The Origins of the British Fiscal Cadastre

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SUMMARY

Part 1 of the Finance Act (1909-10) introduced a series of duties on land including a 20% tax on the increase in the incremental value of land. This was payable on its transfer, sale or lease or on the death of the owner. Corporate and unincorporated bodies were to pay the tax every fifteenth years and there was to be a tax of 0.2% per annum on the capital value of unimproved land where building had been held back for speculative purposes. These new taxes required the creation of a fiscal cadastre in order to provide a definitive valuation of each piece of land on a specific date as a baseline against which subsequent increases in value could be measured and taxes levied. This was the first national fiscal cadastre for the UK compiled by professional valuers using modern valuation techniques. The paper examines how the fiscal cadastre was compiled, including the organisation that had to be created for the purpose. In the event the duties were never collected. Political changes brought to power a government that was opposed to the duties and they were abolished, but not until after the fiscal cadastre had been created. The UK does not have a general cadastre and at that time did not have compulsory land registration. The study of how the fiscal cadastre was created helps to identify which were the preconditions that supported it. In drawing up the fiscal cadastre the government had access to accurate large-scale maps compiled by the Ordnance Survey. There was a valuation profession organised by the Surveyors' Institution. Its members had established valuation methods and knowledge of current market conditions. Many of them were recruited as temporary employees of the Valuation Office to work on the fiscal cadastre. The government was also able to draw on the knowledge of the ownership and occupancy of land in their communities possessed by assessors of local property taxes. Such taxes had been the mainstay of local government finance since the sixteenth century. The absence of land registration and a general cadastre therefore were no constraint on the compilation of a fiscal cadastre capable of taxing land according to its market value.

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1. INTRODUCTION

In 1909 David Lloyd George, the Liberal Chancellor of the Exchequer[1], introduced what was described the "People's Budget". It increased income tax on unearned incomes and introduced a supertax of 6d[2] in the £ on incomes of over £5,000 per annum, a graduated tax on motor vehicles, and a duty of 3d per gallon on petrol. It also created four new duties on land:

i. 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 land held by corporate or unincorporated bodies;
ii. A tax at ½d in the £ on the capital value of unimproved land on which building was held back for speculative purposes rather than being used to best advantage;
iii. A tax on mineral reserves of ½d in the £ based on the open market value of the mineral rights; and
iv. A duty of 10% on the benefit to the lessor at the termination of the lease.

The new taxes on land required the creation of a fiscal cadastre to provide a definitive valuation of each piece of land on a specific date as a baseline against which subsequent increases in value could be measured. This was the first national fiscal cadastre produced in the UK using modern valuation techniques. This had to be done in a country that had no cadastre and no universal system of land registration. How it was achieved provides useful lessons for countries planning to introduce *ad valorem* taxes on land based upon their market value. Study of the way in which these new duties on land were introduced enables the preconditions needed for this task to be identified and how the government was able to harness these to its efforts.

In the event these efforts came to nothing. Although the valuation of properties for the new taxes proceeded well, legal problems were encountered with the valuation of agricultural properties so that final valuations were not lawfully served on taxpayers. War in 1914 disrupted the preparations for the tax. By the time hostilities had ended the Conservatives were back in power. The Finance Act 1920 abrogated the land value duties and the Finance Act 1923 repealed the provision by which all deeds and instruments conveying and assigning land and all leases were supplied to the Inland Revenue (the tax collection agency). It meant that the Inland Revenue no longer received information about the price at which each property was sold or the rent and premium of every lease. It was no longer able to compile the database

[1] The Chancellor of the Exchequer is the name given to the UK's Minister of Finance
[2] The currency is the pre-decimal pound sterling in which 12 pence (d) equalled one shilling (s) and 20 shillings made up one pound (£). Thus, there were 240 pence in a pound.

of comparable valuations needed for such taxes. When the duties were repealed, those who had already paid them were able to claim repayment. However the valuations made for the taxes continued to be used in the 1920s after the repeal of the duties themselves for the purposes of compulsory purchase compensation and for estate duty (inheritance tax) valuations (Smith, 1924, pp19-20).

2. THE TAX BASE

The tax on the incremental increase in the value of land was intended to fall on the increase in the site value that resulted from population and urban growth rather than being due to landowners' investment in buildings or other improvements. The tax was levied at a rate of £1 for each complete £5 of value rather than at a flat 20% rate.

The tax base was the increase in the site value between the initial valuation date and certain future events that would trigger the payment of the duty. These were:

- the transfer on sale of the fee simple or other interest in land;
- the death of the owner, or every 15 years if the land was owned by a corporate or unincorporated body and so would never be subject to estate duty; and
- the grant of a lease of more than 14 years.

The formal taxpayer was the transferor or lessor. Where part of the land was transferred, the Inland Revenue Commissioners were to apportion the increase between the different parts. No allowance was made for costs of sale in arriving at the duty. However, a deduction of 10% of the original gross value was made when calculating the tax to be paid, which should have compensated for sales costs. There were anti-avoidance provisions to prevent owners from making small transfers that would maximise the benefit from setting 10% of the original site value against the duty.

The problem faced by any government seeking to tax the capital value of land is its illiquidity and the problems owners face in raising cash to pay the tax. The owners may be wealthy but lack cash with which to pay the tax when it is due. One solution is to set the tax rate at a low percentage of the value so that taxpayers are able to make the payments out of their current income. However the solution adopted in this case was to opt for a sporadic tax payable when taxpayers should have had cash from sales or from premiums payable on leases, or when an estate had to be sold to pay bequests. The disadvantage for the government was that the yield was likely to vary substantially from one year to another and be difficult to predict with certainty. In periods of recession sales, transfers and leases were likely to be reduced in number and the value of the land and its incremental growth depressed. Initially the government was faced with heavy set up costs and tax revenues were expected to build up slowly. The result was a significant annual deficit throughout the life of the duties, even after taking into account the beneficial effect they had on increasing the yield from estate duties (Tucker, 1915).

The British government did not have a capital gains tax at that time and increases in land values were not subject to income tax. Some contemporaries viewed the duties as legitimate ones as they fell on incomes that would otherwise escape taxation as well as taxing windfall gains (Stamp, 1913). The combination of a tax on the incremental increase in value and undeveloped land duty was a powerful one. Whilst securing as high a site value as possible in the initial valuation would minimise the subsequent incremental value duties payable, this tactic would increase payments of undeveloped land duty. A low site value would reduce payments of undeveloped land duty and potential estate duties but increase future incremental value duty payments. The undeveloped land duty had an important tax avoidance function. Contemporaries thought that one of the effects of the incremental value duty was to increase the yield from estate duty by acting as a disincentive to under value (Tucker, 1915).

As the tax was never fully implemented, there is a lack of case law on how key terms and concepts in the Act ought to be interpreted. However, the Act was subjected to intense contemporary analysis both by lawyers and valuers. The term “transfer on sale” was one of those not defined in the Act. Walter Boas (1910), a contemporary solicitor, thought that the term included all transfers other than those for nominal consideration or by way of gift. Transfer therefore included ones in which no cash was involved such as exchanges and foreclosures. Gifts *inter vivos* were only excluded if they were made at least three years before the death of the donor or were for charitable or public purposes.

The interests in land to be taxed were not merely freeholds in fee simple but included interests such as life interests, copyholds and leases whose original grant was for more than 14 years. English law does not have a concept of *dominium* or direct ownership of the land itself. Rather, proprietors own estates in (that is to say, rights over) land. A series of estates can (and often do) exist simultaneously for the same physical entity. Transfers of any of these interests or the death of their owners would have triggered the incremental value duty and not just those concerning the underlying freeholder in fee simple. The tax was designed to reflect the complex ownership structures and to profit from their transfer. The normal method by which an estate was developed was to grant a developer a building lease for a peppercorn rent for a limited period of time, which would then be surrendered and a new lease granted once the development had been constructed. Leases granted to developers were for long periods, typically of between 99 and 999 years. The sale of the lease, the granting of a sub-lease of more than 14 years to an occupier, or the death of the lessee could all trigger the payment of incremental value duty as well as the sale of the freehold or death of the freeholder. The incremental increase in value should have reflected the lower value of leasehold or other interests relative to the fee simple with the Inland Revenue Commissioners, in effect, treating the transfer as a partial disposal of the fee simple. For example, the site value of copyhold land was reduced from the freehold value by the cost of enfranchisement. If a long leaseholder died or sold his interest, the duty paid as a result reduced the tax obligations of the freeholder when he subsequently died or sold his interest as the tenant’s duty was really treated as a prepayment of part of that on the freehold in fee simple (Boas, 1910, p23).

The periodic incremental value duty on corporate and unincorporated bodies was clearly intended to prevent tax avoidance through the transfer of the legal ownership of land from mortal beings to immortal juridical persons whilst the original owners continued to enjoy beneficial ownership. Corporate bodies included companies. Unincorporated ones included fellowships, associations, societies and trustees. The first occasion for the duty was to have been 5 April 1914 and thereafter every 15 years. The bodies could have opted to pay the duty in annual instalments. Excluded from the duties were rating authorities (that is local government), charitable bodies, and statutory companies, such as those supplying gas and electricity. However the sale of land to statutory companies was not exempt. The vendor had to pay the duty and could not reclaim it as part of the compensation for the compulsory acquisition of his land.

Incremental value duty was not charged on agricultural land providing the land had no higher value than its market value for agricultural purposes. Agricultural land included meadows, orchards, woodlands, market gardens, and allotments. There were also some other exemptions. Owner occupiers of small amounts of agricultural land were exempt providing that their total ownership of land was not more than 50 acres (20.2 hectares), they had been the owner occupier for at least 12 months, and the annual average value did not exceed £75 per acre. Owner occupiers of dwelling houses were similarly exempt providing that the annual value of the house under Schedule A of income tax (the schedule that taxed profits from the letting of land, including the imputed rent deemed to be paid by an owner occupier to himself) did not exceed a particular sum - £40 for London, £26 for a borough with a population in excess of 50,000, and £16 for a house situated elsewhere. Lessees of leases of more than 50 years were treated as owners. Land used for athletic and sporting purposes was exempt providing that it was held by a corporate or unincorporated not-for-profit body. Although the Crown was exempt, the duty was payable by the vendor or lessor when land was purchased or leased by the Crown and by the purchaser or lessee when land was bought or leased from the Crown. The sale or death of the owner or the leasing of a flat in a block did not trigger the payment of duty but the lease or sale of the whole block as a whole or the death of the owner did.

The reversion duty on the determination of a lease payable by a lessor was set at a rate of £1 for every complete £10 of value. Leases could end as a result of the passage of time, forfeiture or eviction, but were not treated as having ended when the lessor had an obligation to renew. Lease included underleases. The value was the market value of the land and buildings. The assessment was on the total value less any works executed or capital expenditure undertaken by the lessor (but not the tenant) during the lease and any compensation due to the lessee. Restrictive covenants on tenants, such as prohibitions not to sell alcohol, were to be disregarded. If the lessor himself possessed a leasehold interest, the value would be reduced accordingly. Leases on agricultural land were exempt, as were leases of up to 21 years and leases with a reversion within 40 years if purchased before 30 April 1909. Leases for lives were liable to the duty unless granted on the life of a person of an age with a mean life expectancy of less than 21 years.

The undeveloped land duty was to be paid at a rate of ½d in the £ (0.21%) each financial year on the site value. It was the part of the Act which undoubtedly have given rise to legal actions to secure tax reductions in which the definitions of the words used would have been tested.

Undeveloped land was land which had not been developed by the erection of dwellings, or buildings for business, trade or industry, or greenhouses or glasshouses. If it contained dilapidated commercial buildings, it was treated as undeveloped. Agricultural land was defined as being undeveloped land. There were a number of exemptions including:

- agricultural land where the duty payable was only on the amount by which its value exceeded that for agricultural purposes. No duty was payable on agricultural land by owner occupiers, providing the total value of their land did not exceed £500;
- land for which the site value was not more than £50 per acre;
- parks and gardens open to the public as of right, land for games and recreation, and woodlands and parks where access was of public benefit, such as common land;
- land kept free of buildings in the public interest or the interest of a neighbourhood;
- dwellings of up to one acre, providing their value did not exceed 20 times their annual value assessment for Schedule A of income tax.

3. THE PHILOSOPHY BEHIND THE 1909 LAND DUTIES

The duties on land were a clear attempt to tax landed wealth and provoked a political backlash from the landed aristocracy and gentry. Although the government had a majority in the elected House of Commons, it was in a minority in the hereditary House of Lords, where the opposition Conservative Party, supported by the landed aristocracy, had a majority. By a convention that was at that time more than two centuries old, the House of Lords was not supposed to block finance bills, taxation being the responsibility of the elected lower house. Nonetheless the House of Lords prevented the Finance Bill from becoming law, provoking a constitutional crisis. The Finance Act (1909-10) only became law after a general election was called on the issue of "Peers versus the People," in which the Liberal Party was returned to government, though with a greatly reduced number of seats and dependent on Irish Nationalists for a majority, and a threat by King Edward VII – which in the event did not have to be carried out - to use the royal prerogative to create sufficient government-supporting peers to enable the bill to be passed by the House of Lords. (Hattersley, 2004, ch 8; Dangerfield, 1935).

Behind the politics of class warfare was a philosophy of the role of landowners in the development process that provided intellectual support and justification for the new taxes on land (Short, 1997, chapter 2). This was derived from the economic writings of David Ricardo (1817) and, particularly, Henry George (1879). The essence of the argument was that the supply curve of land was perfectly inelastic. There was little that landlords had done, or could do, to change the availability of land. Since they had made no contribution to its supply, and therefore incurred no costs from supplying it, the income they received from the land was pure profit. They would accept any sum, however small, since it would be pure gain. Any income was better than no income since there were no costs of production to be met. Therefore rent was determined by the demand for land and not its supply. Landlords though benefited from increases in demand since these raised rents. Demand increased as the result of population, urban and industrial growth, to which landlords contributed nothing. The taxation of this undeserved bounty could therefore be justified on grounds of equity. Since landlords had done nothing to create the increase in value, taxing it would not act as a disincentive to the supply of land. Some contemporary commentators went much further and argued for the nationalisation of land so that only the community and not landlords would benefit from the increase in value that it had created.

These arguments are still put forward to justify the taxation of land and, particularly, of land betterment, that increase in value resulting from a rise in demand as a result of population or economic growth. Although the prime aim of this paper is to examine how the taxes were organised, it is worth noting that the arguments put forward at the time in support of the taxes are open to challenge. The notion that the supply of land is perfectly inelastic is a reasonable working assumption for the total supply of land in the world, even though this does change as a result of activities such as reclamation and inundation. It is not, though, a realistic model for the supply of land for any individual land use, such as housing or industry, since land can be converted from one use to another (Evans, 2004). This does raise questions about what motivates landowners to bring forward land for development. Research into the behaviour of modern landowners suggests that their motives for doing so are complex with economic advantage being only one of a number of factors, such as lifestyle, the desire to pass on land to their families, and to preserve a way of life (Molinsky, 2006; Zhu & Bostic, 2009).

Most tenancies do not just involve the payment of rent for the use of the land, as Ricardo was well aware. Rather, what tenants pay is a mixture of rent for land and payment for the use of fixed capital supplied by the landlord, such as buildings and infrastructure. Such capital cannot be argued to have an inelastic supply. Therefore taxing it whilst other forms of capital escape taxation can be expected to have a distorting effect. Somehow a way of separating the land element from the capital aspect of what landlords supply hads to be found if betterment taxes are to be levied.

The notion that large landlords were merely the passive beneficiaries of urban and industrial growth is also open to question. They were often the prime movers behind such developments, raising the capital for them, providing the land, and bearing the risk of economic failure. The size of their estates meant that they often had the ability to transform an area through the developments they sponsored. The land market is often far from being a textbook competitive market populated by a large number of small suppliers. Rather, development often occurs because of the local dominance of the estate of a major owner capable of internalising the benefits generated by development. For example, the development of Cardiff during the nineteenth century was largely facilitated by three major estates, Bute, Tredgar and Windsor, with the Bute estate creating Butetown and the Cardiff Docks (Daunton, 1977; Davies, 1981).

Although contemporary pamphleteers and radical orators were probably unaware of these arguments, or chose to ignore them, those who actually drafted the legislation clearly were and took a more strictly Ricardian view rather than following George. They developed valuation models that sought to differentiate between the unearned betterment landlords might enjoy as beneficiaries of economic growth and the benefits derived from their own investment and entrepreneurship. The tax base was intended to be the unearned increase in value after the costs of investment had been deducted.

4. THE VALUATION MODEL

A valuation model capable of identifying the site value had to be developed. A choice has to be made when levying a property tax as to whether to value properties at their actual market values or whether to value them on the assumption that standard conditions apply. The latter approach has the advantages of making tax avoidance through the use of artificial transactions more difficult and of simplifying the valuation process. This was the approach adopted in the legislation. Contemporary valuers would have preferred that site value was estimated directly on the basis of comparable sales or else from calculation of the profits that might have been obtained if the properties were to be developed (Tucker, 1915). However, there are problems in estimating site values using market evidence. In most instances land is sold with the fixed capital, such as buildings and infrastructure, rather than as bare development sites. Whilst some bare development sites are sold each year, these are only a small proportion of the land traded and may not be typical, for example, they tend to be larger in size. Moreover, they are likely to be in areas of particular growth, which may not reflect circumstances in other locations. Site value therefore tends to be imputed rather than directly observed and, as in this legislation, treated as a residual.

Consistency in valuation was solved by the use of an antecedent date, 30 April 1909. All properties were to be valued as at that date although the actual valuation work was carried out on different dates. Property prices rise and fall with market circumstances so that a valuation can only be accurate for the date on which it is made. As all the valuations were undertaken using the circumstances prevailing on the same date, there would have been horizontal equity between taxpayers.

Under the Act each piece of land under separate occupation had to be valued, but owners also had the right to require any part of their land to be separately valued if they chose. Owners of contiguous pieces of land could require them to be aggregated together. As their combined value is likely to have been higher than that the sum of the values of each separate parcel when valued individually, because of the greater development potential from a site already assembled for development, the result was probably a higher base value for tax purposes and, therefore, a lower incremental increase at subsequent valuations (Smith, 1924, p306). Boas (1910, p92) noted that owners were prevented from aggregating different parcels with separate occupiers so that high and low values were averaged out and losses on one piece of land could not be set against gains on others.

The Act required the estimation of what was termed the *assessable site value.* This was value of the bare site, subject to existing restrictions, after allowance had been made for works executed and the cost of preparing it for development by the removal of buildings. Its computation in turn required the estimation of three other amounts: the *gross value,* the *full site value*, and the *total value.*

The *gross value* was defined in section 25 (1) of the Act as:

> the amount which the fee simple of the land, if sold at the time in the open market by a willing seller in its then condition, free from incumbrances, and from any burden, charge, or restriction (other than rates or taxes) might be expected to realise.

The gross value was an open market value, but not one that would have been encountered in practice because of the restrictive assumptions made in the valuation model. It was therefore a hypothetical figure. It was the open market value of the land in the highest and best use that the existing land and buildings were capable of rather than their value in their current use. It included every benefit the land enjoyed, including timber, buildings and improvements. However, for the purposes of arriving at it the land was assumed to have been held in fee simple and was free from incumbrances and other burdens, other than national and local taxes. Many of the interests in land at the time were not freeholds in fee simple but life interests, leaseholds, copyholds, or customary freeholds. These placed restrictions on their owners compared with fee simple. Payments had to be made to those with superior interests, such as ground rents on leases and annual quit rents and entry charges for copyholds. For valuation purposes it was assumed that the interest was the fee simple with the valuation being adjusted to reflect the true nature of the interest being valued. The gross value assumed that incumbrances, like tithe rent charges, perpetual rent charges, quit rents and mortgages, or easements, like adverse right of light or rights of way, did not exist.

Assessing the open market value of properties under specific assumptions rather than their value in the actual conditions that apply to them is a common feature of property taxes. It could be argued that this approach might have worked against horizontal equity between taxpayers, with whose land was subject to incumbrances paying a higher proportion of its value in tax than those whose land conformed to the valuation model. However, this would depend on whether any part of the tax burden could be shifted on to those with rights over the incumbrances and burdens.

The *full site value* was defined by section 25 (2) of the Act as

> the amount which remains after deducting from the gross value of the land the difference (if any) between that value and the value which the fee simple of the land, if sold at the time in the open market by a willing seller, might be expected to realise if the land were divested of any buildings and of any other structures (including fixed or attached machinery) on, in, or under the surface, which are appurtenant to or used in connection with any such buildings, and of all growing timber, fruit trees, fruit bushes, and other things growing thereon.

The full site value was a valuation of the land on the assumption that it was divested of buildings, structures and growing items. The difference between the gross value and the full site value was the value attributable to these. This was not necessarily either their value or cost. Case law held that grass and heather were things growing on the land and should also be excluded from the full site value (Smith, 1924, p308). Whilst the land was assumed to be bare when estimating the full site value, its location and the characteristics of the neighbourhood were assumed to be unchanged from reality. The full site value, like the gross value, was therefore a hypothetical value since it embraced the assumptions made in arriving at the gross value as well as assuming that all buildings, structures and growing items were removed.

Normally it would be less than the gross value unless the buildings and growing items detracted from the value of the land due to their unsuitability.

The *total value* of land was defined by section 25 (3) of the Act as being

> the gross value after deducting the amount by which the gross value would be diminished if the land were sold subject to any fixed charges and to any public rights of way or any public rights of user, and to any right of common and to any easements affecting the land, and to any covenant or agreement restricting the use of the land entered into or made before the thirtieth day of April nineteen hundred and nine, and to any covenant or agreement restricting the use of the land entered into or made on or after that date, if, in the opinion of the Commissioners, the restraint imposed by the covenant or agreement so entered into or made on or after that date was when imposed desirable in the interests of the public, or in view of the character and surroundings of the neighbourhood.

The relevant restrictive covenants were those affecting the fee simple and not those on leaseholds or other interests. For contemporary valuers like Sydney Smith the total value was the market value.

> In practice the complicated rules for arriving at the total from gross value were often disregarded by valuers and the methods commonly employed for finding market value used. It was mostly arrived at by capitalising the net rent derivable from a property in accordance with the ordinary practice of valuation (Smith, 1924, p309).

In other words, rather than taking the gross value and deducting from it the capitalised value of any restrictions, fixed charges, rights and easements, valuers tended to capitalise the net rent. In an efficient market, the results should have been the same since the net rent bid by prospective tenants ought to have fully reflected the impact of the incumbrances.

According to Smith (1924, p 309), the market value differed from the total value in the case of tenanted property in that it included fixed machinery, fixtures and improvements belonging to the tenant. These would pass to the new owner on the sale of a fee simple in possession. In other words it was the market value if sold by an owner occupier rather than by a landlord with a sitting tenant paying the full market rent. This is consistent with the view taken by Boas (1910) shortly after the passage of the Act that the tax assumed that the land was in the sole occupancy of the owner. Rulings in two cases, the Norton Malreward (Smyth v Commissioners of Inland Revenue, 1914) and Chells Farm (J M Hunter v Commissioners of Inland Revenue, 1914) cases, decided that unexhausted manures and tillages, which were also the property of the tenant, should be included in the total value of agricultural properties. Smith thought that they had been excluded from the valuations made of agricultural properties prior to these cases. The effect of these rulings was to delay the confirmation of the valuations for agricultural properties whilst the valuations were revised. Agricultural properties at that time were mainly been tenanted so valuers, using the market value as a proxy for the total value, would automatically have excluded the value of the tenant's property as having nothing to do with the owner's interest.

The assessable site value formed the tax base. As defined by section 25 (4) of the Act, it was the total value after deducting:

- the difference between the gross value and the full site value;
- any part of the total value attributable to works executed or capital expenditure made for improving the value of the land for building or for the purpose of business, trade or industry, but not agriculture;
- any part of the total value that was attributable to the gift of land by any person interested in it land for the purposes of streets, roads, paths, squares, gardens and public open spaces;
- any part of the total value attributable to the redemption of the land tax[3] or other fixed charge, to copyhold or customary freehold enfranchisement (ie the buying of the freehold interest), to the removal of restrictions on the use of the land, or to goodwill or the personal property of the owner or occupier; and
- the sum necessary to divest the land of buildings, timber, and other items so that it would be in the same state as that assumed in the full site value.

Any expenditure on improving the value of the land for agriculture that had the effect of improving it for building or for business, trade or industry was also to be deducted. Boas (1910, p7) was of the view that this included items such as fencing, draining, levelling and reclamation. He argued that the allowable expenditure did not have to be undertaken on the specific piece of land but could be on a neighbouring piece that belonged to the owner. For example, if a factory was built on part of a site causing the value of the remainder to increase through demand for workers' housing, such an increase was attributable to the works carried out by the owner (Boas, 1910, p6).

If it could have been proved by means of an actual transaction (but not a valuation), for example, a sale or mortgage, that the site value during the last 20 years exceeded the 1909 site value, then this earlier site value could be substituted for the 1909 value. Such a claim had to be made within three months of the valuation. The last quarter of the nineteenth century is often referred to as the Great Depression in Agriculture, when British farming came under intense competition from imported foodstuffs from North and South America, Australia and New Zealand. Agricultural rents fell significantly during this period with limited recovery during the first decade of the twentieth century (Turner, 2004). A higher site value would have reduced the potential liability to pay incremental value duty.

An example of the valuation calculations is illustrated by 9-11 High Street, Winchester, where the valuation was served on the owner on 9 April 1914 (Hampshire Record Office 120M92/Box 1). The property comprised a mercantile store (no 9), office and yard (no 10), and stables (no 11). It was owned by James Cooper and occupied by J J Cooper. The combined area was 896 square yards (749 square metres). There was a fixed charge of £5 per annum but no fee farm or quit rent, annuity, tithe, rights of way, rights of common or

[3] The land tax was first imposed in 1692. Although the tax was supposed to tax a variety of incomes, it quickly became a "land" tax. There was no attempt at revaluation after 1698. During the eighteenth century it became fixed at a rate of 4 shillings in the £. In 1801 the government allowed taxpayers to purchase the right to exemption from the tax, a process known as land tax redemption, in effect treating the tax as a fixed charge on the land.

easements, and no restrictive covenants. The property was freehold so there was no cost of copyhold enfranchisement. The valuation was as follows.

Original gross value	£9,205	£9,205
(a) Deductions from gross value to arrive at Full Site Value:		
Difference between gross value and value of the fee simple of the land divested of buildings, trees, &c	£6,200	
Original Full Site Value	£3,005	
(b) to arrive at Total Value deduct:		
Fixed charges:	£5	
Fee farm rent, rent seek, quit rent, chief rent or rent of assize	£0	
Other perpetual rent or annuity	£0	
Tithe or tithe rent charge	£0	
Burden or charge arising by operation of law, or imposed by Act of Parliament	£0	
If copyhold, cost of enfranchisement	£0	
Public rights of way or user	£0	
Right of common	£0	
Easements	£0	
Restrictions under covenant or agreement	£0	
Total Deductions		(£5)
Original Total Value		£9,200
Deductions from Total Value to arrive at Assessable Site Value:		
Deductions from gross value to arrive at Full site value	£6,200	
Works executed	£0	
Capital expenditure	£0	
Appropriation of land for streets, roads, open spaces &c	£0	
Redemption of Land Tax or Fixed Charges	£0	
Enfranchisement of copyholds	£0	
Release of Restrictive covenants	£0	
Goodwill or personal element	£0	
Cost of clearing site	£0	
Total Deductions		(£6,200)
Original Assessable Site Value		£3,000

Examples of deductions made for other properties in Winchester in arriving at the assessable site value include:

- £50 for easements (on an original gross value (OGV)) of £1,400 at 62 High Street (offices);
- £60 for copyhold (on an OGV of £220) at 5 Sussex Street;

- £850 for buildings and other structures, £10 for timber and £40 for fruit (on an OGV of £1,100) at Marnhill in Sarum Road;
- £65 for tithes (on OGV of £7,000) at Kerrfield, Romsey Road, a large villa with 12 acres of grounds which was built on former Dean and Chapter land; and
- £100 for tithes, £130 for rights of way, £1,678 for works executed, and £731 for the appropriation of land (on an OGV of £7,033) on agricultural land in Cheriton Road.

5. THE ORGANISATION OF THE VALUATION PROCESS

The duties on land required that each land parcel had to be valued as at 30 April 1909 and a fiscal cadastre created. This meant that administrative machinery had to be set up to do this. The government was able to build upon that created for the estate duty (inheritance tax). In 1909 a Valuation Office had been created as a branch of the Estate Duty Office and this was augmented to carry out the valuations for the new duties. The Valuation Office was found to be so useful to the government in providing in-house valuation expertise for a variety of taxation and other functions that it survived the demise of the land duties and still exists today as the Valuation Office Agency.

Additional permanent and temporary staff were recruited for this task. There was no shortage of valuation capacity in the UK because of the existence of the Surveyors' Institution. It had been founded in 1868 and received a royal charter in 1881. It was both a learned society and a body that regulated the education of the profession through examinations. When additional valuers were needed on a temporary basis to draw up the fiscal cadastre, the government was able to advertise for experienced fellows of the Surveyors' Institution (Thompson, 1968). Such individuals would not only have the necessary technical competence to undertake the valuations but, as experienced, valuers would be familiar with the market values in their locality. For example, the Winchester valuation list was compiled by Douglas Fleet Goldsmith of the Portsmouth surveying partnership of Hall, Pain and Goldsmith. Goldsmith came from a farming family at Blendworth in Hampshire. In the 1901 census he was aged 25 and described himself as a Fellow of the Surveyors' Institution and auctioneer. Specialist valuers with knowledge of the licensed trade dealt with premises selling intoxicating liquor. By September 1911, 504 temporary valuers had been recruited and they accounted for one-quarter of the Valuation Office staff (Short, 1997, ch 3).

The Valuation Office was answerable to the Board of Inland Revenue, which was responsible for collecting the duties. It was organised into 12 geographical divisions for England & Wales, with others for Scotland and Ireland, each under a Superintending Valuer. Below these were 119 districts, headed by a district valuer, each of which comprised several income tax divisions. Each income tax division had a land valuation officer. The smallest unit was the income tax parish, of which there were 7,000. These were not co-terminal with ecclesiastical parishes. Each parish had a Land Valuation Officer.

There were two key processes in drawing up the fiscal cadastre: identification of the properties (or hereditaments) to be assessed and the valuation of each hereditament. These called for two different skill sets. The temporary and permanent valuers recruited for the valuation process had the necessary technical skills and knowledge for the task of valuation but not for the identification of the hereditaments. In the absence of a cadastre or compulsory registration, this clearly presented a problem. Although the Ordnance Survey had produced detailed maps of the country at a scale of 1:2,500, the boundaries that these maps showed were of boundary features and not the legal boundaries of the parcels. The Valuation Office had access to these maps and employed a large number of temporary draughtsmen – 126 in 1911 – to produce maps for valuation purposes. It was necessary to updates the maps in areas in which there had been urban or industrial growth.

The problem of identifying the hereditaments was solved through employing as temporary land valuation officers the parochial assessors of income tax. These were local officials drawn from the ranks of local worthies rather than professional public servants. Since the sixteenth century there had been a history of appointing local assessors for both parish rates (property taxes) and the land tax from amongst the more substantial members of the local farming or business communities. Those of social standing were expected voluntarily to undertake the various onerous administrative roles in their community. In the absence of a cadastre, their local knowledge of properties would have been vital to the successful levying of the land duties. Although there was no cadastre, there were local rating lists used to raise local rates (annual taxes on the occupancy of property). The local valuation officers required the local assessors of taxes to copy from their rate books into the Valuation Book for each income tax parish the description of each property, the owners and occupiers, the extent of each property and its rateable value. Not all property was subject to local rates and the land valuation officers were required to identify land exempted from these. In some cases, the land was waste land or vacant or undergoing building. In other cases, the type of property was not subject to rates, such as places of public worship. When all the properties had been identified, each hereditament was given a unique reference number for the income tax parish and these numbers were cross referenced to Ordnance Survey maps so that they are recorded on the copies used by the Valuation Office. The Valuation Books provided the valuers with the list of properties to be valued as well as some basic information about each property.

The valuers recruited by the Valuation Office were men of considerable professional expertise as well as having knowledge of the property markets in their areas. Yet they were required to value each property as at 30 April 1909, a task of a different order of complexity than valuing individual properties. Information about market values had to be collected for a wide range of properties. The land valuation officers for each income tax parish sent what was known as Form 4 to each owner or agent. They were required to complete form within a specified period of not less than 30 days on pain of a penalty of a £50 fine. The information required by Form 4 is set out in Appendix 1. Form 4 was intended to provide the valuers with the necessary information about lease terms and conditions, charges, covenants, easements, rights of way, and mineral rights. It also asked about rents and the dates leases had been concluded, as well as about recent sales and their dates. The significance of this information is that it enabled the valuers to compile a comprehensive database of recent comparable values. The values for those properties for which recent bargains had been concluded could then be applied to comparable properties using the information in Form 4 to identify which the comparable properties were. The process is very similar to that in use today for the national non-domestic business rates, an annual tax on the occupancy of non-residential properties, which is revalued each five years. Owners and occupiers are sent a form (eg Form VO 6003) that they must return within 56 days. This seeks information about the occupiers, owners, terms and conditions of letting and the dates when these were agreed, how rents are computed, rent reviews, incentives, responsibilities, alterations and improvements, and lettings and sub-lettings. The Valuation Office Agency is able to assemble a database of current rental values from this information and apply it to relevant properties as it has knowledge of the characteristics of each.

Taxpayers were given notice of their valuation using Form 37, which set out the gross value, the full site value, the total value and the deductions made from it, and the assessable site value and how this had been arrived at. Aggrieved persons had 60 days in which to object otherwise the provisional valuation became the final valuation. Interested parties, other than the owner, could also challenge the valuations, for example prospective purchasers. If the Commissioners of Inland Revenue did not accept the revised proposal, the matter could be taken to independent appeal. The referees were to be Fellows of the Surveyors' Institution or other experienced valuers. The appeal rules were drafted and referees selected by a committee of senior judges and the President of the Surveyors' Institution. A case could also be taken to the High Court, or to a county court if the total or site value was less than £500.

6. CONCLUSIONS: LEARNING THE LESSONS

Although the duties on land were never fully implemented and were abolished a decade after they were introduced, the fiscal cadastre was drawn up successfully. There were delays in the valuation process, which was unsurprising given the colossal nature of the task. This was done in a country that neither had a cadastre nor land registration. The government had access to large-scale up-to-date maps compiled by the Ordnance Survey. Since 1841 the Ordnance Survey has undertaken large scale civilian mapping and has the right to enter land and map boundary features, but it has no legal power to fix private boundaries. Compulsory land registration did not begin until 1926. Plans to create a cadastre based upon the tithe apportionment surveys produced under the Tithe Commutation Act 1836, under which tithes[4] in kind were replaced by a fluctuating money payment apportioned between properties, met with such strong political resistance that they were dropped (Kain & Prince 1985, chapter 3). This suggests that whilst accurate large scale mapping was an important prerequisite for drawing up the fiscal cadastre, the existence of a general cadastre or land registration was not.

But how did the government know who the property owners were or who owned which properties in the absence of land registration or a cadastre? The answer is that they were able to tap into local knowledge about property ownership and to draw upon the information they possessed from levying other taxes. Since the sixteenth century local property taxes had been used to finance local services such as supporting the poor and the maintenance of highways. This system had been harnessed by the government to levy the land tax in the 1690s. The

[4] Tithes were a 10% charge on the produce of real estate levied on a parish by parish basis and used to support the Church of England, the established (official) church. The tithes were originally levied in kind.

local rates assessors' knowledge and the information from their rate books were used in drawing up the fiscal cadastre. The government taxed the profits from the letting of land through Schedule A of income tax, including the imputed rents that owner occupiers were deemed to be paying themselves as their own tenants. The existence of large scale maps meant that any properties not subject to local rates or income tax could be identified, as well as waste and common land.

The duties on land were assessed using models that had at their core market values. Although the legislation set out the valuation models, it did not prescribe the methods to be used in arriving at market values. It did not need to do so as there was a well-established valuation profession with a consensus about the valuation methods to be employed to arrive at market value. Members of this profession were available to be recruited to expand the Valuation Office and carry out the necessary technical valuation work required by the duties. The government was well used to commissioning professional valuations and employing professional valuers in inheritance taxation.

The task of establishing a national fiscal cadastre based upon market values for each property that was separately tenanted was an immense undertaking. That it was possible for a country seemingly lacking the hardware necessary in the form of a cadastre was due to the well-developed software on which the government could draw. In particular, it was able to utilise the knowledge the assessors of local taxes had about property ownership and the expertise of the valuation profession in carrying out the valuations. The concept of drawing upon the knowledge of elders and persons of standing in the community in compiling cadastres is well-established. The second precondition, the establishment of a valuation profession, is a lesson that those providing aid and soft finance for development seem to be more reluctant to learn.

Appendix 1: Form 4

From the Parochial Rate books:
Parish
Number of poor rate
Occupier
Description of property
Situation of property
Estimate extent in acres and roods
Gross estimated rental
Rateable value
Particulars from person making the return:
(a) Parish
(b) Occupier
(c) Name and address of person making the return
(d) Nature of interest of person making return
1. whether freehold, copyhold or leasehold
2. If copyhold, manor
3. If leasehold term of lease, date of commencement, including covenant for renewal, name and address of lessor
(e) Name and precise situation of land
(f) Description of land
(g) Extent of land in acres, roods, perches and square yards
(h) If land is let:
(i) lease or agreement
(ii) if no lease then period of letting
(iii) If under lease or agreement:
(a) term
(b) date of commencement
(c) whether any consideration in addition to rent
(d) upon any condition as to tenant laying out money on building or improvements
(iv) yearly rent receivable
Notes
(i) If person making return also occupier, state annual value
(k) Amount of land tax
borne by
(l) Tithe rent charge for 1909
borne by
(m) Amount of drainage, improvement rate or similar charge
borne by
(n) Whether usual tenants' rates and taxes are borne by the occupier

If not, by whom?
(o) by whom is cost of repairs, insurances and expenses to maintain property borne?
(p) whether land is subject to:
(i) fixed charges
(ii) public rights of way
(iii) public rights of user
(iv) right of common
(v) easements
(vi) covenant or agreement restricting use of land and when entered into
Date
(q) particulars of last sale if within 20 years before 30 April 1909 and expenditure since then
(i) date of sale
(ii) purchase money & consideration
(iii) capital expenditure since sale
(r) observations on any part of land owners requires to be separately valued
(s) If person making return desires communications to agent or solicitor
(t) (i) does person making return own minerals
(ii) if so (a) whether minerals on 30 April 1909 were in mining lease or worked by proprietor
(b) now in a mining lease or being worked by proprietor
(iii) if not who is proprietor of minerals
Signed by
Date

Additional particulars
(u) value of land as estimated by owner and how arrived at
(i) gross value
(ii) full site value
(iii) Total Value
(iv) Assessable site value
(v) particulars of how value arrived at
(v) if owner does not desire to furnish own estate of land value, whether intends to claim a site value deduction
(w) capital value of minerals not comprising a mining lease and not being worked on
Nature
capital value
Signature
Date

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BIOGRAPHICAL NOTES

Richard Grover is an economist and chartered surveyor. He is currently Principal Lecturer in Economics and Investment Appraisal at Oxford Brookes University and was formerly Assistant Dean of the School of Built Environment at Oxford Brookes University. He has undertaken a number of projects on the emerging private land markets in Eastern Europe, particularly in Bulgaria, Romania, and Russia, for a variety of clients including the World

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Christine Grover is a Senior Lecturer in Business at the University of Winchester. Formerly a lecturer in Mathematics and Statistics, she now lectures on the numerical aspects of Business. She recently completed a PhD entitled 'The Suburban Development of Winchester from c1850 to 1912'. This traced the development of agricultural land, which was either owned by the Dean and Chapter or was part of Abbot's Barton Farm purchased by William Simonds from Jane Austen's brother. The study ends in 1912 when the valuation survey was published, so providing a reliable picture of Winchester prior to the First World War..

The research on which this paper is based forms part of the Winchester Project at the University of Winchester which traces the history of the City of Winchester from the sixteenth century. The assessments produced under the Finance Act (1909-10) are being used to create a historical cadastre to which earlier documents relating to specific parcels can be linked.

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