

the best interests of our country urge us ; every fresh difference that is created is one more impediment thrown in the way of the much-to-be-desired amalgamation.

It is useless trying to ignore the fact—as some people try to do—that the destiny of this country is inseparably bound up with England's. I firmly believe—I am thoroughly convinced—that no better, higher, or more honourable a destiny could be assigned to her. But instead of opposing and throwing impediments in the way of such a future—as now is so constantly done—it should, I think, be the primary object of our legislators to facilitate and hasten its realization. I believe a great stride would be made towards this great end if the suggestion which I have made this evening were adopted, and if vigorous action were taken by Parliament on the reports of the Commission. I believe that such action would most materially benefit this country, and would redound not a little to the advantage of Great Britain also. Let us hope that henceforward this great object will be kept more constantly in view than it has hitherto been, and that future years, instead of seeing existing differences being added to, will see them diminishing. Let us hope that neither individual selfishness, personal jealousies, nor party intrigues, will be permitted to interfere with the realization of the great object of uniting the two countries, and of so completing the vast fabric of union whose foundations were laid almost eighty years ago ; and of so incorporating Ireland more thoroughly, more completely, into that glorious Empire, to whose splendour and whose fame Irish intellect and Irish arms have already contributed no inconsiderable a share.

II.—*On the Valuation of Real Property for Taxation.* By Murrough O'Brien, Esq.

[Read, 19th November, 1878.]

In a paper read last session, I advocated the adoption in Ireland of the English system of assessing real property for taxation, so far as the ascertaining the annual value of the premises went, on the ground that the definition of annual value in England was more generally applicable to all kinds of property, and more likely to ensure equality of rating than the estimate made in pursuance of the Irish Valuation Act, of annual value with reference to prices of agricultural produce ; for under such an estimate land, the worth of which does not depend only on its fertility, is necessarily assessed below its real value. I also pointed out that the government or rateable value was no fair guide to the rent between landlord and tenant, inasmuch as improvements made by the tenant must necessarily be included in any public valuation, and could not have been excluded from that made under the Act of 1852, although that valuation is generally referred to as a standard for rent.

The word "value" is used conversationally in many different senses ; it is a word of wide range ; and even in political economy no universally accepted definition of it exists. It is related of Sydney Smith

that he announced his intention of leaving the Political Economy Club shortly after joining it, as his object in becoming a member had been to discover the meaning of the word "value," and he found that the rest of the club were as ignorant as himself.

For the purposes of rating, however, in England and in Scotland the term rateable value has been defined by Act of Parliament, and numerous judicial decisions have made the principles on which valuers are to base their estimate perfectly clear. In England the Parochial Assessment Act provides that the rate shall be founded upon the *net annual value*—that is to say, the rent at which the premises *might reasonably be expected to let from year to year*.

The same definition in substance is found in other valuation Acts in both England and Scotland, and in the Bills that were before Parliament last session. No matter what the tenure may be, the annual rent at which the premises would let is to be the value for rating. All tenures are reduced to this for the purpose of comparison, and securing uniformity of assessment.

There is no difficulty in applying the statutable definition to lands and houses in general, as they are frequently let to yearly tenants; but there is a large and increasing amount of property which cannot be so easily dealt with, and for the present I omit the consideration of such property as railways, canals, docks, gasworks, manufactories, waterworks, and mines, and confine myself to lands and houses, which form the great bulk of rateable property in Ireland.

As an objection to adopting in Ireland the English principle of valuation, it is sometimes said that the rent in England of ordinary houses and land is generally the full letting value for rating, but that in Ireland this is not the case, because the tenant usually has an interest over and above the rent, which though frequently sold, is not often included in the letting; and so a difficulty would be found in Ireland which does not exist in England. This objection, however, is not good in point of fact, because in addition to the many instances of low rents on estates of liberal and indulgent landlords in England (and such rents are not legally the rateable value), the following cases occur in which the annual value cannot be arrived at by simply ascertaining the rent paid.

1. Occupiers being the owners, and there being no rent.
2. Premises let on a fine, and the rent being in consequence less than the annual value.
3. Premises let by the week, where the rent is more than the annual value, for it includes cost of frequent collection and risk of loss, as such premises are more likely to be vacant and unremunerative than if let by the year.
4. Premises let for a long term, the value having increased or diminished since the rent was fixed.
5. Mines, quarries, brickfields: though the full annual payment is the rateable value in England; yet it is not rent, but in part is purchase-money of the material removed.

As the value for rating is to be the full annual value on a letting made from year to year, in none of these cases would the rent represent

necessarily the rateable value, and therefore an estimate is required, and this may differ very much from the rent paid.

The rent is a guide to, and *primâ facie* evidence of the annual value, but it is not conclusive. The enquiry to be made is:—“Supposing the premises now to be let by the year at the best rent obtainable, without fine or bonus, what rent might reasonably be expected?” In the case of building land, which will only let to the best advantage for a long term, the rack rent under such circumstances would be the rateable value; for though the letting is presumed to be by the year, it is not necessarily to be only for a year. The principle of taking the reasonable letting value can be applied to almost all houses and lands, whether used for farming or let for building, convenience, or ornament.

But in Ireland there is one definition of value for houses and another for land; and land let for other than agricultural purposes being valued with reference to the prices of eight kinds of farm produce, escapes assessment at its real value. The opinion of the valuer being based on an intricate calculation involving not only the prices of produce scheduled in the Act, but also the cost of labour and the rate of interest on capital, which are not specified in the Act, the correctness of his estimate cannot be satisfactorily tested, nor can his valuation be compared with the rent really paid to test its correctness, for the rent often depends on other causes than fertility.

The Scotch Valuation Act defines the yearly value of lands and heritages as “the rent at which, one year with another, such lands and heritages might in their actual state be reasonably expected to let from year to year.”

Mr. W. Munro, an official assessor, says:—*

“The Valuation Roll is made up on the principle of what the lands and heritages would let at from year to year, if they are not let at what I believe they would let at one year with another.”

In both England and Scotland deductions are allowed from the gross rental to cover the expense of maintaining the premises in a state to command the rent.

Thus the valuer's estimate is based both in England and Scotland on the experience of every-day lettings. Property occupied by the owners, or not let to the best advantage, is compared with let property of a similar character, and this system of assessment is found generally satisfactory except in the case of railways, mines, and other properties that are not commonly let.

A class of houses, however, which is invariably undervalued through the whole United Kingdom, may be noticed, *viz.*, large country houses. In his evidence to the Committee on the Scotch Valuation Act in 1870 [Question 2,563], Mr. Wilson, President of the Glasgow Chamber of Commerce, said:—

“In towns there are large banks, and there are large country houses valued at very small sums, and it makes the poor pay assessments instead of the wealthier classes, which I conceive to be very wrong.”

* Evidence to Select Committee on Valuation of Lands and Assessments, Scotland, 1870.

Mr. T. F. Hedley, a valuer of the highest repute in England, says :—

“In theory the law is that every inhabitant is to be taxed according to his ability, but the practice in rating mansion-houses, castles, or palaces is in direct contravention of the law, as the more wealthy the occupier, and the larger and more valuable the house the lower it is rated. In valuing mansions in Northumberland, I found one of the most beautifully-situate and modern-built castles rated on £84, and in the same township an ordinary country-house—in fact, a cottage compared to the castle—rated on £120. The reason assigned was that no one would take a large castle from year to year. It is admitted that no one would take a large castle from year to year; that they are not built for the purpose of letting, but as appendages to estates. It is also admitted that an estate would bring a higher price with a suitable residence upon it for the owner than it would without it; therefore these residences possess intrinsic capital values, though not capable of yielding a yearly profit.”*

Mr. Hedley recommends, as an equitable mode of rating such houses, that a percentage on their capital value should be taken; and in support of his proposal quotes the principle laid down in valuing successions,

“which neither yield nor are capable of yielding any annual income, but yet are saleable, and would fetch in the market considerable sums. In such cases I incline to think they have an annual value, viz., a value equal to interest at 3 per cent., on the sums that might have been realized if the property had been sold.”†

This principle is evidently one that might be applied to the rating of railways, canals, mines, and other works that are not let from year to year.

In Ireland there are many country houses, residences of owners of the largest estates, of which the rateable value is not 5s. per £100 on the structural cost.

In towns in Ireland unoccupied building land enjoys an immunity from rating which seems highly unjust. There is always to be found land which remains unlet because of the high rent demanded. The owner is standing out for a higher price; but the land is fairly liable to assessment at the price which he refuses to let it at. For instance, £50 to £100 an acre is demanded for land which would readily let at £20 or £30 per acre. It is rated at £3 or less. Such property might be fairly assessed under the English and Scotch definition; but on the productive-capacity principle it escapes, as does all land which is valuable for other than merely agricultural purposes.

A valuation, then, on the principle of real letting value, instead of with reference to a scale of prices of agricultural produce, must be founded on experience, analogy, and the comparison of property to be assessed, with other property the letting value of which is known. A just and satisfactory assessment may thus be arrived at; and though the value ascertained may differ sometimes from the rent, it does not follow that it is wrong. The word “reasonably” is very advisedly introduced into the definition; for it sometimes happens

* *Observations on Right Hon. G. J. Goschen's Bill on Parochial Assessments, by T. F. Hedley, Esq.*

† Lord Chancellor in *Attorney-General v. Lord Sefton*, 35 *L. J., Exc.* 98.

that the rent paid is unreasonable. Circumstances which no man could possibly take into account may influence the rent: the inordinate desire of a rich Ahab for his neighbour's vineyard cannot be foreseen or brought into calculation. On this ground it has been held that a "fancy rent" is not a correct criterion of value; yet a fancy rent, due to special advantages of situation inherent in the premises, should plainly be taken as an element of value.

The good-will of a long-established and thriving business is almost inextricably mixed up with the value of the premises, and may have a money value, yet it plainly should not be rated. But the monopoly of carrying granted to a railway, the commercial privilege that is obtained when a licence to sell spirits is granted to a house, certainly give additional value to the hereditament, and the law permits this additional value to be taken into account in both England and Scotland for the purpose of assessment.

In order to obtain a true estimate, every assistance should be given to the valuers and the assessing authorities, and all necessary information as to the rents actually paid should be supplied to them. For this purpose, in the Valuation Bills introduced last session, power was given to the assessors to call for a written statement of the rent, and other particulars of the premises to be rated. A provision of this kind would be of material assistance in the revaluation of Ireland; not that the rent is an absolute criterion, but it is *primâ facie* the best evidence. In almost every case it is a fact against which there can be no appeal, and fixes at least a minimum value.

The proportion of tenancies at will to the total number of holdings in Ireland is estimated to be 77 per cent., and therefore a very large part of the country is presumably let at its full rateable value. This is not necessarily inconsistent with the tenant having a saleable interest in his tenancy at will; for it cannot be expected that farmers renting land on which and by which they expect to live will pay a rent which leaves them no interest whatever beyond remuneration for labour, and the small profits on farming capital. Possession has a saleable value, and yet not an annual value which might be rated. The purchase of a tenant's interest in a yearly tenancy often includes payment for the floating capital embodied in the condition of the land—which is in fact part of the farmer's stock-in-trade and should not be the subject of rating. A fancy price may be paid for possession by a rich neighbour. In Scotland, under a lease at a full rent a tenant has evidently an interest, for he can generally borrow money on his lease. Improvements, however, which add to the letting value, whether effected by the tenant or landlord, are justly rated.

The inequalities of assessment which exist in England, and to remedy which a Government Bill was introduced last session appear to be due to the action of the different rating authorities, rather than to any defect in the principle, which as regards land and ordinary houses is found to be generally satisfactory. Mr. Selater Booth, when introducing the Bill, stated that the object was to secure a uniform system of rating, instead of having property valued by three different authorities.

Mr. Hedley states* as the result of his great experience that the establishment of county boards of finance and the abolition of the office of parish overseer are absolutely necessary to secure uniformity of valuation. Mr. Parnell said in debate that though the valuation of Ireland was managed by one authority, the inequalities of assessment in Ireland were fully as great as in England. This is not surprising, for no change has been made in the rateable value of land since the valuation under the Act of 1852, while its real value has in places increased enormously.

A Valuation Bill for Scotland also was introduced last session, but no effectual progress was made with it.

There are, then, Government Valuation Bills impending for all three kingdoms, and the subject is certain to be dealt with by Parliament. It is plainly undesirable that there should be a different definition of value in Ireland from that in Scotland and England. Whether the assessing authority should be a central board, as in Ireland, or county boards, as proposed in England, is a matter of detail and administration. A board such as that which acts so efficiently and is conducted so courteously in Ireland would probably not suit England, on account of its greater size and its enormous wealth. The rateable value of all Ireland is but little more than the value for county assessment of Lancashire alone.

Rateable Valuation of Ireland, £13,769,000
" " Lancashire, £12,552,000

Although this question of assessment may appear uninteresting and attract but little attention, there are very few persons whom it does not concern. It is the interest of every ratepayer that every other ratepayer should be fairly rated: the exemption of any one individual means the extra taxation of others. The burden of local taxation is steadily increasing, and the districts where it is heaviest (*viz.*, towns and villages) are the very places where the real value of land is due to other causes than fertility. A fair and equal assessment would relieve many on whom local taxation now weighs very heavily.

A revaluation of Ireland on the English and Scotch principle would of course be contrary to the interests of owners and occupiers of land which has an additional value for building, convenience, or ornament; but it can scarcely be contended that a principle found satisfactory in other parts of the United Kingdom, and which it is not proposed to change, is inapplicable to Ireland.

* *Report to the County Rate Committee of Durham, 1876.*