

PARLIAMENTARY DEBATES

House of Commons,
Finance Bill, June 4th

NEW CLAUSE.—(CESSATION OF LAND VALUE DUTIES.)

Increment Value Duty, Undeveloped Land Duty, and Reversion Duty imposed by Part I. of The Finance (1909-10) Act, 1910, shall not be charged, assessed, or collected after the passing of this Act.

Brought up, and read the first time.

Colonel ROYDS: I beg to move, "That the Clause be read a second time." We are now confronting a very serious housing problem, and it is with the sole object of removing the difficulties in front of us in the solution of that problem that I move this Clause. I think I had better prove as shortly as I can the two propositions which I have made, the first of which is that the land taxation is not a fiscal instrument at all. The scheme has now been in operation, including the estimate for 1918, for nine years, and the total proceeds of these three taxes, including £135,000 estimated for the current year, amount to £1,092,000. That is an average of £120,000 a year, and that is all. The cost of the valuation, including the estimated cost for the current year, amount, in the nine years, to £4,200,000, or an average of about £465,000 a year—about four times the amount which the taxes have yielded. These are the plain figures, and they were elicited by question and answer from the Chancellor of the Exchequer a little while ago.

I know that the Inland Revenue authorities at Somerset House think—and perhaps rightly think so—that the Estate Duty receipts and those from Death Duties have to some extent increased by reason of the existence of the valuation, and there is no doubt that is so. But that question is not affected by my Clause, because I am not suggesting that the valuation should be dealt with at all. If these taxes are abolished in the way I propose there will be a very large reduction in the cost of the valuation. I would call to mind the words of the right hon. Gentleman the Member for East Fife (Mr. Asquith) on the 10th August, 1909, when these taxes were under discussion here. He said:

"I defend this tax and all the taxes contained in this Finance Bill as fiscal instruments, and if anyone can demonstrate to me that they are not, I shall agree they ought to be excised from the Bill. I shall agree that they should be excised if anyone can show that they will not be useful, profitable, and fruit-bearing for fiscal purposes."—[OFFICIAL REPORT, 10th August, 1909, cols. 318 and 319, Vol. 9.]

Nine years' experience has shown us amply and abundantly that they are not useful, profitable, or fruit-bearing for fiscal purposes at all. The next point I made, and the one to which I attach the most importance, is in reference to the housing question, and it is on this ground solely that I move this Clause now. It is a little odd, I must admit, that with such a low produce from the taxes builders and land developers should be so frightened at what is apparently such a small tax, and I can quite understand hon. Members thinking that their alarm could be possibly disposed of. But I can assure hon. Members that this fear has existed ever since the scheme was evolved. I have here a list of resolutions passed by practically everybody in the country connected with building and land development, including the Surveyors' Institute, the auctioneers, National Housing Conference, National Federation of Building Trades Employers—consisting of 6,000 members—Householders' Association, Association of Trade Protection Societies, Edinburgh Trading Company, ratepayers' associations practically throughout the country, Auctioneers' and Estate

Agents' Institute; numerous resolutions by corporations and rural and urban councils—fifty of them; and I have letters from 500 private builders, whose opinion I asked, and who have replied practically unanimously. Some say that these taxes are the sole cause; others say they are the main contributory cause; but they all agree they are very important, and that they contribute to the shortage of the houses.

I believe the evidence given before the Building Committees set up by the President of the Local Government Board is absolutely overwhelming. Witness after witness testifies to the same effect that private enterprise cannot start, and will not start, simply because they cannot get the money, because of these taxes, which, they say, hit the credit and security of the land; and, if the credit is not there, the capital is not available, and, of course, land and the value of land, and so forth, is a very small affair in connection with building. In the past private enterprise has housed 97 per cent. of the population. The right hon. Member for Battersea (Mr. Burns), when President of the Local Government Board in 1914-15, calculated that out of 5,528,000 dwelling-houses in England and Wales, as shown in the Return of Inhabited House Duty, not more than 15,000 had been erected by local authorities under the Housing Act of 1890. That means that private enterprise had built 5,500,000 of the houses in the country at that time, and the local authorities had only built 15,000, with all the Acts passed and all the assistance given to them.

Mr. C. PRICE: Though a party truce has existed since the War began, the right hon. Member for the City of London put down a Clause on a former Finance Bill asking for this tax to be suspended. The Chancellor of the Exchequer said he would not press landlords engaged in the War to make these returns, with the result that this Act has been a dead letter in many respects. Further, the Act has been fought in courts of law. The right hon. Member for the City of London, of course, raised it very shortly after the War began, and a pledge, which, I very much regret, was given by the present Prime Minister, who was then Chancellor of the Exchequer, that, inasmuch as many landlords or proprietors were engaged in the War, they should not be called upon to make a return. Accordingly, the House of Commons and the country have never had the full benefit of the Act which was passed. None of us ever expected that the cost of this valuation would be repaid immediately or within a few years of the passing of this Act. As has been pointed out, the Chancellor of the Exchequer has derived enormous benefit from this valuation through the Death Duties. I know one estate where the Government valuers returned the value of the estate at £71,000 odd pounds. The agent of the estate returned it at £5,800,000 odd pounds. There was a difference—I am speaking from memory—in the amount claimed by the Chancellor of the Exchequer of something like £83,000. The men who returned the valuation for the Government had been discharged, and so the Government had nobody to go into the Court of Law and defend their own valuation. My main contention, however, is this: Inasmuch as this valuation which was in the Budget of 1909-10, and which caused the greatest amount of acute difference of opinion in the country, which led to the great conflict with the House of Lords—to bring up this just now and to reopen this controversy at this time would, in my judgment, be a gross breach of the truce which was entered into at that time. It would be grossly unfair.

Mr. BONAR LAW: Listening, as I did again, to my hon. and gallant friend on this subject, it is very difficult for me to realise that I used to hear his speeches on the same lines before the War, and supported him as well as I could at that time—it is, I say, very difficult to realise that for three years, or nearly, I have been the colleague of the right hon. gentleman, who was then Chancellor of the Exchequer, and

who is responsible for these duties. I do not think that my views have in any way changed. The Committee will feel, therefore, that in refusing to have any part in upsetting these taxes now it is not from any love of them, or from any feeling, speaking generally, that I am now really in a position to defend them. I am not. But I do think that a subject which aroused such active controversy, which has not altogether died down in spite of the appeal of my hon. friend—really, it would not be possible at this crisis in the War even to contemplate upsetting this arrangement in the House of Commons. At all events, I could not do it. I hope I am not saying or doing anything on behalf of the Government that I should not, or against the view of my right hon. friend the Prime Minister. I do not think I am.

Mr. D. WHITE: I paid considerable attention to what fell from the lips of my hon. and gallant friend on this side, but it seemed to me that he failed to make out even a *prima facie* case. He referred to certain Resolutions, and to some who have taken certain action. I fancy, from what I know of workers in certain societies, that probably they did so because they were moved thereto. That certain papers were put before them conveys very little conviction to the mind of anyone. The question of housing is, of course, one of the most important that we have to face. There are two fundamental difficulties in solving this problem. They are, first, the difficulty of getting land to build upon at anything like a fair price; and, secondly, the fact that when houses are put up they are rated and taxed. If my hon. and gallant friend wants really to attract capital to building, and will put forward any proposition which will lead to the untaxing and unrating of houses, I should be perfectly prepared to consider it on its merits, and he will probably have my support. One of the great advantages of these taxes is that they have shown us something as to what is really the nature and the value of the land.

I have said that one of the great difficulties of housing is to get land on fair terms. Take the case of Glasgow, which I know well. We have found a great deal of land which is required for building. That land is being rated at about 35s. or 40s. per acre on its agricultural value. If, however, you want to build houses for a needy population who, being overcrowded, require houses, you have to pay, not something like 35s. a year Feu Duty, but something like £35 a year Feu Duty. There was one matter of reconstruction to which my hon. and gallant friend did not refer. Again I take the case of Scotland. Let me show one of the uses of this valuation which he wants to scrap. Turn to the Report of the Royal Commission on Housing in Scotland—a Report only a few months old. What do we find? We find that the Commissioners recognised the difficulty of obtaining land for building on anything like fair terms. Their proposition is that where the authorities require land for public purposes they should be entitled to purchase on a basis of the Finance Act valuation—the very valuation that my hon. and gallant friend wants to scrap. The whole of his attack was because these taxes were not producing revenue to the Government. I maintain that this Report of the Royal Commission on Housing in Scotland shows the need for having something like a true valuation of the land where the land is to be obtained for public purposes. That matter does not stand alone.

We have had other Reports of Committees of this House. We have a Report of one of the Sub-committees of the Reconstruction Committee itself, which has shown to the public in a way that they had possibly never realised before how the public are "done" over land purchase. Those difficulties will never be fairly met until we have a true valuation of land. The great good of these taxes is not merely what they themselves have brought in. That to my mind is a secondary matter as compared with the fact that

they set on foot a valuation which some of us hope to see still further developed. The Chancellor of the Exchequer suggested that we were not enamoured of these particular taxes. Those of my colleagues whose views I have the honour to share are not particularly enamoured of these taxes. We look on them as affording a valuation. That was the great thing they did. They had certain merits in themselves. But what we wanted—we said it all along—was that there should be taxes on the value of land payable whether the land was used or not. We maintain that that is what is wanted to-day. My hon. and gallant friend is for going back. We are for going forward. We want to develop these things along that line. What we maintain is that we shall never have land obtainable at fair prices and at fair rents until the present land monopoly is broken down, and that the way to break down that monopoly is to tax those who hold the land according to the value of the land they hold, whether they use it or whether they do not. The hon. Member spoke of these taxes diminishing the credit and security of the land, but they cannot do that. They do to a certain extent diminish the credit and security of landlordism, and that is why those who are interested in land are against them. If these valuations were developed and made the basis of direct taxation, land monopoly would suffer very severely, and the land would be open to the people on far more satisfactory terms than it is now. Although the valuations were carried out at the expense of the taxpayers, the results in the aggregate have not been disclosed, and I want them disclosed. Take the Section which deals with definitions. I will take three out of the four. There is a full site value which we have in view, and there is the gross value which includes the improvements—

Colonel ROYDS: My new Clause only deals with taxes, and it leaves the valuation as it was before. Is the hon. Member in order in dealing with valuations which are not touched at all?

Mr. WHITE: The hon. Member's Clause deals with charging and assessment, and what about the staff for valuation? It is all very well for the hon. and learned Member to throw up his hands, but his whole argument was that those connected with the valuation should be released to fight in the War. That is what he said, and he cannot now turn round and say that he did not mean to touch the question of valuation.

Colonel ROYDS: I said that the valuation had to be made on each occasion when these taxes were assessed.

Mr. WHITE: These occasional valuations are necessary to keep it up to date. The only value of which we get the aggregate figure in the Reports of the Commissioners of Inland Revenue is what is called the total value of the land. That, broadly speaking, according to the Finance Act definition, is the gross value, less rent charges, feu duties, and various other deductions which amount to a very considerable sum. Making all these deductions, the aggregate total value amounts to more than £5,000,000,000. That figure is to be found in the Report of the Commissioners for Inland Revenue for 1916, and the last Report for March, 1917, did not contain any similar figures. I understand that the reason was war economy. My right hon. friend the Chancellor of the Exchequer was asked if there was any further information, and he said for practical purposes these valuations had been completed, and there was no substantial addition to the figures given to the report of the previous year. If we take that £5,000,000,000, what I would like to get at is what is the aggregate amount for Great Britain of the gross value of land, and also of the full site values. We have not had these figures. The materials are all available, because the valuations have been made, and I appeal to the Chancellor of the Exchequer to have these figures brought out as soon as they can be.

Judging from all the surrounding circumstances, and taking the aggregated amount at £5,000,000,000 full site value of land in Great Britain, there is reason to believe that the gross value amounts to something like £7,000,000, and the full site value to something like £3,000,000. Those are enormous figures, with enormous possibilities of taxation. There are some of the values we want to get at. Those valuations, in our opinion, do not go far enough. There is a special provision in Clause 25 of the Finance Act that mineral rights are not to be included. The value of minerals is excluded from these valuations with few exceptions, and in some cases it actually happens that land having minerals below it leads to it being valued lower because of the possibility of the minerals being worked and depreciating the value of the surface.

The CHAIRMAN : The hon. Member is now going a little wider, and he had better confine himself to the question raised in the Clause as proposed.

Mr. WHITE : I shall not pursue those points any further. I want to impress upon the Committee that we have it on the authority of the Inland Revenue Commissioners themselves that in the United Kingdom alone the aggregate total value of land, exclusive of mineral rights, amounts to more than £5,000,000,000. We hear a good deal of what the colonies are doing as precedents for what we should do. What have the Colonies done in this respect? You have there the very kind of tax that we want these valuations to lead up to, namely, a tax on the full site value, or, as they call it in Australia and New Zealand, and various other places, a tax on the unimproved value of the land. Before the War they had taxes on the unimproved value of the land in Australia. During the War those taxes have been increased, and they have been increased with the assent of practically the whole Australian population, and this, I believe I am right in saying, is the most popular tax in Australia, and it was originally settled by Mr. Hughes so far as the Federal tax in Australia is concerned. Take New Zealand. In the year 1916, which are the latest figures available, the amount raised by taxation on the unimproved value of land was rather more than £1,000,000, and as the population is rather more than 1,000,000 persons, it was equivalent to about £1 per head on the unimproved value. It was made up of two taxes—a uniform tax and a graduated tax.

So well has this system been found to work that last year, by an Act of 1917, they have consolidated these two taxes into one; they have made no reduction, and so far as any change has taken place it has been in the direction of grading upwards; and in addition to this consolidation they have put on an additional War Tax of 50 per cent. as a special war-time tax, because they wanted to get more revenue from that source and to make the land more available for the people. I take that precedent from New Zealand, and I suggest it to my hon. friends who are interested in what the Colonies have been doing in taxation. Our present land value taxes are not all that we want, but we should go forward. I can assure my hon. and gallant friend that those taxes deal not with land, but with the value that attaches to the land owing to the demand of the community for land. That is the subject of taxation in these taxes. They do not press upon houses or any other improvements. We want to make the land more available to the people and to stop all the taxes on houses and improvements, so as to encourage capital to building. There is no use in attempting to attract capital to building unless land can be got on fair terms, and that is only to be done here by the same methods as are adopted in Australia, New Zealand, and various other parts of our Dominions.

Colonel ROYDS : I ask leave to withdraw my Motion.
Motion and Clause, by leave, withdrawn.

A SHARE IN YOUR MOTHERLAND

(From an Article by H. N. Brailsford, in the "Herald," London, June 15.)

We recognise that men who come forward to fight for their motherland are entitled to a share in all that their motherland can offer. Steps have therefore been taken to ensure as far as possible that land shall be available for men who have fought for their country, and the necessary legislative measure is now under consideration.—Lord French's proclamation to the Irish people.

Two months ago, this Government, declaring that the urgency of the need would barely allow it to spend an evening in debate, forced through the clause which entitled it to impose conscription on Ireland. It turns out that it can afford to wait until October at least. The threat has not made an army; it has only linked the Irish people in an unbreakable league of resistance. . . .

Lord French's proclamation, whatever else it may be, is at least a remarkable commentary on the efficacy of rebel tactics. For the best part of a century Ireland has agitated and rioted. For five years she has armed and drilled. She has had her bloody rising. To-day she is closing her ranks in passive resistance. In her central aim she has failed; she has not got Home Rule. She has, however, made herself so formidable that when a British Government wants recruits from her, it must go to her with bribes, inducements, and soft words. It is not in these tones that the competent military authority addresses the British people. The "comb" which sifts us out was never gilded with promises. D.O.R.A. never came to us with gifts in her hand. To our farm-labourers the sharp order came in curt military tones, and—they went. Virtue, as usual, is its own reward. The history of our own rural population has been one of almost unbroken docility. It never agitated; it has only just begun to combine. It was broken to the yoke. It lived by a rule of obedience more rigid than any monk's. It took its subsistence wage and dared not ask for more. It took its cramped cottage and was glad when long hours, hard toil, and daily submission ensured it its shelter undisturbed. It bent its back to the squire and farmer, and even when it voted, it gave its support, without bargaining, to one of the middle-class parties. The war overtook it, an uncomprehended tragedy, but it neither questioned the policy of its rulers nor stinted its sacrifices when the call for sacrifice came. Its rulers may safely assume its consent to all they do, and when they take from it all that it can give, they know that it will ask nothing in return. So it happens that it is to the Irish and not the British people that there comes the new "commandment with promise." It is Irishmen who are assured by proclamation that "men who come forward to fight for their motherland are entitled to a share in all that their motherland can offer."

The Government probably forgot, when it drafted Lord French's proclamation, that it would be read on this side of the Irish Channel. It is impossible to lay down such a principle as this and to confine its application to one of the three kingdoms. Dublin Castle has invented a very effective phrase, and if the Labour Party is in search of a motto for the coming General Election, it could hardly do better than adopt it.

"A share in your motherland" sums up many an aspiration, and not for land alone. The Government has already been driven to make embarrassed explanations, and we are assured that there is no intention of giving to Irishmen what will be withheld from their fellow-citizens. These assurances are not convincing. Only last week the Government brought in a Bill which gives it permanently, and in peace, command of what it calls the "man-power of the