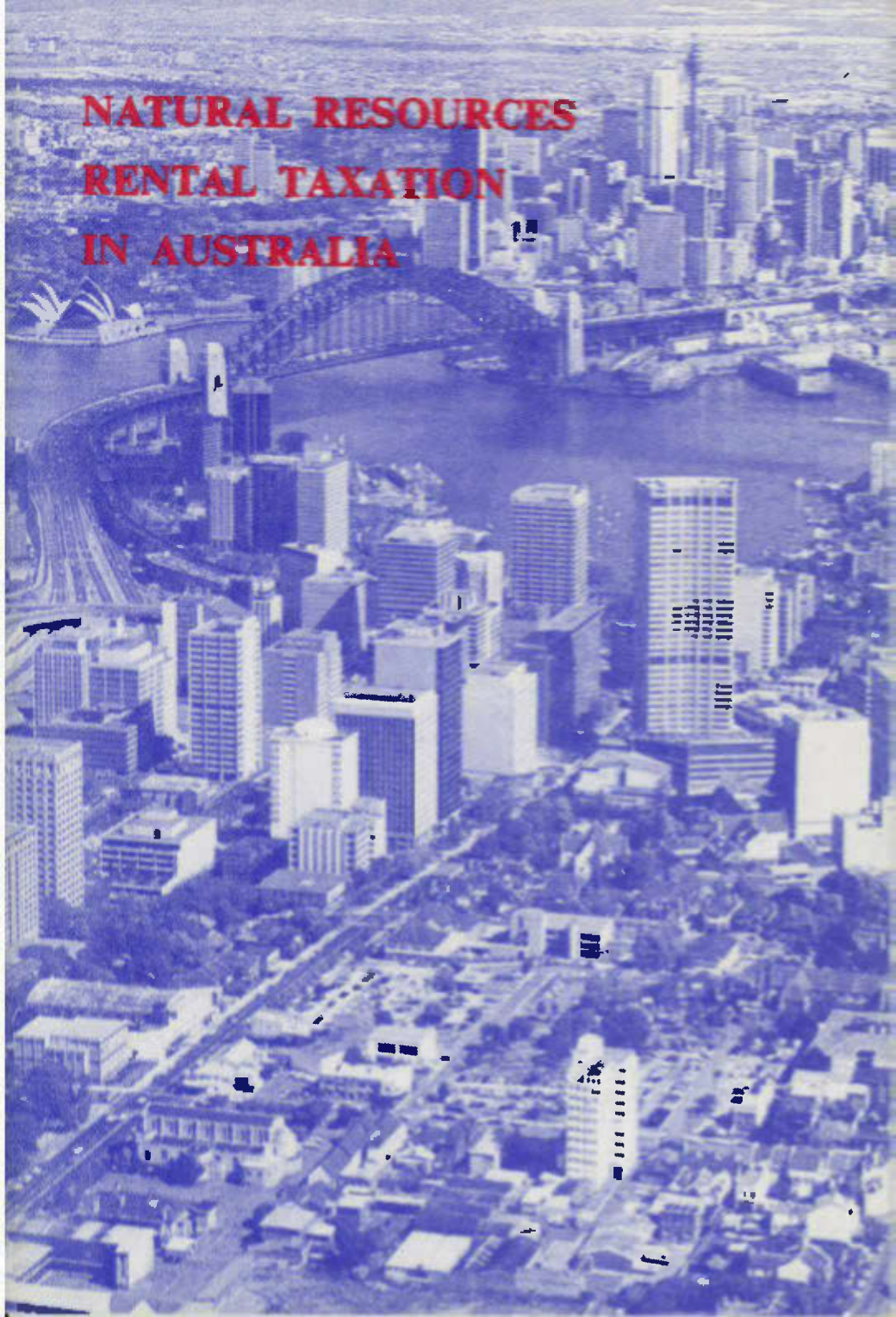


**NATURAL RESOURCES  
RENTAL TAXATION  
IN AUSTRALIA**



The surface of the earth — quite apart from the minerals beneath it — is our greatest natural resource. Upon it we stand. From it we all draw our very existence. Thus in any discussion of natural resource rental taxation in Australia the rent of the land itself is the first burning issue.

This paper will be dealing therefore with the economic rent from mineral resources and the like in passing only, for such rent is already recognised publicly. But it is with the rental of the **land** itself that it will be ultimately concerned and which it will seek to quantify. The rent of the land, apart from the improvements upon it, is indeed the rightful property of the people — the “common wealth of the Commonwealth”, the dividend from the National Estate.

An earlier edition of this paper was published in 1968  
under the title

**“Land Rent as Public Revenue in Australia”**  
with basic figures up to 1964/65.

This new edition published herewith has extended  
scope and later figures to 1976/77.

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# Natural Resources Rental Taxation in Australia

by

A. R. HUTCHINSON, *B.Sc., M.I.E.Aust.*

# NATURAL RESOURCES RENTAL TAXATION IN AUSTRALIA

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# Natural Resources

## Rental Taxation in Australia

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### 1. INTRODUCTION

Land rent collection as public revenue has had very beneficial effects upon the economic and social development of Australia.

With an area of approximately three million square miles (or 7.7 million square kilometres) Australia is the sixth largest continental land mass in the world. In order of size it follows Asia, Africa, Europe, North and Central America and South America. It is a little less than double the size of Europe after excluding the U.S.S.R. Australia is an arid continent compared with the others. The portions that have adequate rainfall and are therefore suitable for settlement are confined to a relatively narrow coastal belt. Except for its minerals the country has not been well endowed by nature.

Yet Australia, with its relatively small population of fourteen millions, now stands high among the well-developed nations of the world and has less extremes of wealth and poverty than are found in most countries.

The major factor that has made possible Australia's higher living standards, with almost full employment until the current world-wide recession, is the extent to which the site rental value of land is now collected by government for public revenue in lieu of taxes on labour and industry. This maximises wealth production and aids its equitable distribution, in two ways. *First*, by demanding a contribution based on the rent-potential of the sites, whether used or not, it introduces a "cost-of-holding land under-

developed" which stimulates the holder to put the land to use to earn its taxes, or release it to someone who will. *Second*, by lowering of taxes on enterprise (which is the direct or indirect effect of increasing the proportion of public revenue collected from the site rental value of land) it encourages holders to make the best use of their land in the knowledge that they will not be penalised for doing so. Each of these effects works to maximise production. It also works toward a more equitable distribution of the produced wealth because the "cost of holding", where the land is unused or poorly used, results in there being a widened access to land *and as a direct consequence* a lift in the level of real wages.

The process of shifting taxes from production to taxes on land rental values does not depend for its effectiveness on conscious recognition by the contributor that land-value taxation is causing him to do something to better himself. It operates automatically through his tax assessments reminding him that there is an outgoing on his under-developed land without a corresponding income from it. This, coupled with the knowledge that any investment he makes to put his land into earning condition will not be taxed, provides a built-in force working towards land improvement. The effects in better distributed affluence follow as a matter of course and may be observed.

Many responsible people are unaware that the present collection of land rent for public revenue is the primary stimulus responsible for our undoubtedly high and relatively well-distributed living standards. Cause and effect are somewhat masked by the fact that taxes on site rental values are not effected by one measure imposed by a single government authority. It is done, in fact, by separate measures of the Federal, State and Local Governments concerned, and in some cases, by semi-governmental bodies. To some extent, this is a disadvantage from the point of view of public relations, since the effects, which are important in the aggregate, are masked by the multiplicity of the bodies collecting part of the site rent. Nevertheless, the piecemeal method of applying the principles has produced results where a single complete application would have been politically unattainable. At a later stage integration and consolidation may be possible.

The application of the principle has been extended progressively over the years, although the degree of application varies greatly among the six States and two Territories forming the Commonwealth of Australia. It also varies greatly in regions within the States. The process started locally with demands for land taxes to unlock the lands, and this happened even before the publication of Henry George's "*Progress and Poverty*" in

1879. The impact of that work gave it greatly increased strength, but there is still a very long way to go before the objective of collecting the full site rental value of all land for public revenue in lieu of taxes on labour and industry is reached. However, a significant measure of application has already been reached. It is the object of this paper to quantify the extent of this achievement in Australia.

The initial objective in preparing this paper was simply to find the extent of the application already achieved in practice of collecting the site rental value of land and other natural resources as public revenue in Australia. This task was completed in the first six numbered sections of the paper.

It was then decided to carry the investigation a stage further in a final Section 7 to find how far the estimated site rentals still remaining in private hands would have gone towards meeting total public revenues collected in Australia under the combined Federal, State and Local Government Budgets for the financial year 1976-77.

## 2. METHODS USED TO COLLECT THE SITE RENTAL VALUE AND THEIR RELATIVE IMPORTANCE

There are several methods by which part of the site rental value of land is collected in Australia to defray the costs of government. The most important categories — with their revenue yield for the 1976-77 year indicated beside them — are shown below:

	\$ millions
1. Land-value taxation by State governments	220
2. Land-value rating by local government and semi-governmental bodies	1319
3. Land-rent paid direct to governments for land leased from them	61
4. Royalties paid to Governments for the use of publicly owned minerals, forestry products or other natural resources	241
5. Natural resource rentals or equivalent taxes paid to Governments by Statutory Authorities or private enterprises	35
6. Levies imposed by the Federal Government on crude oil and other mineral resources	1137
7. Property income paid to Governments as interest	1588



8. Gross operating surpluses paid to Governments by public enterprises	1999
9. Land rent unrecognised as such paid to Governments within the forms of direct and indirect taxation	*
Total	6600

\*See Page 8.

## 1. State Land Taxes

Each of the Australian States imposes a land tax upon values ascertained by recording and analysis of sales and of rentals of property. Allowance is made for the value of buildings and other improvements upon the sites. From the net figures the basic land values are then deduced. These values are also used for land value rating and for other purposes.

The tax rates vary among the different States and are progressive *i.e.* the rate of tax becomes higher as the total unimproved value of a holding increases.

All States have a minimum figure below which no land tax is payable, the tax being levied on the excess above this minimum, and the effect of this is to exclude the smaller holdings from contribution. These features are serious departures from the principle that all land should contribute at a uniform percentage of its value, and lead to injustices in the treatment of one landholder as compared with another, causing dissatisfaction and criticism.

Supporters of the basic principle press for the removal of exemptions and gradations and the conversion of the system to a wider concept of Federal and State Development Funds financed by a uniform tax rate on all land values. Nevertheless, despite these blemishes, the land taxes are important and effective in stimulating better land use, particularly in the central areas of metropolitan cities where a high proportion of the total land value of the State is concentrated.

These land-value taxes are contributing effectively to the re-development of these areas and the position would be very much worse without them. In acknowledging their limitations as they now apply, the aim should be not to abandon the land tax but to remove the blemishes in its administration.

## 2. Land-Value Rating

This method is applied throughout the local government structure in Australia and by many semi-governmental bodies.



What are called local government rates in Australia are called local government taxes in some other countries. They are also grouped under the heading of taxation in some official statistics within Australia.

The only essential differences between land-value rates and land-value taxes as now levied are: (1) As its name implies, the rate method embodies equality of treatment, with each property holder contributing at a uniform "rate in the dollar" of the land value he enjoys. This contrasts with the progressive rates in the dollar applied with the land taxes. (2) The land-value rate is accompanied by a corresponding removal of taxes upon the property holders' improvements. The revenue raised by it is not an additional impost added to the level of other taxes. The pre-determined level of revenue required has to be obtained either by the uniform rate on the land-value alone or on the combined value of the land plus owners' improvements. In essence, the latter alternative amounts to a lower uniform rate on the land value plus a tax on the improvements varying according to the proportion of the improvements to the total value. Of these alternatives land holders generally prefer that their improvements be untaxed.

The land-value rating method is the purest form of application of the principle that contributions to government should be based on the value conferred on the site by the community and that owners should not be penalised for their improvements. This method is financially by far the more important, yielding approximately six times as much revenue as the combined State land taxes. It does this without any considerable opposition from the property holders, for they are satisfied that there is equality in treatment between themselves and their neighbours. In contrast, there is dissatisfaction at the differential treatment introduced by exemptions and gradations with the State land tax as currently applied.

Nevertheless, there have been some recent objectionable legislative changes that are a departure from the rating principle. The main one is the introduction of a 'minimum rate charge' which shifts part of the rate incidence from the largest and most valuable sites and increases the contributions on the smallest and least valuable sites. These are referred to at the end of this paper.

Even where the annual rental value of land-plus-improvements is used as the rate basis in Australia there is an important difference as compared with the system used in Britain and some other countries. There, vacant land is exempt from contribution. In Australia such land is rateable on a percentage of its unim-

proved value which ranges from four per cent in Tasmania to 10 per cent in Western Australia. Thus, even where improvements are taxed in Australia, the burden upon them is nowhere near as crippling as it is in countries where unused land escapes contribution.

The greater importance of land-value rating as compared with State land taxes has been overlooked by many authorities who have produced books and reports on land-value taxation in Australia. A conspicuous example is the work "*History of Australian Land Settlement*" by Stephen H. Roberts, published in 1924. This excellent work gives a very well documented chapter on Land Taxation and Land Tenure. Yet it fails to mention land-value rating, although this was drawing more revenue, at higher percentage rates, from *all* properties, as compared with the State land tax payable by only *some* properties. Apparently the writer failed to appreciate that the basic principle was the same although the term used to describe it was different.

### **3. Land Revenue Direct to Government**

A very substantial contribution to public revenue comes direct to the government as land rent for natural resources, of which the rights have been reserved to the Crown as trustee for the people. With the exception of the cash sums received from sales of land, the payments under this heading accord with the principle that the rent of land apart from improvements should be absorbed as public revenue.

The reservation of these rights to the community was a relatively late development, after most of the land in the urban areas had been alienated. A high proportion of the total areas of New South Wales, Queensland, South Australia, Western Australia, the Australian Capital Territory and the Northern Territory is either retained by the Crown as public reserves or let to individual holders under various forms of leasehold. Of the latter the most important are the perpetual leasehold tenures which provide the same security as freehold but with periodically revised rents payable annually to the government.

The extent of the freehold and leasehold tenures in the various States is shown in a table later as Appendix "A". It will be seen that Tasmania has practically no direct revenue from land rents, its land having been disposed of under freehold tenure.

### **4. Royalties paid to Governments for the use of Publicly Owned Minerals, Forestry Products or other Natural Resources**

Approximately three-quarters of the total land revenue coming direct to governments in Australia is from royalties on minerals

to which the rights have been reserved to the Crown. Tasmania has practically no revenue from this source. It suffers particularly by this since its mineral resources are extremely rich, but the rights were not reserved to the Crown. Other States profited from its lesson. The public revenue is now benefiting greatly in royalties from the recent discoveries of iron ore and oil in the States reserving these rights. Nevertheless, the amount of public revenue received from offshore petroleum royalties and lease rentals has been criticised by oil experts such as Ian G. Sykes, Chairman of XL Petroleum Pty. Ltd. It is said they are far too low compared with those payable under offshore leases to the United Kingdom and the United States of America.

Another important source of land revenue is royalty payments upon timber. The royalty payments from other natural resources are less certain as a source of public revenue than the land rentals since the mineral deposits will sooner or later be worked out—leaving costly problems of rehabilitation. The land rentals for non-extractive uses can be expected to continue and increase as population grows.

Apart from the reservation of minerals, it is important to note that the rights to rivers, streams and water sources have been reserved to the Crown, except with some of the oldest land grants. Hence the public does not have to pay tribute to private landholders for the water used for household supplies or irrigation, as must be done in some other countries. This is important since the aridity of most of the country makes water conservation essential and development could have been stifled if payments had been demanded by private interests. The income from the water sales to irrigators and other users is not included in the public accounts under the land revenue heading; it appears in the revenue of business undertakings for water supply, sewerage, irrigation and drainage.

## **5. Natural Resource Rentals**

Most of the electricity and gas undertakings in Australia are publicly owned, and many operate on publicly-owned coalfields or other natural resources. The proceeds of their sales are thus an indirect but substantial ploughing back of land rent into the treasury for public purposes. Details of these undertakings are not given in this paper, which is confined to the direct contributions made to public revenue. But an increasing number of these statutory authorities such as the State Electricity Commission of Victoria are now being required to contribute to the State Government considerable levies, which are in effect land rent for



their coal. A total of \$35 millions was received from such levies in Australia in 1976-77.

#### **6. Crude Oil Levies**

These are being levied by the Federal Government which retains the proceeds treating it as excise revenue. This is arguable as the State Governments own the minerals except in the case of offshore oil supply where both the State Governments concerned and the Federal Government jointly share the royalties from the offshore operations. It could happen that the States might insist that the extra revenue be collected by them increasing their royalties.

#### **7. Income received by Governments from Public Property**

Interest is received by governments as returns on public investments made or monies advanced as loans. It is usually combined with proceeds of land lease rents and royalties in official statistics the amounts for each group being shown separately on page 3 against items 3, 4 and 7.

#### **8. Operating Surpluses of Public Enterprises paid over to Governments**

These are substantial and reduce the taxation content of the budget.

#### **9. Land Rent unrecognised as such paid to Government within the form of Direct and Indirect Taxation**

On ultimate analysis a significant additional part of what would be the site rent of the continent is collected through income and corporate taxes. But although a considerable amount of the income tax payable in Australia would originate in actual site rent, nevertheless the manner in which such taxation is levied is in no way an incentive for the proper use of land; nor does it beneficially affect the basic level of earnings and thus ameliorate the distribution of relative affluence within Australia. The scope for land rental resource taxation to replace income tax and other forms of taxation is discussed in the concluding section of this paper.

### **3. THE BASIC LAND VALUATIONS IN THE VARIOUS STATES AND TERRITORIES**

#### **(A) Definitions**

Until recently the official term used in Australian valuation and taxation circles to describe the value of the land itself, apart from that of the improvements upon it, was the Unimproved Capital Value. This was used by valuers in their work in all States. But for reasons of greater simplicity, convenience and



certainty in the results achieved, it is in process of being changed to a variant called the Site Value. This differs from the Unimproved Capital Value in that the valuer is not required to notionally restore the land to its primitive condition. Instead, the improvements which are imagined as not existing are those which can be seen, *i.e.* buildings, fences, sown pastures, etc., and include works undertaken on the land such as the removal of timber or stone, draining or filling of the land, erosion works, etc., which have been made within 15 years preceding the valuation.

This simplification has already been adopted in Victoria, New South Wales, South Australia, Tasmania, and is in process of adoption in Queensland and Western Australia. It was first adopted in Victoria but while the substance has been accepted in all the States the words Site Value have not been adopted to describe it in New South Wales, South Australia and Tasmania, where the official term is called Land Value. That name is also used in New Zealand where the same change has been made.

It is appropriate to record that the use of the Site Value variant arose from the submissions of a prominent Victorian valuer to the New South Wales Royal Commission on Local Government Finance and Valuation the report of which was presented on May 2, 1967. The valuer was Mr. E. R. Inglis, L.S., F.C.I.V., who later became Secretary for Local Government in Victoria. In support of his case for adoption of the Site Value concept he cited Henry George's book *"Progress and Poverty"* which answered possible objections to his proposals:

" . . . As a matter of fact, the value of land can always be readily distinguished from the value of improvements . . . In the oldest country in the world no difficulty whatever can attend the separation if all that be attempted is to separate the value of the clearly distinguishable improvements, made within a moderate period, from the value of the land, should they be destroyed. This, manifestly, is all that justice or policy requires. Absolute accuracy is impossible in any system, and to attempt to separate all that the human race has done from what nature originally provided would be as absurd as impracticable. A swamp drained or a hill terraced by the Romans constitutes now as much a part of the natural advantages of the British Isles as though the work had been done by earthquake or glacier. The fact that after a certain lapse of time the value of such permanent improvements would be considered as having lapsed into that of the land, and would be taxed accordingly, could have no deterrent effect on such improvements, for such works are frequently undertaken upon leases for years. The fact is, that each generation builds

and improves for itself, and not for the remote future. And the further fact is that each generation is heir, not only to the natural powers of the earth but to all of the work of past generations." (Reference pages 425 and 426 of the Robert Schalkenbach Foundation edition).

#### **(B) The current Land Valuations for 1976-77**

The unimproved (Site) value of the land in the various States, used for municipal land-value rating purposes, is shown in the table on page eleven. It should be borne in mind that these figures understate the true value of the land in private hands at the start of the 1976-77 year.

This is because, although valuation practice is otherwise good and seeks to achieve full market value, the valuations recorded in the official returns are made at intervals ranging from a minimum of two years to a maximum of ten years between re-valuations differing according to the State involved. As land prices have been increasing for many years at rates varying with the different States but averaging at least twenty per cent annually for metropolitan areas in every State, the true total and individual figures for the valuations currently in use will be higher than those shown in column (2) of the table and the differences will be greater in some of the States than others. Correction for these differences would be important in any discussion of the sufficiency of the land rent revenue to meet all legitimate public purposes. Further analysis has enabled the figures to be re-computed as though all the municipal councils in the various States had been re-valued simultaneously for the 1976-77 year. The corrected results are shown in column (3) of the table.

It is now generally recognised by land valuation authorities that justice in treatment between landholders requires that the interval between land re-valuations be progressively reduced until the ideal of annual re-valuations is reached. Changes upwards or downwards in landholders' rate payments would then follow the new re-valuation immediately.

A major move in this direction came in 1966 when the Valuer-General of New South Wales, in evidence to the Royal Commission on Rating, Valuation and Local Government Finance considered that his department could undertake annual revisions of land values if relieved of the need to value improvements and recommended that this be done. His department has since been relieved of the need to value improvements and is now returning complete site valuations at two yearly intervals commencing from 1st January, 1975.

Valuation techniques have also been improved in all other States. New South Wales, having achieved a two-year cycle, is now the best in this respect. Victoria has been improved by using a four-year cycle in the metropolitan area and would be second in performance. South Australia with a five-year cycle and an attempt at rates equalisation between re-valuations would be third. Tasmania with a five-yearly cycle would be next. In Western Australia the recommendations of a 1975 Committee of Inquiry into Rates and Taxes attached to Land Valuations included that a Central Valuation Authority be established and anomalies could be overcome if re-valuations were carried out more frequently. It said that the ideal was for an annual re-valuation. It recommended that steps be taken to ensure that there is never a greater period between valuations than three years. In Queensland too there has been a recent reduction in the average interval between re-valuations.

#### UP-DATED VALUATIONS

Estimated as though the Unimproved Capital (or Site-Value) of all councils within the States had been valued simultaneously in the 1976-77 year.

<i>State or Territory</i>	<i>Values as shown on rate books</i>	<i>Re-computed as though all re-valued at same date</i>	<i>Increase per cent</i>
(1)	(2)	(3)	(4)
	\$ millions	\$ millions	
New South Wales	25,679.9†	33,941.0	32.1
Victoria	22,211.1	30,398.9	36.8
Queensland	3,949.8	7,314.5	85.2
South Australia	3,617.3	6,810.5	88.3
Western Australia	2,209.2	3,676.0	66.3
Tasmania	763.7	1,237.6	62.0
Australian Capital Territory	849.0	925.5	9.0
Northern Territory	183.7*	240.0	30.0
Totals	59,463.7	84,544.0	42.2

† Includes \$7.2 millions in the Western Lands Division not organised into local government.

\* Northern Territory valuation was for 1974/75 year and arbitrarily increased by 30% in line with others.

These figures from municipal and other sources are the values of the rateable properties only, for which they approximate to



the capitalized market value of the site rental left with the landholder after he has paid land rates and land taxes. Hence the total Unimproved Capital Value or Site Value of the lands in private ownership in Australia at 1976 was approximately \$84,544 millions.

**But this is still short for several reasons.**

*First:*

Because it relates only to the value of land in private hands which is rateable or taxable. It does not include the land owned by the Crown and Government bodies nor by church, charitable and other bodies whose holdings are exempt from payment of rates and land taxes. Various Commissions of Inquiry in Australia have recommended that these exemptions be abolished and that the Crown and others now benefiting from the exemptions be required to pay the same rates and taxes on their holdings as they would as private landholders.

For the Government properties concerned abolition of their current exemptions from municipal rates and land tax would not be fully reflected in increased revenue to the Treasury as it may be offset by additional grants to those departments considered to need the properties. But it would ensure that all such properties are periodically reviewed and required to justify their continued holding where not adequately used. Public revenue would benefit from leasing of such excess holdings.

*Second:*

Because land valuations are made as near as practicable to full market value but as their correctness can be challenged through the appeal process they are more likely to be a little under than over the true market figure at the time of valuation.

*Third:*

Because even though the valuations are correct at the date they are made it will be at least a year later before the rates and taxes are actually struck upon those valuations, and the landholders concerned have to pay their assessments on them.

The magnitude of understatement involved in the *first category* is known for the State of Queensland where the Unimproved Value of exempt lands is recorded annually for each municipal council in a separate column from the rateable lands in the Australian Bureau of Statistics publications "Local Government"



Catalogue No. 5502.3, issued annually. For the year 1977-78 in the Brisbane Division 14.3 per cent of the total value of all lands was exempt. Over the whole State of Queensland the exempt proportion averaged 10.2 per cent. Other States would be similarly affected and the proportions exempt in New South Wales and Victoria probably greater with the larger concentration of government bodies with valuable holdings in those States. Certainly the overall figure would be more than the 10 per cent recorded in Queensland. The understatement for the *second category* could well be of the order of 10 per cent. The *third category* of the time-lag between valuation and issuing of assessments is difficult to assess here. It would cease to be important as the target of annual re-valuations now agreed upon as necessary by various valuation authorities and inquiries in Australia is achieved.

The combined under-statement in these three categories discussed could reasonably be estimated to be of the order of 25 per cent and the unimproved capital value or site value of the lands in private plus public utility occupation in 1976 would be \$105,680 millions.

#### 4. HOW MUCH OF THE SITE RENTAL VALUE IS COLLECTED FOR PUBLIC PURPOSES?

The site rental value collected is set out in the following subsections according to the method of collection used.

##### 1. Land-value Taxation

<i>State</i>	<i>Land Tax Collected</i> \$ millions
New South Wales	111,638
Victoria	59,804
Queensland	12,764
South Australia	18,348
Western Australia	13,930
Tasmania	3,373
Australian Capital Territory	—
Northern Territory	—
<b>TOTAL</b>	<b>219,857</b>

The amount collected by land value taxation in Western Australia is greater than would appear from taking account only of the amount shown against land tax as paid to consolidated

revenue funds, which is \$11.742 millions. There are also further amounts collected by land taxes and paid into special accounts for the purposes of Metro Region Improvement adding \$2.188 millions. These bring us to the figure shown in the table.

In Queensland, land tax is levied only on freehold lands, whereas in other States perpetual and other leaseholds are taxable.

## 2. Land-value Rating

The revenue from land-value rating in the various States and Territories is summarised below. Separate totals are shown for the rates levied directly on the site value, as distinct from the component falling on the site rental value where the rate is levied on the composite value of land-plus-improvements. A more detailed statement, showing the various types of rating bodies and their contribution to the totals, is included as Appendix C to this report.

### Land Value Rates Collected 1976/77

<i>State or Territory</i>	<i>Levied directly on Site Value</i>	<i>Levied on sites plus improvements</i>		<i>Total Rates yield</i>
		<i>Site Component</i>	<i>Improvement Component</i>	
(1)	(2)	(3)	(4)	(5)
	\$ millions	\$ millions	\$ millions	\$ millions
New South Wales	623.162	44.663	53.549	721.374
Victoria	149.411	143.654	191.082	484.147
Queensland	181.726	—	—	181.726
South Australia	20.456	51.292	76.850	148.598
Western Australia	54.264	20.985	31.472	106.721
Tasmania	—	13.874	32.375	46.249
Australian Capital Terr.	12.098	—	—	12.098
Northern Territory	3.405	—	—	3.405
TOTALS	1044.522	274.468	385.328	1704.318

Columns (3) and (4) are the estimated break-down of the Annual Value rates (improved), where levied, into the Site Value and improvement value components.

The principle of Site Value rating has been so generally accepted in Australia that 65 per cent of the municipal councils now use it as their general rate basis, although some of them supplement it with small rates on the improved value for special purposes. *Councils controlling 93 per cent of the rateable area of the whole continent now use the unimproved (Site) value basis for part or all of their rate levies and have un-taxed improvements either completely or in part.* This is all the more remarkable since the system of rating on the total property value (of land plus improvements) was applied universally in Australia on a mandatory basis up to 1887.

A table showing the number of councils using the respective systems and the total areas in hectares under each is given as Appendix B.

### 3. Land Rent paid to the State for Leasehold Tenures

The item headed Land Revenue in the State Consolidated Revenue Fund covers the land rents paid to the State for leasehold tenures but proceeds of sales and conditional purchases of land are excluded in the tabulation below because they are proceeds from selling the assets and not continuing rentals. In addition, there are land rents and water rights payments to semi-governmental business undertakings controlling water conservation and railways, for land leased from them by private operators. They appear elsewhere in the annual reports of the public authorities concerned as part of their revenue as business undertakings. The two classes are given separately below.

#### Collections under Land Revenue for year 1976/77

<i>State or Territory</i> (1)	<i>Land Rents</i> (2)	<i>Mining &amp; Forestry Royalties</i> (3)	<i>Total</i> (4)
	<i>\$ millions</i>	<i>\$ millions</i>	<i>\$ millions</i>
New South Wales	20.157	60.900	81.057
Victoria	16.904	47.700	64.600
Queensland	10.594	50.800	61.394
South Australia	3.200	3.300	6.500
Western Australia	5.700	57.300	63.000
Tasmania	0.500	6.700	7.200
Aust. Capital Territory	3.500	14.000	17.300
Northern Territory	1.000	0.400	1.400
<b>TOTALS</b>	<b>61.555</b>	<b>241.100</b>	<b>302.655</b>

These figures are minima, being the portion paid to the Consolidated Revenue Funds, but are not necessarily the total receipts since portions have been paid to other special funds. For example, part of the total revenue of the Forestry Commission in New South Wales was transferred to a special fund set apart for afforestation and re-afforestation, and part was used within the Commission. Only \$5.803 millions appears in the table.

The area held in the Australian States from the Crown under various forms of leasehold, as compared with freehold, is shown in a table as Appendix A to this report. The leasehold areas are more generally found in the rural and pastoral interior areas which have less potential than the urban lands, but there are important exceptions. Perpetual leasehold tenures are numerous in the urban areas of Queensland and the irrigation settlements of New South Wales. They embody direct recognition of the principle that the rental value of land should be collected by governments for public purposes. The level of the land rents charged takes into account that normal municipal and other rates will be paid by the holder just as they would with freehold tenure.

A partial breakdown into the main items comprising the above totals for the year 1976/77 is given at the end of this paper in Appendix C for the States concerned. That is informative as to the nature of the components contributing to the group as a whole. Some of those figures for components are drawn from a different source and relate to an earlier period.

**Summarised Totals of Public Revenue Collections of Site Rent  
by Land Value Taxation, Land Value Rating, or as Land Rentals  
from Publicly owned Leasehold Properties**

<i>State or Territory</i>	<i>Land Value Taxes</i>	<i>Land Value Rates</i>	<i>Land Lease Rents</i>	<i>Totals</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>
	<b>\$ mill.</b>	<b>\$ mill.</b>	<b>\$ mill.</b>	<b>\$ mill.</b>
New South Wales	111.638	667.825	20.157	799.620
Victoria	59.804	293.065	16.904	369.773
Queensland	12.764	181.726	10.594	205.084
South Australia	18.348	71.748	3.200	93.296
Western Australia	13.930	75.249	5.700	94.879
Tasmania	3.373	13.874	0.500	17.747
Aust. Capital Territory	—	12.098	3.500	15.598
Northern Territory	—	3.405	1.000	4.405
<b>TOTALS</b>	<b>219.857</b>	<b>1,318.990</b>	<b>61.555</b>	<b>1,600.402</b>



The amount of site rent collected as public revenue in 1976/77 is shown in the columns of the table above. They relate to land in private occupation which is rateable and therefore linked with the basic land valuation data given in Section 3 of this paper. The total of \$1600.402 millions does not include the collections of mineral and other royalties because valuations for royalty fixing purposes are a specialist valuation field outside that of Section 3. Nevertheless royalties are the equivalent of site rents and are added elsewhere to their final total.

## 5. THE SITE RENT PUBLICLY COLLECTED

The apparent site rent is the sum already collected for public revenue plus the balance remaining in private hands. If we take five per cent of the re-computed Unimproved Capital (or Site) value, as shown for the various States and Territories in column (3) of the table in Section 3 of this paper, we have an approximation to the site rent remaining in private hands. The figure of five per cent is an approximation used currently in municipal valuation and is adequate, for our purpose, though theoretically it should vary with the current rates of interest after due allowance for risk, inflation, etc. The publicly collected portion is that shown in column (5) of the table on page 16.

### Apparent Site Rent Collected

<i>State or Territory</i>	<i>Portion publicly collected</i>	<i>Portion not yet publicly collected</i>	<i>Total Site Rent</i>	<i>Publicly collected as % of total</i>
(1)	(2)	(2)	(4)	(5)
	\$ millions	\$ millions	\$ millions	per cent
<b>Land Value Rating States</b>				
New South Wales	799.620	1697.050	2496.670	32.02
Queensland	205.084	365.725	570.809	35.93
West Australia	94.879	183.800	278.679	34.05
<b>Improvement Rating States</b>				
Victoria	369.773	1519.945	1889.718	19.57
South Australia	93.296	340.525	433.821	21.51
Tasmania	17.747	61.880	79.627	22.29
<b>The Territories</b>				
Aus. Capital Territory	15.598	46.275	61.873	25.21
Northern Territory	4.405	12.000	16.405	26.85
<b>TOTALS</b>	<b>1600.402</b>	<b>4227.200</b>	<b>5827.602</b>	<b>27.46</b>

It will be seen above that the part of the apparent site rent not yet collected for public revenue is a minimum of \$4227 millions for Australia as a whole. This is based on the valuations on the rate books for 1976-77 being re-computed as though all were re-valued at the same date for that year instead of at intervals ranging from two to ten years apart. The table given in Section 3 (B) on the basic land valuations in the various States shows the extent of the differences involved between them. Because of the time lag in official figures behind the market values the heading to the above table refers only to the *apparent* site rent.

It is interesting to compare the changes in the proportion of the apparent site rent collected as public revenue in the various States over a long period. Such comparisons were made in the table below using the figures published in 1968 by the Land Values Research Group in its booklet "*Land Rent as Public Revenue in Australia.*" They related to the years 1957/58 to 1964/65 and have now been extended to 1976/77. The States are listed in their original descending order according to the extent of land value rating used by them. To the list are now added separately the Australian Capital Territory and the Northern Territory which is to become a State in its own right soon.

### Interstate Rating Comparisons

State or Territory	Proportion of apparent Site-rent collected for public purposes.		
	Year 1957/58	Year 1964/65	Year 1976/77
	per cent	per cent	per cent
<i>Land Value Rating States</i>			
Queensland	66	52	51
New South Wales	53	42	38
Western Australia	39	40	46
<i>Improvement Rating States</i>			
Victoria	34	29	25
South Australia	33	22	34
Tasmania	24	22	32
<i>The Territories</i>			
Aust. Capital Territory	—	—	27
Northern Territory	—	—	32

The most important things to note from these comparisons are:

- (1) The three States in which land value rates are the whole or almost exclusive source of local government rate revenue and where owners' improvements are virtually untaxed have retained and consolidated their favorable position at the head of the list;
- (2) The three States which largely rely on rates levied upon owners' buildings and other improvements are those in which the housing industries are in greatest difficulty;
- (3) The two territories now added to the comparison in the most recent year rate upon the land value only and exclude improvements from rates;
- (4) These comparisons are based on the valuations as they stand on the council ratebooks and take no account of the fact that between two and ten years may have passed since the last valuation. But in column (5) of the table on page 17 allowance has been made for this factor for the 1976/77 year only and this gives a more reliable picture.

## 6. IS THE MOVEMENT FOR THE RATING AND TAXING OF SITE VALUES MAKING PROGRESS IN AUSTRALIA?

The application of the principle of collecting site rental values for public revenue instead of taxing labour and industry is being steadily extended in Australia. The measure of that advance can be best illustrated by bringing up to date a comparison made by Mr. E. J. Craigie, initially for the year 1937/38, in a paper presented to the Sixth International Conference for the Taxation of Land Values, held in New York in 1939. This was brought up to the year 1954/55 in a further paper published in "*The Standard*" N.S.W. in May, 1956. It was extended to the year 1964/65 in my paper to the 12th International Conference for the Taxation of Land Values in Wales in 1968 and now to 1976/77 in the present paper. From them the progressive advance can be readily seen. In this tabulation the item Land Rent Revenue is restricted to land rents excluding the mineral and timber royalties. Local Government rates are also restricted to those levied directly on the unimproved value.

<i>State</i>	\$ millions 1954/1955	1964/1965 \$ millions	1976/1977 \$ millions
<i>New South Wales</i>			
State Land Tax	0.004	29.717	111.638
Local Government Rates	47.306	117.290	623.162
Land Rent Revenue	1,666	4.386	20.157
<b>Totals</b>	<b>48,976</b>	<b>151.393</b>	<b>754.957</b>
<i>Victoria</i>			
State Land Tax	5.267	19.725	59.804
Local Government Rates	6,869	27.491	149,411
Land Rent Revenue	0.961	1,416	16.904
<b>Totals</b>	<b>13.097</b>	<b>48.632</b>	<b>226.119</b>
<i>Queensland</i>			
State Land Tax	2,359	3,784	12,764
Local Government Rates	21.076	42.619	181,726
Land Rent Revenue	4,799	7,473	10,594
<b>Totals</b>	<b>28,234</b>	<b>53.876</b>	<b>205.084</b>
<i>South Australia</i>			
State Land Tax	1,138	4,969	18,348
Local Government Rates	1,618	5,740	20,456
Land Rent Revenue	0.656	0,775	3,200
<b>Totals</b>	<b>3,412</b>	<b>11,484</b>	<b>42,004</b>
<i>Western Australia</i>			
State Land Tax	0.781	3,777	13,930
Local Government Rates	2,158	7,818	54,264
Land Rent Revenue	0,772	0,590	5,700
<b>Totals</b>	<b>3,711</b>	<b>12,185</b>	<b>73,894</b>



<i>State</i>	1954/1955 \$ millions	1964/1965 \$ millions	1976/1977 \$ millions
<i>Tasmania</i>			
State Land Tax	0.415	1.676	3,373
Local Government Rates	—	—	—
Land Rent Revenue	0.145	0.058	0.500
Totals	0.560	1.734	3.873
<i>Australian Capital Territory</i>			
Local Government Rates	1.101	1.143	12,098
Land Rent Revenue	0.282	1.407	3,500
Totals	1,383	2,550	15,598
<i>Northern Territory</i>			
Land Taxes	—	—	—
Local Government Rates	—	0,506	3,405
Land Rent Revenue	—	0,729	1,000
Totals	—	1,235	4,405
<i>Whole of Australia</i>			
Land Taxes	9,964	63,648	219,857
(1) Local Government Rates	80,410	204,014	1,044,522
Land Rent Revenue	8,999	15,427	61,555
Totals	99,373	283,089	1,325,934

*Note (1)*

The figures above include only the Local Government rates levied directly on the site value. They do not include the site value component of the annual value rates levied in some States on the site value plus that of the improvements. For 1976/77 the site value component of such rates collected indirectly was \$274,468 million. More details are given in the tabulation of Land Value Rates Collected for 1976/77 on page 1 and on the detailed tables for each State contained in Appendix C at the end of this paper.

The growth of revenue from land taxes evident in these comparisons is remarkable, even when allowance is made for currency debasement. The Australian retail price index numbers for basic materials and food-stuffs, as shown in the *Commonwealth Year Books*, for the three periods, are respectively 394, 502 and 1216. From this it is clear that the great growth of revenue in the last ten years is not due simply to currency inflation but to extension of the site value rating system. Moreover, this three stage comparison does not cover the full field of current application but is restricted only to those fields where it was in common use during the three periods covered. There have been important extensions to new areas within the last twenty years, particularly in Victoria, New South Wales, Queensland and Western Australia.

### *Extensions to New Applications*

In Victoria a major new development over the last twenty years has been the adoption of unimproved (Site) value rating by the State Rivers and Water Supply Commission for its irrigation districts, rural waterworks districts and the Carrum Drainage District. The irrigation districts cover 888,000 hectares and the rural waterworks districts 3,236,000. Thus the adoption of Site Value Rating brought an extra 4,124,000 ha. under the system so far as water supply is concerned, for this area continued to be rated on land-plus-improvements for other local government services. The new area given its first practical experience of Site Value Rating covered almost one-fifth of the whole State and an even larger proportion of the cultivable area.

The change was made in accordance with the wishes of the majority of the irrigators' associations within the Commission's territory, and is superimposed upon the earlier application of the principle in the fixed charge for water rights based on the acreage of potentially irrigable land. The charge is payable whether water is used or not and thus acts to discourage speculative holding of under-developed land, as well as assuring the Commission of its finances, which could otherwise fluctuate greatly with seasonal variation in demand for water.

There has also been great extension of the principle in the irrigation areas of New South Wales. This takes the form of water rights, water rates and rents for land leased by the Water Conservation Commission.

In Queensland the Irrigation and Water Supply Commission also extended operations within the last ten years. While its operations are not yet on a scale comparable with those of the

Victorian and New South Wales equivalents, the foundations have been laid that will result in further extension of the principle.

In Western Australia, within the last twenty years, an extension of land taxes was introduced for the special purposes of metropolitan regional improvement. The figures for these are included in the tabulation under land taxes.

Within the local government rating field there are extensions of the principle that are responsible in part for the substantial increase in contributions from land values. There are new public bodies whose services are financed by the precept method. These bodies do not have rating powers of their own but Acts of Parliament provide that rates shall be struck on their behalf by the municipal councils within their area, the proceeds of which are passed to these bodies. This avoids increasing the number of bodies issuing assessments. Whatever rating system is used by the local council for its own purposes is used also for the levy.

In New South Wales the precept method was applied for contributions under the Main Roads Levy, which yielded \$11.682 million in 1970/71, when it ceased with the financing of main roads being undertaken by the State Government.

The same principle is open to county councils, under section 572A of the Local Government Act, to assess constituent councils in lieu of levying a loan rate. This method has been used very successfully by the Namoi Valley County Council to provide electricity to the far interior areas of the State. More county councils now use the method which in 1976/77 yielded \$2.201 millions in revenue.

In Victoria the precept system was adopted by the newly-established Dandenong Valley Authority. Its rate yield for the 1976/77 year was \$1.939 millions spread over a number of municipalities, most of which use Site Value Rating.

A recent development in local government has been establishment of river improvement trusts with rating powers. Several of these trusts now rate Site Values and there will be further extensions. In 1949 country waterworks trusts and sewerage authorities were given powers to rate wholly on the Site Value where the municipal council within which they operated used that system. Previously they were compelled to rate the improved value of the land. Some of these bodies have already changed to the Site Value basis and the number will rise over the years.



### *Endorsements by Public Inquiries*

Over the last two decades there have been many public inquiries directly or indirectly involving the question of rating land on its "Unimproved" or "Improved" value. They have all endorsed the Site Value Rating principle either expressly, or by implication in not recommending departure from it. Some of these inquiries should be specially referred to here.

In New South Wales the report of a five-member Committee of Inquiry under Sir Alan Bridge, Q.C., was presented to the Government in 1960, and it endorsed the system of rating site value in these terms:

"In considering the competing claims for assessed annual (improved) value and unimproved capital value rating, the fact must not be overlooked that the latter has been the basis of local government finance for the past fifty years, during which time remarkable progress has been made in the development of municipalities and shires and in the provision of essential services. It would require very good reasons to justify the abandonment of such system in favour of a system which in past years was deliberately discarded by the Legislature. In the Committee's opinion no such reasons have been established. There is a tendency, both in the States of the Commonwealth and in certain countries overseas, to adopt unimproved capital value rating."

In 1964 a report was presented following a comprehensive inquiry into the rating system made by a Committee appointed by the Brisbane City Council. It was comprised of the Chairman, Alderman N. L. Buchan, and twelve members representative of municipal, real estate, manufacturing, commerce, labour and public administration organisations. The major findings of this Committee were as follows:

"The present basis of levying rates for general purposes and for water and sewerage purposes on the unimproved capital value, with the amendments as suggested, is the most appropriate for Brisbane City Council . . . The Committee, after due consideration, decided that a change from the present basis to rating on the net annual value (improved) basis was not warranted."

In 1966 a three-member Committee of Inquiry under New South Wales Supreme Court Judge, Mr. Justice Hardy, reported on questions of land tenure and rating systems in Queensland. Although the Committee had a full charter to investigate and make recommendations for most comprehensive change in the

rating basis, it said in effect that the State of Queensland had no practicable alternative but to continue rating the unimproved value of the land. The following extract gives the kernel of its findings on the rating systems:

"Practically all the evidence given before the Committee was to the effect that unimproved value, which has been used in this State for so long, had obvious merits and advantages over the other two bases . . . In view of the foregoing the Committee decided not to embark upon what must of necessity be a purely theoretical or academic study, namely whether as a matter of equity and public interest generally an improved or assessed annual value basis or some variant has merit on its side for rating and land tax purposes. For these reasons we have confined our attention to the question as to whether for these purposes a "basic value" or a "rating value" which is a modification of unimproved capital value, has advantage over unimproved capital value as now defined in the Valuation of Land Acts."

In New South Wales in 1967 a very comprehensive report was presented by a three-member Royal Commission on Rating, Valuation and Local Government Finance under the Hon. Mr. Justice R. Else-Mitchell. Of the seven questions in the terms of reference, the main findings on the ones especially concerned with the rating system were:

"A rate on land is the most appropriate method of financing the services which councils are authorised to provide under the Local Government Act . . .

"The claim that 'rates have reached saturation point' is not established . . .

"On the question whether the rate should be on the unimproved, improved or assessed annual value the findings were that there should be complete local option within the municipal council areas on choice of system. This choice should be available for councils which now rate on the unimproved capital value basis, and the three water and sewerage corporations, now restricted to rating the improved value should also be given powers to use the unimproved value if desired."

However, it was made clear in the report that this preference for local option, as opposed to a mandatory system, was simply because the Commission favoured the general principle of free choice and not because of any evidence of desire on the part of local government or other bodies to depart from the Site Value basis.

The evidence given to the Commission by the Local Government and Shires Association was that the rating of land on the unimproved value basis should form the core of local government revenue but should be supplemented by revenue from other sources. An overwhelming number of councils from whom submissions were received supported the levying of rates on unimproved value. Councils in rural areas, individually and in groups, strongly supported unimproved value rating. Apart from the submissions of councils, the rating of land on unimproved or site values was supported by various bodies including representative rural organisations and individuals. These included the Federation of Progress Associations, the Real Estate Institute of New South Wales, the United Farmers' and Woolgrowers' Association of New South Wales, the Commonwealth Institute of Valuers, the Land Values Research Group, the Association for Good Government, the General Council for Rating Reform, the Valuer General for New South Wales (Mr. H. W. Eastwood) and the Under Secretary for Local Government (Mr. J. T. Monaghan).

Submissions in favour of the unimproved capital or site value basis were also made to the Commission on behalf of the following bodies concerned with commerce: The Retail Traders' Association of New South Wales, the Country Traders' Association of New South Wales, the N.S.W. Retail Tobacco Traders' Association and the Sydney Chamber of Commerce. This most important joint submission stated:

"It is therefore held that the assessed annual value (land-plus-improvements) could not provide an equitable basis upon which to distribute municipal rates . . . It is therefore submitted that adoption of an unimproved capital value or site value would be the only common basis which is not influenced in any major fashion by man-made improvements."

By contrast with this multitude of organisations supporting the principle of unimproved or site value rating it is striking that in the report no community organisations are cited as being opposed to that principle. Indeed, the only organisations that did express opposition were the Metropolitan Water, Sewerage and Drainage Board and the Hunter District Water Board. These are two of only three corporations currently rating land-plus-improvements. Their representatives were not against the principle of site value rating; for certain reasons they considered their current practice preferable and that they should be allowed to continue with it. Apart from these, the views cited in the report as in favour



of rating land-plus-improvements were mainly from isolated councils or officers and individuals.

However, the two major developments in Australia over the last decade emerged later out of that Royal Commission's report. It had recommended many changes which the Government was slow to act upon. By 1973, however, agitation over anomalies, particularly in water and sewerage rating by the two corporations serving the Sydney metropolitan and the Newcastle areas, had reached such a pitch that the Government felt obliged to act. It legislated in 1974 for a package deal in two parts, requiring:

- First* — that all residential properties in these Corporations' areas be rated in future on the Site Value basis instead of the Annual Value of land-plus-improvements. Commercial and all other properties were still to be rated on the old basis.
- Second* — that the Valuer-General was to be required to supply these Corporations with only the unimproved values for all properties. Assessment of improved values (a time consuming task which has been responsible for lengthening the valuation cycle to six years) was no longer required. In a general valuation all assessments are to be determined under market conditions ruling at a base date defined as the first of January of the year in which the general valuation commenced but the physical and other conditions of the property are those obtaining at the date of valuation. Because of his reduced task the Valuer-General is able to shorten the valuation cycle in the Sydney and Hunter District Board's area to two years. Elsewhere the cycle was reduced to 'from six to three years'.

Both these related developments were among the most important since the early years of this century in New South Wales. The change brought full Site Value Rating to 1,100,000 dwellings in the Sydney and Hunter statistical divisions which had previously only been paying their municipal rates on that basis and their water, sewerage and drainage rates (which penalised most homes) were on the Annual Value of land-plus-improvements. The magnitude of this change will be seen when it is said that the total number of occupied dwellings in New South Wales was 1,500,000 at the 1976 census. So almost three-quarters of the homes in the whole State were affected by it. This is reflected in the site value revenue figures shown in the N.S.W. section of Appendix "C" at the end of this paper.

The improvement in valuation technique which has enabled the Valuer-General in New South Wales to re-value properties on a two-yearly cycle will probably be an even more important development in the long run. Valuers in other States are aware of the need to get down to the ideal of an annual valuation. Valuation authorities realise that their task attracts complaint when the rate-payers are billed on valuations five or more years behind the market conditions on which they are based. The Victorian Valuer-General has already gone on record that he is aiming to get his State on to an annual revision basis. The four-yearly cycle in the Victorian metropolitan area was in itself a great step forward when introduced about 12 years ago. Other States will fall into line and computerisation can make annual revisions possible.

In South Australia, too, the Valuation authorities are concerned to improve the relevance of the land-value assessments to the conditions of the times when payment is sought. They have brought out a land tax equalisation scheme with this object. Their valuations are made over a five year period. One-fifth of the State is re-valued each year and for the remainder the existing values are multiplied by equalisation factors.

In Victoria, advance has been made towards change of the Melbourne and Metropolitan Board of Works rating to the Site Value basis in the wake of the New South Wales example. A public inquiry into the organisation and operations of that body—including the rating system—was held in 1978. The General Council for Rating Reform made comprehensive submissions referred to appreciatively in the report of the Inquiry, which recommended that the reorganised Board of Works should have freedom to choose whichever it wishes of Site Value, Net Annual Value or a combination of both instead of being restricted to the N.A.V. as now. The report also urged an investigation by the Board to decide which basis should be used. The re-organisation of the Board was pushed through quickly by the Government but did not include the recommendation of the Inquiry for provision of an option to change the rating basis. This is disappointing because they were not being asked to commit themselves to the change but simply to provide the option to enable it to be made at a later stage if desired to use it.

One point that needs to be clarified here is the impression gained by many overseas enquirers and Australian citizens, that the level of our local government rates is very low by overseas standards. Hence it is reasoned that the Australian experience may not be a guide to their own conditions. This impression is fostered by a deficiency in the content of our own Australian Bureau of Statis-

tics publication on *Public Authority Finance, Taxation, Catalogue No. 5506*, issued annually. It gives statistics showing for each State the total contribution received in Local Government rates. Readers will naturally think that the figures shown are the total contributions (as they appear to be) when in fact they are only the proceeds of the general rate for councils and take no account of other special extra and separate rates, or water and sewerage rates where these are provided by councils or other bodies. In fact, in the metropolitan cities in which the majority of the rate-payers live, water, sewerage and drainage are undertaken by separate public corporations whose rates are about as much again as those of the councils. But none of the figures for the rates paid to these corporations get into the official publication. They are not included on the technicality that water and sewerage are regarded as business undertakings and not municipal services, even when the councils undertake those services.

The aggregate figures for these corporations are included in Appendix "C" of this paper but have to be obtained by approaching the Corporations directly. Even apart from this major understatement of the level of our services and costs the mere quoting of cents in the \$ for councils can be misleading because the rates payable are determined by the valuation of the property by which the rate in cents is to be multiplied to calculate the ratepayers' payment. The general rates in Central Sydney Subdivision in 1976 averaged 1.679 cents. This looks low because land prices in Sydney are highest in the State of New South Wales. But the rate in cents in the \$ of valuation rises progressively as one goes inland away from the capital city. For councils in the Hunter Division it averages 4.600 cents. Further away, in the North West Division it averages 7.121 cents over the 16 councils in this area. This looks a relatively high per cent rate only because the land valuations there are very low compared to those in the metropolitan area. There, less of the site value is needed to provide local government type services and more remains available to provide other types of public services not needed in the remote regions. Further, the 1.679 cents rate cited above for Sydney is only that struck by the municipal council. It does not include the rates payable for water, sewerage and drainage levied on the same properties by a separate rating body. They would add at least another cent in the dollar to the total.

### *The Continuing Demand For Further Extension.*

The continuing efforts in support of Site Value Rating are directed towards its extension rather than to the defence of those



areas already won. The activity in this direction is perhaps most concentrated in Victoria in two major directions.

First is the drive conducted by the General Council for Rating Reform to have the Water, Sewerage, Drainage and Metropolitan Improvement rates levied by the Melbourne and Metropolitan Board of Works changed from land value-plus-improvements to the Site Value basis. This Authority serves the whole metropolis, which contains two-thirds of the total population of the State. As approximately three-quarters of the tenements in the Board's territory rateable for water are already paying rates on the site value basis for municipal purposes the strength of the case for the Board's rating to be brought into line with the majority is obvious.

The other major campaign to have a State Development Fund established, to be financed by a rate over the whole State upon the site value, is being pressed. The proceeds of this would be used to cover the annual costs for interest, sinking fund, and part of the capital expenditure on developmental works such as railways, highways, trams and buses, electricity, gas, and town planning activities — and simultaneously to reduce the charges to the users of these public utilities. The concept of a State Development Fund on these lines was first developed in 1944 by Sir Ronald East, who was then Chairman of the State Rivers and Water Supply Commission. It has since been taken up and is being pressed by several public bodies.

There have been other public inquiries in South Australia, Western Australia and Tasmania which have been of deep interest and to which our colleagues have made submissions but which cannot be dealt with in this paper.

One of the most important has been the Land Tenure Inquiry conducted under the Hon. Mr. Justice R. Else-Mitchell which raises matters of deep relevance, upon which the writer was one of those presenting submissions. But this subject is so wide that it would need a special paper to do justice to it.

## 7. WHAT IS THE TOTAL POTENTIAL FOR SITE RENT AS REVENUE IN AUSTRALIA?

In Section 3 it was estimated that in 1976/77 the total capital value of the landed estate of Australia *i.e.* its site values, was \$105,680 millions.

Based on this figure and assuming the site rents to be 5 per cent of the unimproved capital value we may assess the apparent

site rental values of land still remaining in private hands, uncollected by government but nevertheless constituting a potential source for revenue as being \$5,284 millions plus the mineral and forestry royalties received from the publicly owned natural resources. On the face of it this falls far short of the total needs of government.

### **What then is the total potential for Site Rents as Public Revenue in Australia?**

We shall have to delve deeper.

*Firstly* we must be sure of the meaning and full significance of some of the terms we are using. "*Unimproved Capital Value*" and "*Site Value*" have been discussed in Section 3 of this paper and for most purposes are interchangeable although many of us prefer the latter term. In practice the "*Site Value*" of land is determined by a qualified and registered land valuer. He examines the available evidence—largely sales and rentals of comparable land—and arrives at a figure which he considers the evidence indicates that the land would fetch if offered for sale. Thus the site value is the estimated site price. Whatever affects site price affects site values.

Site price is the result of intensive competition. It is invariably the most that can be squeezed out of a land hungry people and is the capitalisation of that part of the site rent left in private hands.

Put more money in the hands of the people and land prices will surely rise. Reduce the money in the hands of the people—land prices will rise more slowly or even fall.

Taxation of labour and industry—by reducing the amount of money left in the hands of the people—tends to reduce land prices. It also discourages the production of wealth and the rendering of services—*i.e.* it slows down the economy and still further reduces the demand for land. Reduce most forms of taxation by \$X yearly and land prices will soon rise to absorb all or most of the amount saved by consumers, thus increasing the overall site rent potential as a source for public revenue.

If this additional site rent is collected as public revenue one would expect site prices generally to fall. Not necessarily! The price of some—poorer—land may fall, the value being transferred to better land but over all site prices will be higher because the rewards to labour have increased as the result of the reduction in dis-incentive taxation and of the availability of more suitable and productive sites. In Victoria we have seen this happen every time a municipality has changed to Site Value Rating.

The surge in the economy resulting from increased site value taxation will undoubtedly increase general taxation revenue—possibly by more than the initial reduction of \$X. Just how many times we must repeat the above process so that *ALL* revenues come from site rent I cannot say but one thing is clear—the total potential site rent is considerably in excess of the sum of *ALL* existing taxation from all sources plus the site rent remaining in private hands.

Several factors will tend to reduce site prices. The land speculator will be frightened away and site values will fall to give labour a return not less than that available at the margin. As labour takes up opportunities to use the formerly under-used but better land the margin will contract on to better land. This has already happened in Australia. Much marginal land that was taken up and cleared two or three generations ago has reverted to national parks, forest etc.

Technology is a major factor in the retreat of the margin. Technology is giving us greater production from less land with less labour. Although land at or near the margin falls in site rental value other land rises in value—the total rise greatly exceeding the total fall.

Man's expectations can also influence his hunger for land. This was demonstrated in Australia when colour television was introduced. Colour TV sets cost \$800 or more and it was anticipated that it would take up to ten years to achieve 80% acceptance. Actually this figure was achieved within two or three years because young couples delayed buying land for their home and bought television sets. This reduced the competition for newly sub-divided land and new houses but caused rents to rise for flats and for commercial areas, benefiting from the television boom. Perhaps such rising expectations are merely another consequence of rising wages resulting from the contracting of the margin.

The factors that will cause land values to rise include:

- (a) greater efficiency of labour due to more suitable land being available;
- (b) removal of taxation disincentives;
- (c) the release into the productive workforce of formerly non-productive government servants, land speculators etc.;
- (d) technology.

These factors suggest that the effects of extension of the principle of collection of the site rent potential for public revenue are

not static but dynamic. They tend to encourage proper use of natural resources and so augment the fund available for further public works.

The immediate question now is how far would the amount of something exceeding \$5,284 millions remaining uncollected in private hands go to meet our public revenue needs?

### How far would this Revenue go?

We now examine the figures for the total public revenue received by all Australian Public Authorities (Federal, State and Local Government combined.) Those are published annually by the Australian Bureau of Statistics in the series "*Government Financial Estimates*" Catalogue No. 5501.0. Combining Tables 5 and 6 for the Federal, State and Local Authorities (but omitting the item grants from the Federal Government which are included in its total in Table (6) the overall position for year 1976-77 is seen to be:

	\$ millions
Taxation ....	24,824
Other receipts	
Gross income from public enterprises ....	2,034
Property income	
Interest, land rent, royalties ....	1,890
Total receipts of public revenue ....	28,748

#### 1. Revenue From Taxation.

Of the total \$24,824 millions collected in 1976-77 as taxation revenue \$2,676 millions is actually site-rental collection in its nature. It comprises:

- (a) \$220 millions as land value taxes levied by State Governments;
- (b) \$1,319 millions as land value rates paid to Local Government Councils or to Water and Sewerage Corporations within the States;
- (c) \$1,137 millions as crude oil levy and other mineral levies collected by the Federal Government from local producers and recorded under excise revenue (but which really equate with royalties on State-owned minerals).



## 2. Public Revenue other than Taxation.

The part headed "other receipts" totals \$3,924 millions which supplements the yield from taxation. The whole of this "other receipts" item is in its nature public revenue from public property.

The first item under that heading is \$2,034 millions which is the gross operating surplus over working expenses of public trading enterprises. Of this part is actually rates on land levied by local government councils or corporations responsible for providing water, sewerage, electricity, gas. Such services are regarded as Business Trading Undertakings, and the yield of the rates levied is recorded separately from rates levied to finance the "ordinary services" of councils. The rest of this item is the operating surpluses of statutory bodies created by the Federal or State Governments which recover their costs in charges from the users of the services. (See the special note on page 42).

The second item under 'other receipts' is property income received by the Federal, State or Local Government level concerned in the form of interest, land rent or mineral and forestry royalties which together total \$1,890 millions.

Summarising, of the total \$28,748 millions collected as public revenue at Federal, State or Local Government levels in 1976-77 the site rental content was:

	\$ millions
(1) <i>Already collected under taxation</i>	
Part as land value rates and land tax	
part as crude oil or other levies	2,676
(2) <i>Income from public enterprises</i>	2,034
(3) <i>Public Property income</i>	
As interest, land rent and royalties	1,890
Total already collected	<hr/> 6,600

Adding to the \$6,600 millions already collected as public revenue the estimated \$5,284 millions remaining in private hands the potential land revenue yield instead of taxation under the conditions applicable for the year 1976-77 would have been \$11,884 millions for Australia as a whole, out of the total receipts of \$28,748 millions for the Federal, State and Local Government combined. Clearly the site rent potential under the conditions applicable at that year would have been unable to provide all the revenue then

received by the governments and allow all taxation other than land value taxes and rates to be abolished.

The relative split would have been \$11,884 millions from site rentals or equivalents compared to \$16,864 millions from taxes upon the earnings of labor and industry. Even if this was all to be considered any open minded enquirer must surely agree that the potential land rent revenue disclosed would go far further towards replacing harmful taxes than he had previously thought.

*But the conditions applicable up to the change to collect the site rental value of land in lieu of taxes would be radically different after its partial implementation and allow of its further extension.*

Consider what would happen if the Australian Governments concerned decided that from the transition year 1976-77 they would implement the change to collect the site rental values as far as practicable within the initial estimated total of \$5,284 millions still uncollected and to simultaneously reduce or abolish their taxes on goods and earnings by the same total figure.

The conditions before and after the implementation of this change would be very different. The substantial reduction or abolition of taxes on production and earnings under the new conditions would stimulate and encourage production where the present taxes now discourage and cripple it. And to shift the burden of taxation and exchange to the site or rental value of land would not merely be to give new stimulus to the production of wealth; it would be *to open new opportunities*. For under this system no one would care to hold land unless to use it, and land withheld from use would everywhere be thrown open to improvement. It would remove the already dangerous level of unemployment. Not necessarily by direct action of unemployed people to employ themselves on land, though that could happen in many cases. But more generally by the opening up of opportunities to others with the skills and capital to use them and who would need the services of people now unemployed.

The change would bring into strong operation the factors listed on page 32 which will tend to cause the overall site rental value of land to rise greatly in the regions most favorably situated to take advantage of the new opportunities opened up. These rises will be mainly in the urban areas where access to other inter-related industries, firms, markets or raw materials is important. In these areas land price and the site rents they reflect will rise and balance out reductions elsewhere with the shrinkage of the marginal lands. Thus the site rent fund will grow to progressively allow further reduction in the remaining taxation content until it is eliminated.

Mineral royalties can also be expected to swell the land revenue fund as governments are now negotiating more realistic terms for public sharing in exploitation of our natural resources. This should also increase the site rents from treatment plants and other related areas as well as at the points of extraction.

A change of such magnitude as to abolish \$5,284 millions of incentive-destroying taxation working against production and earnings would in itself be a great step forward for all sections of the community.

Of equal importance, working from the opposite end, would be the complementary part of collection of an equivalent additional amount as public revenue from land value taxation or site rent which would make it unprofitable to hold natural resources under-developed. Together they provide the classical "*carrot and stick*" combination which has contributed so much to human progress and will again.

That has been the experience in the smaller-scale application at the Local Government level in Australia. Two-thirds of all local government councils on this continent have now un-taxed the improvements and rate the site value only. The principle is the same. The stimulating effects at Federal and State level would be of the same kind but greater in degree than observed at the local level.

### **Implementing the Change**

In the extended application for Australia it is not proposed that any change be made in the structure of the Government. The Federal Government and the State Governments each have their own fields of operation and retain them. It would be necessary for the Federal Government to legislate to apply the principle so far as its own taxation field is concerned and for the State Governments to do likewise for theirs. It would be necessary for the Federal Government to have access to the site valuation figures now estimated by State valuers except in its own territories. This information was previously available to it when a Commonwealth Land Tax was levied at which time, by agreement with the Western Australian Government the Federal valuers made the valuations for that State.

In this discussion it is considered a necessary and prudent starting point that, in applying such a comprehensive scheme to an inter-related group of operating Federal and State Government machines, the total revenue accounted for under the old and new bases be the same.



Implementation of the schemes would necessarily commence with programmes limited to the total yield of the site rent potential already collected, *plus* that remaining uncollected in private hands at the time of implementation as assessed by qualified valuers, *plus* adequate royalties due from mineral and forestry resources which should also be assessed by experts annually.

As the schemes would initially be yielding less than the total sum required to abolish all taxation other than land rates and taxes, the Federal and State Governments would need to decide whether they would reduce all taxes proportionately according to the funds available or abolish some taxes completely or to greater extent than others in the initial stages. It may be considered best to abolish or reduce first some types of taxes the incidence of which is considered more serious to the community than others. It would certainly be desirable to spread the reductions in general taxes over a wide spectrum of the community to assure that as nearly as possible all productive sectors benefited immediately by the change at the outset.

There should be inbuilt into the schemes from the start provisions for review of the extent to which the growth of the land rent fund enables further reduction or abolition of taxes to be made.

It can be confidently expected that—with the opening up of new opportunities for labor and capital under the new conditions—the land rent revenue overall would rise greatly and the remaining taxation content shrink to the point of abolition within a few years. Part of the general taxation content reduced or abolished would be absorbed or reflected in the increased site rent funds available to the governments involved for community purposes.

One of the major areas which offers prospects of rapid build-up of the land revenue to enable acceleration to the process of abolition of other taxes lies in recent developments in the mineral industry in general and of petroleum in particular. In Australia all mineral rights are vested in the Crown except those on land which was granted before it began to reserve mineral rights. In practice these private mineral rights are important only in the New South Wales coalfields. There have been recent large scale enterprises established handling iron ore in Western Australia, coal and bauxite in Queensland, and others in development stages elsewhere. For petroleum there are limited oil and gas fields in use but others inland and on the north-west continental shelf are in the development stages. The petroleum royalties being collected now are already great but will escalate as the new fields come into production. The total royalties already received as public revenue in 1976-77 were \$201 millions for minerals and \$43 mil-



lions for forestry timber. They can be expected to grow rapidly over the next few years. But they cannot be quantified in advance in this report.

A new but related development has arisen in the last few years which makes it certain that there will be greatly accelerated growth in the site-rental revenue available for public purposes in Australia. This is the adoption of import parity pricing of local petroleum production. It is accompanied by the collection by the Federal Government of a progressively increasing crude oil levy which, in the year 1976-77 produced a revenue yield of \$1,137 millions and is expected to rise to \$3,000 millions in 1980-81. It is additional to—and not to be confused with—the normal royalty payments collected by State Governments.

Within the last few months leading up to the final stage of printing this paper there have been several new developments which make it imperative that the programme set forth in brief outline in this section be considered, pressed for, and implemented as a matter of urgency. These new developments are:

(1) The Federal Government has stated that it must seek to develop a new major tax field to replace reliance on income tax as its basic revenue source. Its reasons have not been spelled out clearly but are not hard to find:

- (a) It is concerned at the manifest injustice in treatment of the ordinary salary and wage earners under the Pay-As-You-Earn Scheme, for whom income tax is an inescapable burden—as compared with those outside that system who are increasingly finding means of avoiding or reducing their payments;
- (b) Tax loopholes exist and schemes are devised increasingly to evade or reduce the tax payable. Even though loopholes are eventually removed by new legislation that is not retrospective and the government loses substantial revenue in the meantime;
- (c) It would be hard to find anywhere a more damning indictment of income tax as a source for public revenue than disclosures published in "The Herald" Melbourne (6.10.80) where it was reported that "England's richest family paid only \$20 in income tax in 60 years, because of a tax loophole." This referred to the Vestey family which has a vast fortune in the meat business, shipping, clothing, insurance and includes substantial Australian holdings.

The Treasury had now said that Section 412 of the 1952 Income Tax Act was being reviewed by the British Government after a decision by the Law Lords which fav-

ored the Vestey family. The Law Lords ruled that while the Vesteys, over a particular four year period, were liable to income tax on \$8,729,000 and surtax on \$14,819,000 *they need not pay a penny.*

The implications of this case show that the use of Income Tax as a means of raising public revenue should be questioned. The fact that such a loophole could exist for 60 years without officials (and the government) knowing that *ANY* firm was not paying their tax on income of that magnitude shows that the system is worthless. It is obviously riddled with injustice between income earners of large magnitude who are paying huge sums and others on the same income who are not. Justice should be central to the system of collection of public revenue. Land value taxation conforms to the criteria to be expected of the best form of tax while income tax does not. Among the most important of these requirements of a tax system are that the tax cannot be avoided or evaded. A land value tax fulfils this requirement perfectly for land cannot be hidden. Even when built on its value can be assessed accurately from rentals or sales on the property market. It is easily and cheaply collected and falls as nearly as possible on the ultimate payers.

It bears equally so as to give no citizen an advantage or put any at a disadvantage as compared with others. It bears as lightly as possible upon production—so as least to check the increase of the general fund from which taxes must be paid and the community maintained.

(2.) The use by companies of transfer pricing is a method commonly used to minimise tax payments on profits. It involves selling products to overseas subsidiaries at prices well below market levels, so that profits are taxed in another country at more favorable rates than exist in Australia. The use of transfer pricing by some internationals has been a persistent criticism of their operations in Australia. The reality of its use was brought out in a recent High Court decision on a case between the Australian Commissioner for Taxation and the Commonwealth Aluminium Corporation, a subsidiary of Comalco. The company had been selling bauxite at low rates to a Hong Kong based subsidiary which then sold the mineral to the eventual user in Japan at market rates. Profits in Australia, where the taxation rate was nearly 50 per cent, were low. Those reaped by the subsidiary in Hong Kong, where the tax rate was a mere 12.5 per cent, were high. Australian tax law does not prevent a company classified as Australian controlled from engaging in this practice. The Taxation Commissioner lost the High Court appeal to have the company pay tax at Aus-

tralian rates when it was held that control of Commonwealth Aluminium is in Australian hands.

Yet the whole problem is an artificial one which will disappear if income tax is substituted by land value taxation. The real work of aluminium production takes place in Australia on extensive and valuable sites and the payment to local revenue could not then be avoided. The artificial set-up of operating through foreign based intermediaries would become pointless.

X X X

Attention is specially drawn to the schematic diagram included as Appendix "D" showing a break-up of the total Site-Rent revenue potential of Australia under six major headings. It has been prepared by Mr. Noel Wigmore, Registered Valuer, to whom due acknowledgment is made. It gives a useful visual picture of the currently operative factors in distribution of Site-Rent under present conditions.



## **SPECIAL NOTES**

### **Note on Minimum Rates**

In Section 2 reference was made to recent changes in Legislation which depart from the basic principle of justice in treatment of ratepayers under the municipal rating system. The essential principle is that all ratepayers within the rating area share the cost by an equal rate in the dollar levied on the value of their property. That is equally important whether the rating system be Site Value or Improved Annual Value. Until recently legislation of long standing had specified a small minimum sum be payable sufficient only to cover the cost of the council for valuation and the paperwork involved on small properties of low value which would otherwise not yield enough in rates to cover these costs.

But some years ago the Governments, first in New South Wales, followed by that in Victoria, naively legislated to remove all maximum and minimum rates in the belief that most councils were run by responsible councillors who could be trusted not to abuse their new freedom. It took only a very short time to prove they could not. A high proportion of them struck very high minimum charges which had the effect of robbing the owners of low valued properties in order to subsidise with lower rates the owners of highest valued properties. In both States the Governments were concerned and threatened that they would withdraw their powers to impose minimum charges. This has borne fruit in N. S. Wales and a ceiling has now been imposed there. But combined with this legislation was a new power to impose differential rates in various sections of a council instead of having a single uniform rate over the whole ward or riding. This is not as objectionable as minimum rates because the differential rates preserve the relativity between the ratepayers according to the value of their properties.

The Victorian Government has not yet legislated to remove minimum charges which are fundamentally evil. By making the minimum high enough the rating system can be destroyed and turned into a flat charge payable by the greatest and least valuable holdings alike. It has not got anywhere near that yet here. But eternal vigilance is the price of liberty.

### **Note on the City of Canberra**

Canberra is the Capital City located in the Australian Capital Territory. It was founded as a Territory owned by the people of Australia where freehold tenure was forbidden and land to be held on leasehold tenure only, subject to periodical revision of the site rentals at 20 year intervals. These intervals to re-valuation of rents were long and allowed land price to build up till private

greed caused the emasculation of the system. The legal fiction of a site rental fixed at 10 cents per annum was brought in by legislation after a great parliamentary battle in 1970. That legislation was bitterly opposed by the Australian Labour Party then in Opposition and by several Independents. It was carried only by a margin of two votes in the Senate with the five Democratic Labour Party representatives voting with the Government. Thus, while still preserving the fiction of calling it leasehold tenure to comply with the Constitution, the system was converted in fact to freehold with all the evils of high land prices for the rapidly expanding city, the population of which had reached 203,300 at the census of 30th June 1976. The lesson to be learnt from it is the importance of maintaining an adequate valuation system, ideally with annual re-valuations. Had this been done in Canberra nobody would have had sufficient financial advantage over others to seek to change it. Although land rentals were discontinued in Canberra the system of Site Value Rating has been retained and greatly extended as evident in the great growth of the land value rate yield between 1964/65 and 1976/77 as shown in the table on page 21. To some degree, this ameliorates the evil consequences in increased land prices and greater maldistribution of wealth, that resulted from the 1970 legislation.

#### **Note on Revenue from Public Enterprises**

Referring to the item (2) on page 34 it should be explained that the revenues and expenditures of the Federal and State statutory bodies included under this item are far greater than the \$1,288 million included in it which is simply the operating surplus paid over to the governments concerned. The bodies are autonomous or nearly so except in regard to the final surplus or deficit passed to the government. For example, the overall position for the Federal Public Trading Enterprises is given in a table on page 542 of the Australian Year Book, 1979, which showed the revenue of such Federal Authorities as totalling \$3,928 millions; expenditure \$2,935 millions; and the gross operating surplus of \$993 millions.

The same Year-book on page 449 gives the corresponding information for Australian Government Railways (which would be the largest group of enterprises run almost entirely by State Governments) for year 1975-76 as gross earnings \$940 millions; working expenses \$1,306 millions and deficits \$366 millions.

The figures quoted on page 33 as income from public enterprises are the gross amounts including depreciation allowances. In some official tables the net amounts only are shown with the depreciation allowances transferred elsewhere and treated as financing items.

## GENERAL ADOPTION OF LAND VALUE RATING AND TAXATION

### Suggested Changes to Legislation

Land value rating or taxing bodies should be given power to use the *Unimproved Annual Value* as their rating base as an alternative to the Unimproved Capital or Site Value. (This could be achieved by specifically excluding that part of the Annual Value attributable to the improvements. It would then in fact become the Annual Value of the land alone).

The unimproved Annual Value should be defined as the sum of:

- (a) 5% of the unimproved Capital Value or Site Value;
- (b) the amount of the municipal or other rates payable upon the land;
- (c) the amount of land tax which the land would attract as a single parcel only;

Items (b) and (c) to be as at the date of determination of the Site Value.

The basis of the formula needed to connect the site value and the annual value of land is that the site value is simply the capitalized form of the balance of the unimproved *annual* value remaining to the owner after payment of any land rates and land taxes. Hence the greater the land rates the lower the market price of land becomes (although this effect is offset by appreciation attending stimulated land use and development).

Assuming capitalization at 5 per cent (which is the accepted figure in the Acts to determine the Annual Value of vacant land for rating in Victoria and New South Wales) there is the following relation between the valuations and rates:

$$\begin{array}{ccccccc} \text{Unimproved} & & & & \text{land} & & \text{land} \\ \text{Annual} & = & 5 \text{ per cent of} & + & \text{value} & + & \text{value} \\ \text{Value} & & \text{the site value} & & \text{rates} & & \text{taxes} \end{array}$$

Land tax (if any) in the above equation is that which the site would attract as a single parcel—not the higher figure due with aggregation of multiple properties—to which a higher scale may be applicable.

The various descriptions unimproved capital value, site value or market price of land are basically the same in content and of them site value is preferred.

The use of the formula is seen in the worked example on page 44.



# AN EXAMPLE GREATER BRISBANE COUNCIL

Comparison of Valuation Base and Rate per \$ needed under Unimproved Capital Value and Unimproved Annual Value to yield the same Total Rate Revenue.

Year	Computation of Unimproved Annual Value from formula.				Equivalent average rate needed in cents per \$1 to yield the amount shown in Column (4).	
	Unimproved Capital Value	5% of U.C.V.	Rates paid (General Water & Sewer) +	Land Tax payable +	Unimproved Annual Value Rate	Unimproved Capital Value Rate
(1)	(2)	(3)	(4)	(5)	(7)	(8)
	\$ millions	\$ millions	\$ millions	\$ millions	cents	cents
1947/48	42.817	2.140	4.442	0.249	65.02	10.38
1948/49	48.629	2.431	4.746	0.125	65.00	9.76
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1951/52	52.791	2.640	6.451	0.592	66.62	12.22
1952/53	124.744	6.237	9.946	0.690	58.94	7.97
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1962/63	145.049	7.252	15.271	2.206	61.75	10.52
1963/64	273.460	13.673	16.107	2.407	50.04	5.89
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1968/69	286.581	14.329	27.748	1.582	63.55	9.68
1969/70	828.359	41.417	31.383	1.679	42.13	3.78
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1975/76	1633.286	81.664	56.612	5.153	39.47	3.46
1976/77	2653.829	132.691	80.684	8.588	36.35	3.04

## STATISTICAL SOURCES USED IN THIS PAPER

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Canberra: Year book of Australia, 1977-78

Canberra: Public Authority Finance: Taxation: Catalogue 5506.0

Canberra: Government Financial Estimates Catalogue Number 5501.0.

Australian Bureau of Statistics, Local Government Finance bulletins for various States:

Victoria	Catalogue Number	5501.2
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Queensland	"	"	5502.3
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Western Australia	"	"	1303.5
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New South Wales	"	"	5503.1
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Tasmania	"	"	5501.6
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State and Local Government Finance Catalogue  
Number 5504.0

South Australia Highways Department Annual Reports  
Appendix H

Australian Capital Territory Catalogue Number 1307.0

Northern Territory Statistical Summary Catalogue  
Number 1306.0

Various States Census returns 30th June, 1976.

Also Year Books issued by the various States supplemented by direct inquiries to relevant bodies.

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APPENDIX A  
LAND TENURE IN THE AUSTRALIAN STATES  
(As at 30 June 1976)

<i>State or Territory</i>				<i>Private Lands</i>	<i>Crown Lands</i>		<i>Total Area</i>
				<i>Freehold or in process</i>	<i>Leases or licence</i>	<i>Other occupied by Crown</i>	
				Ha. 000's	Ha. 000's	Ha. 000's	Ha. 000's
New South Wales	....	....	....	27,500	43,800	8,800	80,100
Victoria	....	....	....	13,800	2,400	6,500	22,700
Queensland	....	....	....	31,000	125,400	16,400	172,800
South Australia	....	....	....	6,800	59,700	32,000	98,400
Western Australia	....	....	....	18,700	100,100	133,800	252,600
Tasmania	....	....	....	3,000	2,200	1,700	6,800
Australian Capital Territory	....	....	....	—	100	200	300
Northern Territory	....	....	....	100	82,900	51,600	134,600
Australia				100,800	416,500	251,100	768,400

(See Year Book Australia 1977-78 page 295)

APPENDIX B

RATING SYSTEMS IN THE AUSTRALIAN STATES  
(as at June 1976)

48

<i>State or Territory</i>				<i>Number of Councils rating on</i>		<i>Area of Councils rating on</i>	
				<i>Land Value</i>	<i>Annual Value</i>	<i>Land Value</i>	<i>Annual Value</i>
(1)				(2)	(3)	(4)	(5)
						Km <sup>2</sup>	Km <sup>2</sup>
New South Wales	....	....	....	214	—	705,651	—
Victoria	....	....	....	62	149	28,069	199,031
Queensland	....	....	....	131	—	1,726,700	—
South Australia	....	....	....	38	98	61,058	89,498
Western Australia	....	....	....	126	12	2,525,306	194
Tasmania	....	....	....	—	49	—	68,330
Australian Capital Territory	....			1	—	2,433	—
Northern Territory	..	....	....	2	—	221	—
Totals				574	308	5,049,438	357,053
Percentages of Totals				(65.08%)	(34.92%)	(93.39%)	(6.61%)

*Notes:*

1. LAND VALUE means the value of the land only apart from improvements. The actual terms used vary between the different States. Some use the words Land Value, Site Value or Unimproved Capital Value to describe it.
2. ANNUAL VALUE means the annual Rental Value of the land-plus-improvements on it. In some States it is the gross rental value which is used and in others the nett figure which is used.
3. The square kilometres unincorporated into Local Government units and hence not subject to any form of rating in the various States are as follows:

New South Wales	....	....	95,681 km <sup>2</sup>	Western Australia	....	....	nil
Victoria	....	....	154 „	Tasmania	....	....	nil
Queensland	....	....	nil	Australian Capital Territory	....		nil
South Australia	....	....	810,999 „	Northern Territory	....	....	832,517 km <sup>2</sup>

*Sources:* Local Government Authorities; Aust. Year Book 1977-78

Aust. Bureau of Statistics Census Returns 30th June 1976.



# APPENDIX C (1)

## LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976-77

### STATE OF NEW SOUTH WALES

<i>Collection by</i>	<i>Amount collected directly as land rental</i>	<i>Amount levied directly on Site Value</i>	<i>Amount levied indirectly as Site Value component of AV</i>	<i>Total Amount of Site Rent collected (cols. 2+3+4)</i>
(1)	(2) \$ millions	(3) \$ millions	(4) \$ millions	(5) \$ millions
1. Land rentals payable on leasehold tenures				
(a) Western Lands Division	0.957	—	—	)
(b) Water & Irrigation				)
Conservation Commission	0.554*	—	—	) 20,157
(c) Railways Dept. lands	7.402†	—	—	)
(d) Other leaseholds	11.244	—	—	)
2. Land Tax (State)	—	111.638	—	111.638
3. Rates on Land Values:				
Local Government for:				
Ordinary services	—	420.624	—	420.624

## Local Government for:

## Business undertakings

Water	—	22.900	—	)	
Sewerage	—	20.713	—	)	
Electricity	—	0.790		)	46.789
Gas	—	0.185	—	)	
County Councils	—	2.201	—	)	

## Water &amp; Sewerage Corpns.

Sydney Metro.	—	135.071	41.237	)	
			(=46% of 89,647 AV)	)	196.874
Hunter District	—	17.140	3.426	)	
			(=40% of 8.565 AV)	)	

## Water Cons. &amp; Irrig.

Commn. (incl. water rights 1973-74)\*

—	3.538	—	3.538
<u>Totals</u>	<u>20.157</u>	<u>734.800</u>	<u>44.663</u>
			<u>799.620</u>

## 4. Mining and Forestry

Royalties	60.900	—	—	60.900
-----------	--------	---	---	--------

\* For 1973-74

† For 1974-75

# APPENDIX C (2)

## LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976-77

### STATE OF VICTORIA

<i>Collection by</i>	<i>Amount collected directly as land rental</i>	<i>Amount levied directly on Site Value</i>	<i>Amount levied indirectly as Site Value component of AV</i>	<i>Total Amount of Site Rent collected (cols. 2+3+4)</i>
(1)	(2) \$ millions	(3) \$ millions	(4) \$ millions	(5) \$ millions
1. Land rentals on leasehold tenures:				
(a) Railway Lands	3,688	—	—	)
(b) Crown Lands Dept.	4,900	—	—	) 16,904
(c) Other State Commns.	8,316	—	—	)
2. State Land Tax	—	59,804	—	59,804
3. Rates on Land Values				
(a) By Local Government for:				
Ordinary services	—	134,665	58,617 (40% of 146,543 AV)	)
Dandenong Valley Authority	—	1,847	0,092 ( 0,230 AV)	)
Separate Rates	—	1,016	0,274 ( 0,686 AV)	) 196,602
Other Miscellaneous Rates	—	0,091	—	)



(b) Water and Sewerage Corportns.				
Melbourne & Metro. Board of Works	—	—	=46% of 74.831 (162.676 AV)	74.831
Country Sewerage Authorities	—	0.989	=40% of 4.754 ( 11.886 AV)	5,743
(c) State Rivers and W.S. Commn.				
Irrigation Districts				
Water rates	—	0.638	—	)
Water rights	—	7.824	—	)
Waterworks Districts	—	†1.888		)
Urban and Rural Districts	—	0.068	=40% of 1.709 ( 4.272 AV)	)
Waterworks Trusts	—	0.360	3,284 ( 8.211 AV)	)
River Improvement Trusts	—	0.024	0.039 ( 0.098 AV)	)
Flood Protection Districts		0.001	0.054 ( 0.134 AV)	)
Totals	<u>16.904</u>	<u>209.215</u>	<u>143.654</u>	<u>369.773</u>
4. Mineral and Forestry Royalties.				
	47.700	—	—	47.700

† Charges on area basis roughly approximating to Site Value

# APPENDIX C (3)

## LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976-77

### STATE OF QUEENSLAND

<i>Collection by</i>	<i>Amount levied directly as land rental</i>	<i>Amount levied directly on Site Value</i>	<i>Amount levied indirectly on the Site Value component of Annual Values</i>	<i>Total Amount of Site Rent collected (cols. 2+3+4)</i>
(1)	(2) \$ millions	(3) \$ millions	(4) \$ millions	(5) \$ millions
1. Land rentals on leasehold tenures:				
(a) Pastoral leases	1.590*	—	—	)
(b) Selection tenures	5.272*	—	—	)
(c) Special leases	1.537*	—	—	)
(d) Country, Suburban and Town Land leases	0.352*	—	—	) 10.594
(e) Mining leases	1.488*	—	—	)
(f) Miners homestead leases	0.160*	—	—	)
(g) Railways land leases	0.195†	—	—	)
2. Land Tax (State)	—	12.764	—	12.764

### 3. Rates on land values:

#### Local Government for:

##### General and other

rates

—

135.907

—

)

##### Business undertakings:

Waterworks

—

23.737

—

)

181.726

Sewerage

—

22.082

—

)

Totals

10.594

194.490

—

205.084

55

### 4. Mineral Royalties

50.800

—

—

50.800

\* For 1973-74

† For 1974-75



# APPENDIX C (4)

## LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976-77

### STATE OF SOUTH AUSTRALIA

<i>Collection by</i>	<i>Amount collected directly as land rental</i>	<i>Amount levied directly on Site Value</i>	<i>Amount levied indirectly as Site Value component of AV</i>	<i>Total Amount of Site Rent collected (cols. 2+3+4)</i>
(1)	(2) \$ millions	(3) \$ millions	(4) \$ millions	(5) \$ millions
1. Land rentals on leasehold tenures:				
(a) Lands Department	1.051	—	—	)
(b) Mines Department	0.236	—	—	) 3.105
(c) Other leaseholds	1.818	—	—	)
2. Land Tax (State)	—	18.348	—	18.348
3. Rates on land values:				
Local Government for: ordinary services	—	18.631	=40% of 23.200 (58.000 AV)	41.831
Water and Sewerage Corporations				

Adelaide Metro Area			=40% of	
Waterworks	—	—	13.628 (34.071 AV)	)
Sewerage	—	—	9.488 (23.720 AV)	) 28.092
Country Waterworks	—	—	4.036 (10.009 AV)	)
Country Sewerage	—	—	0.940 ( 2.350 AV)	)
4. Irrigation land rents	0.095	—	—	0.095
Irrigation water rates	—	1,754	—	)
Drainage rates	—	0.068	—	) 1.825
War service land drainage	—	0.003	—	)
Totals	<u>3.200</u>	<u>38.804</u>	<u>51.292</u>	<u>93.296</u>
5. Mineral Royalties	3.300	—	—	3.300

# APPENDIX C (5)

## LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976-77

### STATE OF WESTERN AUSTRALIA

<i>Collection by</i>	<i>Amount collected directly as land rental</i>	<i>Amount levied directly on Site Value</i>	<i>Amount levied indirectly as Site Value component of AV</i>	<i>Total Amount of Site Rent collected (cols. 2+3+4)</i>
(1)	(2) \$ millions	(3) \$ millions	(4) \$ millions	(5) \$ millions
1. Land rentals on leasehold tenures of Department of Lands and Department of Mines *	5.700	—	—	5.700
2. Land Tax (State)	—	11.742	—	)
Metro Regional				) 13.930
Improvement Rate	—	2.188	—	)
3. Rates on Land Values:				
Local Government for:			=40% of	
Ordinary services	—	53.714	6,278 (15.694 AV)	59.992

Water, Sewer and  
Drainage Corporations

Metro W. S. and			=40% of	)	
Drainage Board	—	—	12.798 (31,997 AV)	)	
Public Works Dept.				)	
Water Rates	—	—	1.132 ( 2.823 AV)	)	15.257
Sewer Rates	—	—	0.777 ( 1.943 AV)	)	
Irrigation Rates	—	†0.352	—	)	
Drainage Rates	—	0.198	—	)	
	<hr/>	<hr/>	<hr/>		<hr/>
Totals	5.700	68,194	20.985		94.879

59

4. Mineral and Forestry  
Royalties.

57.300	—	—	57.300
--------	---	---	--------

\* for 1975-76

† Levied on area basis approximately Site Value



# APPENDIX C (6)

## LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976-77

### STATE OF TASMANIA

<i>Collection by</i>	<i>Amount collected directly as land rental</i>	<i>Amount levied directly on Site Value</i>	<i>Amount levied indirectly as Site Value component of AV</i>	<i>Total Amount of Site Rent collected (cols. 2+3+4)</i>
(1)	(2) \$ millions	(3) \$ millions	(4) \$ millions	(5) \$ millions
1. Land rentals on leasehold tenures	0.500	—	—	0.500
2. Land Tax	—	3.373	—	3.373
3. Rates on Land Values:				
Local Government for:			=30% of AV	
Ordinary services	—	—	9.307 (31.025 )	)
Water	—	—	2.509 ( 8.364 )	) 13.874
Sewer	—	—	2.058 ( 6.860 )	)
Totals	0.500	3.373	13.874	17.747
4. Mineral and Forestry Royalties	6.700	—	—	6.700

## APPENDIX C (7)

## AUSTRALIAN CAPITAL TERRITORY

1. Land rentals on leasehold tenures	2.056	—	—	2.056
2. War service land settlement rents	1.444	—	—	1.444
3. Local Government Rates	—	12.098	—	12.098
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	3.500	12.098	—	15.598
	<hr/>	<hr/>	<hr/>	<hr/>
4. Mineral Royalties offshore petroleum	14.000	—	—	14.000

## APPENDIX C (8)

## NORTHERN TERRITORY

1. Land rentals on leaseholds	1.000	—	—	1.000
2. Local Government Rates	—	3.405	—	3.405
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	1.000	3.405	—	4.405
	<hr/>	<hr/>	<hr/>	<hr/>
3. Mineral Royalties	0.400	—	—	0.400

# APPENDIX D SITE RENT



SPURIOUS SITE RENT	SITE RENT IN THE CURRENT ECONOMY				
<p>CREATED BY LAND SPECULATION CAUSING AN ARTIFICIAL SCARCITY OF LAND</p>	<p>SITE RENT COLLECTED FOR PUBLIC PURPOSES PLUS NATURAL RESOURCES ROYALTIES</p>	<p>SITE RENT IN PRIVATE HANDS INCLUDING UNCOLLECTED AND UNDER- COLLECTED ROYALTIES FOR NATURAL RESOURCES</p>	<p>SITE RENT DRAINED OFF BY TAXATION</p>	<p>SITE RENT DRAINED OFF BY THE VARIOUS MONOPOLIES</p>	<p>SITE RENT DESTROYED BY DIS-INCENTIVE TAXATION AND DIVERSION OF LABOUR INTO COUNTER- PRODUCTIVE JOBS</p>

## THIS IS A LAND VALUES RESEARCH GROUP PUBLICATION

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The Group consists of honorary research workers investigating the social and economic effects of shifting the incidence of rates and taxes from the privately created values of buildings, industry and cultivation to the publicly created value of land. By undertaking pilot studies in municipal or larger units it aims to develop methods and techniques which can be applied elsewhere by others who appreciate their significance. Through publication of its surveys it aims to make information available to those interested locally and in other countries.

*Some of the Group's other major publications are listed below:*

"Public Charges on Land Values in Australia" (48 pp)

"Should Local Government Rates be based on the 'Improved' or 'Unimproved' Value of Land?" (20 pp)

"Korumburra Shire Rating Study" (Typical of those made for many other places.) (8 pp)

"What Changes Should be made in the Taxation System of the Commonwealth of Australia?" Statement of Evidence presented to the Commonwealth Taxation Review Committee of Inquiry, 1973. (20 pp)

"How to restore Victorian Railways finances and reduce Freights and Fares?" The Group's submissions to the Victorian Parliamentary Public Accounts Committee Inquiry on Railways, 1972. (20 pp)

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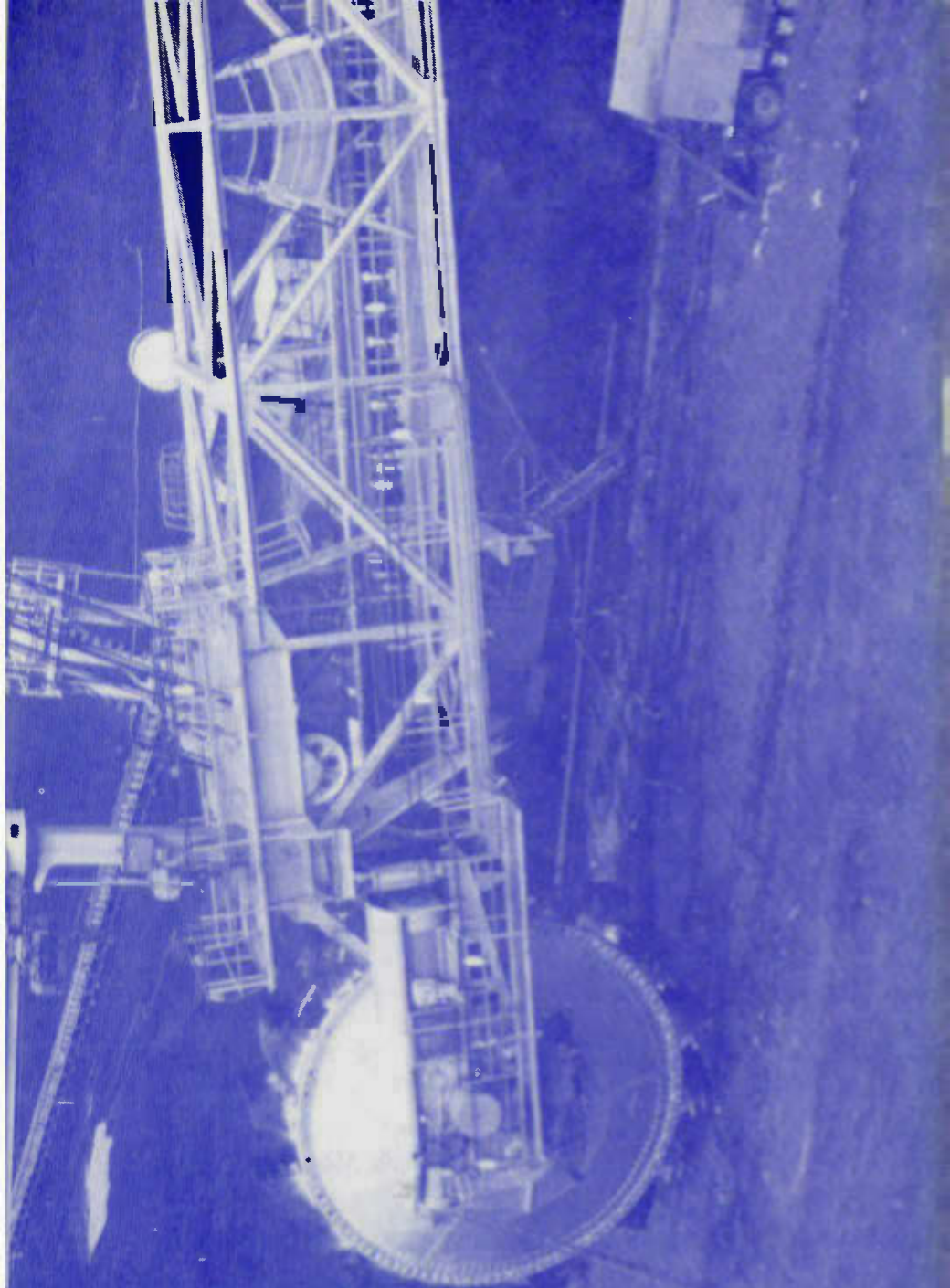
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