

## LANDOWNERS AND THE DEATH DUTIES

COPIES OF February *Land & Liberty* containing the article "Death Duties on Agricultural Land" were sent to all who took part in *The Times* correspondence on this subject. Many acknowledgments were received and several answered stating their point of view at considerable length.

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Mr A. Hervey Hoare, of Ovington Park, Alresford, Hants., in the course of his letter wrote :—

"The farmer of agricultural land in England, broadly speaking, pays no rent whatever for the land. The tenant farmer, when he is able to, pays the landlord interest at a very low rent on the houses, buildings, drainage and water supply, installed at the landlord's expense, in addition to which he has the benefit of the fences, gates and farm roads, all of which he found in being on taking on the farm.

"Landlords are usually responsible for a large part of needed repairs, and I think you will find that these usually greatly exceed the statutory amount allowed, and will also find that "maintenance claims" are almost universal from owners of agricultural land."

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Mr James Christie, of 4, Brick Court, Temple, E.C., acknowledged the copy of *Land & Liberty* that had been sent to his father, Mr J. A. Christie (one of the signators of the original letter in *The Times*), in whose absence he wrote, and in the course of his letter he said :—

"The following sentence appears in your article : 'The landlord provides the land, which he never made nor could make.' Here is a statement with which no landlord would wish to disagree ; but such a statement is not complete without adding that he or his predecessors also provided the money to buy that land and for this reason he is presumably entitled to some return, small though it invariably is. It is an incontrovertible fact that during the recent depression many landowners have tried their best to sell their farms and yet a majority of farmers have chosen to maintain their status of tenants. This cannot be said to be due to the poverty of farmers who never find it difficult to raise a mortgage for this purpose if they so desire."

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Mr Hoare's argument is that in fact the rent paid for agricultural land is almost entirely interest on the value of the houses, farm buildings and other improvements. If this were true, it would surely provide an excellent reason from the point of view both of the landowner and his tenant in favour of exchanging the death duties for a tax on the value of land. If this contention be not true, there is equally good reason for exempting buildings and improvements of all kinds from taxation and basing taxation upon the pure land value.

Mr Christie argues that because owners of land have bought land they should therefore not be expected to pay a tax on land values, but this argument is irrelevant. The question is what form of taxation is the best to be adopted in the interests not primarily of landowners but of society in general. A proposal, such as that contained in *The Times* correspondence, to reduce death duties on agricultural land without pointing to any alternative source of revenue is in effect a proposal for increasing all the other unjust taxes which are now in existence. None of the advocates of this idea condescended to explain where the revenue was to come from.

Both of our correspondents assume that we regard the

death duties as a form of taxation which ought to be maintained. This is not so. They do have the result, although it may be less so than most other existing taxes, of penalizing the products of industry and the earnings of labour. So far as they have this effect, it is not confined to agricultural improvements but applies to all improvements. The owner of a factory is as much damnified by death duties as the owner of agricultural land, and indeed more so for he has to bear death duties not only upon the tangible assets but upon the goodwill of his business as well. If the one should be exempted from death duties so should the other. This issue is, however, evaded by contrasting agricultural land with stocks and shares, and by arguing that the real grievance consists in the fact that agricultural land must be sold in order to pay death duties thereby breaking up the unity of the estate, whereas stocks can easily be sold piecemeal. (In this connection it is to be remembered that death duties on agricultural land can be paid by instalments, but not so in other cases.)

The death duties, and the steepness with which they are graduated, are in a sense a consequence of the extremely unequal distribution of wealth which now exists. Of all the people who die in any year only a small proportion leave enough property to be liable to death duties, and of these the great majority possess property of small value. In 1935-36 for example, the number of cases in which estate duty was payable was 142,516, and of these 89,423 possessed less than £1,000 and 35,548 between £1,000 and £5,000. The group under £1,000 provided 0.71 per cent of the revenue from estate duty and the group between £1,000 and £5,000 provided 3.22 per cent. Thus 17,545 cases provided 96.07 per cent of the revenue from estate duty. Evidently the yield of the death duties would be reduced to very small dimensions if the distribution of wealth approached anything like equality.

The plea for exemption of agricultural land from death duties in the light of these facts appears to be a plea for the concentration of wealth and land-ownership in a few hands, for the fundamental argument which ran through *The Times* correspondence was not in favour of exempting agricultural improvements from taxation but against the breaking up of great estates. We are in favour of exempting improvements from taxation, not only those in agriculture but in all industries, and the only way in which we can see it done is valuing the land apart from improvements and imposing upon the land value an annual tax in replacement of the taxes which now fall on improvements.

F. C. R. D.

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Last month we quoted from Mr Donald Hodson's story (*News Chronicle*, 28th January) of "How a Great Fortune Was Made" by Sir Ernest Cassell. One of Sir Ernest's adventures was the pre-emption of desert land in Egypt which subsequently rose enormously in value by the great Nile dams at Assuan and Assiut. Sir Ernest had had a previous lesson from which he undoubtedly learned much, for Mr Hodson says that "he was the leading figure in the Electric Traction Company which built the Central London Railway, opened in 1900 ; it was not one of his successes financially ; the way to have made money out of it, he said, would have been to let some one else build it and then buy up the land at its western terminus."