may be enhanced by the existence of the improvement when the lease falls in. This is, to some extent, a hardship, but several reasons before referred to lead us to the conclusion that the alleged grievance is not of so much practical weight as has been represented. It is, at the least, very doubtful whether many of the improvements called permanent are of such a lasting character as to be likely to really confer an appreciable benefit upon the reversioner when his property falls into hand. It appears highly probable that some of these improvements will, before the termination of many existing leases, be worn out, or have become obsolete, as not being adapted to the requirements and ideas of the future. Again, it has been pointed out that a quarter of all the houses in the metropolis have probably been erected since the commencement of the system of great metropolitan improvements, and taking into account, in addition, the great number of houses rebuilt under fresh leases within the same period, it appears that a very large proportion of present lessees must have been aware, when they made their bargains, that they undertook the obligation of improvement rates. It is also to be observed that, even upon the most liberal definition of permanent improvements, and the assumption that the capital charge for works (many of which are, after all, of a more or less wasting character) ought to be wholly thrown on reversioners, the relief to present ratepayers would probably not exceed 2*d.* in the £, and if the qualifying considerations we have before mentioned are given their fair weight the relief would, we think, be much less. Taking also into consideration the practical impossibility of imposing the burthen in equitable proportions upon reversionary interests of a complicated and varied character, and that the lessee has in all cases deliberately undertaken to bear the burthen now under consideration, whether foreseen or not, we are not prepared to recommend any interference with existing contracts on this ground.

LOANS FOR
PERMANENT
IMPROVE-
MENTS.

Sargant
(90), 4841.

The shifting of any part of the rates on to the owner of an existing ground-rent not only reduces his present income by the amount of the percentage of the rate so shifted, but, as we have pointed out, reduces the capital value of his property by a similar percentage and (by introducing elements of uncertainty and fluctuation) diminishes the number of years' purchase it will fetch, and permanently affects its marketable value. Persons subsequently purchasing would not, however, be losers by the imposition of the new rate, as they would pay a so much less price in consequence. The result would, therefore, it seems be that the whole permanent burden imposed by the new system would be thrown upon those who were the owners at the time the change took place.

Mathews
(88), 1399
Tewson
(87), 2799.
Sargant
(90), 4491.
Munro (90),
1898-1900
Mathews
(88), 1668.

As a reason for altering existing contracts, many of the witnesses who have appeared before us, and who advocate various plans for taxing ground rents, have referred in support of their proposals to the large profits derived by the owners of land in or near populous places, from the growth of population and from public expenditure. We therefore think it well to observe that even assuming this increase in value to be a proper subject for taxation, the imposition of a tax upon existing ground-rents is by no means an effectual or equitable way of reaching such increment. The time at which the owner of building land reaps the benefit of the increased value of his land (apart from the falling in of the reversion) is when it is sold for building. One owner may sell, and in that case he receives his purchase-money and realises the increased value in the shape of a capital sum, which he pockets. Another owner may let on lease or on fee-farm rents, and on the rents he receives taxation may be imposed, the burthen of which has been altogether escaped by the owner who sold. Again, the present owner of existing ground-rents has in very many instances purchased them from the person who created them, or they may have changed hands by sale and purchase several times. In these cases the person hit by the incidence of the new tax will not be the person who has benefited by the unearned increment in the value of the land; and whatever force there may be in the arguments for taxing such increment, we think it obvious that any proposal to tax existing ground-rents is a crude and unjust way of effecting the object.

INCREMENT.
Rhodes (87),
657-663.
Saunders
(87), 11567.
Clegg (88),
3471-9.
Daglish
(90), 2214

The great difficulty of interfering with existing contracts, and the injustice which would be involved in so doing in many cases, was evidently felt by most of those witnesses, who nevertheless still advocated such a step. Sir Thomas Farrer considered

EXISTING
CONTRACTS.
Farrer (90),
1326.

R 735

S 20280

~~458~~

TAXATION OF LAND, &c.

**SECOND SERIES OF MEMORANDA AND
EXTRACTS RELATING TO LAND TAXATION
AND LAND VALUATION PREPARED FOR
THE CHANCELLOR OF THE EXCHEQUER.**

(In continuation of [Cd. 4750.])

7

Presented to Parliament by Command of His Majesty.

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Clarke (90), 777.
 Rogers (90), 2660.
 Webb (90), 453.
 Moulton (91), 94.
 Irons (91), 3548.
 Costelloe (90), 4657, 5027, 5046, 5275.
 Munro (90), 1889-92, 1901, 1965, 2172-4.

the subject one of "extreme difficulty," almost tempting him "to abandon the thing altogether." Mr. Chatfield Clark "approached the subject with great hesitation;" Mr. Thorold Rogers thought that "equitable provision," Mr. Webb that "some consideration," and Mr. Moulton that "fair allowance" should be made for existing contracts, which Mr. Irons also thought called for "some mitigation of assessment." Mr. Costelloe admitted the claim of owners of fixed rents under existing contracts to "lenient treatment," and, indeed, nearly all the witnesses admitted the hardship of interfering with the contract in the case of those ground-rent owners who have no reversion. Professor Munro, indeed, suggested that a distinction might be drawn between ground-rents which had been "bought and sold" and those which had not so changed hands for value, and some other witnesses made a similar suggestion. But Mr. Munro scarcely maintained the possibility of drawing such a distinction, and he therefore suggested the exemption of all existing rents from the proposed change.

PROPOSAL OF COMMITTEE OF 1870 AS TO EXISTING CONTRACTS.

Although the Committee have felt themselves compelled to recommend the exemption of property held under existing contracts from the operation of the change until the expiration of such contracts, they do not overlook the fact referred to by many of the witnesses, that the Select Committee of 1870 did not take the same view, but recommended that, in order to limit as far as practicable the disturbance of existing contracts, the owners of property held under lease should be exempted from the proposed division of rates for a period of three years, and that after the expiration of that time the occupiers of such property should be entitled equally with all other occupiers to deduct from the rent a proportionate part of the rates to which the owners might become liable; power being given to the owner at the same time to add to the rent a sum equivalent to the like proportionate part of the rates calculated on the average annual amount of the rates paid by the occupier during the three years above referred to. This recommendation was founded on a proposal to a similar effect made in the Draft Report submitted by Mr. Goschen, but we observe that no such provision as regards existing contracts was contained in the Local Government Bill brought in by him in 1871, which appears not to interfere with the operation of such contracts at all.

Mr. Goschen, in his Report to the Select Committee on Local Taxation, 1870, strongly insisted on the desirableness of dealing with existing contracts. In paragraph 15 of his recommendations he says, "That whilst it is necessary to make provision for limiting, as far as practicable, the disturbance of existing contracts, it would be on many grounds undesirable, and almost impracticable, to extend the exemption of property held under leases from the operation of the proposed changes until the expiration of such leases." In the argument on which he based this proposition he stated that, "it can scarcely be overlooked that the result of the present law has been to impose many charges upon the occupier which neither he nor the owner foresaw when they entered into the bargain." The Committee, in paragraph 7 of its Resolutions, assented to this principle of legislation. The principal reason which led the Committee of 1870 to make the proposal in question appears to have arisen in connection with their recommendation, that in the event of any division of rates between owner and occupier, such alteration should be made in the constitution of the bodies administering the rates as would secure a direct representation of the owners adequate to the immediate interest in local expenditure they would thus have acquired. They considered that the exclusion of the owners of property, held under long lease, from the right of voting for local authorities after the proposed change had taken effect with regard to other property, would lead to much inconvenience and confusion, while, on the other hand, it would be inadmissible to allow them to vote unless they acquired an immediate interest in the rates. It would appear that in making this recommendation, the Committee had mainly in view the case of occupation leases, and there is nothing to show that their attention was specially directed to the effect the proposal would have upon the owners of ground-rents, whether freehold or leasehold, or of the owners of chief or fee-farm rents.

The proposal would throw upon the owners the future liability of half the increase in rates above the three years' average, but of course in the proportion only the ground rent bears to the rateable value. As will be seen from another part of this Report, the increase of rates in the £ is not so large or so universal as is often supposed, and even if the increase of the rate in the £ were considerable, yet as the

ground-rent is usually only a small proportion of the rateable value, we think the relief to the lessee as against the ground landlord would usually be but small. Taking a common instance of the ground-rent being one-sixth of the rateable value, if the rates went up by 6*d.* in the £, a plan by which half of such increase were thrown upon the owner of the ground-rent would only benefit the lessee to the extent of a $\frac{1}{2}$ *d.* in the £ upon the rateable value. There are, of course, many cases, more particularly in the central parts of London and other large towns, where the ground-rent bears a very much larger proportion to the rateable value than in this instance, but taking the country as a whole, we think that the number of lessees who would derive a considerable benefit from the scheme would be comparatively small.

AMOUNT OF
ADVANTAGE
TO LESSEES.

On the other hand, the injury to the ground-rent owner would be much greater than is indicated by the mere amount of the deduction, as the uncertainty which the plan would introduce into the sum annually payable by the lessee would, as has been frequently pointed out to us by witnesses of experience, depreciate the character of ground-rents from an investor's point of view. Such a change would in our opinion be specially unjust to those large classes of ground-rent owners who have no reversionary interest in the property out of which their rents come, or only one of a nominal character.

INJURY TO
GROUND-
RENT
OWNERS.

As regards the representation of owners in local bodies administering rates, we are clearly of opinion that the claim for such representation must be met when the division of rates becomes law. The exemption of existing contracts on the introduction of the new system would, no doubt, give rise to some complication, but we see no insuperable difficulty in framing a scheme by which the right to vote could only be claimed by those owners who are liable to pay their share of the rates under the new system; and on the whole we think that the difficulties which might be involved in such a plan are of less weight than the manifest injustice involved in applying the new system to the owners of existing ground and chief rents.

REPRE-
SENTATION
OF OWNERS.

R 735-

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PART I.

**SPECIAL MEMORANDA PREPARED FOR THE
CHANCELLOR OF THE EXCHEQUER**

ON

- 1. LAND TAXES IN ITALY.**
- 2. LAND TAXES IN HOLLAND.**

I.—LAND TAXES IN ITALY AND MORE PARTICULARLY IN ROME.

Despatches to the Secretary of State for Foreign Affairs from
H.M. Ambassador at Rome, with Memorandum by the Legal
Adviser to the Embassy.

I.

SIR,

Rome, 2nd July 1909.

WITH reference to your telegram, No. 6, Commercial, of the 23rd ultimo, calling for an immediate report on the working of land taxes in Rome, I have the honour to report that, in addition to information on the subject which I have obtained from the municipality, I have found it necessary to ask for a memorandum from the Legal Adviser to the Embassy.

The Syndic of Rome informs me that the question is complicated, but I have asked Mr. Betts to furnish the required memorandum with as little delay as possible.

I have, &c.

(For the Ambassador)

WILLIAM ERSKINE.

II.

SIR,

Rome, 14th July 1909.

WITH reference to your telegram, No. 6, Commercial, of the 23rd ultimo, I have the honour to transmit herewith a report drawn up by Dr. Betts, Acting Legal Adviser to this Embassy, regarding the land taxes in Italy, and more especially those in Rome.

The taxes are as follows :—

1. Land taxes (*tassa fondiaria*), which only affects land used for agricultural purposes, and therefore is not applicable to any appreciable extent to land within the precincts of the city.
2. House tax (*tassa fabbricati*), which is levied upon buildings, whether used as dwelling-houses or for commercial purposes or for factories. The tax is assessed on the net rent, calculated by deducting from the gross rent one-third in the case of factories and one-fourth in the case of other buildings. The percentage of the State tax on houses amounts to 16·25 per cent. of the net rent thus calculated.

Provinces and communes are empowered to collect a surtax upon the amount levied by the Central Government. This surtax may amount to 50 per cent. of the original tax, or, taking the amount levied by both the province and the commune, to 100 per cent., to which the expenses of collection are added. There are certain exemptions in favour of workmen's dwellings.

In Rome the percentage on the total rent liable to taxation is as follows :—

Percentage due to the State	-	-	-	16·25
" " Province	-	-	-	4·60019946
" " Commune	-	-	-	8·85213340
Total taxation	-	-	-	29·70233286 per cent.

An additional communal tax on building sites (*area fabbricabile*) can be raised by the commune with the authority of the central Government in cases where additional house accommodation is shown to be required. As a rule, the tax is one per cent. of the declared value. In Rome, however, the municipality is empowered to increase this tax to three per cent. The tax is only levied upon plots intended for building, and, in the case of Rome, on those included within the proposed plan for the improvement of the city. The tax does not affect gardens or open spaces. The value of the building site is declared by the owner, but the power vested in the municipality of purchasing the property at the declared value acts as a check on under-valuation. Should the owner omit to make the required declaration the municipality may themselves assess the value and purchase at their own assessment. When a building is completed on land previously subject to this tax, a refund

may be claimed amounting to the payments made during the period of construction estimated at a maximum of two years.

I enclose a copy of the law of July 8th, 1904, with the regulations of February 19th, 1905, also the law of July 11th, 1907, with the regulations of March 12th, 1908. The above regulations are specially applicable to Rome. I also enclose the law on the house tax (*imposta sui fabbricai*) and the land tax (*imposta fondiaria*) which are applicable to all Italy.

I have, &c.,
RENNELL RODD.

MEMORANDUM

By Dr. Betts, Legal Adviser to the Embassy.

Taxes on real property in Italy are divided into two categories: land tax (*tassa fondiaria*) and house tax (*tassa fabbricati*).

The house tax is levied upon urban property, viz., buildings used as dwellings or for industrial purposes wherever situated. The grounds adjoining, such as gardens, kitchen gardens, courts, &c. are included with the buildings, provided their extension be not so great as to cause them to be considered the principal part of the property and not merely its dependencies.

Real property is taxed, not in proportion to its capital value, but to the rent derived from it. Real property therefore that yields no income (such as churches, cemeteries, fortifications, &c.) is not taxed. For the same reason, in case of the total or partial destruction of a building, in consequence of fire, earthquake, or demolition, the owner may obtain a proportional abatement of the tax from the day when the income has ceased or been reduced. Exemption from taxation is also granted when a house remains untenanted or a factory idle for a whole year, and houses on the land erected for lodging the workmen employed on that land are not liable to the house tax, provided they belong to the owner of the land on which they are built. New buildings are free from taxation for a period of two years.

The house tax is assessed in proportion to the net rentable value; this figure is arrived at by deducting from the gross rentable value one-third, in the case of factories, and one-fourth in the case of other buildings.

Under the Communal and Provincial Law, communes and provinces are empowered to collect in addition to the Government tax on houses and lands a surtax to meet local requirements. They may both, under certain circumstances, levy a tax amounting to 50 per cent. of the Government tax, and to this must be added the commission due to the communal and provincial collectors to cover expenses and fees for collecting the tax.

The present percentages of house and land taxes payable in the Province and Commune of Rome are as follows:—

House Tax.

Percentage due to the State	-	-	-	-	16·25
" "	" "	" "	" "	" "	4·60019946
" "	" "	" "	" "	" "	8·8521334
Total	-	-	-	-	29·70233286 per cent.

Land Tax.

Percentage due to the State	-	-	-	-	8·9268885
" "	" "	" "	" "	" "	2·89381895
" "	" "	" "	" "	" "	5·71865131
Total on the Income registered at the Land Registry	-	-	-	-	17·62935876 per cent.

In addition to the above remarks, it may be useful to quote certain special enactments concerning particularly the City and Commune of Rome.

While other communes are empowered, as above stated, to charge a surtax of 50 per cent. on the Government tax, the Commune of Rome is authorised to collect a surtax of 65·76 per cent. under section 39 of the Act of July 11, 1907, No. 502.

Moreover, the period of exemption from payment of taxes on people's houses (*case popolari*), which in other Italian communes is limited to five years from the date of their being declared habitable, is extended to 10 years in respect of Rome (section 5 of the Act of July 8, 1904, No. 320).

A similar exemption for 10 years was granted by section 6 of the same Act in respect of new buildings within the Commune of Rome, provided that no flat in the house brings in a rent higher than 40*l.* a year.

Under section 9 of the same Act the Government is authorised to grant to those communes, where the building of new houses was deemed necessary, the power of levying a tax on sites for building. The said section sets forth that the proportion of the tax may not exceed one per cent. of the value of the site in question; but by section 6 of the Act of July 11, 1907, No. 502, the maximum limit of the tax was raised to three per cent. in respect of the City of Rome, the Communal Council being empowered to assess the tax within the said limits, but in different proportions according to the locality of the sites and their greater or lesser suitability for building purposes (section 12 of the Regulations for applying the said Act).

Under building-sites are not included all areas not covered with buildings, but plots meant exclusively for building and included in the plan for future buildings (*piano regolatore*). The object of assessing the tax in question was not to destroy existing gardens, but to promote the building of houses in the city and prevent excessive speculation on the part of those landowners who kept their plots vacant with a view to making larger profits in the future. Such plots of waste land were also considered to spoil the appearance of the city.

Section 14 of the Regulations above referred to sets forth expressly that the tax in question may not be assessed upon large villas and gardens already existing or on sites meant for gardens which will surround future buildings. Proprietors of large gardens, who intend to build over them, must make a notification to the municipality, declaring the extent and defining the sites upon which they intend to build.

Owners of building-sites must declare the value of such sites to the municipal authorities who, in default of such declaration, appraise the sites *ex-officio*. The tax assessed in consequence remains unvaried during 25 years or during such time as the sites are not built upon (section 8, Act of July 11, 1907, No. 502).

In order to prevent proprietors from declaring a smaller value than the true one, section 9 of the last-mentioned Act empowers the municipality to take over such sites at the value declared by the proprietor, or in default of such declaration at the valuation made by the municipal experts.

The tax is levied during the erection of the building, but on its completion the owner may claim a refund of the tax paid during the period of construction, though in no case is the tax remitted for more than two years.

The tax on building sites has been levied since January 1, 1908.

II.

LAND TAXES IN HOLLAND.

PAPERS SUPPLIED TO THE FOREIGN
OFFICE FOR THE USE OF THE
CHANCELLOR OF THE EXCHEQUER BY
HIS MAJESTY'S MINISTER AT THE HAGUE.

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II.—LAND TAXES IN HOLLAND.

Papers supplied to the Foreign Office for the Use of the Chancellor of the Exchequer by His Majesty's Minister at the Hague.

DUTCH LAND TAX.

1.—LAND.

The taxable income from land is that registered on October 20, 1870, in the Cadastral Registers, only changed by the improvement of the land or by the diminution of its yield.

Land which has been secured by draining bogs or other land which is usually under water, or by reclaiming land on the sea coast, is measured by a State official free of cost, and the valuation is carried out by a State official in deliberation with the "College van Zetters" (Board which fixes the amount of taxes).

The interested party may demand re-measurement and re-valuation, if he objects to the results of the original measurement or valuation. The re-measurement and re-valuation take place by one or more experts appointed by the Provincial Board. If the applicant is in the wrong the costs are for his account.

2.—BUILDINGS.

Every 20 years a revision takes place of the taxable proceeds (*i.e.*, of the income which is derived from buildings, and is subject to the tax). This revision is carried out by Valuation Commissions appointed by the Minister of Finance. No charge is made to the land taxpayer for the costs of this revision. Anyone objecting to the result of the valuation may demand a re-valuation. The President of the Valuation Commission may also demand a re-valuation to be carried out.

If the re-valuation is applied for by the said President, the costs are for the account of the State. If applied for by the interested party, and the amount fixed on the occasion of the re-valuation is lower than that of the original valuation, the costs are for the account of the State. In all other cases the costs are for the applicant's account.

LAW RELATING TO THE DUTCH LAND TAX.

LAW OF MAY 26, 1870.

Article 1. Under the name of land tax, a direct State tax shall be levied on buildings and land according to their taxable yield.

LAW OF JULY 15, 1907.

Article 1. On and after January 1, 1908, the land tax on buildings shall amount to 4·86 per cent. of the taxable yield.

LAW OF DECEMBER 31, 1892.

Article 1. On and after January 1, 1893 the land tax on land shall amount to 6 per cent. of the taxable yield registered in the cadastral registers, in pursuance of the law of April 25, 1879

LAW OF MAY 26, 1870.

Article 5. The taxable yield of buildings and that of land shall change in the cases provided for in this law.

Article 7. Changes in the taxable yield shall be understood to be:—

1. For buildings—

- (a) additional construction, reconstruction, or partial renewal;
- (b) partial destruction by unforeseen disasters;
- (c) partial demolition;

- (d) change of destination ;
- (e) sub-division ;
- (f) union.

2. For Land—

- (a) the cultivation of waste land, not being land on the sea coast or bogs or marshes ;
- (b) the draining of land which usually or during a part of the year is swampy or covered with water emanating from inland waterways ;
- (c) the inclosing by means of quays or dikes of land on the sea coast or along rivers running freely into the sea ;
- (d) the becoming or rendering fruitful of land on the sea coast of bogs or marshes and lakes without enclosing it by means of dikes or quays, as also the changing of such fruitful land into pasture land, hay fields or arable land, woodland, orchards, gardens, or farms ;
- (e) permanent diminution in yield in consequence of unforeseen disasters ;
- (f) improvement of land of which the taxable yield was reduced at least 10 years previously owing to unforeseen disasters.

Article 9. The measurements necessary for the execution of the provisions of this law shall be carried out by a State official.

Properties which have been inaccurately measured before this law shall have come into force, shall be re-measured free of cost at the request of the party concerned made to the Keeper of Mortgages and of the Cadaster.

Article 11. Properties which come into existence, become taxable, or undergo changes, shall be valued by a State official and a member of the Board of Regulators of Taxes designated by this Board for that purpose.

Article 12. The valuation mentioned in the preceding article shall take place by comparing the taxable yield of the property which is to be valued with that of a similar property in the same commune which has been previously valued.

If no such property is found in the commune, the taxable yield of the property which is to be valued shall be compared with that of a similar property in another commune, preferably adjoining the first-mentioned commune, without prejudice to the difference in the taxable yield of the properties in question.

If no such similar property is found in any commune, the taxable yield of the property which is to be valued shall be fixed by a comparison with that of a property with which it shows the most resemblance.

Article 13. The taxable yield of drained land or of land which has been enclosed with quays or dikes, valued in accordance with the provisions of the preceding article, shall be reduced by the annual amount of costs of maintenance of locks, mills, dikes, and other works for keeping out and for removing water, as also by the amount of costs of administration connected with these works.

The costs of administration shall be taken into account to a maximum amount of—

- 18 per cent. and to an amount not exceeding F. 750 (62*l.* 10*s.*) if the costs of maintenance amount to less than F. 5,000 (416*l.* 13*s.* 4*d.*) ;
- 15 per cent. and to an amount not exceeding F. 1,200 (100*l.*) if the costs of maintenance amount from F. 5,000 (416*s.* 13*s.* 4*d.*) to F. 10,000 (833*l.* 6*s.* 8*d.*) ;
- 12 per cent. and to an amount not exceeding F. 1,800 (150*l.*) if the costs of maintenance amount to from F. 10,000 (833*l.* 6*s.* 8*d.*) to F. 20,000 (1,666*l.* 13*s.* 4*d.*) ;
- 9 per cent. and to an amount not exceeding F. 3,000 (250*l.*) if the costs of maintenance amount to from F. 20,000 (1,666*l.* 13*s.* 4*d.*) to F. 50,000 (4,166*l.* 13*s.* 4*d.*) ;
- 6 per cent. and to an amount not exceeding F. 4,500 (375*l.*) if the costs of maintenance amount to from F. 50,000*l.* (4,166*l.* 13*s.* 4*d.*) to F. 150,000 (12,500*l.*) ;
- 3 per cent. if the costs of maintenance amount to F. 150,000 (12,500*l.*) or more.

In respect of the land which has been drained, inclosed with quays or dikes, the average amount of the costs mentioned in the first and second paragraphs of this article shall be calculated over the last ten years, and, in the case mentioned in Article 42 of this law, over the last six years preceding the regulation of the taxable yield of the land which first comes into consideration for such regulation. On the occasion of this regulation, this amount shall be fixed for all the grounds drained or inclosed with quays or dikes.

For the above reduction the polder board or water-district board, or failing such a board, the party concerned shall hand to the State official, at the latter's written request, within 30 days and against a receipt, accurate accounts of the various expenses incurred during the years mentioned in the preceding paragraph, together with the necessary supporting documents.

If this is not complied with, these expenses shall not be taken into account until the year following upon the year in which the said documents shall have been furnished before the 1st of June.

Article 14. The valuation carried out in accordance with the preceding three articles shall be fixed by the Board of Regulators of Taxes in deliberation with the State official who has co-operated in making the valuation.

In the event of difference of opinion between the Board of Regulators of Taxes and the said official, the fixing shall take place by the Queen's Commissioner in the province.

Article 15. A statement of the results of the measurement and of the valuation fixed in accordance with the preceding article, mentioning so far as necessary the reduction in accordance with Article 13 of this law, shall be sent to the burgomaster of the commune where the measured or valued properties are situated.

The burgomaster shall deposit this statement at the secretariat of the commune for perusal by the parties concerned, and shall publicly notify this deposit. Within three days from this public notification he shall inform each party concerned, by means of a notice sent to him for that purpose by the said State official, that the aforesaid statement concerns his properties.

A similar notice stating the amount of the costs with which the taxable yield is reduced, in accordance with Article 13 of this law, shall be given to the polder board or water district board.

Article 16. The party concerned may demand in a petition addressed to the deputed states (board of administrators of a province):—

- 1°. Re-measurement or re-valuation within 30 days from the date of the notification mentioned in Article 15;
- 2°. Re-measurement if his request, referred to in the 2nd paragraph of Article 9, has been disregarded.

Article 17. If the party concerned demands a revision of the measurement, the deputed states shall appoint an expert who shall carry out the measurement.

The result of the measurement shall be fixed by the deputed states.

Article 18. If the party concerned demands re-valuation, the deputed states shall appoint one or more experts who shall carry out the re-valuation.

The deputed states shall pronounce their decision on the report of these experts by means of a resolution stating the reasons.

Article 19. The party concerned may, in a petition addressed to the deputed states—

- 1°. Request valuation, if this has not been done and should have been done in pursuance of this law;
- 2°. Request, within 30 days from the issue of the public notification referred to in Article 15, the annulment of valuations made contrary to law.

The polder board and water district board may, within 30 days from the issue of the notice referred to in the last paragraph of Article 15, by means of petition addressed to the board of regulators of taxes, raise objections to the amount of the costs referred to in Article 13 of this law.

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The deputed states shall decide upon the petitions by means of resolutions stating the reasons.

Article 21. The costs of the re-measurement or of the revision of the valuation shall be fixed by the deputed states.

The costs of the re-measurement carried out in pursuance of Article 17 shall be for the account of the party concerned if the difference in the superficial area amounts to less than—

- 8 per cent. for pieces of land of 5 ares (5,382 square feet) and less;
- 6 per cent. for pieces of land exceeding 5 ares up to 25 ares (26,911 square feet) inclusive;
- 4 per cent. for pieces of land exceeding 25 ares up to 125 ares (133,555 square feet) inclusive;

- 3 per cent. for pieces of land exceeding 125 ares up to 5 hectares (12·3555 acres) inclusive ;
 2 per cent. for pieces of land exceeding 5 hectares up to 10 hectares (24·711 acres) inclusive ;
 1½ per cent. for pieces of land exceeding 10 hectares.

In the case of a greater difference the costs shall be for the account of the State.

The costs of revising the valuation shall, in case of difference, be for the account of the State and otherwise for the account of the party concerned.

Article 24. For the purpose of taking measurements and carrying out valuations in accordance with this law the persons entrusted therewith shall have admittance to the properties concerned daily, with the exception of Sundays and generally recognised Christian feast days : as regards buildings from 8 o'clock in the morning until sunset, and as regards land from sunrise to sunset.

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Article 25. No taxable yield shall be entered in the cadastral registers for—

- (a) property of the State, provinces, communes, polders, or water districts exclusively employed on the public service ;
- (b) buildings exclusively used for public worship, and the dwellings of ministers of religion and of church servants in the communes in which these persons have been appointed for regular church service ;
- (c) burial places with the appertaining buildings ;
- (d) buildings exclusively used for—
 - 1°. establishments of university, secondary or primary education ; for schools for infants, schools for training school teachers, and nautical schools ; and for dwellings of school teachers so far as they are not at the same time used as boarding schools ;
 - 2°. for seminaries solely destined for training persons for ecclesiastical offices ;
- (e) buildings with the appertaining premises and gardens exclusively used as charitable institutions, mentioned in the first paragraph of article 1 of the Law of June 28, 1854, and regulated and administered by or for the civil authorities, so far as the care for the poor takes place within those buildings ;
- (f) the buildings exclusively used as establishments for promoting arts and sciences, or for the use of the general public, provided they are not used at the same time for recreation or social intercourse or for giving musical or dancing parties or other diversions.

The provisions under letters (b), (c), (d), and (f) shall only be applicable if the properties belong to provinces, communes, polders, or water districts or to religious communities ; those under letter (d 1°) if, moreover, the properties belong to institutions which are legal bodies. The said provisions shall also extend to premises and gardens appertaining to the buildings in question.

Article 26. The taxable yield shall only be regulated after the expiration of eighteen years for buildings established—

- (a) on waste land ;
- (b) on land which is to be cultivated and regarding which the period mentioned in article 34 of this law commences after the establishment or has not expired at the time of the establishment ;

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Article 27. The taxable yield shall only be regulated after the expiration of thirteen years for buildings established on—

- (a) land which is to be drained, or inclosed with quays or dikes, regarding which the period mentioned in Articles 35, 36, or 41 of this law commences after the establishment or has not expired at the time of the establishment.

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Article 34. The taxable yield of waste land mentioned in Article 7, 2°(a) of this law, shall in the event of such land being cultivated be again regulated after the expiration of 28 years commencing on January 1st of the year following upon the year in which the cultivation is completed.

The cultivation shall be considered completed for each piece of land which has yielded fruit, or has been laid out as a forest, farm, or pleasure-grounds.

Article 35. The taxable yield of land which usually or during a part of the year is swampy or covered with water emanating from inland waterways shall in the event of such land being drained be again regulated after the expiration of 23 years.

This period shall commence for each piece of land of January 1st of the year following upon the year in which it has yielded fruit or has been laid out as a forest, farm, or pleasure-ground for the first time after it was drained.

Article 36. The taxable yield of land situated on the sea-coast or along rivers running freely into the sea shall, in the event of its being inclosed with quays or dikes, be again regulated after the expiration of 18 years, commencing in the manner fixed in the preceding article.

The embankment of land which has already been enclosed with quays shall be regarded as a new case of embankment.

If the embankment has taken place before the period granted in consequence of the inclosing with quays has expired, this period shall be prolonged by one half.

Article 37. The taxable yield of the land mentioned in Article 7, 2° (d), which has not yet been valued as pasture land, hay fields or arable land, woodland, orchards, gardens or farms, shall be again regulated every 20 years, for the first time in 1874.

Article 41. Upon receipt of a petition to be sent to the Queen before work is started, the periods of Articles 35 and 36 of this law may, for drainings and embankments of exceptional costliness, be prolonged by the Queen after consultation with the deputed states, to a period not exceeding double the length of the periods fixed by those articles.

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Article 42. If the application has not been sent in, or has not been sent in in time, the period mentioned in Article 34 of this law shall be reduced to eight years; the periods in Articles 26, 27, 35, and the first paragraph of 36, to six years; and those mentioned in the last paragraph of Article 36 to three years. . . .

Article 43. The year in which the periods mentioned in Articles 34, 35, 36, 41, and 42 of this law shall commence shall be fixed by the State official concerned and by the board of regulators of taxes, or, if they should differ in this regard, by the Queen's Commissioner in the province. This year shall be mentioned in the statement referred to in Article 15 of this law. . . .

Article 52. For buildings which . . . have remained unused and unlet during 12 successive months, the tax shall be returned to the person who was assessed for that entire period.

Article 53. Exemption from or reduction of tax in proportion to losses sustained shall be granted for properties of which the yield or in respect of which the enjoyment has been reduced by more than 20 per cent. in consequence of unforeseen disasters.

Article 59. The taxable yield of buildings shall be revised before January 1st, 1875, according to rules fixed by law.

The revision shall be repeated every 20 years.

LAW OF MAY 2, 1897, TO REVISE THE TAXABLE YIELD OF BUILDINGS.

Article 1. The taxable yield shall be fixed in accordance with the provisions of this law for all buildings with the exception of those mentioned in Article 25, letters (a)-(f), of the Law of May 26, 1870.

Article 2. The taxable yield of buildings belonging to farms shall, so far as they are destined for the use of the person who carries on the business, be fixed at 1½ per cent. of the amount necessary according to the custom of the district for the establishment of dwellings, barns, stables, and workshops sufficient for carrying on the business in its existing extent.

If the buildings mentioned in the preceding paragraph are in such an unfavourable condition that the value of the farm, as expressed in the amount of rent which it is worth (hereinafter called "rent value"), is depressed, the taxable yield shall be fixed as much lower as the diminution in rent value amounts to.

The buildings and parts of buildings which, being evidently used together with land on which agriculture, cattle breeding, horticulture, tree growing or bulb growing

is carried on, would yield little or no rent if apart from such land, shall come under the provisions of this article.

Article 3. For factories or other buildings, not mentioned in the preceding article, and not used, or of which only a small part is used as a dwelling, the taxable yield shall be fixed at 6 per cent. of the value.

This value shall be fixed at the selling value.

If this value cannot be deduced from normal sale prices obtained in the years 1892-6 at a sale or sales of the property which is to be valued, it shall be fixed by comparison with the selling value of other buildings of the same sort or of a sort which shows the greatest resemblance, situated in the same or in a similar commune situated in the vicinity, in which connection attention shall also be given to the quarter or situation.

Article 4. For buildings other than those mentioned in Articles 2 and 3 of this law, the taxable yield shall be fixed at the average annual rent value for the years 1892-6. The rent value shall be fixed at the amount of rent received in normal circumstances. If the building has been let, or let in normal circumstances, during only a part of the aforesaid period, the rent received on an average during that part shall be considered to have been received during the other part as well, unless changes in the building or in the circumstances should oppose themselves thereto.

If, owing to an alteration of the building or on account of other reasons, the rent value cannot be deduced from the amount of rent, it shall be deduced by means of comparison with the rent value fixed for other similar buildings in the same commune or in a similar commune situated in the vicinity.

If the nature of the building does not permit of comparison in accordance with the preceding paragraph, the rent value shall be fixed at 6 per cent. of the selling value, or, if this selling value cannot be determined, at 6 per cent. of a sum deduced by comparison with the selling value of other buildings of the same sort or of a sort showing the greatest resemblance, in the same commune or in a similar commune in the neighbourhood.

When this comparison is made attention shall also be paid to the quarter of the commune in which the building lies, and its situation.

Article 5. Rent shall be understood to mean that which the person who lets the building stipulates that the tenant shall pay to him in money, or the value of that which he stipulates that the tenant shall pay to him in another form, increased by the amount of, or the monetary value of, that which in consequence of a stipulation is for the tenant's account, and which without such a stipulation would have been for the account of the person who lets the building, but reduced by the amount of, or the monetary value of, that which is for the account of the person who lets the building, and which without such a stipulation would have been for the tenant's account.

Article 6. When calculating the taxable yield of buildings, the value of the fixed and loose implements belonging to those buildings shall not be taken into account.

Article 7. The taxable value of properties mentioned in Articles 2 and 3 of this law shall always be fixed at a multiple of five.

The taxable yield of properties mentioned in Article 4 shall be fixed at one of the following amounts:—

Florins.	Florins.	Florins.	Florins.	Florins.
5	60	200	450	900
10	70	225	475	950
15	80	250	500	1,000
20	90	275	550	and increasing
25	100	300	600	further by
30	110	325	650	sums of 100
35	120	350	700	florins.
40	140	375	750	
45	160	400	800	
50	180	425	850	

The taxable yield which is to be thus fixed shall approach as near as possible to but shall not exceed the amount calculated in accordance with the provisions of Articles 2-6. If the taxable yield of a building does not amount to 5 florins (8s. 4d.), it shall not come into consideration.

From the taxable yield calculated in this manner shall be deducted the taxable yield of the land occupied by the buildings, or taken into account in the calculation.

The sum obtained in this way shall be rounded off to full florins by discarding the fractions of a florin.

Article 8. For the purposes of this law a building and its appurtenances shall be considered to be one building.

Dwellings standing apart shall not be regarded as appurtenances.

Article 9. For revision purposes, the State shall be divided by the Minister of Finance into valuation districts, and he shall designate the principal town of each valuation district.

For each valuation district a commission shall be instituted, composed of a chairman and two members.

Moreover, one or more deputy chairmen and two or more deputy members shall be appointed.

Upon the proposal of the head commission instituted by this law, the Minister of Finance may stipulate that for valuing buildings belonging to farms, the commission shall be supplemented by one member and one deputy member.

Article 12. For conducting the work and promoting an accurate and uniform valuation throughout the Kingdom, a head commission shall be instituted composed of 14 members.

Article 13.

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The preparation of decisions taken by the head commission shall take place by a permanent commission composed of a chairman and two members appointed by the head commission.

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The head commission may charge the permanent commission with the decision of urgent matters and of matters which, in the head commission's opinion, come into consideration for being dealt with by the permanent commission on account of their insignificance.

Article 15. Members of the States General may not sit on a valuation commission or on the head commission.

The chairmen, deputy chairmen, members, and deputy members may likewise not sit on the head commission.

Article 17. The chairman, members, deputy members, and secretary of the head commission, the chairmen, deputy chairmen, members, and deputy members of the commissions, whether accompanied or not by the State officials and further persons who assist them shall, for the purpose of carrying out this law, have admission to the buildings mentioned in Article 1 and their appurtenances, as also to the land in use there, daily, with the exception of Sundays and generally recognised Christian feast days, from 8 o'clock in the morning until sunset.

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Article 18. A remuneration, and compensation for office, travelling and incidental expenses, may be granted by the Queen to the chairmen, members, deputy members, and secretary of the head commission, as also to the chairmen, deputy chairmen, members, and deputy members of the commissions.

The remuneration of experts, designated or appointed by virtue of this law, shall be regulated by the Minister of Finance.

Assistance may be given by the State to the secretary of the head commission and to the chairmen of the commissions for their office work.

Article 20. The Minister of Finance shall place the requisite data at the disposal of the commissions, and shall designate the officials of his department, whose duty it shall be to furnish information and to permit of the perusal of the necessary documents, free of cost, or to assist them in their work in conformity with rules to be fixed by the Minister.

Article 21. The commissions shall be competent to ask the persons who, during the years 1892-96, have made a lease in respect of a building such as is mentioned in Article 4, for information respecting the amount of rent stipulated or obtained during that period, and the relevant particulars mentioned in Article 5 of this law.

For this purpose the commissions shall cause a form to be issued at the address of those persons, through the intermediary of the collector of direct taxes, which form shall be fixed by a general measure of administration.

The persons mentioned in the first paragraph of this article shall be bound, when a form has been issued at their address, to fill it in accurately and fully to the best of their knowledge, and to sign their reply.

If any one is prevented from filling in the form, it may be filled in by his wife or by a person authorised in writing to do so.

The forms shall be again called for by or for the collector within 14 days from their issue, against a receipt.

If this form is not accurately or fully filled in, in the opinion of the collector or of his proxy, he shall draw the attention of the person who is bound to fill in the form to this incompleteness, and, if desired, shall assist that person to fill it in.

If the person in question declares to be unable to write, the filling in of the form shall, if desired, be done by the collector or by his proxy free of cost, who, after having read the form aloud, shall sign it in the presence of a third person, and shall, if possible, secure the signature of that third person.

Article 22. The commissions may cause the sheriff officer of the direct taxes to serve an invitation, free of cost, on the person who has omitted or refused to give the information mentioned in Article 21 by not returning to the collector or to his proxy the form mentioned therein, duly filled in and signed, or who has made a statement the accuracy of which is doubted, to appear, in the commune and at the place, on the day and at the hour mentioned in the invitation, before the commission in order to answer the questions asked in the form or to give the necessary explanations in respect thereof.

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He who having been summoned in accordance with the first paragraph of this article, omits to appear or refuses to give information, shall be liable to a fine of 60 florins (5*l.*).

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Article 23. The commissions of adjoining districts shall act as much as possible in deliberation with one another in order to promote uniformity of valuation.

Article 25. The chairman of a commission shall be competent to invoke the decision of the permanent commission or of the head commission, in the event of a difference of opinion arising between him and the majority of the members of the commission as to the category of buildings mentioned in Article 2, 3, or 4 in which a building should be classified.

The decision of the permanent commission or of the head commission shall be binding upon the commission.

Article 26. As soon as the taxable yield of one of the categories of buildings, mentioned in Article 2, 3 or 4 has been fixed in a certain district, the chairman shall cause a notice to be sent, free of cost, by registered letter to the persons to whose names a property is registered in the cadastral registers, in which notice shall be stated the taxable yield of that property as also the category in which it has been classified.

The notices to those persons who possess no known address in the kingdom shall be deposited at the secretariat of the commune in which the properties are situated.

A general statement of the contents of the notices, drawn up for each cadastral commune separately, shall be sent by the chairman to the burgomaster of the commune where the properties are situated, and this statement shall be deposited together with the cadastral registers and plans at the secretariat for perusal, free of cost, by parties concerned.

This deposition shall be announced at the expense of the State in one of the daily or weekly papers of the province.

Article 27. He who has objections to the result of the valuation for a building which is registered to his name in the cadastral registers may, within 30 days from the day of the announcement mentioned in the preceding article, send a petition to the chairman of the commission.

The chairman of a commission may state his objections to the commission if he is of opinion that the taxable yield of a property has not been accurately fixed.

He who considers that his property, of which the taxable yield has been fixed, comes under the exceptions mentioned in Article 1 of this law may, himself or by a proxy, request the annulment of the valuation by addressing a petition to the deputed states within the above-mentioned period.

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Article 28. The results of the valuation shall be again considered in connection with the objections raised.

So far as it appears from this investigation that the taxable yield has been inaccurately fixed, the amount of this yield shall be changed.

The commission shall be competent to include in the modification such other properties respecting which no objection has been raised, if it appears to the commission on examining the petitions that the taxable yield fixed for these buildings requires modification in the interest of a uniform valuation.

Article 30. The changes made by the commission in the valuation, in accordance with Article 28, shall be brought to the notice—in the manner prescribed by the first and second paragraphs of Article 26—of the persons to whose names the buildings, the taxable yield of which has undergone a change, are registered in the cadastral registers.

If the taxable yield of a property has remained unchanged, the chairman shall give notice thereof to the person who sent in the petition.

Article 31. He who objects to the taxable yield which has been brought to his notice by virtue of the preceding article, may, within 30 days from the date of that notice, send a request for re-valuation to the chairman of the commission.

The chairman of the commission may also demand revaluation.

The re-valuation demanded by the chairman shall be notified by registered letter, free of cost, to the person to whose name the property for which re-valuation has been demanded, is registered in the cadastral registers.

Article 32. The re-valuation shall be carried out by the head commission.

Each request for re-valuation, made by virtue of the first paragraph of Article 31, shall be sent by the head commission to the chairman of the commission, which carried out the valuation, for consideration.

Before taking a decision on the request for re-valuation, the head commission shall give the person concerned an opportunity of explaining his objections either verbally or in writing, personally or by proxy.

The decision taken upon the request for re-valuation shall be notified by the chairman of the head commission to the chairman of the commission and to the party concerned.

The notice to the party concerned shall be given by registered letter, free of cost.

Article 33. The costs of the re-valuation shall be regulated by a general measure of administration.

They shall be for the account of the State if the re-valuation is demanded by the chairman, or of the taxable yield is fixed a lower amount than that fixed by the commission by virtue of Article 28.

In all other cases they shall be for the account of the person who demanded re-valuation.

Article 34. All the documents drawn up or sent by virtue of this law, shall be free from stamp duty and from the formality of registration.

LAW OF APRIL 25, 1879, TO REVISE THE TAXABLE YIELD OF LAND.

Article 1. The taxable yield shall be fixed in accordance with the provisions of this law for all land with the exception of—

1. That mentioned in Article 25 of the law of May 26, 1870;
2. That mentioned in Articles 34 to 36 of the said law, if the improvement of the land has commenced at the time of the first survey for the revision; as also that for which exemption is enjoyed at the time of the survey, so far as the exemption does not already lapse prior to the seventh year following upon the year in which the revision begins.

Article 2. The taxable yield of land shall be fixed in accordance with the condition in which that land is at the time of the revision, and as if it were owned in full and unencumbered ownership.

The net annual rent shall obtain as the taxable yield.

As regards land, of a description which is usually leased or let, the net rent shall be understood to be the amount of rent which, during the last five years preceding the revision, might, in ordinary circumstances, be promised by the leaseholder or tenant, and might be demanded of him without it being at the same time stipulated

that the tenant should supply fruit, labour, or pay for the costs of maintenance, land tax, or other special charges.

This amount shall, however, be diminished by the amount of the necessary costs of maintenance which are for the owner's account, according to civil law.

When fixing the rent here referred to, the value attached to the buildings in respect of the land tax shall be taken into account.

With regard to properties, of a nature which are not, as a rule, leased or let, the net rent shall be calculated according to the produce yielded during the last seven years, preceding the revision by those properties or by similar ones, in connection with the prices which have been obtained for such produce in those years, and after deducting the necessary costs of maintenance, as well as the costs incurred for obtaining that produce for cultivating, planting, or tilling the ground.

If more than seven successive years are required in order to learn to know the yield, the period of seven years allowed for fixing that yield shall, according to circumstances, be prolonged to a period not exceeding 12 years.

If the net rent of properties cannot be determined by the above rules, that rent shall be fixed by comparison with that of adjoining properties with which they show the greatest resemblance and for which the rent has been fixed.

For an open yard and for a plot of ground, a garden or park on which buildings stand or to which buildings belong which are situated in that part of a commune where buildings stand close together, the highest rent shall be fixed which has been fixed for other properties in that commune.

In peat polders, where the continual payment of land tax has been guaranteed, no revision of the taxable yield shall be applied to land which has diminished in value in consequence of the removal of peat.

Article 3. The expenditure belonging to the maintenance costs mentioned in the preceding article, and necessary for keeping dikes, mills, locks, and other works for keeping out or removing water, in the condition in which they were when constructed, shall, so far as such costs return annually, be calculated for the last five years preceding the revision, and if these works were only constructed in the said period, for the years which have elapsed since their construction.

If more than five years are necessary to learn to know the average annual amount of periodical, but not annually returning, expenses, the said period for calculating these expenses shall be prolonged so far as necessary.

The administration expenses shall be taken into account as maintenance costs to an amount not exceeding the sum fixed by Article 13 of the Law of May 2, 1870.

Article 4. The taxable yield for properties, as they are sub-divided according to the cadaster, shall be fixed, per hectare (2.4711 English acres), at one of the following sums, without taking into account the amount of the expenses referred to in the preceding article:—

Florins.	£	s.	d.	Florins.	£	s.	d.	Florins.	£	s.	d.			
0.25	-	0	0	5	3.00	-	0	5	0	10.00	-	0	16	8
0.50	-	0	0	10	4.00	-	0	6	8	13.00	-	1	1	8
1.00	-	0	1	8	6.00	-	0	10	0	16.00	-	1	6	8
2.00	-	0	3	4	8.00	-	0	13	4	20.00	-	1	13	4

and above 20 florins (1*l.* 13*s.* 4*d.*) at a multiple of five florins (8*s.* 4*d.*).

If a property consists of parts which differ in nature from one another, a separate amount may be fixed for each part in accordance with the general scale above mentioned. The size of each part shall only be fixed at one, two, three, or four-fifths of the whole. For parts smaller than one-fifth, the provision of this paragraph shall not be applicable.

Adjoining properties belonging to the same taxpayer, the sub-division of which differs from that of the cadaster, and for which different amounts have to be fixed, may be valued together as one property on the basis of the preceding paragraph.

Article 5. Each province shall, for the purposes of the revision, be divided by the Minister of Finance, in deliberation with the Deputed States, into valuation districts, and each valuation district into sub-districts, each of which is to be equal to the others as far as possible, in respect of the work.

In each valuation district the work shall be entrusted, under the guidance of a chairman appointed by the Minister of Finance, to a commission divided into as many sub-commissions as there are sub-districts, each sub-commission to be composed of three members.

Each sub-commission shall operate in that sub-district for which its members have been appointed.

Article 6. At the Minister of Finance's request, the Queen's Commissioner of the province shall appoint one member, and the Deputed State two members and one deputy member, who will act in the absence of one of the three members.

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Article 8. Before the decisions of a commission are carried into execution, the chairman shall be competent to appeal to the head commission mentioned in the next article.

Article 9. With a view to obtaining a uniform valuation throughout the whole Kingdom, in accordance with the rules laid down in this law, a head commission shall be instituted of 11 members, of which at the request of the Minister of Finance the Deputed States of each province shall appoint one member, and one deputy member to replace the member in the event of his being absent or ill.

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Article 12. Members of the States General and of the Deputed States cannot be appointed members of the commissions mentioned in Article 5 and in the first paragraph of Article 9, and the members of the commissions cannot at the same time be members of the head commission.

Article 13. A remuneration shall be granted to the chairmen, members, and deputy members of the commissions, as also to the chairman, secretary, and members of the head commission in respect of their labours, and compensation for travelling and incidental expenses.

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Article 14. Every commune shall supply a room where the commission, its sub-commission, or the members of the head commission may assemble and consult the cadastral archives of the commune.

The costs of heating and lighting of the room shall be for the account of the State.

Article 15. In order to carry out the work of revision, the members of the commission, those of the head commission, the persons assisting them, the chairmen of those commissions, and the secretary of the head commission shall, daily from sunrise to sunset, Sundays and generally recognised Christian feast days excepted, have admission to the landed properties, and in the event of these properties only being accessible through a building, from 8 o'clock in the morning until sunset.

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Article 16. Each sub-commission shall be bound to take cognisance of the contents of the leases passed and registered during the last five years preceding the revision, in regard to land situated in the sub-district so far as these contents are given in the statement to be furnished by the collectors of the registration to the chairmen of the commission.

Each sub-commission shall, moreover, take cognisance as much as possible of the further leases made during the said period.

It shall be determine which of the figures of the general scale fixed in the first paragraph of Article 4 may serve as a scale for the valuation of the properties in each cadastral commune of the sub-district of the valuation district.

It shall send the scales of valuation drawn up by it to the commission, together with a written statement of :—

- (a) the grounds upon which its proposal is based, also with respect to each item of the proposed scale, and with the replies to the questions asked in a form to be fixed by the Sovereign.
- (b) some properties to be classified in each item of the scale ;
- (c) the cadastral sections in which the most properties belonging to each item of the scale are situated.

Article 17. The commission shall appoint three members from its midst who, together with the chairman, shall institute an investigation regarding the scales of valuation which have been drawn up in the several communes of the valuation district, and shall make the necessary proposal in the form of a written report.

For adjoining cadastral communes in which different commissions operate, the members, referred to in the preceding paragraph, of those commissions shall consult each other for purposes of their investigation.

The scales of valuation, provisionally fixed by the commission, shall be submitted by the chairman to the head commission who shall compare the scales of the several valuation districts mutually, and, if necessary, cause them to be corrected by the commissions or in the event of the commission not having so corrected the scales or not having done so in a sufficient manner, shall correct them itself and shall approve them provisionally.

Article 18. After the head commission's approval of the scales has been obtained, each sub-commission shall classify under the items of that scale the properties which may serve as types for the valuation of the other properties in each locality in which the sub-commission operates.

Together, these types should be equal in size to at least one-thirtieth of the total size of the properties of which the valuation has been entrusted to the sub-commission.

Each sub-commission shall send a statement of the result of the valuation referred to in this article, to the commission which shall institute an investigation on the basis of the first two paragraphs of the preceding article, and, if necessary, shall correct, or cause to be corrected, the results of this type valuation.

Article 19. The chairman of the commission shall send to the burgomaster of the commune concerned a copy of the scales of valuation and a statement of the properties valued as types, in which statement shall be mentioned the amount or amounts of the taxable yield fixed for those properties per hectare, the cadastral size of those properties, as also the parts mentioned in the last two paragraphs of article 4.

Immediately after receipt of these documents the burgomaster shall cause them to be deposited at the secretariat of the commune together with the cadastral registers and plans for perusal by everybody during 30 days, which deposit he shall at the same announce in one of the daily papers of the province. The cost of this announcement shall be for the account of the State.

Within three days from this announcement he shall cause a notice to be sent to the person to whose name a landed property mentioned in the statement is registered in the cadastral registers, which notice is to be sent to the burgomaster for that purpose by the aforesaid chairman, and in which notice the scale of valuation as also an extract from the statement so far as that property is concerned are mentioned.

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Article 20. Any one objecting to the scale of valuation or the taxable yield of the properties selected as types may communicate the grounds on which his objections are based, to the commission, himself, or by a proxy.

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Article 21. On account of the objections raised, the sub-commission shall consider the scale of valuation again and also the taxable yield of the properties selected as types, and the chairman shall bring the result of this consideration to the notice of the commission.

The proposal and decision of the commission shall be dealt with as is prescribed in Article 17, with this difference however, that the head commission shall fix the scales of valuation and the taxable yield of the types.

Article 22. A copy of the scales of valuation fixed and a statement of the taxable yield fixed, arranged in accordance with the first paragraph of Article 19, shall be sent by the chairman, for each cadastral commune separately, to the burgomaster concerned.

The burgomaster shall deposit these documents at the secretariat of the commune for perusal by everybody until the revision shall have been completed.

Article 24. Each sub-commission shall, after a local survey, fix for the properties of which the valuation has been entrusted to it, the taxable yield in proportion to the taxable yield fixed in accordance with the provisions of Articles 16-22.

If, in the event of a difference of opinion of the members of a sub-commission, the taxable yield cannot be determined by a majority of votes, the amount which is neither the highest nor the lowest shall be taken to be the taxable yield.

Article 24. If the chairman of a Commission considers that a sub-commission has valued the taxable yield of a property inaccurately, the Commission shall appoint, at the chairman's request, three other members to survey that property in the presence

of the members of the said sub-commission and to issue a report to the Commission which shall then fix the taxable yield without prejudice to the chairman's competency to appeal to the Head Commission.

Article 25. The taxable yield fixed in accordance with the two preceding articles, shall, for each cadastral commune separately, be included in a statement arranged in accordance with the first paragraph of Article 19, which statement shall be sent by the Chairman of the Commission to the burgomaster of the commune where the properties are situated.

The burgomaster shall deal with this statement and with the relevant notices to be sent to him at the same time, in the manner prescribed in Article 19 for the statement therein referred to.

Article 26. He who considers that a taxable yield has been fixed for his property, which is not in proportion to that of the properties valued by virtue of Articles 16-22 of this law, may communicate the grounds upon which his objections are based to the sub-commission, in writing, himself or by a proxy.

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Article 27. If the sub-commission which carried out the valuation finds the objections referred to in the first paragraph of the preceding article to be well founded, it shall modify the taxable yield.

It shall be competent to modify the taxable yield of other properties also which have been valued in accordance with the provisions of Article 23-31, in regard to which no objections have been raised, but of which it transpires to the sub-commission on investigation that the said yield has been inaccurately fixed.

Articles 24 and 25 shall be applicable in respect of these modifications.

If the sub-commission finds no grounds for modification, it shall give notice thereof to the person who raised the objections.

Article 28. He who has objections to the taxable yield of his property, brought to his notice in pursuance of the preceding article, may request re-valuation himself or by a proxy by means of a written communication addressed to the Commission.

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Article 29. Without prejudice to the competency granted to the chairman by Article 8, the commission shall again fix the taxable yield of the property to which the petition mentioned in the preceding article refers, after this property has been surveyed by three members or deputy members to be appointed from its midst who did not survey the property for the original valuation.

Article 30. Through the intermediary of the burgomaster of the commune where the property is situated, the chairman of the commission shall send a statement of the results of the re-valuation to the persons who requested re-valuation, each so far as his property is concerned.

Article 31. The costs of the re-valuation shall be regulated by the Sovereign. They shall be for the account of the State if the taxable yield has been fixed at a lower amount than had been originally fixed, and otherwise for the account of the person who requested the re-valuation of his landed property.

PART II.

**EXTRACTS FROM REPORTS OF
ROYAL COMMISSIONS AND PARLIAMENTARY
COMMITTEES RELATING TO**

- 1. LAND VALUES TAXATION.**
 - 2. SEPARATE RATING OF GROUND
VALUES.**
 - 3. RATING OF VACANT LAND.**
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I.

LAND VALUES TAXATION.

**EXTRACTS FROM THE REPORT OF THE
SELECT COMMITTEE
ON THE LAND VALUES TAXATION, &C.
(SCOTLAND) BILL, 1906.**

**DRAFT SPECIAL REPORTS SUBMITTED
TO THE COMMITTEE BY MR. DUNDAS WHITE
AND MR. REMNANT.**

LAND VALUES TAXATION.

EXTRACTS FROM THE REPORT OF THE SELECT COMMITTEE ON THE LAND VALUES TAXATION, &c. (SCOTLAND) BILL, 1906.

DRAFT SPECIAL REPORTS SUBMITTED TO THE COMMITTEE BY
MR. DUNDAS WHITE AND MR. REMNANT.

Mr. Dundas White's Report.

Draft Special Report proposed by Mr. Dundas White, brought up and read the first time as follows :—

The Select Committee to whom the Land Values Taxation, &c. (Scotland) Bill, 1906, was committed, having taken evidence and considered the subject, have agreed to the following Special Report.

1. The Second Reading of the Land Values Taxation, &c. (Scotland) Bill, 1906, was carried in the House of Commons by a majority of 319 to 61 on the 23rd March 1906. On the 24th April 1906 the Bill was committed to your Committee. Your Committee has sat on more than 20 separate days, and has received evidence from a number of witnesses personally, and from a number of others by memoranda given in. Your Committee has had the further information afforded by the Parliamentary Paper, Cd. 3191, 1906, relating to the experiences of taxing land values in South Australia, New South Wales, and New Zealand. In considering the present Bill, your Committee have deemed it desirable to consider also the principle of taxing land values and several other matters connected therewith.

DISADVANTAGES OF THE EXISTING SYSTEM.

2. There is plenty of evidence to show that the present system of treating the land and the improvements on it as a unit and valuing that unit on the basis of its actual or estimated yield as it stands is open to grave objections. Land which is kept unused and undeveloped is either not taxed at all or is taxed on a basis below its market value, so that the withholding of land from use is facilitated, the available supply is lessened, and the acquisition of land for use is made more difficult and more costly. The making of buildings and improvements is further hindered because the better the house or the greater the improvements the higher becomes the assessment and the heavier the tax, and this penalising effect increases with the increase in the rate of taxation. A recognition of these conditions had led to a steadily increasing demand for the separate assessment of land on the basis of its market value instead of its actual use and for a diminution of the burden on houses and other improvements.

THE PRESENT BILL.

3. While the present Bill is based on these principles, we do not consider that it carries them out in an entirely satisfactory manner. Amongst other points of objection we may mention the following :—

- (1) It involves having side by side two separate systems of valuation made by the same authorities, and covering to a great extent the same ground.
- (2) It would not materially reduce the taxation of houses.
- (3) It is limited to urban areas and would, therefore, have no effect in country districts.

VALUATIONS OF LAND VALUES.

4. We are of opinion that there should be one system for the valuation of landed property throughout Scotland, and that it should be based on land value. The first

step should be a general valuation of land values in both burghs and counties. That, when completed, would provide valuable information for settling the details of taxation. What we recommend is that all local taxation should be shifted from the present valuations to the valuations of land value. The total amount raised by each local authority on these valuations might be the same as that raised on the existing valuations, but as between the properties the burden would be apportioned in proportion to their land values instead of in the present proportion.

PROSPECTIVE ADVANTAGES.

5. The advantages of this recommendation are—
- (1) There would be only one system of valuation for local taxation.
 - (2) The economic benefits of taxing land values would be adequately secured and land would be made more easily obtainable.
 - (3) Houses and other improvements would be untaxed, so that building and other industrial developments would be promoted.
 - (4) The making of the land more easily obtainable, coupled with the untaxing of houses, would help in a double degree to solve the housing problem in both town and country.
 - (5) The development of the country districts, resulting from the greater facilities for obtaining land and from the untaxing of improvements, would help to relieve the over-pressure in the towns.

PRACTICABILITY OF LAND VALUE VALUATIONS.

6. The system of valuing the land apart from the buildings and improvements on it has already been in operation for some years for purposes of land value taxation with excellent results in New Zealand and in several of the Australian Colonies (Parliamentary Paper, Cd. 3191, 1906). A system of valuing the land independently of the buildings, and then of valuing these separately so as to obtain more accurate aggregates than are obtained by considering the whole as a unit, is in operation in Greater New York (Act of the State of New York, 8th May 1903) and in several other cities of the United States (*see*, for instance, pp. 218–221 of the Revised Laws of Massachusetts—Boston, 1902, and pp. 3344–3347 of the Revised Statutes of New Jersey—Jersey City, 1896). The separate valuation of land which is already in practical operation in so many and so varied places elsewhere is perfectly practicable here.

7. This view as to the practicability of it is borne out directly by the evidence of some experienced valuers. Indeed, more than one of the valuers who came to give evidence against the Bill admitted that in certain cases he even now arrived at the present valuations by considering the value of the land and the value of the buildings separately.

8. Your Committee would point out that to some extent the Legislature has already provided for the differentiation of land from the improvements on it. Thus, for instance, in section 6 of the Crofters Holdings (Scotland) Act, 1886, it is stated that, in determining what is a fair rent for a crofter's holding, the Commission is to allow for the value of any unexhausted improvements made by him or his predecessors in the same family. The provisions for compensation for unexhausted improvements under that Act, under the Agricultural Holdings Act, and under various other measures, involve the same principle. Nor has the application of it been limited to country districts. The valuation of urban land, apart from the buildings upon it, has been specially provided for in the "betterment" sections of the Manchester Corporation Act, 1894, the London County Council (Tower Bridge Southern Approach) Act, 1895, and the London County Council (Improvements) Act, 1897.

DEFINITION OF LAND VALUE.

9. We recommend the following as the definition of land value:—

- (1) The annual land value of a property means the best annual feu duty or rent which could reasonably be obtained for the land thereof, irrespective of the value of any buildings or other improvements thereon, assuming that all rates and taxes on the land value were payable by the superior or lessor.

- (2) The term "improvements" includes houses, buildings, structures of all kinds, machinery, plant, borings, fencing, planting, draining, reclamation, and any other unexhausted improvements on the property in question.

RESTRICTIONS.

10. A difficulty arises in the case of land on the use of which restrictions have been imposed by the feu charter or lease. On the one hand, it would be unfair to assess the feuar or tenant on a value of which he could not avail himself. On the other hand, to say that all restrictions were to be allowed for would lead to such arrangements as feuing, or leasing portions of land to members of the superior's family, or to one-man companies in which he had a controlling interest, with the object not of a bonâ fide transfer but of imposing restrictions on the use of the land so as to keep the valuations unduly low for the time being and so to defeat the economic objects of the rate. Theoretically, the ideal course would be to value the land irrespective of the restrictions, to make the feuar or lessee pay only such proportion of the tax as corresponded to the value which he could use, and to cause the remainder to be borne proportionally by those who insisted on the restrictions. Practically, however, on the evidence before us, the difficulties of so doing appear to be very great.

11. The simple course which we recommend is that restrictions imposed before the close of the present year (1906) should be allowed for in the valuations, but that those imposed afterwards should not be allowed for unless they have been expressly approved by the local authorities within a period of ten years preceding the valuation in question.

12. It is important to bear in mind the fact, insisted upon by several witnesses who came to give evidence against the Bill, that in many cases the restrictions on the use of particular properties increase the amenity of the neighbouring properties and so enhance their value. The restrictions, for instance, which prevent a city square from being built over, increase the amenity, and therefore the value, of the surrounding plots. Such restrictions, therefore, as cut both ways should be allowed for accordingly. If the square itself is to be taken as having its land value reduced by the restrictions which perpetually prevent its being built upon, the surrounding lands should be taken as having their values increased by the amenity of the square remaining open perpetually. It will be observed that the special allowances here recommended are based on the same principles as those recommended with regard to rights of way and other servitudes in the next section.

13. We consider it desirable that wherever the valuation of land value is reduced in view of a restriction, the particulars of that restriction should be entered on the Valuation List.

RIGHTS OF WAY AND OTHER SERVITUDES.

14. These should be allowed for in the same way as they are now, the dominant tenant being valued at its value as enhanced by the servitude, and the servient tenement being valued at its value as diminished by the servitude. It might be possible to have some equalisation in the valuation as between the opposite effects of the servitude, making the gain to the one tenement equal to the loss of the other, so as to leave the aggregate valuation of the properties the same as if the servitude did not exist.

15. In the case of a public right of way, the value of the property would be taken as subject to that right of way, and the corresponding advantage to the public would be that right of way itself. To have rights of way entered on the Valuation Roll and allowed for in the valuations would do much to settle disputed questions as to them.

SEPARATE PROPRIETORS IN BLOCKS OF BUILDINGS.

16. Several witnesses have urged the difficulty of apportioning the land value of a property as between proprietors or tenants who have separate offices in a block of buildings, the rights to the subjacent undivided land. It appears to us that this difficulty can be met satisfactorily by adopting the following provision from Section 13 (IV.) of the Queensland Valuation and Rating Act, No. 24 of 1890:—

"When more persons than one are in separate occupation of a building erected upon any portion of rateable land, each of them shall be deemed to be

in occupation of a part of the land, and the value of such part shall be taken to bear the same proportion to the value of the whole of the land as the value of the part of the building occupied by him bears to the value of the whole of the building."

RAILWAYS, CANALS, &c.

17. The case of railways and canals has been brought specially to our notice. The difficulties of dealing with these under the general principles of the present system has necessitated the valuation of them under separate statutory provisions to which we have been referred. It has been represented to us, and we accept the view, that the amount which railways in particular contribute to local taxation is disproportionately high, and that when they put up better stations or accommodation they are assessed and rated in proportion to their outlay on these improvements. The difficulty in the case of such properties is, that in the majority of cases the value of the land to the railway consists in its being part of the general system, and that, with certain exceptions, railway companies are precluded from selling land which they have acquired under statutory powers. We recognise that the present system in relation to railways operates as a tax on the development of the means of communication. Our suggestion would be to meet these cases, in conformity with general principles, by considering in each case the amount which could reasonably be obtained for the land in question, assuming that the railway or the canal were abandoned as such, and that the owners were free to sell. The same principles are applicable to the valuations of docks and harbours.

RECLAIMED LAND.

18. Your Committee have had valuable evidence as to the case of land which has been reclaimed from the sea. Under the present system such land is valued and rated in the same way as other land. This is a case in which the enhancement of value resulting from the reclamation merges in the value of the land to such an extent as to be almost indistinguishable from it. In our opinion the proper course would be to exempt such land absolutely for a period of not less than twenty years, and after that time to make allowance for such outlay as might be reasonable and necessary to maintain the reclamation. The same principle is applicable to other kinds of reclamation, and to the effects of such work as levelling land in order to prepare it for building.

GENERAL CONSIDERATIONS.

19. It is only to be expected that in the proposed, as in every other system of valuation, there should be some difficult cases on the boundary line. But the difficulty of applying a sound principle to comparatively few extreme cases is no reason for not applying it as far as possible. It would be easy to exempt from the valuations the houses and such other improvements as are readily distinguishable from the land, and even that alone would be a great gain. As for those improvements, such as drainage and the after-effects of cultivation, which merge in the land, any system of allowing for them would be better than the present system, which does not allow for them at all. Even a rough approximation to the proposed system would have better economic effects than the most accurate application of the present one. It should also be borne in mind that the distinguishing of the land from the existing buildings and improvements would only be an incident of the proposed system. The object of that system is to facilitate the future acquisition of land by those who want to use it, and to promote the making of buildings and other improvements in the future.

DIFFICULTIES IN THE PRESENT VALUATION.

20. It is quite a mistake to assume that the present system of valuation is free from difficulties or that the actual rent is a sufficient guide. Where the owner is the occupier there is no actual rent; where there is an actual rent it may vary from a nominal rent to the full rent; and even in the latter case the amount of the rent may vary with the other obligations in a lease—such as restrictions on use and covenants to repair. Besides the difficulties of such cases, the present system involves intricate considerations of the commercial value of various buildings, and these valuations require constant revision, because old buildings are being continually superseded by new ones. It also involves the problem of the value to a "hypothetical tenant" of

miscellaneous properties which are of no value except to the owner, and unless used in conjunction with other properties which may be outside the scope of the valuation. Extended practice and continued litigation have been necessary to make the present system as workable as it is. Under a system of land value valuation most of these difficulties would be avoided, the distinction between gross and rateable value would be unnecessary, and, as the variable factor of buildings would be eliminated, there would be a greater uniformity of valuations in a given area.

EFFECT ON SALES AND FEU DUTIES.

21. Considerable stress has been laid on the effect of taxing land values in lowering the value of land, or, in other words, of enabling it to be obtained more easily and more cheaply. Some witnesses criticise this; others commend it; we regard it as an advantage to the community. In our opinion the cheapening would work out in about the same proportion whether the land in question were sold, of feued, or leased. Some witnesses have expressed the opinion that the proposed system would operate to hinder feuing and to substitute sales outright, while others have expressed the contrary view. We do not consider that it would hinder feuing. Whether the land is paid for by a lump sum or by an annual feu duty, the proportionate reduction would be substantially the same, and any anticipated after effects of the tax would be discounted in the same way. If both parties desired a sale outright, that would be the means adopted. If both parties desired a feu charter, that would be the means adopted. If the superior desired to receive a lump sum and the other party desired to pay a feu duty, the superior (as now) would either sell the land outright to someone else who would create the feu duty, or create the feu duty himself and then sell his rights to it for a capital sum to someone else.

EFFECTS ON BUILDING AND OPEN SPACES.

22. We are convinced that the general effect of making land more easily obtainable and of untaxing houses would be to promote building, and we consider that the amenities would be secured, as they have been in the past, by the purchasers of feuars taking more land than was wanted for the actual house; indeed, the fact that the land could be obtained more cheaply would render this easier. The same considerations would, in our opinion, suffice to preserve the present city squares, but it is unnecessary to dwell on this in view of our recommendation (for other reasons) that all now-existing restrictions should be taken into account. Open spaces in the hands of the authorities could not, of course, be affected adversely by the proposed change; indeed, the opening of further open spaces would be facilitated by the cheapening of the land. As to the case of open spaces which are in private hands, but which, incidentally, are of public advantage, we are quite prepared to recommend that power should be given to the local authorities to have such spaces valued on a lower scale, though we are inclined to think that, in practice, such a provision would be superfluous.

MODE OF SECURING PAYMENT.

23. Any tax on land values should be regarded as a kind of rent paid to the community for a portion of the land, which otherwise should be treated as of common use. Therefore we consider that any such tax should be treated as a first charge upon the land upon which it is imposed, that if it is not paid within a certain time the public authorities should be entitled to enter upon and hold the land as against any and all of the persons interested in that land until it is paid, that the interest on arrears shall run at (say) 4 per cent. per annum, and that the accumulation of the indebtedness on these arrears should not be subject to any limitation of time. The adoption of such a plan would be in accordance with principle, it would minimise the cost of collection, and it would prevent bad debts.

INCIDENCE OF THE TAXES BETWEEN THE PARTIES.

24. The question as to which of the parties interested should, in the case of each property, pay the land value tax is one which has engaged our careful attention. Two principles have to be considered. On the one hand, individuals have no right to contract themselves out of future schemes of taxation. On the other hand, where a contract has been entered into as between the lessor and lessee (to use general terms

applicable also to the superior and the vassal) that the lessee shall pay all or any proportion of the rates and taxes and in consequence the lessee gets the land more cheaply than he would otherwise do, that contract should be maintained as regards all the rates and taxes contemplated by the parties or any of a different kind which may be substituted for them.

In view of our recommendation that local taxation of land values should be substituted for the present local taxation of landed properties, at rates calculated to produce the same totals as at present, we recommend that, as regards each property, the substituted taxation should be payable by the same parties as the taxation for which it is substituted, and should be apportioned as between owner and occupier in the same proportions as that; also that any existing contracts as to the payment of the present taxation should be treated as applicable to the taxation which is substituted for it. This recommendation applies only to the cases of feu-contracts and leases made before the substitution; it applies to them throughout the remainder of their terms; but it applies only so far as regards the amount of the substituted taxation, and does not apply to any increase in the rate of that taxation which may take place after the substitution has been effected.

25. In our opinion any new or additional tax on land values, such as, for instance, a new Imperial tax thereon, should, in the case of each property, be payable by the parties in proportion to their interests in the land value. So far, therefore, as subsequent increase of the taxation of land values is concerned, the owners of feu-duties and ground annuals would become contributories, and in the majority of cases in proportion to the ratio between the feu-duty or ground annual and the land value. While the arrangement that the vassal or lessee should pay the rates and taxes should be applied to the rates and taxes which are substituted for the present ones, we do not consider that it should be applied to any subsequent increase of that substituted taxation, or to any other new and additional tax on land values which was not contemplated by the parties when the arrangement was made.

26. With regard to feu-charters and leases made in view of, or after, the proposed substitution, we recommend that the parties should be permitted to make, as between themselves, any arrangement they like as to the incidence of any tax or rate on land value, subject—as are the recommendations of the two preceding paragraphs—to the paramount right of the public authorities to enter upon and hold the land as against any or all the parties in the event of non-payment.

LIMITATIONS ON INCREASE OF ASSESSMENTS.

27. It will probably be found desirable to place some limitation on the possible increase of the rate of the taxation of land values after the proposed substitution has been effected. Beyond expressing the general opinion that such limitation should be measured by some annual percentage on the rate of assessment adopted at the substitution, we make no specific recommendation on this point, as we consider that it cannot be settled satisfactorily till the proposed valuations of land value have supplied the necessary statistical information. The same observations apply to the treatment of any possible cases in which the local taxation of a district may exceed its land value.

EXEMPTIONS.

28. We recommend that the exemptions should be of the same character as the present exemptions, except that there should be no exemptions based upon non-use. The question should be, not what amount is being obtained from the property as it stands, but what amount could be reasonably obtained for the land of the property if it were in the market. An exemption based on non-use is a premium on the holding of land idle.

ECONOMIC EFFECTS.

29. In conclusion, we would point out that we consider the benefits of the proposed system lie not so much in "tapping a new source of revenue" as in the economic benefits which would result from a fundamental reform of the system of taxation. As already said, there are two sides to it. The positive side is the taxation of landed property on the basis of its market value, which would bring more land in the market and so make land more cheaply and more easily obtainable by those who desire to use it. The negative side is the untaxing of buildings and improvements.

This is of no less importance than the other; indeed, some of the witnesses have considered it the more important of the two. Whatever be the apportionment of advantage as between these effects, they would combine to make land more easily obtainable by those who want to use it, to promote building and other industries, to secure better housing, and to open up fresh fields of employment in developing the natural resources of the country.

SUMMARY OF CONCLUSIONS.

30. The conclusions of your Committee may be summarised as follows:—

- (1) A valuation of land values, on the principles above stated and with the proposed allowances for restrictions, should be set on foot as soon as practicable throughout Scotland, in both burghs and counties.
- (2) When that valuation is completed and the system is in working order, all local taxation should be transferred from the present valuations to the valuations of land value, thus substituting local taxation of land value for all the present local taxation of landed property.
- (3) If payment is not made in respect of any taxed property within some reasonable limit of time, the taxing authorities should be entitled to enter upon and hold the land as against any or all of the parties interested until payment is made.
- (4) As between the parties interested in any taxed property the total burden of the substituted taxation should be borne in the same proportions as the total burden of the taxation for which it is substituted. We consider that any increase of the rate after the substitution has been effected should be borne by the parties interested in each property in proportion to their shares in the land value thereof. We also consider that in future feus and leases the parties should be free to make what arrangements they like as to which of them should pay. These apportionments of the burden as between the parties are in each case subject to the right of the public authorities to enter upon and hold the land as against any or all of them, in the event of non-payment.

31. In view of the nature and scope of the Bill, we have limited our recommendations to the case of local taxation of landed property in Scotland. We consider, however, that the same general principles are applicable to the local taxation of landed property in other parts of the United Kingdom, and to the national taxation of landed property throughout it.

Mr. Remnant's Report.

Draft Special Report, proposed by Mr. Remnant, brought up and read the first time as follows:—

1. This Committee was appointed upon 24th April 1906, to report upon the Land Values Taxation (Scotland) Bill, 1906, which was read a second time in the House of Commons upon 23rd March 1906.

2. The Committee sat upon nineteen days and examined the following witnesses:— Mr. D. C. Lethem, Mr. Thomas Binnie, Mr. James A. Reid, Mr. David Murray, LL.D., Mr. Henry S. Keith, Mr. J. Turnbull Smith, LL.D., Mr. James Henry, Mr. William Fraser, Mr. J. Reith, Mr. W. F. Jackson, Mr. Peter Macnaughton, Mr. William Garson, Mr. John L. Mounsey, Mr. Alexander Heron, Mr. J. P. Marwick, Mr. R. G. Wilson, Mr. George Bisset, Mr. A. C. Christie, Mr. James Fairlie, Mr. Philip Sully, Mr. Robert Hamilton, Mr. George L. Beattie, Mr. Edwin Adam, Mr. W. Fleming Anderson, Mr. Thomas McMillan, Mr. John Macpherson, M.D., Mr. G. B. Esslemont, Mr. Alexander Wilkie, Mr. H. M. Cadell, Mr. Peter Burt, Mr. William Cross McBain, Mr. W. Johnstone, Mr. Edgar Harper, Mr. Harold Cox, M.P.

A number of interesting memoranda were also submitted, both by witnesses and by others who were not called as witnesses, and these have been printed in the proceedings.

3. Your Committee do not propose to review the evidence in detail, but they think it proper to place upon record that they have been much impressed by the great weight of the evidence of the witnesses opposed to the scheme embodied in the Bill as compared with that of the witnesses in favour of the Bill. The witnesses against

the Bill were men of wide business experience and knowledge of affairs, known throughout Scotland as amongst the leading men in business and professional life. Few of the witnesses on behalf of the scheme had any such claim to consideration in respect either of experience in general business or of well-known public repute.

1892, 214.
1901, Cd. 638.
1902,
Cd. 1067.
1002,
Cd. 1068.

4. The question remitted to the Committee has been the subject of two important inquiries within recent years. The Town Holdings Committee reported upon this matter in 1892, and in 1901 the Royal Commission upon Local Taxation presented an important report, applicable to England, in which, amongst other matters, they dealt with the subject of the proposed taxation of land values, which was followed in 1902 by reports dealing with Scotland and Ireland.

5. The Report of the Town Holdings Committee, in so far as it dealt with the subject matter of the present remit, may be thus summarised:—

- (a) "Ground rents and feu duties are already taxed as being included in the rateable value of the Town Holding on which they are secured. They do not constitute a fresh matter of assessment hitherto untouched as is often supposed. The imposition of a direct assessment upon such ground rents and feu duties, as distinguished from the assessed value of the house itself, as at present rated, would lead to anomalies and inequalities, and has been generally abandoned."
- (b) "Owners of ground rents, with or without reversions, derive no appreciable benefit from local expenditure for current purposes. Those who have no reversions—such as superiors in Scotland and the owners of fee-farm rents in England—or no substantial reversions—such as the owners of ground rents reserved on very long leases—derive no appreciable benefit from the expenditure upon permanent public improvements."
- (c) "The proposals made to the Committee for a distinct annual assessment on reversions according to their present values, and for the separate assessment of ground values and building values are impracticable."
- (d) "The proposal to rate vacant land on its capital value is a total departure from the existing system of local taxation, and would be practically very difficult in operation. The proposal to rate on reversions upon their present values is also open to the same objections."
- (e) "No sufficient cause has been shown for interfering with existing contracts relating to the payment of rates, and the methods proposed to the Committee for altering such contracts would be unfair, and would inflict injury without any compensating benefit."

1901, Cd. 638,
p. 39.

6. These findings of the Town Holdings Committee were concurred in by the majority of the Royal Commission. At the date of the Town Holdings Inquiry the special subject of the assessment of site values had not been very fully developed. Attention at that time was more particularly directed to the question of the taxation of ground rents and feu duties, and the question of the taxation of vacant building land. The Royal Commission dealt more fully with the first question above mentioned, viz., the taxation or rating of sites as valued separately from the buildings upon them. The following conclusions of the Royal Commission upon the matter are taken from the headnotes of their Report upon this branch of the question:—

- 1901, Cd. 638,
pp. 40-44.
- (a) It is usually admitted that land is already taxed as part of the rateable hereditament.
 - (b) The proposals for the special rating of land differ in character and extent.
 - (c) It is claimed that the separate valuation of sites would facilitate a better distribution of the burden of taxation, and would improve the present system of assessment, especially in regard to reductions. The evidence as to the practicability and cost of separate valuations of sites is conflicting.
 - (d) A separate valuation of sites would not be impossible, but would be complicated, expensive and uncertain. There would be difficulties as to sites not fully utilised by buildings, and as to leases approaching their termination.
 - (e) The abandonment of the present system of assessing the annual value of the whole property as it stands is most undesirable, unless important objects are to be secured thereby.
 - (f) The separate valuation of site and structure would not assist in the division of rates between owner and occupier.
 - (g) The separate valuation of sites would not improve valuation generally.
 - (h) A special additional tax on site and land values would be inequitable, and cannot be justified either on the ground of ability or benefit.

- (i) A general rate on all site value would be in no way proportionate to the increments of value, but would fall also on the sites which have decreased in value.
- (j) Existing contracts present an insoluble difficulty. Breach of contract is indefensible, and, on the other hand, a new site value rate falling upon occupiers and lessees would be most burdensome and unfair.
- (k) No new tax on land is practicable or equitable.

7. Your Committee concur generally in the conclusions arrived at both by the Town Holdings Committee and the Royal Commission as above set forth. In particular they concur in the conclusion that any disturbance of the present system is undesirable unless important benefits are to be secured thereby, and they are satisfied as the result of the present inquiry that no benefits are likely to accrue from the proposed change which will compensate for the disturbance and difficulties which will be attendant upon it.

8. The general argument has been so fully and so recently stated in the Reports of the Town Holdings Committee and the Royal Commission upon Local Taxation that your Committee do not deem it necessary again to enter into the matter at length. The present inquiry, however, differs from its predecessors in this respect, that in the earlier inquiries the matter was considered generally, and particular schemes were there treated as merely illustrative. In the present case inquiry has been directed primarily to the merits of a particular plan which has been embodied in a Bill presented to Parliament and read a second time in the House of Commons. This circumstance has tended to direct attention more particularly to certain practical aspects of the question, upon which it is proper that your Committee should make certain observations.

9. The question of an alteration of the system of rating has now been before the country for upwards of twenty years. During all that period an agitation has been promoted in favour of the further taxation of ground values. Various plans have been suggested. Two which obtained some prominence were those of the late Mr. Costelloe and of Mr. (now Lord Justice) Fletcher Moulton. In addition, various Bills have been framed and presented to Parliament. There was a Bill that was known as the Glasgow Bill, and another Bill promoted by Mr. Trevelyan and read a second time in the last Parliament. Public attention has during this period been twice prominently directed to the matter by the two public inquiries already referred to. In these circumstances the present Bill was presented under conditions of peculiar advantage, and must be regarded as the deliberate and mature embodiment of the proposals of the promoters of this movement after careful consideration of the different plans suggested, and the advantages, objections, or difficulties attached to each of them. Your Committee would, therefore, have expected to find a measure which, whether they agreed with its leading principles or not, was coherent, carefully thought out in detail, and skilfully drafted, and which would have been supported in evidence, both in principle and detail, by the leading promoters of the movement. This expectation, however, has not been fulfilled. On the contrary, the present Bill has scarcely been supported at all in evidence. There is hardly one of its provisions which has not been unfavourably criticised by promoters of the movement who have been examined in support of it. The differences between them affect matters of principle as well as of detail, and the most diverse opinions have been expressed in regard to the scope, the objects and the practical working of the scheme. This circumstance, which cannot, your Committee think, be disputed, suggests that, notwithstanding the long public discussion, much misunderstanding still exists upon the matter, and that the subject is one of such difficulty and complexity as to be peculiarly open to popular misconception. In this view it may be interesting to trace the genesis and the progress of the movement in Scotland.

Paras. 9-13,
see Reports
and relative
evidence in
Inquiries
above re-
ferred to.
Scss. 1905.

10. There can be no doubt that the question of the taxation of feu-duties or perpetual rent charges was the branch of the subject which first attracted attention in Scotland. As is fully borne out by the evidence, feu-duties exist to a very large extent in every burgh in Scotland: indeed, by far the greater part of urban property is now held under tenure, one of the incidents of which is the payment of feu-duty. But whilst this is so, only a very small portion of the urban population is brought into direct relation with either the payment or the receipt of a feu-duty. Upwards of 90 per cent. of the urban population live in hired houses, and have no occasion to deal with feu-duties or personal occasion to acquaint themselves with the incidents of the charge or its relation to rating. The feu-system did not directly touch the life of the mass of the people, and out of the circle of the legal profession and the owners of house

Mounsey,
5367.

Smith,
3553-77.
Low Memo.,
12.
Mac-
naughton,
6355-6367.
Bisset, 7679.
Garson,
5976.
Mounsey,
5569.
Binnie, 477.
Reid, 960.
Keith, 2330.

Hamilton,
8601.
Christie,
7122.

Mounsey,
5471.

Christie,
7159, &c.

Marwick,
6534.

property the nature of the tenure was not inquired into or understood, and the ordinary citizen did not know how the matter of rating was arranged. On the other hand, there was one way in which the existence and the value of feu-duties obtruded itself somewhat upon public attention. A great proportion of the feu-duties of the country, as has now been shown, is held not by the original proprietors or the representatives, but by public and private bodies and private individuals who have acquired them simply as investments. This was not, however, matter of general public interest or observation. What was matter of popular interest and observation in most of the large towns was that there were certain proprietors of urban estates who were drawing very considerable revenues from feu-duties—revenues which increased as feuing proceeded. Against this there was at that time no public remonstrance or complaint. But personal good fortune is always matter of public interest. Such was the state of matters and of general public information when, co-incident with a general increase in municipal rates, public attention was first drawn to the rating question in connection with feu-duties. The originators of the movement suggested that feu-duties should be rated like other revenue from land. To many this was probably an announcement for the first time that feu-duties were not directly rated in the hands of a superior; many others who may have been aware of this as a fact had accepted it as a matter of course and had never directed their minds to the question of why this was so. Feu-duties were now represented as a source of revenue from real property which by some legal accident had hitherto escaped taxation. The occupier paid, the owner paid, why should the superior escape? Rents were rated, why not feu-duties? Here was a new source of revenue. The great majority of the public to whom this idea was first presented were ignorant of the legal nature and incidents of feu-duties, and were unaware that property subject to a feu-duty is rated at its full value inclusive of the feu-duty. The idea at the outset undoubtedly was not that the proportion of the annual value of property represented by the feu-duty was paid by the wrong party, but that it escaped taxation altogether. It may be doubted whether the fallacy is even yet exploded. Indeed, some of the evidence led before your Committee where witnesses have spoken of a new source of revenue suggests that it still obtains to a very considerable extent.

11. Such was the origin of the movement in Scotland. The next step was the direction of popular attention to the question of vacant building land. The agitation in regard to feu-duties, for reasons which have been already indicated, ignored that large proportion of feu-duties which are held by investors, and directed attention to the position of individual urban landlords. Some of them have large portions of their estate still unfeud. This land was either occupied by agricultural tenants, and rated as agricultural land, or was rated on such rental for temporary purposes as was annually paid for its use. When the owners proceeded to feu it they obtained a far larger return than the agricultural rent. The question then came to be asked why should they not be rated, not upon what they get, but upon what they might get for their land if they feued it? At this stage an extraordinary fallacy took possession of the mind of some of those interesting themselves in the matter, viz., that the feuing of the whole of their estates was a mere matter of willingness on the part of proprietors. The suggestion was made that proprietors were "holding up" their estates and refusing to feu them. Now, there may have been an isolated instance of such an attitude on the part of a proprietor. But, as pointed out in the report of the Town Holdings Committee, no instance was established before them to support the allegation, and no instance has since been established unless it be one or two cases where for reasons of residential amenity proprietors have refused to feu certain lands. But the idea having been given currency that feuing was a mere matter of willingness on the part of the proprietor, that where the estate was not all feud the proprietor was holding it up, it was natural that most exaggerated ideas should be formed as to the immediate potentiality of urban estates. The rate of feu-duty which could be obtained for a single acre was multiplied by the number of acres owned by the proprietor, and the resultant was represented as the possible revenue which by "holding up" he was withdrawing from public taxation. This was well illustrated by a calculation of Mr. McCrae, Member for East Edinburgh, referred to in evidence, who ascertained the annual value of vacant land in Edinburgh by multiplying the ordinary feuing rate by the number of vacant acres within the municipal boundary, ignoring the fact that only some 15 out of several thousand acres are absorbed by the builder per annum.

12. This is the history of the matter in Scotland. It is proper, however, to note that side by side with this movement, not accepted by some of its promoters or by any large body of public opinion, but still rendering it a large measure of

encouragement and support, were the theories of Mr. Henry George and the Single Taxers, represented in this inquiry by such witnesses as Mr. Adam and Bailie Burt. These theories, notwithstanding Mr. Gladstone's denunciation of them as "robbery" and the repudiation of them by such an extreme Socialist as Mr. Keir Hardie, have undoubtedly obtained a certain vogue, and the zeal of their promoters has given the stimulus to the movement.

13. So far as the taxation of land values has any claim to be a popular movement in any part of Scotland the story ends here. The taxation of covered sites, separating the site from the building, may be a logical deduction from the proposal to tax vacant land, but it was a deduction which was not drawn in Scotland. This idea was developed in London, where widely different conditions prevail, as was candidly admitted in evidence by Mr. Harper, the statistical officer of the London County Council, and was borrowed thence by the promoters of the movement in order to put it into proposed Bills dealing with the matter. It has never been popularly explained in Scotland, is not understood, and commands no popular support. The idea that two people with houses or shops of equal rent and value are to be rated differently because in one case the site and in the other the fabric is the more valuable is still novel in Scotland.

Harper,
11579-
11596.

14. No Scottish witness has recommended that all the rates should be thrown upon the land value, with the exception of those who support Mr. Henry George's theories and express their intention of ultimately appropriating the whole rental value of the land. No evidence has been given that the land value alone is capable of bearing all rates; on the contrary, from the small proportion which the land value bears to the total rateable value in certain towns as to which evidence has been given, it is clear that even the infliction upon owners of land values of a rate of 20s. in the £ will not suffice to provide the necessary funds.

Mounsey,
1338.
Fraser,
3784-8.
Marwick,
6527.

15. Under the present rating system the whole annual value or rent of property, according to the manner in which at the time it is in use, is rated in Scotland. The proportions in which the aggregate rate is divided as between owner and occupier vary according to circumstances and locality, but the whole rent or annual value is rated. It is unnecessary here to inquire how far actual incidence corresponds with the primary allocation of the rate, and whether the occupier can shift any part of what he primarily pays on to the shoulders of the owner, or the owner on those of the occupier. The principles upon which the rates are levied according to the actual annual return from properties—site and building being treated as a unit—and are apportioned between owners and occupiers, have been much discussed, and your Committee do not propose here to pursue the general argument. It would appear, however, that the present system is a compromise between two principles of "services rendered" and "ability to bear the burden." Each is given effect to and each is tempered by the other. It is obvious that if the principle of services rendered were carried out to the full extent, occupiers of small properties would require to be assessed at a much higher rate upon the amount of their rent than occupiers of large properties, as many public services benefit the former just as much as the latter. On the other hand, if ability to bear the burden were the sole test, income from all sources, and not rent received or paid alone, would be the proper criterion, as indeed it was under the whole Scottish system of taxation according to means and substance. As regards ability to bear the rate, however, the value of property occupied is an approximate index. This also applies as regards ownership, although probably it happens more often that the owner or part owner of large premises is poorer than the owner of small premises than the like happens in the case of occupation. Whether regard be had to services rendered or to ability to bear the burden, the separation of the value of the site from that of the building will lead to no closer approximation either to the one principle or the other.

Biunie, 444.
Christie,
7127-82.
Mac-
naughton,
6069.
Murray,
1219.
Mounsey,
5389-93.
Memo-
randum in
reply to
Queries put
by Royal
Commission
on Local
Taxation,
1901, Cd.

16. The system under which land and heritages are rated in accordance with the actual return for the time being is simple and well understood, and has worked smoothly in practice. It is not to be abandoned merely because certain incidental anomalies can be shown to attach to it, particularly when it appears that greater anomalies will be attached to the scheme which it is proposed to substitute for it.

17. The leading proposal of the present Bill is to rate all urban sites at 2s. in the £ upon 4 per cent. of their capital value. This proposal involves a double departure—a departure from the existing system of rating according to annual revenue as the property is occupied for the time, and a departure from the present

system of rating upon site and building as a whole without attempting to separate the value of each element. The rate is to be levied alike in respect of land covered by building and of vacant land, and when lands are feued the proportion of the rate corresponding to the feu-duty is to be charged against the feu-duty before it reaches the hands of the superior.

18. Consideration of this proposal naturally divides itself into three branches:—(a) the separate rating of covered urban sites upon their capital value; (b) the rating of vacant urban land upon its capital value; (c) the rating of feu-duties. These will be considered in their order.

THE SEPARATE RATING OF COVERED SITE VALUES.

19. The separate rating of site values necessitates the ascertainment of the value of the site apart altogether from the value of the buildings at present upon it. This question is attended with much difficulty, both in principle and in detail. The theory of the promoters of the movement, which seems to be embodied in the present Bill, is that each site is to be valued, irrespective of the buildings upon it, at the price which it would bring if cleared of buildings and placed in the market. This theory, however, has entirely failed to stand the test of examination, and a disposition to run away from it was clearly to be observed in the evidence of those favourable to the general policy of the Bill. There are only two cases where such a method of valuation might yield an approximate reasonable result, viz.:—(1) when the site is already utilised to its fullest commercial capacity by the existing building upon it, and (2) when the existing buildings are so unsuitable or ruinous that their presence does not add to the value of the site. In all other cases such a method of valuation would lead to most anomalous results. In the case of a very considerable proportion of the older property in the centre of towns, the value of the site considered as cleared is greater than its value as a site for the buildings at present upon it. But, on the other hand, the value of the property as it stands is greater than any value which could be obtained for the site alone. It would, therefore, be absurd to pull down the buildings in order to utilise the site for new buildings, and accordingly the site value is one which the proprietor cannot realise, because in order to realise it he would require to sacrifice more than he could possibly obtain. The proposal to rate him on the site value is therefore consonant neither with justice nor with sound economic principles.

Henry, 3157.

Keith, 2246,
&c.

Fraser,
3657, &c.
Murray,
1247-1262,
1412, &c.
Barr's Mem.
Marwick,
6581.
Fairlie,
7583-7604.

20. It may further be pointed out that the price which might be obtained for a single site if placed upon the market is no index to the aggregate value of the whole of the sites in the street. The site comes into the market as a building site for new premises when that stage is reached through the growth of site value and the decay of the existing buildings at which more can be obtained for the ground as a site to be cleared than for the ground and present buildings as premises to remain in their present state. Now, in an important thoroughfare it may happen once every two or three years that a suitable site for a large building so comes into the market, and when it does so happen there may be one or two purchasers in the market anxious to acquire a site in the neighbourhood for an important building or for some special purpose, and in this way a large price may be paid for the site. But the price would certainly be very much smaller if three properties happened at the same time to reach a corresponding stage of deterioration, and so come simultaneously into the market, and it would be still smaller if the number were ten. As the number of sites coming into the market for the purpose of being cleared is limited, so is the number of purchasers wanting such important sites, and able fully to utilise them. In the course of fifty years every site in the street might in succession come into the market in this way and obtain a large price, but in endeavouring to ascertain the present value of the aggregate sites in the street it is necessary to discount this long period. Failure to observe this has led to a vast over-estimate of the value of covered sites. It is obvious, too, that in view of the foregoing considerations a single sale, or even several sales of site property in a street, will afford to the assessor a most unreliable index to the true average value of a site in the street.

Garson,
6115.
Lethem, 275.
Mounsey,
5571-5.

21. A disposition has been indicated in the later stages of the Inquiry to abandon as untenable the proposal to value sites on the hypothesis that they are cleared of buildings, and to recognise that account must be taken of the existing building and of the impossibility, in most cases, of realising the full value of the site without sacrifice of the building; but this plan only affords escape from one difficulty in order

to encounter another. The value of a site considered as cleared and ready for the builder is an intelligible proposition, but the value of a site which is to be treated as covered by the present building and no other, and yet is to be valued entirely separately from that building is an abstraction which it is impossible to regard as an appropriate subject of taxation. No doubt it may be suggested that the cost of erection of the buildings can always be estimated, and that this, if deducted from the value of the whole subject, which can also be estimated, will give the value of the site; but this is not so. The evidence shows that there are many substantially-built properties in Edinburgh and other cities where the above rule, if applied, would show the value of the site to be a minus quantity.

Beattie, 8736, 8867-71.
Lethem, 281.
Hunter's Memo.
Barr's Memo.
Hunter's Memo.

22. Neither the Bill nor the exposition of policy which has been made relative to it throw any light upon the question of whether the site is to be valued as prepared for buildings or whether the cost of the preparation of the site for building, and of the construction of streets and sewers, is to be deducted from the value of the site. These items, which have all been paid for by the owner, are no part of the unimproved value of the land, and are as much products of industry and labour as is the fabric of the building which is to be exempted from the rate.

Garson, 5979.
Henry, 2900.

23. The difficulties in regard to the details of valuation are enormous. The valuation would be laborious and costly, and would occasion much friction. The difficulties occasioned by sub-division, by the tenement and flat system, by servitude, common interests, right in garden ground, and in other ways, are fully explained in evidence, and must be obvious to everyone familiar with the conditions of urban tenure in Scotland. The value of the site of a tenement cannot, as has been suggested, be divided in accordance with the interest in the property of each proprietor of a flat, or portion of a flat. This would be inequitable, for in many cases by far the greater portion of the site value inures to the benefit of the owner of the street floor. Another source of difficulty referred to in evidence arises in connection with building restrictions. In regard to this matter there is a good deal of misconception. These restrictions were spoken of as if they were a matter entirely between the superior and the individual vassal, and it was represented that it would be no hardship to compel the superior to bear the burden of the rate which should be imposed as if there was no restriction on the use of the property, seeing that the restriction was dependent upon the will of the superior, and made for his interest or by his caprice. But this is an entire misconception. In the great majority of cases the restriction is imposed in the general interest of a considerable body of feuars as well, it may sometimes be, as in that of the superior, and it is not in the power of the superior to release any particular property from the restriction. The adverse influence of the proposed system of rating upon gardens and other open spaces in private ownership, and general amplitude in laying out building land, is fully borne out by the evidence, and is so obvious that it is unnecessary to dwell upon it.

Fraser, 3584, &c.
Lethem, 15, &c.
Sully, 7842.
Reith, 4207-4221.
Binnie, 506-11.
Mac-naughton, 6369.
Hunter's Memo.
Marwick, 6564.
Henry, 3164.

Binnie, 502.
Hunter's Memo.
Binnie, 523-4.

24. Two advantages are claimed for the proposed change, viz.: (1) that it would increase the burden upon owners and thereby diminish the burden upon occupiers, and (2) that it would encourage the improvement of buildings.

Hamilton, 8401.
Fairlie, 7378.
Adam, 8027, &c.

25. As regards the allocation of rates as between owners and occupiers, no case was established in evidence to show that, having regard either to ability to pay or to services rendered, or to both combined (which is, we think, the proper view), the present system is inequitable, and there was no evidence to show that the proposal of the Bill would effect such a re-adjustment in the final incidence of rates. In the case of property where the site value was one-eighth to one-tenth of the total value, the rate of 2s. would be equivalent to an increase of, say, 3d., on the total owner's rates. On the other hand, in the case of central business property where two-thirds of the value was in the site the rate would be equivalent to an increase of 1s. 4d. on the owner's rate. Now, it is a matter of common knowledge that the occupier of valuable central sites is also the owner, much more generally, than is the case with house or other property less centrally situated and of less site value. The rate, therefore, would hit occupying owners as a class far harder than owners who are not occupiers. Indeed, if the former are classed with the occupiers who are not owners as against owners who are not occupiers it may be questioned whether the new rate would on the whole shift the burden in favour of occupiers as a class as against owners as a class. Again, the valuable central area already rated to an extent which is a heavy burden is occupied almost entirely for industrial or business purposes. The new rate therefore would impose an additional burden upon property occupied for such purposes to the relief of residential property. The owner and occupier of

a house in Buchanan Street, Glasgow, or a warehouse near the Broomielaw would be heavily mulcted, whilst the owner and occupier of a large West-end house, who either had no business premises or who rented a few rooms, as, say, a stockbroker, would not be seriously affected and indeed might be a gainer. Further, the more complex and elaborate the adaptation of premises for industrial or business purposes, the greater the likelihood that the occupier will be found to be also the owner. Factories are almost invariably and workshops generally occupied by the owners; accordingly the businesses which afford the greatest amount of industrial employment would be adversely affected by the new rate. All these considerations point to the conclusion that it would be rash to assume that the proposed change would afford relief to industry at the expense of accumulated wealth. If a re-adjustment of rates should be desirable, this can be effected without any alteration in the present system of rating such as is suggested by the present Bill, for the existing rates can be allocated in different proportions. The question dealt with in this paragraph is again referred to in its more general aspect in paragraph 45.

Garson,
6038.
Fraser, 3672.
Hill's Memo.

26. As regards the effect of the proposed change by way of encouraging building operations, there is probably a good deal of exaggeration and misconception. The addition which will be made to dwelling-house or business premises will still be rated, although possibly to a slightly less amount if this new rate be imposed upon the site. It may be doubted whether, under the existing system when people are considering an addition to their premises, the increase of the rates enters into their consideration as an important factor determining their action in the matter. The question was asked by several witnesses: "Why should a person be penalised when he makes an addition to his house or to his works?" The expression "penalised" is absurd. The person is rated in accordance with the annual value of his premises, which are taken as an approximate index of his ability to pay and of services rendered to him. If the premises are enlarged and made more valuable the rate necessarily increases. But, if instead of enlarging his premises he moves into a larger house or offices, equally are his rates increased, and yet it would be most absurd in that case to say that he was penalised because he chose to occupy more commodious premises. It is to be observed, too, that if the proposed change may do something to encourage vertical extension of premises, it will distinctly discourage lateral extension, for any ground acquired for such extension would be rated as additional site, and even ground already owned would probably be regarded as of greater site value when its utility for the purpose of permitting enlargement of the premises had been demonstrated by its being so used. It may be doubted whether it is of advantage to encourage greater height in town buildings by rendering sites subject to new burdens.

Fairlie,
7360-7498,
&c.
Adam, 8017.

Anderson,
9005.

27. On the whole matter of the rating of covered sites, your Committee, as already indicated, are satisfied that no case has been made out for any disturbance of the present system of rating such sites along with the buildings upon them, and that a system such as that proposed in the Bill would not work in practice with any approximation to justice.

RATING OF VACANT LAND AT ITS CAPITAL VALUE.

28. In regard to the value of urban land which is yet unbuilt upon and the possibility of covering it with buildings and so realising that value, there is a great deal of popular misconception. A popular idea is that the proprietor of such land could feu it all out at once if only he chose, at or about the rates at present obtainable and without any cost to himself. This, your Committee need hardly point out, is a complete misconception. The laying out of an estate for building and feuing purposes involves a very large initial outlay which must be made by the owner of the land by way of constructing roads and main drains, and his future return of that outlay is dependent upon the success of his feuing scheme, is invariably gradual, and is not infrequently deferred for many years. The growth even of prosperous towns is generally slower than the sanguine speculator anticipates; although some have been fortunate, investment in building land has not, on the whole, during the past fifty years, been a profitable form of speculation. Nothing is more uncertain than the course which building will take. Both in Edinburgh and in Glasgow there are building areas into which the gable binding stones of the last house built have projected for forty years waiting for the next house that never comes, and there are areas in these cities which to-day are worth less than they were thirty years ago. On

Marwick,
6534.

Campbell
Murray,
Memo, 16.
Murray,
1298.
Mac-
naughton,
6328, p. 358.
Heron, 5938.

Marwick,
6581.

the other hand, there are areas covered with buildings which were then well out in the country. This uncertainty, and the consequent problematical and highly speculative value of the future return from vacant building land, seems to render it a very unsuitable subject-matter for taxation in proportion to estimates of its value.

29. The proposal assumes that the rating authority is to tax a prospective annual revenue which either cannot at all or cannot consistently with provident management be at present obtained from the land. The rating authority is thereby to discount the future. This might be reasonable enough if the rating authority in thus anticipating the future were to take the property once and for all as a subject of taxation at its present capital value, but nothing of the kind is to be allowed. Apparently the future profits are to be taxed now when they cannot be enjoyed, and to be taxed over again to the full amount when they are ripe for enjoyment. The rating authority is to share in all the profit and none of the risk.

Binnie,
463-5.
Keith,
2343-4.
Marwick,
6620, &c.

30. It is suggested that this proposal if carried out will throw more land into the market. This is hardly possible. Around almost every town there is at present more building land in the market than the market can assimilate. The change may possibly produce forced sales of land which would not have been effected under the free operation of economic law, but the land which it is likely to force into the market is the land which is unripe for building and yet has a speculative value owing to its building potentialities. The man whose property is ripe, or almost ripe, can afford to pay the rate and wait for a few years, but proprietors of unripe land will be strongly adverse to be rated upon a speculative chance of profit, which at best is remote. The imposition of a rate for such a purpose, it may be remarked in passing, is a clear departure from the principle of taxation for revenue purposes only which is cherished by many. The interest of the owners of vacant land and of the burghal community are really identical. The supposed antagonism is a mistake. The reasonable owner of building land is disposed to hold his land until such a demand arises for it as will permit of its most full utilisation in accordance with its situation and capacities, and it is in the interest of the community that he should do so. It is, for example, in the interest of the community that the owner of riparian land, who sees docks and building yards approaching his property, should not feu the land likely to be utilised for this purpose for the erection of dwelling-houses. Again, the very valuable property on the estate of Drumsheugh in West Edinburgh, which yields a very large return to the municipal exchequer, might very probably have been feued out at a much earlier date for inferior buildings; such a policy would have been in the interest neither of the estate nor of the community of Edinburgh. It should not be lost sight of that whatever is likely to prove a stimulus to the owner to sell is also likely to prove a deterrent to the person who is contemplating purchase. It is for this reason that builders are opposed to the rating of vacant land. They generally acquire blocks of ground two or three years before they can utilise them, and they do not contemplate with satisfaction the prospect of having to pay the new rate during that period.

Anderson,
9005.
McMillan,
9070.
Binnie, 468.
Marwick,
6529, &c.
Mac-
naughton,
6483.
Murray,
1272,
1322-3.
Reid, 957-3.

31. Much exaggeration, as already pointed out, appears to prevail as to the aggregate value of unbuilt-upon urban land. This is probably due to the fallacy elsewhere adverted to of multiplying the number of acres available by the ordinary feuing rate. When regard is had to the fact that Glasgow absorbs only some 50 or 60 acres per annum and Edinburgh some 15 acres, it is obvious that even if the rate of growth were to be doubled, the building value of the aggregate of all the land available must be discounted by a long series of years. Moreover, if, as is claimed, the effect of the proposed change should be to cheapen the value of sites, this would be no real gain to the rating authority, for the value of sites within the old area would fall if cheaper sites were available in the surrounding district. It may be added that the operation of the proposed rating would be so unequal and unfair as between the municipality and private owners that it can hardly be defended except by those whose object is the gradual expropriation of the latter. While a private owner would come under the proposed rate, the municipality could at any time avoid the rate on land which they might buy by nominally devoting it to exempted public uses.

Murray,
1268.
Marwick,
6535.

32. Upon this matter of the rating of vacant land upon its capital value, your Committee are of opinion that no case has been made out for such a very serious departure from the practice which has prevailed in the past.

THE RATING OF FEU-DUTIES.

See *supra*,
Art. 10.

33. As above pointed out, this is a branch of the movement to which attention was first directed in Scotland. At that time there was no question of the separate rating of site values, and the suggestion was not that a special rate should be imposed upon sites, or upon feu-duties, but that feu-duties should contribute in the same way as rent to the public revenue, notwithstanding that the rent, which included the feu-duty, is already assessed to its full amount, a circumstance which was overlooked or not understood. This present proposal, however, is not to make the feu-duty subject to the ordinary assessments upon owners and occupiers, but to make it subject to a special assessment upon site values.

34. The nature of the right of feu is thus defined in the Minority Report, upon the Scottish branch of the question, of the Royal Commission on Local Taxation in a passage in which the hand of the late Lord Kinross, who was a party to that Report, can readily be discerned :—

1902,
Cd. 1067,
p. 50.

“A, the original landowner, ‘feus’ the land to B, a builder or speculator, *i.e.*, he grants the land to B subject to the payment of a fixed perpetual annuity called a feu-duty. The relation thus created between A and B is by Scots law a feudal relation. A is called the ‘superior’ and B the ‘vassal’; but, on the other hand, so long as B pays the feu-duty, and observes the other stipulations of the feu-charter, he is the proprietor or owner of the land, and consequently, if the land increases in value after the date of the feu-grant, that increase as well as the entire value of the building belongs to him. The value of the superior’s interest is only slightly increased by the improvement of the security which he has for his feu-duty and other presentations due under the feu-grant. Economically, this system is identical in effect with the chief rent system common in the north of England.”

Garson,
5977.
Mac-
naughton,
6350.
Low Memo.,
12.
Bisset, 7714.
Murray,
1368, &c.
Mounsey,
5383, &c

35. For all practical purposes the feuar is the owner and the superior is a heritable creditor or perpetual rent charger. In the view of your Committee for the practical purposes of taxation it is futile to enquire into the subtleties of the historical origin and legal theory of the tenure. The question is not what is the historical origin of the system, or what is the legal theory of the matter, but what is the practical relation of the superior to the property, the owner of which pays him a feu-duty. The superior is not owner. He is perpetually excluded from possession or management. He is a trespasser if he enters upon the property. He has no share in any increment of value. He has no vote, either Parliamentary or municipal, in right of the subjects. He is not a heritor of the parish, and he has not even a right of sepulture in the parish churchyard. No doubt he has a right of re-entry to possession on failure in payment of the feu-duty, but though there are technical differences this right is really no higher than that of the mortgagee to foreclose on non-payment of interest.

36. The argument against the rating of this form of property cannot, your Committee think, be better summarised than in a passage from the evidence of Mr. William Garson, W.S. :—

Garson,
5976.

“The first and most important point to which the Society desires to call attention is the proposal under clause 7 to impose the proposed new tax on existing feu-duties. That proposal the society regards as unjustifiable. The feu-duties truly represented, when they were created, the sale value of the ground, and are the equivalent of the price in the form of a perpetual annuity. The holder of existing feu-duties is substantially and in truth nothing but a creditor with ample security, and in the ordinary case municipal improvements do not benefit him. There may or may not have been an increase in local rates since the feu was given off. If there had been an increase in rates there may also have been an increase in the value of property, but the increase in value goes to the feuar, and the increase in rates should be borne by him. In the great majority of cases existing feu-duties are not in the hands of the landowner who created them. They are largely held by insurance companies, churches, and trustees who require a regular and safe income. To tax existing feu-duties would not only reduce the incomes of investors who paid a full price for their investments, but would affect the capital value as well, and the whole burden would fall on existing holders. Previous holders who have realised and obtained a full price on the footing that the feu-duties were exempt from taxation, would not, under the Bill, be called upon to return any part of the

price they received, and future purchasers would be able to protect themselves. The existing holder has no protection, as he cannot, as a houseowner could, recoup himself by charging an additional annual sum. He is entirely helpless, and there seems no reason for inflicting a hardship—indeed, I ought to use a stronger word and call it a great injustice—on the holders of existing feu-duties. I have also to point out that not only have feu-duties been created and dealt in on the faith of the present law, but that, in the great majority of cases, it has been made matter of express contract that all taxes are to be borne by the feuar, who, waiving all technicalities, is the true and absolute owner of the property.”

37. In the Minority Report of the Royal Commission above referred to, which was signed by Lord Balfour of Burleigh, Lord Blair Balfour (afterwards Lord Kinross), Sir Edward Hamilton, Sir George Murray and Mr. James Stuart, the minority, whilst advocating the separate rating of site value (subject to strict limitations, and only as part of a scheme involving largely increased subventions from the Exchequer), remarked of the proposal to rate existing feu duties:—“The rating of feu duties fixed under existing contracts would be a peculiarly objectionable and indefensible breach of contract.” Judge O’Connor, who framed a Report in which he advocated the extreme course of imposing all rates and taxes upon land values, said of the proposal to disregard existing contracts by imposing rates upon ground rents and feu-duties which under contract are exempt:—“The last point which remains to be considered is that relating to existing contracts. As to this it is manifest that equity requires that all existing contracts should be absolutely respected. It may be that many of them will have to run not for years only, but for lives and longer. No matter, for although there would appear to be, according to the view taken in this Report, much that is inequitable in the present arrangements and much that calls for change in the interests of the public, yet a disregard of contractual relations would be a more serious injury to the public than even the existing system of rating.” It may be added that, since the Report of the Royal Commission, every Bill providing for the taxation of land values and applying to England that has been considered by the House of Commons has proposed absolutely to respect existing contracts, while although the two Bills applying to Scotland that have been considered by the House of Commons both proposed the violation of contracts, neither Bill was read a second time until the present Lord Advocate had (last year by implication and this year by express statement) condemned the clause by which the violation of contract was proposed.

38. It has been sought in the course of this enquiry to suggest that because this tax or rate is a new one, no interference with contract is involved in making the superior liable to it in respect of his feu-duty. Like another argument above referred to, this is an attempt to introduce a legal subtlety into a question where its presence is quite inappropriate. There have been cases where the Courts, construing particular clauses by which one party bound himself to relieve another of rates or taxes imposed upon him, have held that on a fair construction of the meaning of the contract it did not apply to some future rate or tax. But no question of the particular construction of a special clause arises here. What the State has to consider in imposing a tax, or in refusing to impose it as an interference with subsisting contracts, is the substance of the matter. Now, if the substance of the matter be here regarded, there cannot be any dispute that under the contract between the superior and the vassal what the vassal obtained was the land with all its privileges and subject to all its burdens, present and future. What the superior retained was the right to an annual payment equivalent to interest upon his money without any other rights or liabilities in respect of the property. It may further be observed that by the proposed tax upon the superior the feuar is to be relieved from his share of part of the burden of rates and taxes which were in existence and directly in view of the parties when the contract was entered into. But even from the strictly legal and technical point of view the argument is bad. Under the conditions of his contract, either express or implied by law, the feuar is bound to bear every rate or tax, present or future, imposed upon the land of which as feuar he is owner. He cannot deduct it from the superior. The supporters of the argument are therefore in this dilemma. Either this is a rate or tax upon the land, in which case it is a burden which the feuar has undertaken to bear, or else it is not a rate or tax upon the land, in which latter case it is a special and invidious income tax levied upon one special class of persons. There is this further

1902,
Cd. 1067,
p. 51.

1901, Cd. 638,
p. 183.

Adams, 8314.

Garson,
6191.
Low Memo.,
12.

Mounsey,
5396, &c.
Glen Memo.,
13.

1901, Cd. 638,
p. 194.

dilemma ; if a rate like this is one which, by the terms of his contract, the feuar is not bound to bear in full, then there is no need to insert any special provision in his favour against the superior in the Bill. On the other hand, if it be a rate which, imposed upon the land by statute in the ordinary way, would fall wholly upon the feuar, then it is a disturbance with the contract to provide by statute that any part of it shall fall upon the superior. In this connection your Committee desire to emphasise what is set forth in the Minority Report of the Royal Commission, that whilst the question of the imposition of a rate upon property is a matter of public interest, the allocation of that rate amongst those who stand in contractual relations to each other, which govern the payment of rates, is not a matter of public interest, but of private contract.

Low Memo.,
12.
Beattie,
8882-3.
Marwick,
6588.
Mounsey,
5449.
Reid, 960.

39. If such a tax is to be substituted for the present system of rating its incidence cannot be altered from the incidence of the present rates on the ground merely that it is a new tax and not provided for under current contracts. Even assuming that this were the case, it would further have to be shown that the incidence of rates under the new system was more equitable to all parties at present under mutual contracts than that proposed to be altered. It may be pointed out that, if it were sought to levy upon feu duties annual rates varying with the amount required to be raised and with the changing value of the land, not only would the return yielded by feu duties be diminished by an amount governed by the ratio of the land value to the total assessable value, but their capital would be depreciated out of all proportion to the capitalised rate by reason of the uncertainty of their yield. With regard to the proposal contained in the Bill as introduced, serious as would be the hardship inflicted upon investors in feu duties by immediate loss of income, that would be less important than the injury done to them by the depreciation of the capital value of their investments. It is obvious that the proposed rate would at once strike 10 per cent. off the income from their investment, but it would strike far more than a corresponding 10 per cent. off their capital in virtue of the sense of insecurity which it would create. Feu duties have hitherto been regarded as a gilt-edged investment, and Parliament has specifically enacted that they are a trustee security. In this respect they may be compared to consols. Now, if a special tax of 10 per cent. upon the interest from consols were imposed by the State, this would be equivalent to a repudiation by the State of one-tenth of its debt. It is obvious that the effect of this repudiation would be to diminish the capital value of consols by far more than 10 per cent.

Cox, 10948.

40. But serious as would be both the direct and the indirect injury to the interest of the investor involved in the rating of feu duties, even more serious, in the view of your Committee, would be the injury to national credit and financial confidence of such a violent interference with a form of investment and a contractual relation so long established and hitherto so firmly recognised and protected by law. In the words of Mr. Harold Cox, land and money have been treated for centuries as interchangeable, and it is impossible to go back upon this. Your Committee consider that such a proposal involves nothing less than public dishonesty.

41. The proposal to impose the burden upon feu-duties created in the future is of course not open to the same objections in principle. The argument is thus succinctly stated by Lord Farrer in a Paper which he submitted to the Royal Commission upon Local Taxation :—“ The fact that rates are levied solely on the feuar and not on the superior is an apparent, if not a real injustice, and it ought therefore to be altered as regards future contracts, although as regards the past when feu-duties have been bought and sold as investments returning a fixed income, there would be great and well-founded objections to any plan of making deductions from them in order to relieve persons who have acquired and hold property which is subject to the rates.”

Binnie, 593.
Reid, 961-5.
Fraser,
3768 (4).
Mounsey,
5462-3,
5487.
Mac-
naughton,
6341.
Bisset, 7702.

42. In the view of your Committee, however, there are practical objections to this proposal which render it extremely doubtful whether any advantage to be obtained might not be far too dearly purchased. An endeavour would be made to discount the rate in the creation of future feu-duties. The rate would tend to discourage the feuing system which has proved of such benefit to the country and to encourage owners to demand their price down. Otherwise it might be evaded by substituting a heritable bond or mortgage for the feu-contract. The element of certainty of return which feu-duties possess as an investment would be taken away, and future feu-duties would become of much less capital value and would accordingly be a less popular form of investment. Much cheap money would thereby be withdrawn from the use of builders and house-owners.

43. Having now dealt with the three branches of the proposal, your Committee propose to make a few observations upon the evidence generally and certain special points which emerge in the course of the inquiry. Whilst, as already indicated, the case for the Bill is weakened, or rather is destroyed by the want of agreement or cordiality in support of its provisions on the part of the promoters of the movement, the case for the movement itself is greatly weakened by the diverse views of the witnesses, not merely in regard to matters of detail, but also in regard to principles and to the aims of the movement and the objects likely to be attained. Whether the Bill is to be regarded as creating a new source of public revenue, or merely as re-adjusting the incidence of the present revenue; whether the rate is to be additional or substitutional; whether it is to increase the resources of the public treasury for new schemes, or is to be employed in relief of present burdens; how sites are to be valued, whether they are to be valued as they were before building operations began as they are now, or as they might be in the future if cleared of buildings; whether existing feu-duties are to be taxed or not to be taxed, or are to be taxed but with a moratorium; what is the approximate value of the property to be rated, and what the likely return would be; whether the 2s. in the £ is to be regarded as a stereotyped limit for all time, or as only a preliminary instalment; upon all these and other important questions the utmost confusion and uncertainty appear to prevail. If the question be asked what the supporters of the movement were all agreed in advocating, the only answer can be "something."

44. Some of the witnesses in support of the Bill expressed their approval of the recommendations contained in the Minority Report of the Royal Commission, to which reference has already been made. These proposals differed widely from those of the present Bill, and it is hard, indeed, to understand how any supporter of the present Bill can approve of the recommendations contained in the Minority Report. It is true that this Report recommended a separate rate upon site values, but that recommendation was subject to the following qualifications, all of which seemed to have been regarded by the Minority as essential conditions:—

- (a) The rate must be a special rate limited by Parliament, and devoted exclusively to expenditure, tending to increase directly the value of urban land.
- (b) One half of the rate must be levied upon owners, and one half upon occupiers of sites, as the latter control the expenditure.
- (c) All existing contracts, whether of lease or of feu, whereby public burdens are to be borne by the lessee or the feuar, must be strictly respected.
- (d) The rate upon vacant urban land must be levied only upon land immediately available for building.
- (e) Gardens and pleasure grounds, attached to dwelling-houses, must be exempted from the rate.
- (f) Above all, the new charge upon land must be counterbalanced by further relief of local taxation, to be granted in the form of increased subventions from other sources.

None of the foregoing qualifications or conditions, which were regarded by the minority as essential, are contained in the present Bill, or suggested by the advocates of the present scheme.

45. Your Committee are not satisfied that, whether regard be had to services rendered or to ability to bear the burden, any case has been made out for an alteration of the incidence of rates as between owners and occupiers. As the owner's interest in services rendered is generally only indirect through this tenant, it can hardly be represented as likely often to be equal to that of the tenant, and the owners of house property in towns are not in Scotland a body peculiarly able to bear taxation, for house property is largely owned by small investors and is not a favourite investment of the rich. Whether an alteration of the direct incidence as between owner and occupier would ultimately shift any part of the burden has been the subject of much discussion in recent years, but in the view of your Committee it is impossible to come to any certain conclusion as to the ultimate incidence of the new rate, *i.e.*, whether it will fall upon the occupier, the owner, or, in the case of new buildings, the superior or seller of the land. On the one hand, it has been represented that it would all ultimately rest upon the consumer, namely the occupier. On the other hand, it has been contended that the burden cannot be shifted and would ultimately rest upon the party upon whom it is immediately imposed in the first instance, namely, the present owner. There is probably some exaggeration in both these views, and the subject is one upon which theoretical dogmatism is to be avoided. The question differs

according as the rate is to be treated as a new and additional one or as a substitution for part of an existing rate. In the latter case it will tend, at the outset, at all events, to rest upon the occupier. The measure of rent of existing buildings is the demand and the ability of occupiers to pay, and the occupier generally takes the best house he can afford. It is obvious that if the occupier is relieved of part of his present rates he will be able to pay rather more than his present rent for the same house. It would appear, therefore, that at the outset the owner upon whom this tax was laid would be able to shift it on to the occupier unless the town is already largely overbuilt, and the standard of rent once raised is not easily lowered owing to the trouble and expense of removings and other causes. Your Committee would again point out that if an alteration of the incidence as between owners and occupiers be desired, that can be effected by the adjustment of the present rates without the introduction of any new and peculiar rate such as is now proposed.

Fraser, 3672.
Garson,
6038.
Memoranda
Royal Com-
mission,
1901.
Murray,
1227.

46. It is desirable that a system of rating should be not only equitable, but also simple, orderly and readily intelligible. If the proposed change were introduced, not only would different interests be rated in different ways, the one upon capital and the other upon annual value, but even the same interest would be rated both ways if, as is proposed, owners should go on paying rates upon the present system of annual value, and should in addition pay the new rate according to the other system of capital value.

Henry, 2853.
Fraser, 3784.
Marwick,
6527.
Hunter's
Memo.
Fairlie, 7363,
&c.

47. As stated in a preceding paragraph, there appeared to be the utmost uncertainty as to the capital value of the property to be rated and the amount of the probable return. In the opinion of your Committee, as already indicated, an exaggerated view is taken by some in regard to the value of covered sites, of vacant land, and also of feu-duties, at all events in so far as the last are in the hands of the original superiors. In respect to sites, having regard to the fact that only within a small area, even in towns like Edinburgh and Glasgow, is the value of the site greater than that of the building, and that in new feus it is generally less than one-tenth, the Committee cannot but think that those witnesses were under a complete misconception who suggested that the site value over all is equal to 50 per cent. of the total value.

Murray,
1332.

Adam, 9812.

Binnie, 771.

48. The bearing of the proposals upon the question of the better housing of the people has been anxiously considered by your Committee. The portion of the rent of an ordinary workman, which is represented by the ground value, probably varies between 10s. and 20s. per annum. There is no suggestion that this charge will be swept away as the result of any of the proposed changes. The utmost that can be suggested is that it may be diminished by a shilling or two. The Committee, however, are not satisfied that any such deduction would be obtained. No healthy stimulus of building could be expected. In suburban districts any disposition of proprietors to feu their land on easier terms would be more than counterbalanced by the difficulties which these provisions would place in the way of the financing of building operations. Cheap capital would inevitably be driven away from any such form of investment. In the populous parts of town, however, an increase of the burden upon sites must tend to increased density of population.

49. Stress has been laid before your Committee upon certain representations as to the working of a system of taxing or rating lands upon their unimproved values in certain of the Colonies in Prussia, and the United States. In the two last-mentioned cases no rate is levied on the site value as apart from the combined value of site and buildings. In New Zealand in certain towns a system of rating on unimproved value (differing, however, widely from the proposals before your Committee) has been adopted, but reports show that it has been in operation for so short a time that no substantial conclusion can be drawn as to its effects. It may be noted that the process of ascertaining the unimproved value necessarily presents much fewer difficulties in a new country.

Supra,
Art. 10.

50. The general arguments which have been advanced in favour of the scheme abound in fallacies, which it would take too long to discuss and expose in detail. Your Committee may, however, point out the following as being prominently brought out by the evidence :—

- (a) It is represented by some that land values are a new and untaxed source of revenue, the rating of which will prove a new source of income to the public treasury. This is a mistake. The whole annual return from land is already taxed. There may be an increase of the burden upon this return, or a re-allocation of the tax as between those interested in

property, but there is no new source of revenue. The only possible exception to this is the return which may be obtained by the taxation on its capital value of unoccupied land, but even this is hardly a new source, for these lands are rated at present, and, as already pointed out elsewhere, this source of revenue is likely to prove comparatively small in amount and of only a temporary benefit to the municipal exchequer.

(b) It is very generally lost sight of that neither land nor buildings, nor any other form of property, pays rates or taxes. These are paid by individuals, and the possession of land or buildings is merely a rude index to the benefit received by and the ability to pay of the individual who is taxed or rated. In disregard of this, however, land is spoken of as if it were an entity which pays or does not pay and ought to pay rates and taxes.

(c) The "community" is personified and spoken of in a loose and uncritical way, without any attempt at definition or analysis of what goes to constitute the "community" or its industry—capital, labour, private enterprise, or public undertakings. With tiresome iteration, witness after witness repeated the proposition that "the community should participate in the increased value which its industry has created." The "community" is represented as a humble, laborious, and hitherto unappreciated person who has been toiling unrequited in the public interest and for the good of landowners. It seems to be quite lost sight of that every member of the community has been working in his own interest and for his own benefit, and that the prosperity of the community of which the increased value of land is an index shows that his work has been successful, and his industry not wholly unrequited.

Anderson,
9005.
McMillan,
9002.

(d) Similar looseness of thought is shown in the way in which municipalities and their work are spoken of:—"Has not the municipality brought in a water supply, lighted and cleansed the streets, and laid down a tramway all for the future benefit of the landowner, who makes in the meantime but a small contribution to the rates and asks a full price for his land!" The municipality did nothing of the kind. It provided certain things because it wanted them and it has got what it wanted. The municipality did not bring in a water supply for the sake of the landlord, it brought in water because it wanted water and it has got water. It cleansed and lighted the streets because it wanted cleanliness and light, and it has got them. It laid down tramways because it wanted tramway communication, and it now enjoys a tramway service. The theory that whenever a public body or a private company or an individual does something in their own interest and within their legal right an indirect benefit or injury is thereby occasioned to another party, a creditor and debtor relation is established, is a novel one, and, if adopted, is capable of interminable extension in every relation of life. In setting this forth your Committee do not desire to dispute that, in certain exceptional circumstances, there may be room for a legitimate application of the principle of betterment and of the correlative principle of worsenment. But they demur to the loose reasoning which would treat the former principle as if it were the general rule governing the conduct of business affairs, and not as it truly is an extraordinary and rare exception to the general rule, to be admitted only in very special circumstances and under very strict safeguards.

Adam, 8018.
Fairlie, 7436

(e) Whilst the community is thus personified on the one hand, landowners, as a class, on the other hand, if not personified, are treated as a homogeneous unit in an equally uncritical spirit. One would imagine from the representations made that landowners were an exclusive and unchanging caste, that the present owners of land were the lineal representatives of the owners of the 16th century, when military tenure prevailed, and that all changes in the incidence of burdens and tenure since that date had been either to the advantage or the disadvantage of the present owners of land. This fallacy, it may be incidentally pointed out, is closely related to the other already referred to, namely, that it is land, not individuals, which pays rates and taxes, and it is sometimes difficult to determine which of the two fallacies is operative in the mind of the witness. The truth is that by far the greater proportion of land in Scotland has changed hands by purchase since the beginning of the 19th century, and much of it more than once since then. The great body of landowners acquired their lands either themselves or through very recent predecessors for onerous consideration,

subject to the conditions which law for the time being attached to the right of property, and under the guarantee of that right, which has always been regarded as one of our most important public possessions, and the foundations of public credit. If it were the case that in bygone ages land was subject to certain burdens which do not obtain, and if it were land and not individuals which pays taxes, or if the present owners were the lineal representatives and gratuitous successors of those who formerly bore these burdens, there might be some plausibility in the historical argument, but as neither of the two latter conditions, at all events, obtain, the argument is without any foundation.

(f) It would take far too long to analyse and criticise the argument which rests upon the contention that a much larger proportion of public charges rested upon land in, say, the year 1600 than is at present the case. This argument ignores the fact that land was at that time the sole, or almost the sole source of wealth, and that the revenue from land was the only source from which public revenue could be obtained. If the argument were valid, it would follow that the mining industry and other forms of wealth in the Transvaal and West Australia should be exempt from taxation because thirty years ago the only source of revenue in these countries was agricultural land, which had then to bear the whole burden of the public charges. In this connection, too, it may be pointed out that both in England and in Scotland burdens which the Legislature intended to affect income, both from real and from personal property, came in practice to be put solely upon real property owing to the convenience of collection on the one hand and the difficulty of collection on the other. The land tax, for example, was intended as a general income tax; poor relief, both under ancient and modern statutes, was meant to affect personal as well as real property; ecclesiastical burdens were imposed by Scottish statutes upon the "parishioners." All these burdens came to fall solely upon real property.

(g) The proposed change in law was treated by most of the witnesses in favour of a change as a matter which mainly affected the interest of the "landowners." Bailie Burt, for example, stated in dealing with the difficulty of valuation that bad as landowners were, they were not perjurers, and would make a proper return of the value of their land. One would suppose from this that it was principally landowners of suburban estates who would have to make these returns. But, important as may be the question of the taxation of vacant land available for building to the owners concerned, this is a comparatively trifling incident in relation to the scope of the provisions of the measure. The number of persons and the interests affected by this branch of the proposal are trifling in comparison with the number of persons and the interests affected by the proposal to tax the site values of occupied lands. For every owner of vacant building land who will be called upon to make a return, there will probably be a thousand owners of unoccupied land. Now these latter are not "landowners" at all in the popular sense, and it can hardly be supposed that Bailie Burt meant to refer to these inoffensive citizens when he used the expression "bad as they are."

51. Your Committee cannot but take cognisance of the fact that the principal evidence in support of the scheme was that of men of very extreme views, and of predatory, if not altogether confiscatory, opinions in regard to rights of property in land. In the view of such witnesses this new rate is only the beginning of a scheme of expropriation without compensation, whereby the whole burden of local and Imperial charges is to be laid upon the owners of one form of property, if, indeed, any rental value at all is to be left to them. In the opinion of your Committee, a scheme, mainly advocated by persons holding such opinions, must be regarded with suspicion by all who condemn their ultimate aims, not only as contrary to public policy, but as inconsistent with public faith.

SUMMARY.

1. Your Committee agree with the conclusions of the Committee upon Town Holdings, and of the Royal Commission upon Local Taxation, that no sufficient case has been established for the disturbance of the present well-understood system of

Burt, 4363.
Christie,
7108,
7264-75.

Clark's
Memo.,
p. 767.

1902,
Cd. 1007,
p. 1.
Act, 1572,
c. 54.

Burt, 4428.

Adam, 9681,
&c.
Burt, 4899.

urban rating on annual value. Your Committee are of opinion that the substitution of a system of rating on hypothetical capital value, for the present system of rating on actual value, as represented by rental, would cause much inconvenience, and would create greater anomalies and inequalities than any which are alleged to be attached to the present system.

2. If a change must be made in the existing system, the proposals of the present Bill, for the separate taxation of site values, are inequitable and impracticable.

3. The evidence adduced before your Committee, in support of a change in the present system of urban rating, has been of a confused and contradictory character, and great diversity of opinion has been elicited in regard to the objects, the principles, and the methods of the proposed change.

4. Your Committee are satisfied that no scheme for the separate rating of covered urban sites, upon their capital value, would be attended with any advantage which would justify the disturbance of the present system.

5. It has not been shown to the satisfaction of your Committee that a rate upon the capital value of vacant urban land would be equitable in its incidence or would give a healthy stimulus to building. On the contrary, any additional inducement which it might give to the proprietor to part with his land on easier terms would be more than counterbalanced by the difficulties which the scheme would place in the way of the financing of building operations. Such a rate would inevitably tend to the curtailment or suppression of gardens and all other open spaces in private ownership.

6. The proposal to impose the new rate upon existing feu-duties and ground annuals is essentially unjust, and is based upon a misconception as to the nature of this form of investment. If carried out to the relief of the existing feuars or owners of the properties it would be an unwarrantable interference with private contract, and a transfer of property from one section of the community to another. It is generally admitted that existing feu-duties and ground annuals have already been indirectly rated, since lower sums have been accepted in consideration of the covenant relieving the owner from rates. It follows that if the owners were directly rated they would in effect be made to pay the same rates twice over upon the same property.

7. A very large proportion of the total feu-duties of the country is now held by public and private trusts and by private investors, who have acquired these feu-duties simply as a form of investment of their money on good security approved by Parliament as a trust investment. These persons have no relation other than that of creditors to the locality from which the feu-duty is drawn. They cannot share in its advancement, and the imposition of a special rate upon this fixed source of income to bonâ fide holders for value would be a harsh and confiscatory proceeding.

8. Apart altogether from the interests of the parties affected, the disturbance of public credit and of financial security involved in the special taxation of one form of investment which has hitherto been regarded as possessing the sanction both of private contract and public faith, would far outweigh any possible benefit to be derived by the community from such taxation.

9. It has not been proved to the satisfaction of the Committee that there are any grounds or any popular demand for a re-adjustment of the incidence of rating as between owners and occupiers, or that the present proposals will effect this. If such re-adjustment should be deemed to be equitable and desirable it should be gradual, it should recognise the principle of representation on the basis of taxation, and it can be effected without the imposition of any new and separately assessed rate.

10. Relief could be given to occupiers by adopting the practical recommendations of the Royal Commission on Local Taxation with regard to the transfer of the Inhabited House Duty and with regard to other subventions from the Exchequer.

11. The acknowledged object of the principal supporters of the Bill, that the owners of land values should gradually be deprived of all the rental value, is manifestly contrary to public policy and morally indefensible.

12. If, contrary to the opinion of the Committee, Parliament should be satisfied that a change of the system of rating ought to be made in the direction of the separate rating of site values, the change should at least be accompanied by all the conditions and safeguards set forth in the Minority Report of the Royal Commission upon Local Taxation.

II.

SEPARATE RATING OF GROUND VALUES.

ROYAL COMMISSION ON LOCAL TAXATION.

Replies received by the Commission from financial and economic experts to the question:

“Should Ground Values be separately rated for local purposes, and, if so, on what principles?”

Question 10 of 15 questions sent out by the Commission in the autumn of 1897.

Replies to the question received from Lord Farrer, The Right Hon. Leonard (now Lord) Courtney, Sir R. Giffen, K.C.B., Professor Sidgwick, Professor Marshall, Professor Edgeworth, Professor Bastable, Professor Gonner, Mr. E. Cannan, Mr. L. L. Price, Mr. G. H. Blunden, Mr. C. H. Sargant, Mr. G. L. Gomme, and Mr. J. W. S. Callie.

SEPARATE RATING OF GROUND VALUES.

ROYAL COMMISSION ON LOCAL TAXATION.

REPLIES RECEIVED BY THE COMMISSION TO QUESTION 10:

“Should Ground Values be separately rated for local purposes, and, if so, on what Principles?”

LORD FARRER.

This question it is very difficult to answer. There are very real grounds for the demand, and equally great difficulties in accomplishing it. It is clear that an alteration in the incidence of rates which are proportioned to rent will not be sufficient, without some further taxation of capital value. Rent and capital value are two different things, and rent is often no test of capital values. In the case where a lease has been paid for by a premium; in the case of land which can be, but has not been, built on; in the case of an old lease in an improving quarter; in the case of land in the neighbourhood of towns, and in all the pleasant residential parts of England—the actual rent, which is often a mere agricultural rent, bears no proportion to the real value; and if local taxes were levied upon rent, and proportioned to rent alone, there would be a large quantity of real property which would escape local taxation altogether.

But the difficulty of associating any plan of rating ground values with our present system of rating on annual value seems to me to be very great, if not insuperable. It is conceivable that in place of our present system we might have had one under which capital values, instead of rent, might have been taken as the basis, so that the annual rate might be proportional to some assumed rate of interest on that capital. The experiment seems to have been tried in the United States, and does not seem to have been successful. (See “Taxation in American States and Cities,” by R. T. Ely, New York.)

But the great objection to any such plan is that there exists at present in this country an established system of valuation and rating fairly understood by the Assessment Committees whose business it is to make the valuations. It is an assessment of annual value; it is avowedly based on rent; and has in the actual rents obtained in the market a certain basis and test. The suggestion that rates shall be based on capital values would be a complete subversion of the system which now exists, and would need a completely new process, and a very different machinery. This objection appears to me to be fatal to any plan of substituting capital value for rent as the basis of rates.

The same objection seems to me to be also fatal to a plan of taxing site values, which finds much favour in some quarters, and especially in the London County Council. The gist of the plan is, to distinguish buildings—which are the produce of human labour and capital—from the land on which they are built; and then to lay a new, separate, and heavy rate on the land, which would go in relief of existing rates. In this way it is supposed that the capital values arising out of the mere possession of improved land might be made to contribute, without taxing the industry and capital employed in building.

I doubt whether any such scheme is practicable. In the first place, the land and the house have not, for purposes of valuation, any separate existence. Valuers, no doubt, say they can value them separately, and Mr. Chaplin’s Agricultural Rating Act may be quoted as a precedent, if indeed that unfortunate Act can be quoted as a precedent for anything. Valuers will, no doubt, put a valuation on anything, whether they know anything about it or not; but the question is what real basis they have for their valuation. The only ultimate basis of a valuer’s knowledge is his experience of actual market values; and as the land and the houses upon it are sold and let together, no such basis can exist for a separate value of the two things. A valuer’s judgment is limited by his experience, and where there is no experience his judgment is untrustworthy. I am told, for instance, that an experienced valuer’s estimate of the late site of Her Majesty’s Theatre, which was, of course, an exceptional case,

has proved utterly erroneous. I do not see how it is possible for any valuer to say with any approach to truth or certainty, what is the value of the estate of the Duke of Bedford or of the Duke of Westminster, apart from the buildings which stand upon them.

A second objection to this plan of taxing site values is that the question at issue is not so much a question between the owner of the house and the owner of the land, as a question between the owner and the occupier of both house and land; and as the ownership and occupation of both are divided into a great number of successive interests, and as the tax upon the site must be levied in the first instance from the original occupier, it will be necessary to have an elaborate system of deductions which each successive tenant is entitled to make from the rent paid to his immediate landlord, until we arrive at the sum to be charged on the ultimate freeholder. This process will be parallel and analogous to that which has been suggested for the case of deductions of present rates from annual rent. We should thus have two systems of valuation and of successive deductions going on, both elaborate, both difficult, alongside one another, and leading, as it seems to me, to inextricable complication and confusion.

There is a third objection which is, at any rate, good as an *argumentum ad hominem*. Those who are strong advocates of the plan of taxing "Site Values," are often also persons who believe that the present rates in Towns falls wholly on the occupier and are not shifted on to the owner. I do not agree with them in this belief. But if they are right, what security have they that rates on Site Values will not also in the end fall on the occupier.

In the absence of any practicable scheme for the separate rating of ground values, I have suggested in my answers to Questions 6 and 7 certain alternatives in the form of Municipal Death Duties.

Before quitting the subjects of Questions 9 and 10, it may be desirable to notice the difficulty which was much discussed in former years, namely, whether it would be fair to tax owners without giving them direct representation. The principle that taxation and representation must go together has already been largely departed from; and in the present temper of public feeling about representation, I do not think that there is any prospect of giving what would be called "fancy franchises" to owners. It is also, I think, open to doubt whether such franchises would be of much service to them, and whether such franchises are necessary in order to give them their due influence on Local Bodies. The influence of ownership and property is very great indeed without any direct or any proportionate franchise, and I do not think that the experience we have had of modern local bodies with democratic constitutions shows that property has any reason to be afraid of them.

The London County Council is, perhaps, the most striking case. In that body there has been a good deal of talk of a socialistic kind; but their bark has been worse than their bite; it has alarmed the conservatism of London; it has reduced the Progressive majority; and the danger seems to be now rather that valuable reforms, which would have been welcomed 50 years ago, will be impeded and delayed, than that any revolutionary attacks will be successfully made on London property.

LORD COURTNEY.

Where the utmost use is made of a piece of land for building purposes, which is ordinarily the case where land is covered with houses of recent origin, the rent paid for the house includes the rent of the ground on which it is built, and I have given reasons in answer to Question 6 for thinking that the rates paid by occupiers of houses are borne by them, except in the case where the position of the land gives it exceptional value, so that the owner of that land would in the case of a new lease command the advantage of any remission of rate. Shortly, therefore, rates on ground values would adjust themselves at each new letting. But, as suggested in the last answer, great changes may arise during tenancies, and whilst a separate rating of ground values would not bring any new subject of valuation under rating at the time of a commencement of a tenancy, and would not alter the incidence of the rate at that time, its absence may, in the course of a tenancy, leave improved values exempt from rating, and in consequence greatly affect the real incidence of the local rates. Suppose, for example, an acre of ground occupied with inferior houses, built 60 or 70 years ago, and that in the course of those years the value of the land has enormously increased. The rates raised upon the houses are levied only in relation

to their actual letting value, without reference to the improved value of the land on which they stand. The owner of the land sees his property ripening without any additional burden put upon him, though, as he would urge, without any immediate addition of income, and whilst he, with his improving property, escapes rating those who do pay the rates have so much the more to defray. This view suggests a strong argument for the separate rating of ground values, so as to secure an otherwise neglected growth, and the natural course would be to rate the ground upon an assessment, representing what might be reasonably expected to be got from it if about to be let.

A further question may be raised as to whether a different rate should be levied upon a ground value and upon a house value. If the purpose of the expenditure of the rate can be shown to have special relation to the occupiers as a class, or to the owners as a class, the amount of a rate might be especially increased in respect of one or the other, but the general case where the rate is levied to meet an indivisible charge in respect of some common want of the community requires separate examination, and this I give in the answer in Question 15, where I examine the principles of contribution as between occupiers and owners.

SIR ROBERT GIFFEN, K.C.B.

The idea of the separate rating of ground values arises from a misunderstanding of the real incidence of rates. As that burden falls *ab initio* upon the ground landlord, diminishing the sum of capital or income he is able to obtain for his property, there is really no separate ground value to be assessed.

PROFESSOR SIDGWICK.

Taxation of ground values might be used, like the division of rates between owner and occupier, to prevent the burden of an increase of rates caused by improvements from falling on persons who do not receive the benefits. It might, I think, be applied with advantage in the special case of new loans for urban improvements; it would tend to secure an equal division of the cost of the improvements between ground landlord and leaseholder, and would prevent any transient burdening of what I may call the "occupiers pure and simple"—the occupiers on a yearly or shorter tenure—through their ignorance, or dislike of the trouble and expense of removal. In order to be just, this method, like the simpler and ruder plan of division between occupier and owner, would require a representation of ground landlords on the administrative body that decided on the improvement. It would not, of course, realise anything like ideal justice, even if supplemented by special assessments or "betterment," owing to the indefinitely varying degrees of benefit that different landowners (or leaseholders) would derive from any particular improvement; but it would, I think, be more equitable than the existing system, and would tend to allay discontent.

The case is not so clear as regards any increase in the rates that are merely onerous to the owners of houses or lands. On the one hand, the "unearned increment" of urban values seems to me a proper object of special taxation, so far as this taxation is traditional and established. On the other hand, it would be obviously inequitable to tax the owner of ground values, for the purpose of poor relief or education, more highly than the owner of any other kind of property, in districts or parts of districts in which these values are stationary or diminishing.

But the question ought not, in my opinion, to be a practical one; since I think that we ought to prevent any such increase by throwing some part of the burden of poor relief on the national budget. No doubt the advantage of this change, if effected, would partly accrue to the ground landlord; but I think that if the burden of new improvements were partly thrown on him, as above proposed, the gain through diminution in onerous rates would be a not inequitable compensation to him, while both changes alike would tend to allay the discontent now felt by ratepaying occupiers.

I will only add that any taxation of ground values, as such, beyond what is above proposed, appears to me to involve a too violent interference with the effects of contracts freely made between leaseholder and ground landlord.

PROFESSOR MARSHALL.

1. I have even greater diffidence in offering suggestions as to the practical results to which these principles point, than in submitting the principles themselves. My knowledge and experience in these matters are small; and I have not even been able to consider the particular questions proposed by the Commission with the care they require. But by answering them as best I can, I may, perhaps, clear up ambiguities in my earlier answers.

2. As regards rural land, the change most needed in the interest of the community is to diminish the burden of those rates which press differentially against the application of capital to agriculture (*see* VI.c. 5.). Some wish that this should be effected chiefly by a large subvention, in some form or other, from the Imperial Exchequer, laying stress on the repeal of the corn laws and the recent increase in the death duties on land.

3. Others regard these as the withdrawal of special privileges rather than the imposition of special burdens; they dwell on the facts that the English law knows nothing of "landowners," and that "landholding" has never been divorced from special obligations to the poor, with the consent of those immediately concerned, and the approval of economists generally. Resting on those broad facts, more than on details in the history of the Poor Law and the Land Tax, they wish the burden of the rates to be transferred from man's action in improving and developing the land to his privileges in holding for private use a part of Nature's free gifts: they do not wish much of it transferred to the public exchequer, where it would be borne, in a more or less disguised form, chiefly by industry.

4. I do not wish to urge either of these views, though I incline to the latter. But I assume (*see* VII., VIII., 7) that there be contributions from the national exchequer towards the Poor Rate and some other rates, which may be large or small; I myself wish them to be rather small. And I propose that a preliminary rate for the purpose of poor relief be made of the public value of agricultural land, that is, of its value as it stands after deducting for any buildings on it, and any distinct improvements made in it at private expense during, say, the preceding twenty years. This rate might be large or small. I should prefer it to be considerable, say a penny in the pound on the capital value of the land, *per se*. I regard this as practically public income reserved to the State rather than as a tax.

5. As regards land which has a special site value, of which the test might generally be that its capital value is more than (say) 300*l.* per acre, my opinions are more decided. I think that its site value should be assessed to a rather heavier preliminary poor rate than I have suggested for rural land; and in addition to a "fresh air rate" to be spent by local authority under full central control for the purposes indicated above (VII., VIII., 11). This fresh air rate would not be really a heavy burden on owners, most of it would be returned to them in the form of higher values for those building sites which remained. There may be great difficulty in allocating the betterments due to any particular improvement. But, as it is, the expenditure of such private societies as the Metropolitan Public Gardens Association, and much of the rates raised on building values for public improvements, is really a free gift of wealth to owners who are already fortunate.

PROFESSOR EDGEWORTH.

Ground rents should be specially rated, when newly created, in localities where an "unearned increment" has accrued to landlords. A contribution may thus be obtained from a source which would not otherwise be tapped.

This conclusion is at variance with reasoning which many experts have put before the Town Holdings Committees.* It has been argued that as a rate on the occupier's rent ultimately burdens the ground landlord, so a rate on the ground rent ultimately burdens the occupier. This reasoning seems to be incorrect in that it ignores what may be called the *marginal* character of economic transactions. If to each site there corresponded a building of a certain invariable cost, then it might be true that, if the rate is added to the occupier's payment, an equal amount must be subtracted from the ground landlord's receipts; and, if the rate is subtracted from the ground landlord's

* *See* Evidence, 1887, Qs. 3360 and 11285; 1888, Qs. 2736, 2837, 3188, 4442, 9355; 1891, Q. 1969 *et seq.* (particularly lucid); *see also* Mr. Sargant's evidence before the Town Holdings Committee and his "Urban Rating," pp. 45-52.

receipts, an equal amount must be added to the occupier's payment—the builder's profits being constant. But, theoretically, in general the cost of the building on each site is not to be considered as fixed beforehand. The builder will push his expenditure up to the point at which his last or "marginal" increment of outlay is likely to be only just compensated by the increase in the rent which he is to receive from the occupier. Accordingly, where there is a virtually *ad valorem* rate, the addition to the rate due to the last increment of value added to the house must be paid entirely by the occupier. Therefore, if we may treat house accommodation as a commodity sold in a market,* the rate, not only on the marginal increment but on the whole value of the building, will be paid by the occupier.

It may be objected that if the rate on the ground rent is applied to relieve the occupier, then the demand for houses being thereby increased, occupiers' rents and ultimately ground rents will go up; the last state will be no better than the first.

This objection would have weight if it were proposed to apply the rate on each site to relieve the occupiers of that site. This proposal will be considered below as a case of division between the occupier and superior interests (*see* answer to Question 12). But here we are entitled to assume that the proposed ground rate is applied to the relief of occupiers generally, or, what comes to the same, to the execution of improvements for which otherwise additional rates would have been imposed on the occupiers. No doubt the improvements tend to increase demand for residences, and this increased demand will tend to increase the occupiers' rents. But this tendency would equally have operated if the improvements had been executed at the occupiers' expense, and the occupiers are gainers, by having them executed at the expense of the ground landlords. No doubt the increased demand for residences will tend to increase ground rent; but the occupiers will gain by having these fresh accretions of ground rent in part applied to further improvements.† It would be a strange complaint against a newly discovered source that, after it had been tapped, it was apt to be replenished.

While thus holding that the proposal to rate ground rents is theoretically sound, I hesitate in such a matter to follow pure theory very far without the support of specific experience. Possibly a rate of so much per cent. on ground rents generally—or on any other scale that could practically be employed—would prove *differential* in the sense which has just been explained.‡ Perhaps the market for house accommodation is not so perfect as the theory requires. Probably there are serious technical difficulties in the way of applying the theory. It may be difficult to distinguish true ground rent, which is the object of the proposed rating, from returns which the landlord may receive for the execution of improvements preliminary to building—for instance, drainage or road-making. It may be difficult to prevent the ground landlord from evading the proposed rate—for instance, by accepting a fine from the building lessee in lieu of a portion of the ground rent. It may be difficult to define the region in which ground rents, having received an "unearned increment," are a fit object of special taxation. Moreover, the immediate relief to be obtained from this new source of contribution is small; since ground rents form only a fraction of occupation rents, and new ground rents are created infrequently in the situations where the higher ground rents mostly occur, that is, on sites which have already been built on. However, the source is likely to become more considerable with the growth of population.

* Compare Marshall, "Principles of Economics," 3rd Ed., App. Note XIV.

† The theory, as here stated, is not touched by the examples which Mr. Sargant has adduced in his "Urban Rating" (p. 47 *et seq.*) to prove that rates fall upon ground rent. His arguments are, perhaps, not aimed at, at any rate they do not hit, the position here taken up: that a special rate on the ground rent falls altogether on the ground landlord.

A case which has been confidently appealed to (by the writer of the *Digest of Evidence*, given before the Town Holdings Select Committee, Vol. II., p. 200), is adduced by Colonel Sackville West, agent for Lord Penrhyn, in his evidence before the Town Holdings Commission (1888, Q. 11560, *et seq.*). Of two parishes in the neighbourhood of the Penrhyn quarries, the rates of cottages were paid in Llandegai parish by the lessor, Lord Penrhyn; in Llandechid parish by the lessees, his workmen; and the ground rent per house in Llandegai was greater than the ground rent in Llandechid by almost exactly the amount of the rate per house, viz., 9s. This case is somewhat peculiar, in that the ground landlord appears to have been virtually a monopolist. However, the general principle that taxes on rent are borne by the landlord does not entirely fail on that account. If the authorities had seen fit to impose a special rate on the ground rent in these parishes, the landlord would probably have had to pay it all in Llandechid. (Theoretically, indeed, he could shift a part of it by restricting the amount of land offered.) In Llandegai, he would certainly have the resource of putting the ground rent on the same footing as that in Llandechid. But where the interests are divided by competition there could be nothing analogous to this latter adjustment.

‡ Cf. Answer 12.

It will be remarked that the special rating of ground values is here based solely on the presumption that an unearned increment has accrued to the landlord. The proposal is not applied to "improvements" in the ground rent due to the landlord's outlay. It is not applied to ground rents already created. As pointed out by numerous expert witnesses before the Town Holdings Committee, such ground rents are fixed charges, which have not experienced any unearned increment.* They have been largely bought by insurance companies and other prudent investors as specially safe securities; and they would seem to be very unsuitable objects for special taxation.

PROFESSOR BASTABLE.

I cannot see that any important advantage would be gained by the separate rating of ground rents. There is, I gather from the opinions of valuers, a great difficulty in making a separation between the value of the buildings and that of the ground. Where the latter has a high value it is really taxed as explained in answer 6 (b). In the case of the smaller ground rents they exist under long-standing contracts and are really rentcharges which frequently change owners. It would, of course, be feasible to distribute the rate proportionately over the various interests into which the rent may be divided, each payer deducting the amount per pound.

As to the principle of valuation it should be that of taking "true market value" so far as it is discoverable.

PROFESSOR GONNER.

The separate rating of ground values and rent to local taxation, if accompanied by a deduction of the rent (or the rent formed on the estimate of ground value) from the rent paid by the occupier, will in one case do nothing more than accelerate the shifting of part of taxes imposed during leases on to the ground landlord. As we have previously seen, final incidence will not take place till the termination of the lease, until when a burden will be laid on the owners of the old houses. This view rests on the assumption that the rates levied on the ground rent or the estimated income of the ground value, will be the same as those levied on the other rent. In such case separate rating, if practicable, must be viewed as a method of securing the rapid shifting of the tax. But if the ground rent or values be more heavily charged, or if, what amounts to the same thing, the ground rent be taxed twice, once separately and once as forming part of the total rent, other considerations enter in.

The special liability of ground rents and values to taxation, and in particular local taxation, has been urged on these grounds.

In the first place, the land is said to be subject to hereditary burdens with regard to taxation. Objection is taken to the basis on which services which had fallen into desuetude were commuted, and in particular to the artificial valuing of land in the case of the Land Tax. Further, the early incidence of taxation on the land has been alleged as an argument for regarding the land as the main and rightful source of revenue. These arguments apply to more than local taxation. With regard to the first, moreover, it has been answered that a bargain is a bargain, even though after generations may disapprove of the terms on which it was concluded. The second argument with reference to the historical incidence of early taxation is not conclusive, for it must be remembered that, at one time, the possession of land and a free status were in inevitable connection; the land was the badge of freedom.

In the second place, it has been contended that the land is the natural source of public revenue, a view which any new community, or nation, or colony, would do well to adopt, at any rate in part.

In the third place, the particular benefits accruing to land from public expenditure and national growth are given as grounds for a particular liability to taxation. This argument acquires additional force in the case of local taxation, which is raised largely in view of expenditure which affects the value of the land. This is increased by the growth of population, by the development of various resources, and by

* I should be prepared to modify this statement upon obtaining evidence that the capital value of such fixed charges is generally and materially raised by an increase in the value of the houses on which the ground rent is charged. I am assuming (1) that, as Mr. Sargant says ("Urban Rating," p. 101), "if it [the charge] is well secured, the addition can be but trifling," and (2) that it generally is well secured.

improvements in the opportunities for leading comfortable lives and earning an adequate living; and while all national expenditure may be said to conduce to these, local expenditure, as some urge, is of such a kind as to be peculiarly effective and immediate in its action.

In opposition to these views it is urged that special taxation of ground values would partake of the nature of confiscation, and in particular cause substantial injustice to those who have bought land or ground rents instead of resorting to other investments, and in view of the income they yield. Apart from general grounds, this contention would not necessarily be valid if such special taxation were introduced to meet the changes occasioned by relief being given to local taxation from Imperial taxation, for such relief might be intended to lighten the burden on the local occupier and not on the land. Speaking generally, the objections urged to such special rating and taxation of ground values seem directed not so much against any injustice in this particular mode of taxation, as against its adoption under existing circumstances. They certainly indicate the need of great care in its imposition. But I think they are insufficient to deprive the community of the particular revenue to be derived from a fund so well suited to local taxation, and which owes so much of its present extent to general growth and public expenditure.

MR. EDWIN CANNAN.

Ground values should not be separately rated. To rate them separately would only introduce confusion, with no counterbalancing advantage whatever.

MR. L. L. PRICE.

Similar considerations to those noticed in reply to the last question would point to the desirability of explicitly and directly imposing a portion of the burden of local taxation on ground values; and they derive some additional strength from the argument that these ground values afford a conspicuous illustration of "unearned increments," which it is desirable to reach by taxation, wherever it is possible. In answer to, or qualification of, the latter contention, it may be urged, with no little force, that injustice is involved in selecting for special taxation a particular species of "unearned increment," when other less obvious and tangible, but no less real and extensive, varieties are allowed to escape, that in the peculiar case selected it is difficult and hazardous to apply the nice theoretical distinction of what is "earned" and what is "unearned" to the rough confusion of practice, and that the present possessors of ground values are not necessarily the actual receivers, but only the purchasers at a full price, of "unearned increment." To these theoretical objections to a special tax on ground values as examples of "unearned increments" must be added the practical difficulty, advanced by experts before the Town Holdings Committee, of separating the value of the ground from that of the building upon it; and these considerations appear to turn the scale against the separate rating of ground values, especially if the owners of such values are reached by a division of the rates between owners and occupiers, according to the method, suggested in Question (12), of allowing a deduction, by each successive tenant in turn, of a portion of the rates, similar to that at present pursued in the collection of Income Tax under Schedule A.

MR. G. H. BLUNDEN.

The separate rating of ground values is, in my opinion, extremely desirable, provided that the practical difficulties can be sufficiently overcome to allow of successful administration. I am not one of those who think that this development of our rating system would prove no more difficult and costly in practice than the portions now applicable to houses inclusive of their sites. The invaluable criterion of rental, adjusted by competition to the true annual value, which alone makes the present system workable, would be absent from a site-tax system. If sales of sites, with or without buildings, were sufficiently frequent and sufficiently distributed as to locality to afford a good basis of fact in arriving at the capital values of all sites at all times, there would be no need to object to a selling value basis for the new tax. But I am

bound to say that I do not believe these conditions anywhere exist, and that they are distinctly absent in London and other leasehold towns. The alternative of hypothetical valuations by experts appears to me inadmissible, having regard to the astounding disparities constantly revealed in evidence of this class in the law courts and elsewhere, and in view of the costliness of such a method. I am, however, not without hope that some way out of the difficulty may be found which is not at present apparent to me. Failing this, I am disposed to recommend that the taxation of ground values should be effected by (1) giving occupiers who are tenants for short terms the right to deduct one-half of the rates from the rents; and (2), in cases of leaseholds and perpetual chief rents and feu duties, by giving a similar right of deduction to the holders of intermediate interests. I would suggest that the proportion of the total rate or rates to be deducted by these persons should be that (not exceeding one-half) borne by the lease or chief rent to the rateable value of the whole property.

May I state here my views as to the theory applicable to the taxation of ground values? (1.) I am of opinion that this class of property at present escapes, in the great majority of cases, all share of contribution to local taxation. This exemption appears to be unintentional and accidental, as well as inexpedient and unjust, and therefore to require revocation. (2.) The reasoning of my answer to Question 9, as to "onerous" rates, of course applies to urban land, but I think there are special reasons for making the contribution to be exacted from this class of property a substantial one. I need not dwell on the arguments which have become familiar in relation to "unearned increment." But I would like to suggest that a very considerable portion of the increase of value usually referred to under this description is directly due to the expenditure of local public funds raised by rates. This happens in two ways: (a.) When a building site in a town or its suburbs is sold or leased, it is sold or let with an endowment of advantages and improvements created by successive generations of inhabitants, acting as an organised society, at great cost. This cost has been borne by a long succession of occupiers, but the advantage largely accrues to the owners, who have contributed nothing. The endowment consists of some or all of the following items: street improvements, bridges and approaches, ferries, open spaces and parks, sewers and sewage-disposal works, waterworks and gasworks for public purposes, markets, municipal buildings and estates, museums, art galleries, libraries, schools, baths, fire stations and equipment, and cemeteries and streets repaired, improved, and lighted since their first formation. (b.) The site is sold at a price which also includes the value of the expectation that all these advantages will be maintained at the public cost for ever. The argument is greatly simplified by supposing that a town is built entirely on one estate. It is evident that if the estate or any part of it be sold or leased the seller or lessor will realise and appropriate the value imparted to the property by both the accumulated publicly-acquired advantages and the expectation of maintenance and further improvement at the public expense which the existing laws cast upon the occupiers. The money value of all this must, of course, vary in different towns, and will be difficult to calculate. But that it exists, and is realisable, hardly admits of doubt. If the rulers of the town had the legal power, and it were practicable, to treat with the landowner on equal terms, and to bargain with him for the use by the occupiers of his land of everything created by the townspeople acting as an organised society, and for the maintenance in the future of such advantages thus conveyed as involve continuous or recurrent expense, there can be no reasonable doubt that the landowner would be glad to compound for the enfranchisement of his land by the payment of a share of the enhancement of value or rental to the town.

If I am right in believing that a considerable portion of the great jump in the rent or value of urban and suburban land which results from its conversion from agricultural to residential uses is to be thus accounted for, the scale of contribution suggested above,* which might appear at first sight to be unreasonably high, will not be found inequitable. It is, I think, unfortunate that the definition of the term "private improvement works" should have been so narrowly restricted, and that the local authorities should be unprovided with other means of recovering outlays and levying contributions beside those of the general district rate and the so-called private improvement rate. Were the scope of the latter enlarged, so as to cover all sewerage and sewage disposal works and public water supplies,† the necessity for so high a scale of deduction from ground rent would partly disappear. But this would not suffice by

* See answer to Question 10, last sentence of par. 1.

† There are precedents for charging *owners* with the cost of public water supplies in the private Acts in force in Liverpool, Newcastle, and Bury (Lancs.); and possibly in other cases.

itself. Equity would still require that the owner of each *new* building estate should pay a composition to the local authority for participation in the endowment of improvements and advantages created and maintained at the public expense. If this were partly in the nature of a capital payment at the outset, the character of the payment would be better understood, and the odium attaching to the levying of a high rate of taxation would be avoided.

MR. C. H. SARGANT.

The only proposals with which I am acquainted for rating ground values are (1) those propounded by Mr. Fletcher Moulton in the autumn of 1889, and (2) those embodied in certain recent resolutions of the London County Council, and about to be laid before the Royal Commission. Both these sets of proposals appear to me to be open to the following fatal objections:—

- (1) They would rate owners of fixed rents in respect of an expenditure, the benefit of which accrues primarily to the owners of marginal rents, or in other words, to the persons having the right to the actual beneficial occupation and enjoyment of the property rated. They would in fact *rate the wrong man*.
- (2) They would be most difficult to work in practice, for while the annual value of a house site and structure together is easily ascertainable with reasonable precision, there would be great difficulty in ascertaining the annual values of the site and structure separately, particularly if (as would rather appear to be the case) the annual value of the site is to be ascertained, not with reference to its use in connection with the building actually on it, but with reference to the use to which it might be put if vacant.
- (3) They would prevent secured interests in houses from being arranged so as to yield a fixed income, and so would drive cheap or trust capital out of house property and raise rents.
- (4) As applied to future contracts, they would fail of their purpose and hamper building, inasmuch as they would impose on developers of land for building purposes, and builders and the persons claiming under them, a prospective liability in respect of the rents forming the reward for development and building, with the result that such rents would rise and the rate be ultimately thrown on the occupier, if (as I presume will be the case) the rate is to be a constant one, *i.e.*, applying to the whole kingdom.
- (5) As applied to existing contracts, they are markedly confiscatory.

And the recent proposals of the London County Council appear to be open to this further very serious objection (which is one not as between the different owners of a single house, but as between the different sets of owners of different houses), namely,—

- (6) As between two houses of the same rateable value, but one of which comprises a small structure on a valuable site while the other comprises a large structure on a much less valuable site, an excess of rating will be thrown on the owners and occupiers of the smaller house in relief of that thrown on the owner and occupiers of the larger house, although in most cases it would be the inhabitants of the larger house that would derive the greater benefit from the rates.

MR. G. L. GOMME.

I think that ground values should be rated directly for *all* local services, and for this purpose the valuation lists should contain only the site value of each property, together with the names of the owners of such site value and the amount held by each owner, so that the taxation should fall upon each owner in proportion to the amount held by him.

MR. J. W. S. CALLIE.

Yes. Personally, I would make land values *the source* of local revenue. I would do so because land is different from every other form of property, if indeed it—any more than the possession of slaves—can be rightly termed “property.” It is the

only source from which wealth can be produced, and, from whatever point of view we look at it, is clearly intended for the use of all, and not merely to be a rent-yielding machine for a privileged few. By refraining from taxing land values, we allow a landowner, if he thinks fit, to prevent the people having access to the use of "his land."

The full case for the taxation of land values cannot be gone into in connection with taxation alone, for the social results are as great as the fiscal ones. But, even from the taxation point of view, land values seem the natural source from which to raise the revenue for the public needs. Especially is this the case in regard to local taxation, since this local expenditure, in almost all cases, increases the value of the land in the locality.

The need for local taxation only arises with the growth of population. The greater that growth, the greater the need for local revenues. But as that growth increases, so, step by step, the value of the land increases also. Nor is this value caused by the owner of the land. If it were, it would not be fair to tax it especially. It is created solely by the presence and industry of the people, and would exist even though there were no landowner, as such, in existence. Take away the landowner; still the land value remains; but take away the population and leave the landowner, and the value has gone. Therefore, in taxing land values, we are not taking away from the landowner anything that he has produced. We are inflicting no harm upon him.

But, when the representatives of the community refrain from taking for the communal needs the value created by the community that attaches to the land, they are, thereby, inflicting a grievous wrong upon all, especially upon the poorest classes. The people are doubly taxed: first, they pay to the landowner that which would pay all their local needs; and, secondly, they have to pay another tax to the local authority.

The desirability of taxing land values is now being urged by a large section of the people, and feeling that the Members of the Royal Commission on Local Taxation would like to have the best exposition of the grounds upon which it is urged, I have respectfully taken the liberty of appending the following summary of reasons, from the pen of one who has been the leader in this agitation; I refer to the late Mr. Henry George. It was written for the "Financial Reform Almanack" by him in response to a request for a definite statement of his reasons for urging this tax. Personally, I entirely agree with these reasons, nor have I seen in the criticisms of Professor Seligman, the late Professor Thorold Rogers, or any of the opponents of this method of taxation—though Professor Thorold Rogers can hardly be said to be an opponent of Mr. George's views—anything to shake my belief in its justice or advisability.

I would point out that the Financial Reform Association, of which I am Secretary, though in favour of the principle of the taxation of land values and of opinion that it should be immediately applied for local purposes, in place of the vicious system of grants-in-aid, is not in any way committed to that or any other form of taxation being the sole source of revenue,

EXTRACT referred to.

I shall briefly state to the readers of the "Financial Reform Almanack" the fundamental principles of what we who advocate it call the single tax.

We propose to abolish all taxes save one single tax levied on the value of land, irrespective of the value of improvements in or on it.

What we propose is not a tax on real estate, for real estate includes improvements. Nor is it a tax on land, for we would not tax all land, but only land having a value irrespective of its improvements, and would tax that in proportion to that value.

Our plan involves the imposition of no new tax, since we already tax land values in taxing real estate. To carry it out we have only to abolish all taxes save the tax on real estate, and to abolish all of that which now falls on buildings or improvements, leaving only that part of it which now falls on the value of the bare land. This we would increase so as to take as nearly as may be the whole of the economic rent, or what is sometimes styled the "unearned increment of land values."

That the value of the land alone would suffice to provide all needed public revenues—municipal, county, and national—there is no doubt.

From the single tax we may expect these advantages:—

1. It would dispense with a whole army of tax-gatherers and other officials which present taxes require, and place in the treasury a much larger proportion of what

is taken from the people, while, by making government simpler and cheaper, it would tend to make it purer. It would get rid of taxes which necessarily promote fraud, perjury, bribery, and corruption, which lead men into temptation, and which tax what the nation can least afford to spare, honesty and conscience. Since land lies out of doors, and cannot be removed, and its value is the most readily ascertained of all values, the tax to which we would resort can be collected with the minimum of cost, and the least strain on public morals.

2. It would enormously increase the production of wealth--

(a.) By the removal of the burdens that now weigh upon industry and thrift. If we tax houses, there will be fewer and poorer houses; if we tax machinery, there will be less machinery; if we tax trade, there will be less trade; if we tax capital, there will be less capital; if we tax savings, there will be less saving. All the taxes, therefore, that we would abolish are taxes that repress industry and lessen wealth. But if we tax land values there will be no less land.

(b.) On the contrary, the taxation of land values has the effect of making land more easily available by industry, since it makes it more difficult for owners of valuable land, which they themselves do not care to use, to hold it idle for a larger future price. While the abolition of taxes on labour and the products of labour would free the active element of production, the taking of land values in taxation would free the passive element by destroying speculative land values, and preventing the holding out of use of land needed for use. If any one will but look around to-day, and see the unused or but half-used land, the idle labour, the unemployed or poorly employed capital, he will get some idea of how enormous would be the production of wealth were all the forces of production free to engage.

(c.) The taxation of the processes and products of labour on the one hand, and the insufficient taxation of land values on the other, produces an unjust distribution of wealth which is building up in the hands of a few fortunes more monstrous than the world has ever before seen, while the masses of our people are steadily becoming relatively poorer. These taxes necessarily fall on the poor more heavily than on the rich; by increasing prices, they necessitate larger capital in all businesses, and, consequently, give an advantage to large capitals; and they give, and in some cases are designed to give, special advantages and monopolies to combinations and trusts. On the other hand, the insufficient taxation of land values enables men to make large fortunes by land speculation and the increase in ground values--fortunes which do not represent any addition by them to the general wealth of the community, but merely the appropriation by some of what the labour of others creates.

This unjust distribution of wealth develops on the one hand a class idle and wasteful because they are too rich, and on the other hand a class idle and wasteful because they are too poor; it deprives men of capital and opportunities which would make them more efficient producers. It thus greatly diminishes production.

(d.) The unjust distribution which is giving us the hundred-fold millionaire on the one side, and the tramp and pauper on the other, generates thieves, gamblers, social parasites of all kinds, and requires large expenditure of money and energy in watchmen, policemen, courts, prisons, and other means of defence and repression. It kindles a greed of gain and a worship of wealth, and produces a bitter struggle for existence which fosters drunkenness, increases insanity, and causes men whose energies ought to be devoted to honest production, to spend their time and strength in cheating and grabbing from each other. Besides the moral loss, all this involves an enormous economic loss which the single tax would save.

(e.) The taxes we would abolish fall most heavily on the poorer agricultural districts, and thus tend to drive population and wealth from them to the great cities. The tax we would increase would destroy that monopoly of land which is the great cause of that distribution of population which is crowding people too closely together in some places and scattering them too far apart in other places. Families live on top of one another in cities because of the enormous speculative prices at which vacant lots are

held. In the country they are scattered too far apart for social intercourse and convenience, because, instead of each taking what land he can use, every one who can grabs all he can get, in the hope of profiting by the increase of value, and the next man must pass farther on. Thus we have scores of families living under a single roof, and other families living in dug-outs on the prairies afar from neighbours—some living too close to each other for moral, mental, or physical health, and others too far separated for the stimulating and refining influences of society. The wastes in health, in mental vigour, and in unnecessary transportation result in great economic losses which the single tax would save.

III.

RATING OF VACANT LAND.

RECOMMENDATION BY THE HOUSING
COMMISSION, 1884, WITH MEMORANDA BY
THE MARQUESS OF SALISBURY,
LORD GOSCHEN, VISCOUNT CROSS, AND
MR. JESSE COLLINGS.

RATING OF VACANT LAND.

Recommendation by the Housing Commission, 1884, with Memoranda by the Marquess of Salisbury, Lord Goschen, Viscount Cross, and Mr. Jesse Collings.

I.

ROYAL COMMISSION ON THE HOUSING OF THE WORKING,
CLASSES, 1884.

RATING OF VACANT LAND.

EXTRACT from Report signed by His Majesty the King (then Prince of Wales), the Most Reverend Cardinal Archbishop Manning, Marquess of Salisbury,* Earl Brownlow, Earl Carrington, the Right Hon. G. J. Goschen,* Sir R. A. Cross,* Sir George Harrison, the Right Rev. Bishop Walsham How, Hon. Lyulph Stanley, Mr. E. D. Gray, Mr. W. M. Torrens, Mr. Henry Broadhurst, Mr. Jesse Collings, Mr. George Godwin, Mr. Samuel Morley, and Sir Charles Dilke (Chairman).

Your Majesty's Commissioners must observe in reference to Lord Shaftesbury's Acts, and to nearly every proposal for improving the dwellings of the working classes, as well as to other local improvements, that the present incidence of local taxation stands seriously in the way of all progress and reform. They do not feel that they are authorised by the terms of Your Majesty's Commission to go generally into the question of local taxation, but they are of opinion that until some reform is introduced which shall secure contribution to local expenditure from other sources of income received by residents in the locality, in addition to the present rateable property, no great progress can be made in local improvements.

In connection with any such general consideration of the law of rating attention would have to be given to the following facts. At present, land available for building in the neighbourhood of our populous centres, though its capital value is very great, is probably producing a small yearly return until it is let for building. The owners of this land are not rated in relation to real value but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing the value of their property. If this land were rated at, say, 4 per cent. on its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for land which is now levied on urban enterprise by the adjacent landowners, a tax be it remembered which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves. Your Majesty's Commissioners would recommend that these matters should be included in legislation when the law of rating comes to be dealt with by Parliament.

Rating of
Vacant
Land.

The witnesses from the rural districts gave a large mass of evidence, showing that the cultivation of a plot of land attached to the dwelling was of the greatest advantage from every point of view to the labouring classes in the country. The evidence on the point was unanimous, whether in reference to plots of arable or of pasture land, of potato or of garden ground. Evidence was given of the great desire which the

Special
application
of Lord
Shaftesbury's
Act to Rural
Districts.

* Signed subject to reservations to the effect that they dissented from the recommendation relating to the rating of vacant land.

Pike, 14,546.
 Simmons,
 14,749.
 Pike, 14,555.
 Girdlestone,
 17,235.
 Pike, 14,543.
 Simmons,
 14,712.
 Ball, 15,337.
 Stubbs,
 16,012.
 Downes,
 16,857.

labourers have for a piece of land to cultivate themselves. It was shown that when they had land to cultivate they spent the time upon it which might otherwise be less advantageously employed; consequently the possession of a plot of ground, by its encouragement of thrifty habits and of labour which would otherwise not be exerted, was of general benefit to the community as well as to the cottager and his family. As far as the labourers are themselves concerned, it was pointed out that they could afford higher rents for better dwellings if they had some ground to cultivate attached to the cottages, as the possession of land would add largely to their yearly income, and it was shown how this profit could be made by the labourers putting into the ground an occasional hour's or half hour's work whenever they had time to spare. It was mentioned that another advantage of having ground attached to the cottages was that in case of infectious disease isolation could be carried out without deprivation of fresh air. This may be only a minor reason for the possession of land by the labourer, but when the ravages of contagious illnesses in villages are considered it is not without its importance.

Your Majesty's Commissioners consider it desirable that every encouragement should be given to the possession of land for the purpose of cultivation by the labourers in the agricultural districts; and they recommend that Lord Shaftesbury's Act be so amended as to extend the power given to the local authority to the adding to each tenement of not more than half an acre of garden ground, to be let with each tenement, held under the Act, at such rent as land of similar quality is usually let for in the neighbourhood.

MEMORANDUM BY THE MARQUESS OF SALISBURY.

The observations which I wish to make upon one or two passages in the Report are designed rather in elucidation of language which seems to me to be too vague, than as an expression of dissent. Especially I should have preferred fuller and more definite recommendations in regard to one point of capital importance—the overcrowding in the interior of London. This evil stands by itself; it offers peculiar difficulties, and requires special remedies. Sanitary mischief arising from structural defects is in the first instance the affair of the owner. What is wanted of the law is that it should enforce the duties of the owner, and if need be, give him the power required for performing them. The local authority under whose supervision the owner is, may, in some places, require quickening, and the remedies provided by the Acts of Sir R. Cross and Mr. Torrens for evils with which individual owners cannot grapple, may require perfecting in some points. But as to these sanitary evils nothing is really wanted beyond this, that the law shall do in effect what, as matters now stand, it professes to do.

Again, the overcrowding, so far as it exists, in provincial towns, or in the suburban parts of London, may probably be cured by the ordinary sequence of supply upon demand. The cost of building does not appear to be necessarily in excess of the rent which the working classes can pay, so long as the site can be had without excessive cost. But in the more central parts of London the problem will not solve itself in this manner. The cost of ground is very large. The Peabody Trustees only obtained the sites of their most recent buildings on terms which were artificially cheapened by the expenditure of the Metropolitan Board of Works; and even with that assistance they have not been able to meet the wants of the majority of the working class. The average wages of the Peabody tenant are considerably above the level to which a large body of the working class attain.

The condition which practically distinguishes the interior of London from all other areas in the kingdom is that sites for houses within reach of their work are too costly to be available to the mass of the working class. The distances are so great as to prevent a workman who has work in the interior of London living in the suburbs where lodging is cheap.

It so happens that Government are likely to have a considerable area of ground at their disposal—the sites of those prisons (belonging to the State) mentioned in the Report. If sold at the highest market price they would no doubt be very valuable; but they would be of no use whatever towards the solution of this special difficulty. On the other hand, if they are sold at cost price to some authority or trust that will build workmen's dwellings upon them, or upon other similar sites obtained by exchange for portions of them, the result will be so far to satisfy the special want under which, on account of its peculiar circumstances, the interior of London labours.

The price of land (within ordinary limits) and the cost of building, have been defrayed elsewhere, and could no doubt be defrayed here, by rent which the labourer is in a condition to pay. The extraordinary price of land constitutes the most formidable difficulty; and by this arrangement the difficulty would be met. But then the State must be content to forego the largely increased price which it might, if it liked, obtain for the sites of these prisons.

It may be objected that such a sacrifice would constitute an eleemosynary expenditure. If the description were accurate the objection would be a serious one. If the State were to provide cottages at a rent which did not represent the real cost of their erection it would destroy the market of the speculative builders, and its liberality would only have the effect of driving everyone else out of a field of enterprise which it would itself be incapable of entirely occupying.

But it seems to me that to call the proposed operation eleemosynary is straining the meaning of the word. It is the surrender of an increase which has become unexpectedly disposable,—an increase which is caused by that very concentration of population which it is to be applied to remedy. But this excessive concentration on this particular area is in more than one respect the State's own work. If the size of London is excessive, the excess is largely due to the circumstance that London is the residence of the Government. If vast masses of the population are forced to live near the centre of the town and find no room for their dwellings, it must be remembered that the State has largely contributed both to swell the population and to diminish the house room. The number of persons who are in the public service as soldiers, policemen, postmen, and employés in the lower grades of the public offices, constitute a notable portion of the crowds who compete for house room. The forcible destruction of dwellings authorised by Parliament during the last half century, for purposes of public ornament or utility, has largely contributed to diminish the aggregate of the house room for which these crowds have to compete. A proposal to remedy overcrowding, for which the State is largely responsible, by utilising a gain on enhanced value of land which is due to density of population, can hardly be called eleemosynary. It more closely resembles the provision of compensation than the offer of a gift.

It would of course be needful to dispose of the land to bodies who could be trusted to use it for the purpose of building the cheapest class of dwellings. It seems probable from the evidence we have received, that healthy and decent dwellings might be provided without loss, at a rate cheaper than the average which obtains under the Peabody Trust.

There are some other recommendations which I desire to notice. The proposal to give a wider extension and readier application to Lord Shaftesbury's Act, is couched in language which leaves it open to two interpretations. It may be only contemplated that power shall be given to the local authority to build cottages out of the rates, in peculiar cases, where it can be done without loss, and where some exceptional obstacle has arrested the action of private enterprise. In such cases the intervention of the local authority is fairly admissible. But the language of the report may also be thought to cover a scheme for a general provision of cottages, with half acres of land attached, at the cost of the ratepayers. To such a proposal I think strong exception must be taken. There are very grave objections to the provision of cottages at the cost of public taxation. But even if those objections could be overcome, the taxes from which the outlay is drawn should be of a kind which all sorts of property join in paying. There is no sort of ground for charging such an expenditure on the occupiers of land and houses only. Incomes of all kinds, whether they come from Consols or foreign stocks, from debentures, ground rents, or mortgages, ought equally to bear such a burden, if it is to be borne by property at all.

A recommendation is made in the report that vacant land in towns or in the neighbourhood of towns should be rated on its capital instead of its income value. This paragraph was introduced into the report just before it was signed, and I cannot find that it is based on any evidence laid before the Commission. I believe that the evil results of such a change would outweigh its advantages. There may, possibly, be something to be said for a general recourse to the American system of taxing capital instead of income values; but to adopt it in the isolated case of vacant land in or about towns would not only lead to much evasion but would have injurious sanitary effects. It would operate as a penalty on all open spaces except those belonging to a public authority. Urban or suburban gardens would especially suffer. On the other hand, when any pecuniary advantage was to be gained by keeping the land vacant,

its capital value could be easily reduced by collusive alienations of portions of it. By a colourable sale of the outside edge, the capital value of an interior block could be, for the time, to a great extent destroyed.

I understand that it is proposed by a portion of the Commission to report in favour of a measure for enabling the holder of a long lease to force the freeholder to sell his freehold to him at an arbitration price. This measure, which is objectionable and wholly novel in principle, appears to me to have little to do with the housing of the poor. It has not been shown in evidence that any considerable number of the working classes, especially in overcrowded localities, hold their tenements on long leases. As far as this class of house is concerned, such a measure would have no other effect than to put the house farmer in the position now occupied by the ground landlord. On the other hand, such a proposal would entirely arrest the grant of building leases: and the supply of new houses for the working classes in suburban districts would be very materially checked.

MEMORANDUM BY THE RIGHT HON. G. J. GOSCHEN, M.P.

In addition to the reservations which I have made in the joint memorandum of Mr. Lyulph Stanley and myself, I wish to record my dissent from the recommendation of the Report with reference to the rating of vacant land, an extremely important point, on which no evidence at all proportionate to the magnitude of the subject was placed before the Commission.

The suggestion involves an entirely new principle in the law of rating, namely, taxation of capital instead of annual value, and I could not concur with such a far-reaching change in the whole system of local taxation without more examination of the bearings of the proposal than the Commission were able to give to them. It is almost certain, too, that if vacant land were rated the measure would have to be followed by the rating of empty houses. Evasion of the law by the running up of temporary structures would otherwise probably be easy, and there are other considerations which would also contribute to render this further step inevitable. But if that were so, the rating of empty houses would act as a discouragement of that development of building which the rating of vacant land is intended to promote, and the general change would fail in its purpose.

GEORGE J. GOSCHEN.

I agree with this memorandum.

RICHD. ASSHETON CROSS.

MEMORANDUM BY MR. JESSE COLLINGS, M.P.

I have signed the Report as I concur generally in its recommendations. I find it necessary, however, to add a few observations, together with some further recommendations.

London
government

It seems to me that the reference in the report to reform in the government of London (page 34) is of a too halting character. It has been shown that the powers possessed by local authorities are very extensive, but that those powers have not been sufficiently exercised. The whole evidence on this part of the subject points to the absolute necessity of a complete reform in local administration in London before any laws passed for the benefit of the poor and working classes can be expected to become operative. With a representative municipal government the labouring classes would have an interest in local affairs which they have not got at present, and which, under the present state of things, they are not likely to acquire. By this means, aided by the spread of education, a public opinion on the subject would be created and the people affected would learn that they have in their own hands, to a large extent, a remedy for the evils under which they suffer.

Municipal reform should, therefore, be one of the first if not the chief recommendation as regards the metropolis.

Water sup-
ply.

The defective water supply in London and many large towns is the cause of much of the ill-health and misery among the poor. To it also must be ascribed much of the dirt and squalor which are found in the poorer dwellings. The companies have the power to cut off the supply of water whenever landlords fail to pay the rate, thereby inflicting inconvenience and hardship on the tenant. The Report recommends that

"companies should be deprived of the summary powers which they now possess." Looking at the vast importance of a continuous water supply the recommendation of the Commission does not seem to me to be definite enough, or to secure sufficient protection to the poorer classes in this respect. In paying rent the tenant pays also for a supply of water and is entitled to receive it. Should a landlord or rent receiver fail to pay, or be in arrears with the water rate, then the companies should have their remedy against him personally, as in the case of any other debt, but they should not be permitted, *under any circumstances whatever*, to deprive the tenant of what is a necessary of life, and in the supply of which they, the companies, have a monopoly.

The principle of "Betterment," which is recognised in the Artizans Dwellings Acts, 1879-82, in cases where property belonging to the same owner is benefited, should be extended. The owners of adjacent property who have been directly benefited by any public improvement should be called upon to pay such an extra rate as would constitute a fair share of the cost of such improvement. Mr. Forwood, who has had experience of the working of this law in America, speaks of it in his evidence as "an admirable and very fair arrangement." Betterment.

At present the owners of ground rents pay nothing directly towards the rates of a locality. It is contended that the rates for land are paid indirectly through the occupier; but even admitting this to be the case, it is evident that all increase in the rates and all new rates must fall entirely on the householder. The ground landlord—the future value of whose property is so largely increased by no effort of his own, but by the industry and outlay of the community—pays nothing, as a rule, even indirectly towards the repayment of short loans and other expenses for new improvements, or for increased local expenditure of any kind. It should be a recommendation that all ground rents should be directly rated in support of local burdens.

Much evidence have been given as to the excessive prices which have been awarded by arbitrators under the Artizans Dwellings Acts to owners of property in unhealthy areas. These prices, together with the enormous cost of the arbitration itself, are said to have a deterrent effect as regards the adoption of new schemes by local authorities. These excessive awards are not so much due to the wording of the compensation clauses in the Acts as to the expensive and unsatisfactory character of the tribunal adopted for the purpose of arbitration. In order to remedy these difficulties which are shown to arrest the action of local authorities in a sanitary direction, and in order to avoid the costly action inseparable from the present method of proceeding by professional arbitrators, it should be a recommendation that arbitrations should be conducted, and prices to be paid settled, by independent official arbitrators appointed by the Local Government Board, whose decisions should be final. Arbitration.

It is shown in evidence that poverty and high rents are the main causes of the unsatisfactory housing of the labouring classes. If this be so there is a danger, if not a certainty, that the recommendations contained in the Report, however good from a sanitary point of view, will, if carried out without further provisions, cause a rise in rents, thereby aggravating the difficulties under consideration, especially so far as the very poor are concerned. There is a considerable amount of evidence given in support of this view. Lord William Compton stated that he was reluctant to enforce the powers contained in the leases, lest by so doing the rents of the tenement houses might be raised. Rents.

The rent of dwellings in the metropolis and in large towns is not governed by the principle of "supply and demand" as the term "supply and demand" is usually understood. The evidence is conclusive in showing that the labouring classes are compelled to live in certain areas of the metropolis in order to gain their living. Their occupations are such as to make it impossible for them to live outside these areas. The land in these districts is in the hands of private owners, in some cases of two or three persons. It is a fixed quantity and can never be increased, while the demand for it is steadily increasing. The consequence is that as leases fall in the ground rent is increased so enormously that it becomes impossible to erect dwellings to come within the means of the poorer classes. This, together with the competition for the limited amount of dwelling-room within the areas, compels the labouring classes who are unable to pay the high rents demanded to put up with less and less accommodation. Lord Shaftesbury declares that the evils of overcrowding have increased very much of late years. He states that "the population are overcrowded" to an extent I have never known." In some districts, he says, those families who used to have two rooms are now compelled by their landlords to take one and to pay exactly the same rent as they formerly paid for two. These causes gave

rise to the single-room system which now generally obtains in the populous parts of the metropolis. The evils of that system, physically and morally, are dwelt on by almost every witness. The opinions of a minister of religion of great experience on this question are summed up in words quoted by Lord Shaftesbury, "We dare not say all we know." The evils of this single-room system are so terrible, both socially and morally, as well as from a sanitary point of view, that no remedial measures which contemplate a continuance of that system should, in my opinion, be thought sufficient or even worthy of serious consideration. It is unsatisfactory to reflect that even an increase of sobriety and thrift, so much to be desired, would in the present state of things have the possible effect of increasing rents. It is evident that if a thousand men on a given area—on which they are compelled by their occupations to remain—should by increased soberness save sufficient to enable them to take a second room at the present rents this demand for a thousand rooms, the supply being fixed or nearly so, would tend to raise rents, and the money results of improved habits on the part of the people would go into the house owners' pockets.

The bulk of the evidence on this part of the question seems to prove that under the present conditions of private ownership of the ground, of leases, and of middlemen or "house knackers," it is hopeless to attempt to stay the evils of overcrowding without at the same time raising rents to an extent altogether beyond what the artizan and poorer classes are able to pay. It is necessary if the working classes are to be decently housed that protection should be given them against extortionate rents, resulting from a monopoly of a practically limited supply of available land and dwellings, and an intense and increasing competition in the demand for the accommodation. Lord William Compton, in view of this difficulty, assents to the necessity of regulating rents by law, but it is evident that this would be very difficult to accomplish.

Power of
local authorities to
purchase.

I am of opinion that the only effectual remedy is for local authorities to be empowered to purchase both land and dwellings in those parishes, towns, and cities, or parts of parishes, towns, and cities, which can be described as populous and as liable under ordinary conditions, to be overcrowded. In fixing the conditions on which these purchases are to be made, regard should be had to the objects in view. Local authorities should be required to pay no extra sum for compulsory sale, but the price should be based on an estimate of what would be fair between a willing buyer and a willing vendor, without any addition to the price for prospective value. No part of the profits of owners should be recognised which are secured only through the poverty or degradation of the tenants. The value of houses should be estimated, not according to high rentals resulting from overcrowding, as that would be to give a premium to unscrupulous owners, but the price should be based on the rental which would be received from that number of tenants which, with due regard to decency and health, the dwellings were fitted to accommodate. Abatements should be made in the price to make good defects from a sanitary point of view, while those dwellings described in the evidence as "rotten houses," "houses falling into decay," as "unfit for human habitation," should be condemned and removed without any compensation whatever.

The purchase of land, houses, and leases as suggested might be thought at first sight to constitute too large an undertaking to be entrusted to local authorities. Experience, so far as it goes, does not support this view. In addition to the ordinary municipal work, many corporations have under their control undertakings of a varied and extensive character. They have property belonging to the town in the form of gas and water undertakings, baths, washhouses, libraries, market tolls, land, and allotment gardens. All matters connected with these concerns, including collection of rents and receipt of payments, are carried on with skill and success. Further, it is in the direction of throwing increased work on representative local authorities that Parliamentary legislation is tending. All who have experience of municipal life will admit that in the degree in which the duties of local authorities are made more arduous and their responsibilities are increased, in that degree the work is deemed more honourable by the community and becomes more attractive to the ablest and most self-sacrificing citizens in the locality. Besides, it is for those who reject this recommendation to suggest some other remedy for "competition rents," which seem to me to be the key of the difficulty which the Commission are called upon to solve. It is impossible to pass over unanswered the precise and abundant evidence to the effect that excessive rents of ground and dwellings are the main cause of the evils under consideration. "Cost of land and unwillingness of owners to part with sites for workmen's dwellings." "Main difficulty cost of land." "Nearly one half the

“ population pay from one fourth to one half of wages earned as rent.” “ Rents are getting gradually higher and higher, and wages are not rising, and there is a prospect, therefore, of the disproportion between rent and wages growing greater still,” &c., &c., &c. These “ competition rents ” are secured to a comparatively few private persons at the expense of the sufferings, disease, and degradation of the great mass of the people. It is not so much a question of the owners as of the system. So long as there is an ever increasing demand for land and dwellings, and the limited supply of land and dwellings is in private hands, it is impossible to put a limit to the ever increasing rents which tell so disastrously on the poorer classes.

It is in the light of existing evils that the recommendation above made and the difficulties connected with that recommendation should be viewed. There is a considerable amount of experience in favour of the proposal. Sir Richard Cross's Acts are based on the principle contained in the recommendation, though applied on a smaller scale. Among other witnesses whose evidence tends to favour the principle, Mr. Forwood, who has great knowledge of municipal affairs, states his opinion that “ corporation management is better than private management.” That “ the poor are more benefited by outlay of money by public authorities than by private authorities ; ” that corporations being able to do without profit “ look at the question from a sanitary point of view.” As owners the local authorities would have full power to prevent overcrowding, and at the same time would have no inducement to raise rents beyond a point which would amply protect the ratepayers from loss, or, if a profit were made, it would be for the benefit, not of private persons, but of the whole community.

Looking at the valuable and exhaustive evidence given with respect to the rural districts I do not think that the Report deals sufficiently either with the condition of the labourers or with the remedies suggested by the witnesses. I do not agree with the conclusions in the Report that the relations of the labourer to the land are somewhat beyond the scope of the present inquiry, especially as the evidence of the representatives of the labourers—given with singular intelligence—bore to a large degree if not mainly on that particular point

Rural districts.

I am of opinion that this part of the inquiry reveals the main cause not only of the bad condition of the rural labouring poor, but also of much of the overcrowding and misery in towns. To discuss questions connected with the land is no doubt to introduce contentious matter, but to avoid those questions is to ignore the remedies to which some of the most valuable parts of the evidence point. The steady and rapid migration from rural parishes to large towns which has been going on for so many years should be stayed, and, if possible, turned back. This can only be done by improving the condition of the agricultural labourers by giving them facilities for acquiring a personal interest in the soil, and by opening out for them some hopeful career on the land.

It will be difficult, however, if not impossible to carry out effectually sanitary and other reforms in rural districts until more effective machinery for the purpose is established in the form of rural municipalities on the representative principle. At present those principally concerned, the labouring classes, are practically without any control of or share in the management of local affairs. It should, therefore, be one of the chief recommendations that these rural municipalities should be established without delay.

Reform of government in rural districts.

In addition to Lord Shaftesbury's Act, I think that Mr. Torrens's Acts should, with the requisite amendments, be extended to agricultural districts.

Torrens's Acts.

There is evidence that since the Report of the Royal Commission of 1867 much has been done with regard to dwellings for labourers by many landowners owning large estates. There is abundant proof, however, that this improvement is by no means general, and that the condition of labourers with regard to dwellings is most unsatisfactory. It is shown in evidence that on some large estates little or no care is exercised with respect to dwellings for the labourers. Cottages are described as “ very bad,” others as “ falling to pieces,” “ damp and unhealthy,” “ in a miserable condition,” “ no water,” “ no closets,” &c., &c. The poor people, if they complain, are told that nothing can be done, and that “ when too bad to live in the occupants must go somewhere else.”

Cottage accommodation on large estates.

On many estates for various reasons cottages have been pulled down and allowed to go into decay, and the labourers, while their services have been required and retained on the land, have been deprived of the necessary dwelling accommodation,

Rural demolitions.

and been forced into neighbouring towns and villages; often at long distances from their work. These demolitions, though carried on gradually and extending over years, have been as injurious or more injurious to the poorer classes than those referred to and dealt with in the Report. They are less justifiable than demolitions made by railway companies in cities, with respect to which a recommendation in the Report is made. Private owners of large estates, estates extending miles in area, including often villages and hamlets besides outlying dwellings, have absolute power to determine arrangements with respect to dwellings and buildings on their lands. No one can build or supply a deficiency except with their consent and on their terms. So long as this state of things exists it is the duty of the community to protect the labourer from the evil consequences of this monopoly.

Landowners required to supply sufficient accommodation on their estates.

It should be a recommendation, therefore, that landowners should be required by law, due notice having been given of a deficiency—to provide sufficient and suitable dwelling accommodation on their estates under laws and regulations to be enforced by the local authorities. The initial steps should be taken on a report by the medical officer of health, or any other competent officer appointed by the local authority. Canon Girdlestone agreed that landlords should be compelled to do their duty in this respect, while other witnesses admitted the moral obligation on the part of landowners, but shrunk from legal compulsion. The difficulty of determining what is sufficient accommodation on an estate, though great, is not an insuperable one, and cases where glaring deficiencies, both as to quality and amount of accommodation exist, could be first dealt with. There is valuable evidence given on this head by witnesses before the Royal Commission 1867. Captain de Winton states: "A man who did not put up two decent cottages for every acre of land he owned should be taxed for the omission."

This compulsory provision of dwelling accommodation, while being a mere act of justice to the men employed on the land, would inflict no hardship on landowners, for it is given in evidence that improved cottages, if not paying interest of money as cottages, yet are indirectly profitable as part of the estate. One competent witness states that the good and comfortable cottages erected on the estate, with which he is connected, are not built "with a view to interest, but for the advantage of the estate," and with regard to the outlay involved the same witness states that "there is nothing on the estate which any other landlord would not find it a good and wise expenditure to carry out." As a mere money question, it is evident that the time—often one and even two hours a day—which a labourer spends in walking to and from his work represents from 1s. 6d. to 2s. 6d. per week, of which no one gets the advantage.

Rent of rural cottages.

There is abundant evidence to show that the difficulty of rent would be largely solved by the addition of land to cottages. The labourers and others who gave evidence on the subject stated, that the men could pay higher rent, and "would be pleased to do so," if land arable or pasture were attached to the dwellings. The Rev. Chas. Stubbs was strongly of this opinion. One witness of considerable experience while admitting the difficulty of paying rent for good cottages alone, says it is "easy to pay fair rent for land and cottage together." He considered the two to be so necessary that he declined to consider them apart.

Garden and field allotments and small holdings.

The abundant and interesting evidence as to the great value to labourers of small holdings of land to supplement their wages thereby making them to become better housed and fed should not be passed over. It was shown that Lord Tollemache lets to each of the labourers on his estate three acres of pasture land for cow-keeping with results alike satisfactory to landlord, farmer, and labourer.

It should be a recommendation that local authorities should have compulsory powers to purchase land at a fair market price (without any addition for compulsory sale) for the purpose of garden or field allotments to be let at fair rents to all labourers who might desire them in plots up to one acre of arable and three or four acres of pasture.

Funds held by Charity Commissioners.

The Charity Commissioners have in their charge, invested in the funds and other securities, large sums of money (about 11 millions sterling), much of which has been obtained by the sale of lands belonging to charities in rural districts. It would be appropriate if the Commissioners were directed to loan this money (at the rate of interest they are at present getting) to rural local authorities on the security of the lands purchased and of the rates, for the purpose of carrying out the above recommendations.

Evidence is given of the unsatisfactory character of the water supply in many rural districts and of the serious evils resulting therefrom. It should be a recommendation that powers should be given to local authorities to compel owners to provide a sufficient and convenient supply of good water to all cottage property. Water supply in rural districts.

The evidence given on behalf of the agricultural labourers respecting the insecurity of the tenure of their dwellings is of a most decided character. The labouring poor feel keenly their liability to be turned out of their cottages at short notice, often that of a week only. This insecurity subjects the men to great hardships. It frequently compels them to accept lower wages and submit to unjust treatment rather than be turned out of their houses. It puts them at the mercy of the farmers and "binds them hand and foot." One rural witness thinks it "unfair that cottages should be let with the farms." Another states that the men "are up in arms against the system." Lord Leicester (Royal Commission, 1867, page 165) gives it as his opinion that cottages should be held direct from the landlord, and not be sub-let by the occupier of the farm. The grievances connected with this insecurity of tenure is so great and is felt by the men so keenly that it is impossible to ignore the question. It should be a recommendation that the suggestion of Lord Leicester be adopted, that the men should be tenants of the landlord and not of the farmer; and further, that they should have a legal right to at least two months' notice to quit. Tenure of cottages.

It might be objected that the recommendation contained in this memorandum constitute too large an interference with the claims of property. I do not think that on examination they will be found to touch any just rights which belong to property. The state of things revealed by the evidence is so startling, so full of disgrace and danger to the country, that it should not in any case be permitted to continue. The majority of the class on whom the wealth and prosperity of the country and the safety of its institutions mainly depend are living under conditions which must be regarded by all thoughtful readers of the evidence to be both shocking and intolerable. They are so situated that it is impossible for them to help themselves without some legislative protection. The existing laws which have been brought under our notice are defective for the purpose aimed at, through too much care for the claims of property. Any future legislation which may be the result of the labours of the Commission will be successful only in the degree that it recognises the natural rights of human beings as paramount, as over-riding every other consideration.

JESSE COLLINGS.

We agree with this memorandum.

HENRY BROADHURST.
S. MORLEY.

We agree with Mr. Collings's memorandum, excepting the paragraph relating to London Government.

H. E. CARD MANNING.
CARRINGTON.

I agree with the above memorandum, with the exception of those clauses which refer to the compulsory provision of cottage accommodation by landowners.

WM. WALSHAM BEDFORD.

CHECKED
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