

The Origins of the British Fiscal Cadastre

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Finance Act 1909-10: New taxes on land

- A 20% tax on the increase in the incremental value of land payable on its transfer, sale or lease, or on the death of the owner, or every fifteen years in the case of corporate or unincorporated bodies;
- A tax at 0.2% on the capital value of unimproved land on which building was held back for speculative purposes
- A tax on mineral reserves of 0.2%
- A duty of 10% on the benefit to the lessor at the termination of the lease.

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A radical budget with far-reaching constitutional consequences

- Part of “People’s Budget” introduced by Liberal Chancellor of the Exchequer, David Lloyd George
- Also included increases in income tax for those with high incomes and taxes on luxury goods
- Influenced by ideas of Henry George - taxation of unearned increase in land values
- Strongly opposed by opposition Conservative Party who had a majority in the unelected House of Lords (upper chamber of Parliament)
- Legislation only passed after constitutional crisis and reduction in powers of House of Lords

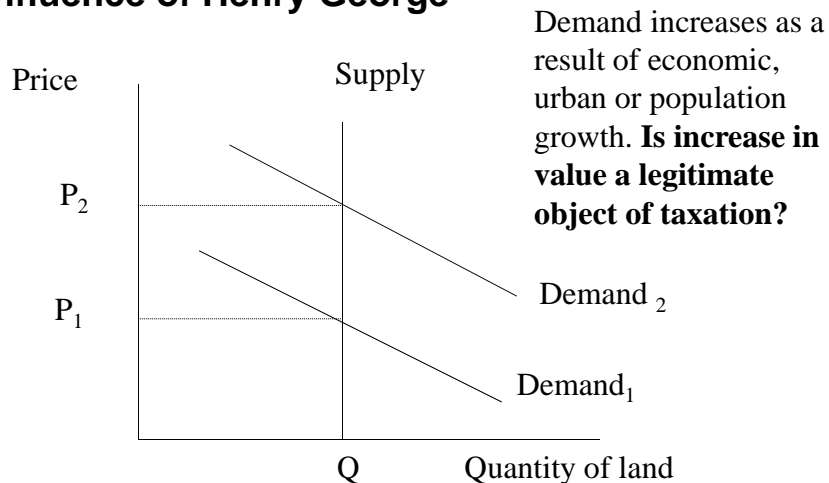
Why is the 1909 Budget of relevance today?

- The new taxes required the creation of a fiscal cadastre – some elements remain today
- Past fiscal cadastres had been local (parochial) and undertaken by amateurs
- New fiscal cadastre was national, professional and based on market values
- Modern practice has been shaped by it
- **BUT** at the time there was neither a cadastre nor compulsory land registration
- Study helps to identify what is essential when a country wishes to set up a system of land taxation and what is not

Tax Base

- Formal taxpayer was transferor (seller or donor) or lessor
- Exemptions included agricultural land and houses in owner occupation
- Tax payable when owners had cash from sale or lease premiums
- Annual tax on value of unimproved land left owners with dilemma – high initial value increases annual tax but smaller incremental increase in value; low initial value reduces annual tax but increases tax when land disposed of or owner dies
- Included anti-avoidance measures
- Disposals of smaller legal interests than freehold treated as part disposals

Influence of Henry George



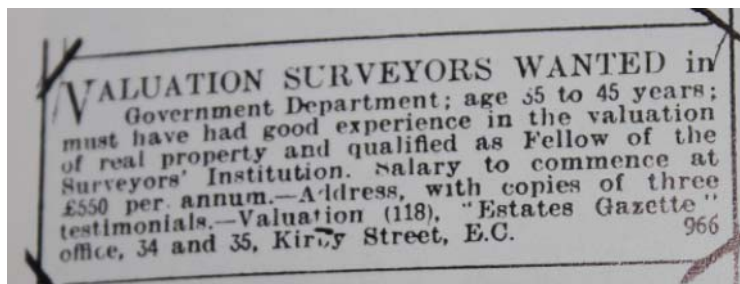
Valuation model

- Use of market values **BUT** market values under assumed not actual circumstances
- All land valued in same way but percentage of actual market value paid in tax could vary
- Use of antecedent date for valuation – 30 April 1909
- Each parcel under separate occupancy valued
- Tax on *assessable site value* ie value of bare site after allowance for cost of works executed and costs of preparing it for development
- Found as a residual from the market value of land in current condition
- Market value of land in owner occupation taken rather than tenanted land

Organisation of valuation process

- Made use of Valuation Office created for assessment of death duties
- Recruitment of professional valuers – Fellows of the Surveyors' Institution – on temporary basis to carry out valuations
- Use of Ordnance Survey maps at 1:2,500
- Use of local income tax and parochial rates assessors to identify properties and their owners
- Use of survey (Form 4) – mandatory for owners to complete on penalty of fine – details of properties, lease terms, sale prices
- Enabled database to be compiled with current values from properties with recent transactions to be applied to comparable properties

Advertisement for valuers for 1909 assessments placed by the Valuation Office in the *Estates Gazette*



Source: F M L Thompson (1968) *Chartered Surveyors: the growth of a profession*, Routledge & Kegan Paul

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Lessons to be learned

- Absence of general cadastre and compulsory land registration suggests that these are not essential pre-conditions
- Needed professional valuers educated to a high level
- Needed input of local experts of high standing within their communities to identify ownership
- Needed large scale accurate maps to check that all properties were taxed
- **So why do development projects that seek to create viable taxation of land put so much of their resources into land registration and cadastres and so little into developing a valuation profession ?**

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