

INCOMES AND LOCAL TAXATION A Reply to Sir Henry Keith

(By F. C. R. Douglas, in the "Scots Town and County Councillor," November.)

The idea of a local income tax seems to exercise a perennial fascination, supported as it usually is by that fair-sounding phrase "ability to pay." What are the facts? The yield of the Income Tax to the national exchequer in last financial year was £280,000,000. The amount of local rates levied in Great Britain was £170,000,000. It thus appears that to defray the local rates by an income tax would involve an increase of 60 per cent in the amount to be raised from that source. It is difficult to conceive of any Chancellor of the Exchequer welcoming, or even assenting to, a proposal which would impinge in that way upon one of his chief sources of revenue. Incidentally, any such project would necessitate a complete revision and regrading of the income tax, otherwise the opposition of the smaller income tax payers would sweep out of office any government that introduced it. It is also interesting to note that the local income tax is supported on the one hand by people who complain bitterly about the present height of the income tax, and on the other by people who look to an increase in the income tax to defray national services.

Moreover, income tax as we now know it, is only workable on a national basis. To attempt to apply it locally means the setting up of an expensive and vexatious machinery to duplicate locally what is being done nationally. But, assuming this were done, how would it work out in practice? Would the tax fall only upon individuals, or upon companies as well? In the case of businesses with many branches (chain stores, for instance) where would tax be paid? At the head office of the proprietors, or where? Would the business man with an office in the city and a residence in the country pay local income tax where he worked or where he lived? One can see the opportunity for innumerable disputes and evasions, in dealing with these and many other knotty problems. So much so that the more intelligent advocates of income tax for local purpose propose not a local income tax as such, but an addition to the national income tax to be distributed to the local authorities as a subsidy in relief of rates.

Recently we have had in the de-rating legislation of 1929 a wholesale illustration of what such subsidization means. Agricultural land has been almost completely de-rated and factories and workshops to the extent of three-fourths. The argument in favour, as explained by Mr Churchill, then Chancellor of the Exchequer, was that it would unburden industry, stimulate production, and lead to unbounded prosperity. Does anyone believe that now?

The fact of the matter is that such rate relief, under existing conditions of land monopoly, enures to land-owners in higher rents. Sir Henry Keith (in the July issue of the *Scots Town and County Councillor*) virtually admits this and proposes that "rents shall be compulsorily reduced by the amount of net relief from rates enjoyed by the owner." (Incidentally, what about the rates paid by the occupier?). The proposal for an income tax, whether national or local, in relief of rates involves therefore the setting up of machinery which will control the rent of every property in this country, whether it is now let or not.

The present system of local rating is indefensible. It is a tax upon one of the first necessities of life, house room, which it makes much scarcer and dearer than it need be. So far as it falls upon shops, warehouses, and

other premises used for trade and industry it is an additional cost of production or distribution which is passed on to consumers in the prices they have to pay for the commodities.

But the criticism of the present system goes far deeper than this. It is a tax which is proportioned to the use made of land. Unused land escapes, badly used land pays little, however valuable it may be, and well used land pays much. Sir Henry Keith admits part of this criticism when he proposes to put a value upon "all land available and required for building" and so attempt to bring it within the network of his local income tax. Devices of that kind will never be adequate. Another tribunal will be required to determine what land is available and required for building. Let us take a simple illustration. A slum property is a site which is, in many cases, encumbered with buildings which ought to be torn down and replaced with better ones. How is this to be dealt with?

The truth is that the only solution of the rating problem that meets all the requirements and will work is that of rating land values. It automatically gives the relief required to houses and other buildings and improvements, and brings in not merely vacant land, but all land according to its value. It requires no elaborate machinery, but merely the addition to the valuation roll of a column showing the land value of each property. It requires no scheme for fixation of rents, because the economic effect of the reform in bringing vacant land into use and stimulating the better use of under-used land will add to the supply of accommodation and a healthy competition will bring all rents down to a reasonable level.

It is a proposal which practical experience covering many years in New Zealand, Australia, South Africa, Denmark, and other countries has proved to be simple, workable, effective and satisfactory to the average ratepayer.

Last, but not least, land value rating will take for community purposes values which are due entirely to community needs and to public expenditure, and will enable those who benefit by the community's activities to make a fair contribution to the public expenditure.

The taxation of land values was urged by Mr E. Childers, as a remedy for the grievances of town tenants, at a county meeting of the National Town Tenants Association, in the Town Hall, Westport, Co. Mayo.—*Irish Independent*, 2nd December.

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GENERAL ELECTION RESULTS—*Bath*. By an error which we regret, the figures of Mr S. R. Daniels' vote (Liberal) were given in our last month's issue as 6,650 instead of 8,650. He was thus placed second in the triangular contest.

Blaydon. The victory of Mr W. Whiteley was a seat won for Labour by a majority of 9,526. Mr Whiteley was a joint secretary of the Land Values Parliamentary Group in 1924.

South Leeds. Among the advocates of Land Value Taxation returned (supplementing the names we gave last month) was Mr H. C. Charleton, whose victory was also a Labour gain. He had a majority of 1,016 in a triangular contest.

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