

Stad
Johannesburg



JFH/MO

City of
Johannesburg

No Power 347

315

Posbus } 1450
P.O. Box }

Telefoon } 836-1911
Telephone }

Ons Verw. / Our Ref. A.3/1, I.16 &
R.19

U Verw. / Your Ref.

Stadstesouriersafdeling
City Treasurer's Department

SPREK ASSEBLIEF / PLEASE ASK FOR
MNR./MR. Huggard

13th January, 1970.

MAYOR'S SECRETARY.

LAND VALUE TAXATIONS.

As requested by the City Valuer in his minute to me dated 8th January 1970, a copy of which was sent to you for information, I enclose a copy of my letter to Mr. John B. Massen of the California Legislature together with copies of the enclosures referred to therein.

OFFICE OF THE MAYOR JOHANNESBURG	
REC'D.	14-1-1970 ✓
REF. No.
DATE ACK.
REFERRED TO

[Signature]
CITY TREASURER.

Encl.

Die brief sal in die ander amptelike taal aan u gestuur word indien u dit binne sewe dae na die briefdatum hierbo skriftelik versoek.
If desired, a similar letter in the other official language will be sent to you on your written request made within 7 days of the date of this letter.

JFH/MO
AIRMAIL.

A.3/1, I.16 &
R.19

Huggard

13th January, 1970.

Mr. John B. Massen,
Joint Committee on Assessment Practices,
Room 2046, State Capitol,
Sacramento,
California 95814,
UNITED STATES OF AMERICA.

OFFICE OF THE MAYOR JOHANNESBURG	
DATE RECD.	14-1-1970
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Dear Sir,

LAND VALUE TAXATION.

Your letter dated 24th November 1969 addressed to the Mayor of Johannesburg was passed to me for attention, but due to an unfortunate delay in transmission from the Mayor's office, has only now been received. I do apologise sincerely for the delay and trust that the information contained herein may yet be of some assistance to you in your deliberations.

Dealing serially with your enquiries I have the following information for you:-

1. Attached hereto is a table (marked Annexure A) setting out the statistical information required for the fiscal years 1918/19, 1933/34 and 1968/69.
2. & 3. Also attached, (marked Annexure B), is a copy of a schedule prepared by the City Valuer reflecting details of valuations and rate levies from 1902 to 1968. From this it will be observed that initially this City applied flat rating, where the rate on improvement values was the same as that on site values. This continued until 1916 when an amendment to the appropriate legislation provided that no rate could be levied upon improvements until a rate (at that time of one penny in the pound) had first been imposed upon land. The effect of this amendment was that flat rating was no longer possible, and Johannesburg's rate for the next two years, i.e. 1916/17 and 1917/18, was applied on the so-called "composite" basis. During this period the incidence of the rate tended to bear more and more upon land. Then, early in 1918, the Council decided in favour of a rate on site values only, and that policy has obtained to this day.
4. The current practice in Johannesburg of taxing only land values may be considered politically popular for it has remained unchanged as a policy for more than fifty years. That is not to say however that the alternative methods have

not been reconsidered from time to time. In fact an exercise was carried out as recently as last year to examine the effects of even a relatively small rate on improvements. However since that exercise revealed that a proportionately greater share of any increased revenue would have come from the owners of residential property and that the commercial centre would have contributed only a minor increase, it was considered in the best interests of all concerned not to make any change in the method of rating. Not all South African local authorities hold the same view however, for in 1960/61 - the latest year for which reliable figures are available - only 14% favoured site rating, whereas 38% were in favour of composite rating and 50% had opted for flat rating. The present trend in South Africa appears to be away from flat rating and with a decided preference for composite rather than site rating.

5. The City Valuer has informed me that while all but a small percentage of sales in the city involve improved stands there have always been a number of cases where the purchase was made with the intention of demolishing the buildings in order to erect larger and more up-to-date structures, therefore sufficient sales have been available to fix vacant land values. Records are maintained by the Valuation Department for every structure in the city and these are updated at least every three years because the Transvaal Provincial rating ordinance (each of the four provinces in the Republic has its own ordinance) requires (a) that a new valuation roll must be prepared every 3 years (b) that the values of land and improvements shall be shown (c) that every property must be inspected for each roll. The record shows, age, size, uses, rentals, etc. Plans of each township are maintained in the Valuation Department showing the size of each stand and sales are entered on them each month as they are registered at the Deeds Office.

The City Valuer is not aware of any technical article or manual of instructions prepared in South Africa describing the techniques for developing land maps etc, but there are several excellent publications prepared in the U.S.A.

6. It is assumed that by compactness you imply a state of development where all land is improved in the manner it is intended to be used and does not present a mixed pattern of improved and unimproved sites. That being so then it is our view that this compactness could be due in the main to the policy of land value taxation, for it is generally accepted that site rating encourages the development of land to high standards and in fact stimulates the most economic use of land. Although land use controls in the form of zoning in terms of town planning schemes apply to the whole of the city, the object of those controls is to promote co-ordinated and harmonious development in the interests of efficiency, economy and the public welfare. They control the use to which the land is put but do not penalise non-use. The Johannesburg town planning schemes are statutory schemes and have the force of law behind them. Provision does exist for amendments to the zoning of individual properties by application through the local authority to the appropriate legislative authority which in this case is the provincial administration.

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7. It is our view that site rating is preferable to flat rating because of the encouragement which it gives to owners of vacant land to develop it to the greatest advantage. In the case of land that is occupied but not in its most profitable form, site rating tends to stimulate the maximum profitable improvement, and provides a greater incentive than the other forms of rating to owners of property to improve or add to their property.
8. Broadly speaking taxation in South Africa may be divided into
 - (a) direct taxes, which are levied directly upon the income and/or wealth of individuals and companies, and
 - (b) indirect taxes, which are levied on certain commodities and transactions.

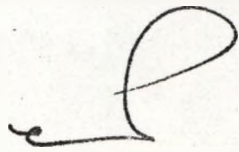
The Central Government and the Provincial Administrations levy both direct and indirect taxes whereas the local authorities impose virtually only indirect taxes. In this country the taxation of property is generally regarded as a source of revenue exclusive to local authorities and although there are statutory limits to the quantum of the rate which may be imposed there is no other control or interference of major importance in this direction. Neither do provincial or national tax policies appear to influence the effects of our land tax in encouraging the development of land. A capital gains tax has been suggested, but so far the state has not seen fit to introduce this form of taxation.

In response to your request for supporting articles or reports I am enclosing, in addition to the items already referred to above, copies of the following:-

1. A schedule reflecting the effect of various forms of differential rating compared with site rating in Johannesburg. This was the 1969 exercise referred to (Annexure C).
2. A research report on the land valuation method of taxation, prepared by my Department in 1965 (Annexure D).
3. A copy of a letter written to the Town Treasurer of Highlands, Rhodesia in 1968 on the subject of valuation and rating (Annexure E).

I have not enclosed copies of the text of our laws governing land value taxation and land use controls as these are bulky items. However should you feel that they are essential to your investigation I shall be pleased to let you have them together with any further information which you may require.

Yours faithfully,



CITY TREASURER.

OFFICE OF THE MAYOR JOHANNESBURG	
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C I T Y O F J O H A N N E S B U R G .

SCHEDULE OF POPULATION AND RATE FUND REVENUE STATISTICS FOR SELECTED YEARS.

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Year	a. Population		b. Total General Fund Revenue (excluding Trading and * Service Depts.)	c. Assessment Rate Revenue (included in b.)	d. Site value of Rateable Land	e. Effective Tax Rate
	European	Non-European				
1918-19	140,750	124,130	Rand 1,179,716	Rand 853,248	Rand 28,202,278	% 2.917
1933-34	222,000	190,700	1,911,860	1,045,884	46,520,648	2.1875
1968-69	422,690	758,631	23,631,223	17,281,326	571,648,234	3

* i.e. excludes income from Public Transport, Markets, Abattoir, the Water, Electricity and Gas supply utilities, from Sewer and Refuse removal services, and from Housing.

OFFICE OF THE MAYOR
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CITY OF JOHANNESBURG
STAD JOHANNESBURG

VALUATION DEPARTMENT
WAARDERINGSAPDELIING

STATISTICS OF VALUATIONS AND RATE LEVIED
GESEWENS IN VERBAND MET WAARDASIES EN BELASTING WAT-GEHEF IS

PERIOD TYDPERK		VALUATIONS WAARDASIES			DETAILS OF RATES LEVIED BESONDERHEDE VAN BELASTING WAT-GEHEF IS			
Financial Year Boekjaar	Half-year ended Halfjaar geëindig	Land Grond	Improvements Verbeterings	Total Totaal	Rate in the £ levied on site & improve- ment values Koers in die £ wat op terrein- en verbeterings- waarde gehef is		Total amount of rate levied per half-year (to the nearest £) Totale bedrag van belasting wat per half- jaar gehef is (tot die naaste £)	Total amount of rate levied for Financial year (to the nearest £) Totale bedrag van belasting wat per boekjaar gehef is (tot die naaste £)
					Per half- year per half- jaar	For Finan- cial year Per boek- jaar		
1902/03	Dec./Des. 1902	20,567,881	5,875,755	27,443,636	1d		114,779	
	Jun./Jun. 1903	28,487,034	7,949,658	36,436,692	1d	2d	149,552	264,331
1903/04	Dec./Des. 1903	27,000,776	9,279,405	36,280,181	1½d		186,299	
	Jun./Jun. 1904	26,277,907	11,489,540	37,767,347	1d	2½d	149,948	336,247
1904/06	Dec./Des. 1904	26,976,390	12,420,395	39,396,775	1d		156,865	
	Year/Jaar 1905	29,772,899	14,105,172	43,878,071	2½d	5d	478,813	
1906/07	Jun./Jun. 1906	29,080,645	15,972,125	45,052,770	1½d		234,493	
	Dec./Des. 1906	29,098,207	16,554,013	45,782,780	1½d		238,252	
1907/08	Jun./Jun. 1907	21,228,689	14,830,310	36,058,999	1½d	2½d	187,808	426,060
	Dec./Des. 1907	21,227,405	14,974,125	36,201,530	1d		150,839	
1908/09	Jun./Jun. 1908	21,234,656	15,156,010	36,390,666	1½d	2½d	189,538	340,377
	Dec./Des. 1908	21,229,194	15,237,450	36,466,644	1d		151,945	
1909/10	Jun./Jun. 1909	21,225,944	15,340,392	35,566,336	1d	2d	152,359	304,304
	Dec./Des. 1909	21,214,594	15,482,887	36,697,481	1d		152,906	
1910/11	Jun./Jun. 1910	20,974,514	15,628,967	36,502,481	1d	2d	152,094	305,000
	Dec./Des. 1910	14,303,905	13,016,370	27,320,275	1½d		142,300	
1911/12	Jun./Jun. 1911	14,472,456	13,513,282	27,985,738	1½d	2½d	145,763	288,063
	Dec./Des. 1911	14,529,168	14,210,682	28,739,850	1½d		149,679	
1912/13	Jun./Jun. 1912	14,533,627	14,731,144	29,264,771	1½d	2½d	152,435	302,114
	Dec./Des. 1912	14,525,103	15,417,741	29,942,844	1½d		155,954	
1913/14	Jun./Jun. 1913	14,529,692	16,156,323	30,686,015	1½d	2½d	159,866	315,820
	Dec./Des. 1913	16,350,063	16,339,559	32,689,622	1½d		187,320	
1914/15	Jun./Jun. 1914	16,324,818	16,938,019	33,262,837	1½d	2½d	190,606	377,926
	Dec./Des. 1914	16,227,790	17,100,487	33,328,277	1½d		173,635	
1915/16	Jun./Jun. 1915	16,234,479	17,364,862	33,599,341	1½d	2½d	175,046	348,681
	Dec./Des. 1915	16,236,335	17,436,550	33,722,885	1½d		175,695	
1916/17	Jun./Jun. 1916	16,192,752	17,615,455	33,808,207	1½d	2½d	211,338	387,033
	Dec./Des. 1916	14,747,161	16,314,518	31,091,679	Rate in the £ levied on site and improve- ment values Koers in die £ wat op terrein- en ver- beterings- waarde gehef is.			
1917/18	Jun./Jun. 1917	14,747,616	16,581,064	31,328,680	L/G 2d		192,363	
	Dec./Des. 1917	14,719,347	16,759,257	31,478,604	I/V 1d	6½d	199,665	392,028
1917/18	Jun./Jun. 1918	14,429,011	17,045,143	31,474,254	L/G 2d		177,189	
					I/V ½d	5½d	192,557	369,746

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Financial year. Boek-jaar	Period Half-year Half-jaar geëindig	VALUATIONS WAARDASIES			DETAILS OF RATES LEVIED BESONDERHEDE VAN BELASTING WAT GEHEF IS			
		Land Grond £	Improvements Verbeterings £	Total Totaal £	Rate in the £ levied on site values only Koers in die £ wat slegs op die terrein- waarde gehef is		Total amount of rate levied per half year (to the nearest £) Totale bedrag van belasting wat per half-jaar gehef is (tot die naaste £)	Total amount of rate levied for Financial year (to the nearest £) Totale bedrag van belasting wat per boekjaar gehef is (Tot die naaste £)
					Per half- year Per half- jaar	For finan- cial year Per boek- jaar		
1918/19	Dec./Des. 1918 Jun./Jun. 1919	14,141,238 14,107,085	17,157,943 17,440,604	31,299,181 31,547,689	3½d 3½d	198,451 228,826	427,277	
1919/20	Dec./Des. 1919 Jun./Jun. 1920	14,565,986 14,651,212	19,792,403 20,190,490	34,358,389 34,841,702	4d 3d	253,352 190,719	444,071	
1920/21	Dec./Des. 1920 Jun./Jun. 1921	14,679,577 14,679,577	22,341,791 22,341,791	37,021,368 37,021,368	4d 6d	255,418 384,084	639,502	
1921/22	Dec./Des. 1921 Jun./Jun. 1922	14,679,577 14,737,177	22,341,791 23,086,854	37,021,368 57,824,031	5d 5d	318,951 321,324	640,275	
1922/23	Dec./Des. 1922 Jun./Jun. 1923	16,011,728 16,116,979	31,513,539 32,891,937	47,525,267 49,008,916	3½d 3½d	243,298 244,491	487,789	
1923/24	Dec./Des. 1923 Jun./Jun. 1924	16,089,132 16,085,714	33,900,063 34,945,223	49,989,195 50,680,937	3½d 3½d	243,680 243,485	487,165	
1924/25	Dec./Des. 1924 Jun./Jun. 1925	16,091,180 16,093,702	35,353,667 35,900,985	51,444,847 51,994,687	3½d 3½d	226,117 261,389	487,506	
1925/26	Dec./Des. 1925 Jun./Jun. 1926	17,505,104 17,545,977	34,822,104 35,218,312	51,827,208 52,764,289	3½d 3½d	259,316 263,434	522,750	
1926/27	Dec./Des. 1926 Jun./Jun. 1927	16,859,263 16,884,264	35,646,658 36,624,390	52,505,921 53,508,654	3½d 3½d	261,543 262,602	524,145	
					Rate in the £ levied on site values only (Including special road rate) Koers in die £ wat slegs op die terrein- waarde gehef is (Insluitende spesiale padbelasting)			
1927/28	Dec./Des. 1927 Jun./Jun. 1928	16,940,334 16,995,803	37,680,204 38,576,004	54,620,538 55,571,807	3½d 3½d	275,923 275,508	551,431	
1928/29	Dec./Des. 1928 Jun./Jun. 1929	20,279,110 20,291,611	38,945,728 39,765,128	59,224,838 60,054,739	3½d 3½d	325,495 303,490	628,985	
1929/30	Dec./Des. 1929 Jun./Jun. 1930	20,312,113 20,334,756	40,866,751 41,852,929	61,178,864 62,187,685	3½d 3½d	326,157 304,492	630,649	
1930/31	Dec./Des. 1930 Jun./Jun. 1931	20,337,917 20,360,509	43,101,135 44,214,323	63,439,052 64,571,312	3½d 3½d	326,956 304,977	631,933	
1931/32	Dec./Des. 1931 Jun./Jun. 1932	23,000,460 23,221,131	46,179,115 47,704,923	69,179,575 70,920,444	3½d 3½d	367,271 345,350	712,622	
1932/33	Dec./Des. 1932 Jun./Jun. 1933	23,232,320 23,231,024	48,436,413 49,304,515	71,668,733 72,539,539	3½d 3d	320,553 295,262	615,815	
1933/34	Dec./Des. 1933 Jun./Jun. 1934	23,248,717 23,217,421	50,011,050 51,139,569	73,259,767 74,370,987	3½d 3d	320,769 291,731	612,500	
1934/35	Dec./Des. 1934 Jun./Jun. 1935	27,784,838 27,831,858	47,361,218 48,785,383	75,146,056 76,617,241	3d 3d	344,035 344,705	688,740	
1935/36	Dec./Des. 1935 Jun./Jun. 1936	27,899,962 27,976,408	50,325,226 53,380,691	78,225,188 81,337,099	3d 3d	315,221 347,190	693,564	
1936/37	Dec./Des. 1936 Jun./Jun. 1937	28,428,322 28,547,204	55,503,817 58,951,950	83,932,139 87,499,734	3d 3d	352,955 352,714	705,729	
1937/38	Dec./Des. 1937 Jun./Jun. 1938	50,316,459 50,296,719	63,561,142 65,021,257	113,877,601 115,317,976	2½d 2½d	515,620 514,216	1,029,836	
1938/39	Dec./Des. 1938 Jun./Jun. 1939	51,147,773 50,819,957	68,116,002 71,173,537	119,263,775 121,993,474	2½d 2½d	517,067 521,218	1,038,285	
1939/40	Dec./Des. 1939 Jun./Jun. 1940	50,858,083 50,848,513	74,074,711 76,420,072	124,932,794 127,268,585	2½d 2½d	521,178 521,048	1,042,226	

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OFFICE OF THE MAYOR
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Financial year Book-jaar	PERIOD TYDPERK	VALUATIONS WAARDASIES			DETAILS OF RATES LEVIED BESONDERHEDE VAN BELASTING SAT GELIEF 13			
		Land Grond	Improvements Verbeterings	Total Totaal	Rate in the £ levied on site values only (Including special road rate) Koers in die £ wat slegs op die terrein- waarde gehef is (insluitende spesiale Padbelasting)		Total amount of rate levied per half year (to the nearest £) Totale bedrag van belasting wat per half-jaar gehef is (tot die naaste £)	Total amount of rate levied for Financial year (to the nearest £) Totale bedrag van belasting wat per boekjaar gehef is (tot die naaste £)
					Per half- year per half- jaar	For finan- cial year Per Boek- jaar		
1940/41	Half-year ended Half jaar Ge- bindig	£	£	£				
1940/41	Dec./Des. 1940 Jun./Jun. 1941	58,837,664 58,611,389	80,807,693 80,956,623	139,645,357 139,568,012	2½d 2½d	5d	599,012 598,643	1,197,655
1941/42	Dec./Des. 1941 Jun./Jun. 1942	58,612,592 58,625,333	81,755,078 83,059,108	140,367,670 141,684,441	2½d 2½d	5d	599,832 599,816	1,199,648
1942/43	Dec./Des. 1942 Jun./Jun. 1943	58,667,987 58,807,583	84,294,483 84,471,296	142,962,470 143,270,879	3d 4d	7d	722,814 969,546	1,692,360
1943/44	Dec./Des. 1943 Jun./Jun. 1944	62,595,396 62,706,618	87,500,508 88,501,206	150,095,904 151,207,226	3½d 3½d	7d	904,542 905,036	1,809,578
1944/45	Dec./Des. 1944 Jun./Jun. 1945	62,742,287 62,691,323	89,349,823 90,633,613	152,092,110 153,374,936	3½d 3½d	7d	903,503 906,134	1,809,637
1945/46	Dec./Des. 1945 Jun./Jun. 1946	63,098,953 63,177,448	91,959,637 92,730,108	155,058,590 155,907,556	4d 5d	9d	1,044,143 1,308,397	2,352,540
1946/47	Dec./Des. 1946 Jun./Jun. 1947	90,263,002 90,656,697	110,286,884 112,118,447	200,550,686 202,775,144	4d 5½d	7½d	1,487,057 1,305,466	2,792,523
1947/48	Dec./Des. 1947 Jun./Jun. 1948	91,082,959 92,355,798	114,960,422 113,320,684	206,043,381 210,676,482	3½d 3½d	7½d	1,499,989 1,430,155	2,840,144
1948/49	Dec./Des. 1948 Jun./Jun. 1949	93,423,273 94,010,463	120,054,477 123,245,503	213,477,750 217,255,966	3½d 3½d	7½d	1,446,435 1,455,604	2,902,039
1949/50	Full Year/Hele jaar Jun./Jun. 1950	169,024,100	167,309,382	336,333,482	-	4½d	-	3,049,093
1950/51	Dec./Des. 1950 Jun./Jun. 1951	169,677,560 169,949,064	176,045,992 179,527,088	345,723,552 349,476,152	2½d 2½d	4½d	1,577,787 1,580,200	3,157,987
1951/52	Dec./Des. 1951 Jun./Jun. 1952	170,046,560 170,461,365	182,604,127 183,252,855	352,650,687 353,734,220	2½d 2½d	4½d	1,581,282 1,585,648	3,166,930
1952/53	Dec./Des. 1952 Jun./Jun. 1953	189,306,915 189,476,148	208,874,921 213,782,196	398,181,906 403,258,344	2½d 2½d	4½d	1,761,164 1,762,063	3,523,227
1953/54	Dec./Des. 1953 Jun./Jun. 1954	189,531,900 189,657,846	218,228,419 220,627,914	407,760,319 410,285,760	2½d 2½d	4½d	1,776,321 1,778,769	3,555,090
1954/55	Dec./Des. 1954 Jun./Jun. 1955	189,665,539 190,082,507	221,788,589 225,596,199	411,454,128 415,678,706	2½d 2½d	4½d	1,778,645 1,782,473	3,561,118
1955/56	Dec./Des. 1955 Jun./Jun. 1956	201,171,592 200,998,906	246,346,263 251,667,242	447,517,855 452,666,148	2½d 2½d	5½d	1,887,653 1,886,168	3,773,821
1956/57	Dec./Des. 1956 Jun./Jun. 1957	200,769,640 200,898,613	253,401,596 255,361,971	454,171,226 456,260,534	2½d 2½d	5½d	2,092,724 2,094,123	4,186,847
1957/58	Dec./Des. 1957 Jun./Jun. 1958	200,876,113 200,493,467	255,365,546 255,385,056	456,241,659 455,778,523	2½d 2½d	5½d	2,093,203 2,090,211	4,184,414
1958/59	Dec./Des. 1958 Jun./Jun. 1959	211,818,811 212,216,814	286,878,583 291,265,249	498,697,394 504,182,063	2½d 2½d	5½d	2,429,737 2,213,211	4,642,948
1959/60	Dec./Des. 1959 Jun./Jun. 1960	212,297,690 212,312,133	296,954,488 298,323,257	509,242,178 510,635,300	2½d 2½d	5½d	2,435,521 2,214,454	4,649,975

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PERIOD TYDPERK		VALUATIONS WAARDASIES			DETAILS OF RATES LEVIED BESONDERHEDE VAN BELASTING WAT GEHEF IS.			
Financial year. Boek- jaar	Half-year ended Half Jaar Ge- bindig	Land Grond	Improvements Verbeteringe	Total Totaal	Rate in the R levied on site values only (Including special road rate). Koers in die R wat gehef op die terrain- waarde gehef is (insluitende spesiale Padbelasting).		Total amount of rate levied per half year (to the nearest R) Totale bedrag van belasting wat per half-jaar (gehef is tot die naaste R).	Total amount of rate levied for Financial year (to the nearest R) Totale bedrag van belasting wat per boekjaar gehef is (tot die naaste R).
					Per half year per half- jaar.	For finan- cial year Per Boek jaar.		
1960/61	Dec./Des. 1960	424,031,798	595,329,110	1,019,360,908	1 ⁷ / _{48c}		4,864,996	
	Jun./Jun. 1961	423,337,520	594,757,450	1,018,094,970	1 ¹ / _{24c}	2 ⁹ / _{48c}	4,416,130	9,281,116
1961/62	Dec./Des. 1961	427,255,299	642,745,512	1,070,000,811	1 ¹ / _{2c}		5,347,905	
	Jun./Jun. 1962	427,137,635	647,964,392	1,075,102,027	1 ¹ / _{2c}	2 ¹ / _{2c}	5,346,742	10,694,647
1962/63	Dec./Des. 1962	427,577,134	654,026,062	1,081,603,196	1 ¹ / _{2c}		5,352,324	
	Jun./Jun. 1963	427,890,714	659,612,382	1,087,503,096	1 ¹ / _{2c}	2 ¹ / _{2c}	5,356,149	10,708,473
1963/64	Dec./Des. 1963	428,721,872	660,445,782	1,089,167,654	1 ¹ / _{2c}		6,439,161	
	Jun./Jun. 1964	429,278,320	659,799,472	1,089,077,862	1 ¹ / _{2c}	3c	6,448,079	12,887,240
1964/65	Dec./Des. 1964	441,891,109	691,019,060	1,132,910,169	1 ¹ / _{2c}		6,640,975	
	Jun./Jun. 1965	444,014,126	698,467,897	1,142,482,023	1 ¹ / _{2c}	3c	6,672,275	13,313,250
1965/66	Dec./Des. 1965	445,247,802	703,877,747	1,149,125,549	1 ¹ / _{2c}		6,690,298	
	Jun./Jun. 1966	445,677,635	704,283,383	1,149,961,018	1 ¹ / _{2c}	3c	6,696,359	13,386,657
1966/67	Dec./Des. 1966	445,763,750	704,452,543	1,150,216,293	1 ¹ / _{2c}	3c	6,698,897	
	Jun./Jun. 1967	446,683,198	702,040,933	1,148,724,131	1 ¹ / _{2c}	3c	6,712,389	13,411,286
1967/68	Dec./Des. 1967	569,417,133	934,385,009	1,503,802,142	1 ¹ / _{2c}	3c	8,549,528	
	Jun./Jun. 1968	570,148,776	942,582,319	1,512,731,095	1 ¹ / _{2c}	3c	8,554,226	17,103,754

ASSESSMENT RATES : JOHANNESBURG.

SCHEDULE SHOWING THE RATE PRODUCT AND THE INCIDENCE OF RATES:

DIFFERENTIAL RATING COMPARED WITH SITE RATING

(BASED ON VALUATIONS OF PUBLIC PROPERTY AS AT 31ST DECEMBER, 1968)

	Public Property Valuations as at 31st December, 1968			RATE PRODUCT								
				A	B	C		D		E		
	Land	Improvements	Total	Present 3c on Land	1½c on Land + 1¼c on Imp	% Increase on "A"	2¼c on Land + 7⁄8c on Imp.	% Increase on "A"	2½c on Land + ¾c on Imp.	% Increase on "A"	3c on Land + ½c on Imp.	% Increase on "A"
Total :	R	R	R	R	R		R		R		R	
1 Townships	513,023,824	879,097,260	1,392,121,084	15,390,714	19,966,631	29.74	19,235,137	24.98	19,418,824	26.18	19,786,200	28.57
Sample Townships												
Johannesburg	162,574,365	173,261,600	335,835,965	4,877,231	5,010,821	2.74	5,173,962	6.08	5,363,821	9.98	5,743,539	17.76
Marshalls	60,479,858	45,477,620	105,957,478	1,814,396	1,626,868	- 10.34	1,758,726	- 3.07	1,853,079	2.13	2,041,784	12.53
Industria	2,927,690	7,055,350	9,983,040	87,831	139,426	58.74	127,607	45.29	126,107	43.53	123,107	40.16
Inden	4,311,880	12,909,350	17,221,230	129,356	236,825	83.08	209,974	62.32	204,617	58.18	193,903	49.90
ughton	10,087,385	15,044,120	25,111,505	302,021	364,231	20.60	358,152	18.59	364,516	20.69	377,242	24.91
milworth	1,983,175	5,296,100	7,259,275	58,895	100,557	70.74	90,513	53.69	88,800	50.78	85,376	44.96
stdene	1,526,050	5,772,210	7,298,260	45,782	98,859	115.93	84,843	85.32	81,443	77.89	74,643	63.04
nsington	6,858,410	20,615,760	27,474,170	205,752	377,719	83.58	334,702	62.67	326,078	58.48	308,830	50.10
llarney	2,749,550	11,873,000	14,622,550	82,487	196,530	138.26	165,754	100.95	157,786	91.29	141,832	71.97
wlands	1,273,042	5,450,000	6,723,042	38,191	90,403	136.71	76,331	99.87	72,701	90.36	65,441	71.35
ecaside	2,394,500	6,756,700	9,151,200	71,835	126,362	75.91	112,997	57.30	110,538	53.88	105,619	47.03

Site Rating: Total annual rate product if present rate of 3 cents on land values is increased to 4 cents : R20,520,952 (Administrator's approval necessary).

Site Rating: Increase of 1 cent in the Rand on land values (from 3 cents to 4 cents) - increase figures in Column "A" by 33½%.

Differential-Rating: Maximum annual rate product permissible in terms of Section 18(4) of the Local Authorities Rating Ordinance (Original rate of ½ cent in Rand on land values plus 1¼ cents on the values of land and improvements taken together) : R19,966,631. (Column "B").

CITY TREASURER.

17th April, 1969.

LAND VALUATION METHOD OF TAXATION.

1. Whether any particular method of taxation is best suited to the circumstances will not depend upon theoretical concepts of equity alone. The magnitudes of the revenues required to be raised are important, as also the purposes to which the revenues are to be put, and - frequently crucial - the intensity of the impact upon the individual citizen.

2. Consequently it is not necessarily very meaningful baldly to set out the historical pattern of taxation of fixed property that was adopted in Johannesburg:-
 - (a) Flat Rating - 1913 to 1916.
 1.14% annually of the valuation of land and buildings (improvements) thereon taken together.

 - (b) Composite Rating - 1917 & 1918.
 1.56% annually of the valuation of the land, and 0.73% annually of the valuation of improvements.

 - (c) Site Rating - After 1918.
 Originally 2.92% annually of the valuation of land only.
 The current figure is 3% annually.

 (The odd-looking percentages arose because, in the old currency, the tax was levied at so many whole and fractional pence in the pound of 240 pence).

3. The comparative equity of any system of local taxation that revolves about building or land valuations, will depend inter alia upon the method and frequency of valuations. In the Transvaal Province in which Johannesburg is situated, a new general valuation must be undertaken every three years, so that large-scale anomalies should not arise. Furthermore, each valuation must be based on fair market price as between a willing buyer and a willing seller. In two other Provinces, buildings have to be valued at current cost of construction less a depreciation allowance according to age; and in one, values of ostensibly or fairly similar properties are to be "ascertained" by sampling.

4. For the most part, towns in the Transvaal raise the great bulk of their fixed property taxes through site rating. They can do that with reasonable equity as between householders because of their tradition of charging directly for utility supplies which can be metered, and for particularised service facilities which are even roughly measurable. Electricity, gas and water are

metered. Rubbish removal is on a quantity or service basis. Sewerage is on a service and/or availability basis, not infrequently with special charges for special effluents.

5. In the Southern Transvaal in particular, the tradition of direct charges was enabled to grow readily because of the youthfulness of the whole mining, industrial and residential complex. Johannesburg as such is not yet 80 years old. In short, metering and measuring facilities were available almost from when they were first needed; but that did not necessarily apply in longer-established (frequently coastal) areas. Hence overt or covert water-supply or waste-removal rates are not uncommonly incorporated with local land taxes outside the Transvaal.

6. Where such multi-purpose taxes exist, there will clearly be an inducement to use a flat-rating or multiple-rating system; for there will clearly be a greater demand for municipal services in a multi-storey block than in a house upon a site of comparable size. Yet unless the water or waste rate is appreciably biased in favour of the small householder, he may still be carrying an undue burden by reason of the general-purpose taxation of improvements, especially if "ability to pay" is the criterion. For one thing there is a minimum convenient size for houses, and to a not inconsiderable extent a maximum too. "Status symbols" may very well arise rather from location and size of plots - and, incidentally, the larger plots usually mean disproportionate unit expenditures on non-tariff services.

7. Lest the foregoing may be thought somewhat fanciful and theoretical, it should be said that a test study was undertaken in Johannesburg some few years ago to indicate what the results would be of replacing part of the land tax by an improvements tax designed to make up the revenue to the same amount as before. Selective - not random - sampling was used, large areas being chosen because of their distinctive characteristics. It became abundantly clear that an improvement tax:-

- (a) would benefit industrial areas;
- (b) would help some business and apartment areas at the expense of others; .
- (c) would help "executives' garden areas" at the expense of the wage-earners and lower-salaried groups; and
- (d) would give an immediate gain to owners of outmoded and crowded properties for rent.

8. Some of those who accept the pattern of the Johannesburg study do not conclude that site rating is necessarily better than flat rating or composite rating; for (they say) flat rating or composite rating can be made selective, so as not to apply to single-storey houses as such. They claim that a scheme of

that sort would be fairer because:-

- (a) Great buildings cause congestion which in turn causes evergrowing municipal outlays.
- (b) Owners of large buildings and businesses can and do pass the taxation on, causing a wider and fairer diffusion among the people.
- (c) Because of such diffusion, commuters help to pay for the expense they cause. (South Africa has no local fuel or sales taxes. Local vehicle and trading licence accruals are relatively inconsiderable).

9. Clearly brief notes cannot encompass the field of the various arguments; but one new point has to be made, and something postulated in paragraph 1 should be developed a little. The new point concerns the adage that an old tax may be better than a new tax precisely because it is old. For instance, where site rating only is the vogue, two results in particular may be expected to follow:

(i) Ownership of land implies perpetual taxation which applies to no other form of wealth. Market prices of land no doubt take that into account; so that it may not be altogether far-fetched to say that future taxes have been paid already, or will be paid out of capital appreciations.

(ii) Intensive use of land is encouraged - perhaps a good thing, perhaps a bad thing, depending upon your point of view and the level of the town's development.

10. Regarding paragraph 1, reference to schedule "A" attached hereto will indicate the limited nature of municipal services to be undertaken out of local taxation in South Africa as compared with some other lands. Not only is the field somewhat restricted, but direct revenues of the rate fund account for 30% of gross rate fund expenditures (R9.6 million out of R27.1 million). The balance of R17.5 million to be found through land taxes (aided by surpluses and trading profits) is only 4% of land valuations; and as has been said, the actual level of land tax is presently 3%.

11. Now a not unreasonable valuation for a twenty-year old property in a little above wage-earner areas could be R8,000, one fifth of which may represent land values. The annual land tax of R48 would then be 0.6% of total capital value, whereas annual rentals obtainable could easily be twelve times that. The point made here is that land taxation is not yet unduly burdensome in Johannesburg, and consequently the final equity of the system adopted is something less than crucial, at least for the meanwhile.

12. It should be said in conclusion that no other authority but the municipality levies land taxes on the urban dweller, except the Divisional Councils in the Cape Province; but there higher authority assists greatly in the development of urban roads, which are in consequence of a very high standard.

RESEARCH SECTION.

23rd April, 1965.

JPH/SEP

18th October, 1968.

S14

Huggard.

The Town Treasurer,
P.O. Box HC. 95,
Highlands,
RHODESIA.

Dear Sir,

VALUATION AND RATING.

With reference to your letter dated 8th October, 1968, in connection with the above matter, I would point out that the reasons for adopting any particular capital-value rating system tend to vary from town to town, and the underlying factors that make for growth, stagnation or retrogression are fundamental to such a decision. It is thus essential to consider the socio-economic circumstances of the population of the town and its environs, and the presence or absence of growth factors such as primary or secondary industry, mining, commerce and trade, educational institutions etc. Further, Government policy or institutional interests may boost or curb development, or create entirely new towns regardless of the rating policy adopted or to be adopted.

I assume that the points made in the first paragraph of your letter are based on feasibility studies made by your department. It remains for you to consider the relative advantages and disadvantages inherent in other capital-value rating systems, and some notes on these may be of assistance.

The flat rating system provides for the imposition of a flat rate on buildings and land taken together. Its advantages are:-

- 1) As a source of revenue to the local authority it is the most productive of the three methods of rating (flat rating, site rating and differential rating). The construction of improvements is encouraged by the rate on land, while the product of the rate on improvements increases more rapidly than the product of a rate on land only.
- 2) In cities which have reached their full capacity for horizontal expansion it may be relied upon to provide an increasing flow of revenue, taxing as it does new buildings erected in the pursuit of vertical expansion.
- 3) The yield from a flat rate may in general be considered to vary in proportion to the expansion of buildings and improvements. Being in part a rate on improvements,

it is a source of revenue from which may be defrayed the cost of providing the additional services or amenities which become essential as a result of building expansion.

Disadvantages of this system are the relative lack of penalty for the failure to utilise land to the full, the erection of poorer quality buildings to evade tax on improvements unless regulations exist for maintaining building standards, and the difficulty in administering the system.

The main features of the site rating system are that it is simple to administer and that due to the absence of a tax on improvements, it tends to foster the construction of better-quality buildings. By encouraging the maximum use of land, certain economies accrue to the local authority adopting this form of rating. It is cheaper, for example, to provide roads, water and light mains, and sanitary services in built-up areas containing a large number of people per acre than in sparsely populated suburban areas.

One of the disadvantages attributed to the site rating system, and the most serious from a financial point of view, is its relative failure under certain circumstances to produce revenue commensurate with expenditure. Being the least productive, and providing a yield which increases relatively slowly, it is unlikely to provide sufficient revenue to meet the normal increase in expenditure. Where a town or city is expanding horizontally this drawback does not manifest itself to any great extent, but when development takes the form of intensive and concentrated building operations, other sources of income must be sought.

It is significant that local authorities in South Africa which have adopted the site-value rating system have in every instance imposed separate charges for the supply of water and sanitary services, and where possible supplement the Rate Fund with profits from trading activities.

Bearing in mind the postulates mentioned above regarding the adoption of a capital-value rating system according to the economic circumstances of the town, and the orthodox views outlined above, I am not in a position to state which of the systems of rating would be most appropriate in your case. In South Africa there is no uniformity in the legislation in regard to rating and the variation in rating policies that exists between towns does not appear to be a force that unduly influences their development.

A comprehensive analysis of the merits of the various systems of rating and related problems may be obtained by referring to the relevant chapter in the book "Local Government Finance in South Africa" by Dr. I.Q. Holmes.

I trust that these observations will be of some assistance to you in taking what I appreciate is a most difficult decision. Should you require any further information please do not hesitate to ask.

Yours faithfully,

CITY TREASURER.

CALIFORNIA LEGISLATURE

STANDING COMMITTEES
ELECTIONS CHAIRMAN
JUDICIARY
LABOR AND SOCIAL WELFARE
LEGISLATIVE REPRESENTATION
REVENUE AND TAXATION

SENATE MEMBER
CALIFORNIA COUNCIL ON
CRIMINAL JUSTICE
JOINT COMMITTEE FOR REVISION
OF THE PENAL CODE

Senate

GEORGE DEUKMEJIAN
(Pronounced Duke-MAY-jin)
THIRTY-SEVENTH SENATORIAL DISTRICT
LOS ANGELES COUNTY
MAJORITY FLOOR LEADER

JOINT COMMITTEE ON ASSESSMENT PRACTICES

November 24, 1969

Mayor of Johannesburg
City Hall
Johannesburg, Transvaal
Republic of South Africa

OFFICE OF THE MAYOR JOHANNESBURG	
DATE RECD.	1--12-1969 ✓
REF. No.	4411
DATE ACK.	_____
REFERRED TO	1w 3.

Dear Sir:

The California Legislature will be considering, in its session beginning on January 5, 1970, legislation to authorize land value taxation. There is very little experience with this principle within the United States. What has been written about the experience with this principle in Australia and New Zealand indicates that such experience provides an insufficient guide to the probable effects of land value taxation applied in the U.S.

I understand that your city has applied the property tax only to land values, beginning with the 1918-19 fiscal year, and that your city may provide the best example of the effects of the principle of land value taxation of all the larger cities of the Union of South Africa.

I am writing to you, therefore, in the hope that the experience of your city will be of value to us. I have the following questions:

1. Please provide the following information, for the fiscal years 1918-19, 1933-34, and 1968-69. (I am assuming that 1918-19 was the first full year of taxing land values only; if that is not true, select the first year and succeeding years at 25 year intervals. It will probably be easiest to arrange the information in the form of a table.)
 - a. Actual or estimated population of the city.
 - b. Total "general fund" revenues of the city, excluding revenues of city-owned utilities or other public service enterprises which are raised by service charges and not by

the land value tax.

- c. Total revenue derived from the land value tax.
- d. Total market value of land subject to taxation.
- e. Effective tax rate applied to land, as a percentage of market value.

2. In the year prior to the first year in which rates were levied on land values only, what was the basis for taxation of improvements and of land?
3. In making the transition to a system of levying taxes on land values only, was the tax on improvements removed suddenly, or was the tax burden on improvement values reduced gradually over a period of several years relative to the tax burden on land values?
4. Is the current practice of taxing only land values politically popular? Have there been any serious efforts during the past 50 years to return to the earlier basis of taxation of land and improvements? If so, how close did such efforts come to being successful?
5. What techniques are used to ensure that land values of improved parcels are close to true market values as indicated by actual sales, when (presumably) all but a small percentage of sales in the city involve improved rather than vacant parcels? Do you maintain records of all structures in your city, so that (when a sale of an improved parcel occurs) you can compute reconstruction-cost-new-less-depreciation on the structure and subtract this from the selling price to arrive at land value? Or, if you do not maintain such records of structures for such use, what kinds of information do you use to determine the current market value of land of improved parcels? Do you adjust land values annually to reflect changes in market values, or less often?

These questions are asked because the experts of our state agency which supervises local government assessment practices believe there are very practical difficulties in arriving at true market values of land alone, when all but a small percentage of sales involve improved parcels. They believe it would be necessary, even after improvements have been completely untaxed, to maintain records of structures (in the same manner, though possibly not in the same degree of detail, as when improvements are taxed), so that each sale of an improved parcel may be used to determine the land value of that parcel, by subtracting from selling price the reconstruction-cost-new-less-depreciation of the structure.

6. One of America's leading advocates of land value taxation has visited your city; he describes it as being a very compactly developed city and he attributes this compactness to the influence of the principle of land value taxation. To what extent do you believe this compactness is attributable to (a) the effects of land value taxation, and/or (b) land use controls such as zoning? What is the nature of legal controls by your city over land use?
7. What is your overall evaluation of the tax on land only, as compared with one that applies a tax burden equally on the market

value of land and of improvements, with respect to effects on the community other than the primary objective of raising municipal revenue?

8. To what extent do the tax policies of the Province of Transvaal or the Union of South Africa complement or undermine your municipal land tax, with respect to the effects of the taxes in encouraging land owners to develop their land? (For example, some critics of the American property tax -- generally controlled by state laws but applied by local governments -- contend that the existing relatively heavy taxation of improvements discourages investments in improvements, and the existing relatively light taxation of land encourages land speculation; and existing federal income tax laws tend to reinforce these effects of the property tax. Therefore, a change in state property taxes to reverse the present effects would require simultaneous changes in federal income taxes, if the desired effects are to be achieved.)

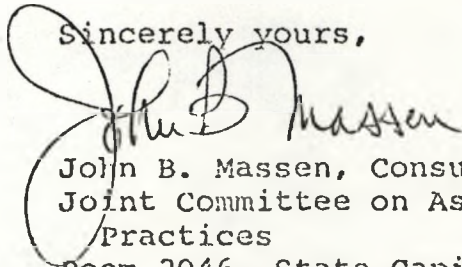
I recognize fully that this is a formidable list of questions, and I hope that they can be answered with a limited effort. I trust that the first four can be answered easily. I am especially interested in your answer to question 5, and hope there is a technical article or manual of instructions describing the techniques for developing and maintaining land value maps, together with the types of information considered in determining land market values. With respect to the last three questions, I hope that there are published articles or reports to which you can refer. I am anxious to receive a copy of each such article, report or manual which can be made readily available. It would be helpful to receive the text of your laws governing land value taxation, and of the land use controls related to question No. 6. Question 8 is likely to be the most difficult to answer; skip it if information is not readily available.

I am most anxious to receive as much information by December 31, as can be made readily available by that date, even if certain other information must be sent at a later date.

Your assistance in providing the requested information will be most deeply appreciated.

OFFICE OF THE MAYOR JOHANNESBURG 1--12-1969 DATE ACK. REFERRED TO
--

Sincerely yours,



John B. Massen, Consultant
Joint Committee on Assessment
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Room 2046, State Capitol
Sacramento, California 95814
USA

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