

THE DEBATE ON THE BUDGET

The CHANCELLOR OF THE EXCHEQUER (Sir Robert Horne), in the course of his Financial Statement said: On the existing basis, and after allowing £25,000,000 for Supplementary Estimates, I am left with a Revenue of £956,600,000 and an expenditure of £910,000,000, giving us a surplus of £46,600,000, but this, as I have said, is without making any provision for the redemption of debt.

Lieut.-Commander KENWORTHY: What are the special receipts?

Sir R. HORNE: They realised £170,000,000 this year, but I am putting them at £90,000,000 for next year.

Lieut.-Commander KENWORTHY: Are German reparations included?

Sir R. HORNE: German reparations were in the amount last year, but there is no amount estimated for German reparations in the present year. We have always treated the possibility of sums coming from Germany as windfalls. It is very much wiser.

I am going to propose to the Committee that we should reduce the basis of assessment in the case of the farmer from twice the annual value to the annual value. In the case of land which is not being agriculturally dealt with, where there is no profit, and very often only expenditure—in those cases I propose that we should go back to the pre-War rate of assessment, that is, one-third of the annual value. These proposals will, I estimate, in the case of what are called amenity lands, mean a loss to the Exchequer of £150,000 in the present year, and £300,000 in a full year; in the case of agricultural land, a loss of £950,000 this year, and £2,150,000 in a full year.

I propose also to bring into force, concurrently with the re-assessment to which I have referred, that is, in 1923-24, certain provisions with regard to the allowances to be made in respect of the cost of repair and maintenance of property. I shall submit proposals for increasing the normal flat rate repair allowance in the case of small houses and for enabling claims to be made for the actual cost of maintenance, not only in the cases now authorized, but in the case of all lands and houses of whatever value.

At this stage the Chancellor announced reductions in the postal and telephone charges, and continued: The total cost of these concessions will amount to £6,550,000 on the revenue side for a full year and £250,000 on the expenditure side. It will not be possible to bring these changes into effect until the end of May. The cost for 1922-23 will be about £5,650,000.

When I have given effect to these various concessions, I am left with an estimated surplus of £38,300,000. The Committee will remember I have not found anything for the redemption of debt out of the revenue for the year. How ought the surplus of £38,300,000 to be applied?

I have received numerous deputations of commercial men who have assured me that the best way to help trade and commerce to-day is to bring about some mitigation of the burden of the Income Tax. Accordingly I propose to reduce the Income Tax by 1s. in the pound. The cost to the Exchequer for the full year will be £52,000,000, but as the Committee knows the tax is collected by instalments and there are always arrears, but I estimate that the actual cost in the coming year will be £32,500,000. The change will, of course, run as from the 6th April.

I now have left out of my surplus something under £6,000,000. I propose to reduce the duty on tea by 4d. lb., that is to say, from 1s. to 8d. per lb. The duty of 8d. will only be paid by foreign tea, because there is a preference in respect of tea grown in India and Ceylon and any other tea produced within the Empire, and after all 90 per cent of the tea consumed comes from within our Empire. The duty upon Empire tea will be less than 8d. by one-sixth, and will amount to 6½d. The remission of the duty on tea involves a reduction also of one-third of the duties on coffee, cocoa and chicory, which are all linked up with the duty on tea.

The reduction of the tea duty and its consequences are estimated to cost £5,500,000 for a full year and £5,000,000 in the present year.

Accordingly the ultimate balance-sheet for 1922-23 on the basis of my proposals will now be:—

Revenue	£ 910,775,000
Expenditure	910,069,000
Leaving a balance of	706,000

In considering this balance, I beg the Committee to remember that I have already provided £25,000,000 on the expenditure side for contingencies.

Mr. J. R. CLYNES (Labour): While people resent the plan which we suggest and declare that it would be a heavy tax upon capital, they tolerate with complacency the levy upon national energy imposed by landlords and property owners. This levy is in the form of excessive rent and high charges exacted from industry and from business for the use of space in which to carry on the industries of the nation. The wonder is that the business mind has not attacked more directly and more really the interference with business by those who can exact these heavy levies and charges merely for the permission to carry on the ordinary activities of the nation.

Mr. PRETYMAN (Conservative): I do not want to lose any time in thanking the Chancellor of the Exchequer on behalf of those who are interested in agriculture for the concessions that he has made to occupiers and holders of agricultural land. One point to which the Chancellor of the Exchequer did not refer is very urgent. It is that some relief should be granted in the direction of a reduction of the rates upon agricultural land.

Mr. REEVES (Conservative): There is only one point in regard to which I am disappointed in the Budget. The Chancellor of the Exchequer said there was depression in trade and unemployment, and he referred to the privations of the middle classes, but he did not announce, as I had hoped he would, that he was going to put a tax on that £100,000,000 of imported manufactured goods which come in from foreign countries. He did not announce that there were many of those articles in regard to which, under the Safeguarding of Industries Act, impartial tribunals have decided that a good case has been made out.

Mr. J. H. THOMAS (Labour): I would ask any Member of this Committee to visualise a working-man's home, to take the case of an ordinary working man with a wage of anything up to £3 10s. per week. I venture to submit it is placing it at a minimum to say that his contribution in indirect taxation weekly for the family of five is anything up to 8s. or 10s. Curiously enough, it has been urged that it is only a remission of direct taxation that will give a stimulus to trade. Are we to assume that if the poorer people were relieved from some of these indirect taxes and given an opportunity of spending more on essential things, that would not in itself be a stimulus to trade? Would not that in itself find more employment? Our complaint and our criticism against this Budget is that, while giving a bonus to the farmer, and a bonus to the landlord, which in itself will have the effect of stopping land from being cultivated—and that, after all, is of vital importance to the working classes of this country—the contribution it gives to the overwhelming mass of the people is a miserable 4d. from tea.

Mr. L'ESTRANGE MALONE (Independent): This is a landlord's Budget. This is a rich man's Budget. What a Budget to be produced by a Government whose Prime Minister is famed throughout the four corners of the land for his oratory at Limehouse in years gone by! What a Budget to be produced by a Government with a Prime Minister who has the past record of the present Prime Minister! Of the 5,500,000 who are assessable for Income Tax, nearly 2,200,000 persons are exempt on account of private allowances or other abatements. Of the 3,500,000 persons who pay Income Tax, 3,055,000 will receive an abatement of only 6d. in the £. The benefit of the reduction of 1s. in the Income Tax will only go to 500,000 rich people. All this clamour about the reduction of Income Tax is extremely misleading. 15,799 persons have incomes between £5,000 and £10,000 a year; some 6,389 persons have incomes between £10,000 and £20,000 a year; 3,167 persons have incomes between £20,000 and £50,000; while 600 persons have incomes exceeding £50,000 a year, and can be termed millionaires. In this poverty-stricken country, therefore, we are not so very badly off for millionaires.

Mr. WM. GRAHAM (Labour): Since the present industrial depression began, up to the end of March of the present year, in round figures about £500,000,000, measured as a kind of annual sum, has been deducted from the wages of certainly 10,000,000 workpeople in this country. That in itself means a very great change in distribution of income, and certainly it means a very great change in purchasing power.

Mr. JAMESON (Coalition Unionist): In the year 1909-10 the number of incomes above £100,000 a year was 65, and the figures for 1919-20 show that the number of incomes above £100,000 a year had increased to 148. The number has gone down since then, but it is still very large, and much in excess of what it was in 1914. The reason for that is that vast fortunes were made during the War.

Colonel WEDGWOOD (Labour): The greater part of the Income Tax comes upon fixed incomes, upon incomes which are based upon preference shares, debenture shares, ground rents and other fixed dividend-bearing securities. In so far as the Income Tax reduces the charge upon those incomes, and thereby increases the rate of interest, which everybody who has invested money in those securities gets, it will not benefit the trade of the country in any direct way. It will not reduce the cost of goods; it will not enable prices to come down. Only so far as the Income Tax falls upon ordinary shares or business will it reduce the cost of goods. The taxes that are being reduced are obviously selected, not from the point of view of the effect that they will have upon trade, but from the effect that they will have upon the electorate of this country, and it could not be made more clear than in those sections of the Budget which deal with the agricultural interests.

Mr. D. HERBERT: Does the Labour party oppose that?

Colonel WEDGWOOD: Most certainly. We believe that the people should pay Income Tax upon their incomes fairly, and not upon an artificially low valuation. Agricultural land is to be assessed for Income Tax at its rental value, but land not used for agriculture, but used for parks and accommodation lands, is no longer to be assessed at its rental value, but at one-third—a positive bonus for all who refuse to allow land to be used for agriculture. This scheme in the Budget before us of reducing the taxes upon land which is not used is definitely assisting obstacles to production in the country, thereby reducing opportunities for the recovery of trade.

Instead of remitting the Income Tax on agricultural land to one half, instead of remitting the Income Tax on land which is not allowed to be used for agriculture to one-sixth, it might be as well to arrange your taxation so that land which was not used was penalized and land which was used had exemption from taxation. In that direction you might find some improvement in production, some improvement in the opportunities for employment, some improvement in the trade of the country.