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WILL SITE-VALUE RATING HURT - OR HELP - BUSINESS ?

Are you among those businessmen whose rates would be increased by change to unimproved land value rating? There are quite a few. If yours is among them you may have thought that you should vote against change on that account.

If so we suggest you would be making a mistake. There are compensatory benefits to you which would make it a pleasure to pay the increase. Let us explain why.

Outlay of money is no new thing to businessmen. They are happy to do so to buy more stock or to take on extra salesmen — **so long as they have reasonable grounds for thinking there will be increased sales to warrant it.**

We claim that even where rate payments may be higher, unimproved land value rating is the best thing out for businessmen as well as their customers.

Before demonstrating that the change will substantially increase your turnover upon which your profit is based — let's first get the amount of the increased rates upon some business properties into proper perspective. Whether up or down rates are a relatively small proportion of business costs in retail sales — quite commonly as low as 2 per cent.

Municipal rates and income tax must be considered together to find out whether there is any nett increase in outlay, because they are inter-related. Rates are recognised business costs. They are fully tax-deductible to arrive at net income for business income tax purposes. **This results that a high proportion of the amount paid in rates is returned to the business firm as a reduction in income tax.**

CANBERRA PAYS HALF

Thus, whatever extra rates may be **payable to the council** by some business properties under unimproved capital value rating, on average, **half of it is paid by the Canberra Government** and only one-half the total by the business man. (Nor will you be finally out of pocket even to this extent as will be seen later).

SPENDING THE HOUSEHOLDERS' SAVING

Of the house-holders more than two-thirds will make rate savings under change to U.C.V. Their savings are spent in the business community for goods and services. On the increased turnover the profit margin would exceed the amount of the increased rates upon those business firms incurring them (apart from the income tax saving). **Hence, even if there were no stimulation whatever to building construction, local factory employment, population growth and the increased retail trade linked with them** — the profit margin on the spending of your customers' savings now would leave businesses on the credit side at once.

STIMULATION TO BUILDING AND TRADE

Traders will benefit even without stimulation to building activity and employment which follow change to site-value rating. But as businessmen we cannot afford to ignore these expectations.

Every municipality which has changed to the site-value rating basis since the war has shown substantially greater building construction activity and population growth than could have been expected under its N.A.V. trends. Its retail trade has expanded with the new level of spending in building materials and in consumer goods to serve the new customer families occupying the new homes. Where water, sewerage and municipal rates are on site-value the previous level of building construction has been about doubled within three years and maintained at the higher level.

Between the Censuses of 1954 and 1961 there were 10 provincial towns of over 6,000 where population increased at a faster rate than the Melbourne metropolitan area. They were: Warrnambool, Portland, Benalla, Wangaratta, Wodonga, Moe, Traralgon, Shepparton, Bairnsdale and Morwell. The first seven mentioned rated U.C.V. and the last three N.A.V. Of these last Morwell is basically an S.E.C. town.

GROWTH TO BE EXPECTED

Removal of local taxes from buildings and other improvements **should** encourage development. After all, the very thing that taxing does is to reduce their numbers. And the effect of taxing any commodity is to make it scarce. So we can logically expect the opposite process of removing taxes from buildings to stimulate their numbers and quality. As businessmen whose livelihood depends on turnover our object should surely be to remove such taxes which restrict building and hence demand for our goods.

That site value rating towns ARE better for trade was shown by a survey of shopping centres in 353 towns of various sizes in five Australian States published in "The Valuer," July, 1959. This showed where buildings had been rate-free (U.C.V.) for many years 61 per cent of the towns supported more than 40 shops. Of those where buildings were rated (N.A.V.) only 39 per cent supported more than 40 shops. Surely this is the acid test?

RETAIL TRADERS SUPPORT U.C.V. RATING

In N.S.W., where rating upon unimproved value is general and improvements are rate-free, businessmen are well aware that their true interests are bound up with that system. At the Royal Commission on Local Government Finance in 1966, the Retail Traders' Association of N.S.W., the Country Traders' Association of N.S.W., and the Sydney Chamber of Commerce jointly presented submissions supporting rating on unimproved capital values and stated that **"It is therefore held that the Assessed (Net) Annual Value could not provide an equitable basis upon which to distribute municipal rates."**

A SILENT SALES STAFF

Site-value rating with removal of rates upon improvements will provide the local business community with a new force operating constantly to encourage residential, industrial, and population growth and with it the volume of retail trade.

The interests of the business community can only be soundly served when identified with those of their customers — the householders. This is the policy of enlightened self interest.

(This letter was sent to Horsham businessmen by the General Council for Rating Reform, Box 955G, Melbourne, 3001).