

THE LAND VALUE DUTIES AND THE VALUATION

DISCUSSIONS IN THE HOUSE OF COMMONS

PROVISION FOR REPEAL OF THE DUTIES

Clause 49 of the Finance Bill, 1920, provides for the repeal of the Land Value duties and reads as follows :—

49.—(1) As from the commencement of this Act the land values duties shall cease to be chargeable, and the obligation of the Commissioners of Inland Revenue under Section 26 of the Finance (1909-10) Act 1910 to cause a valuation to be made of all land in the United Kingdom shall cease.

(2) Any land value duty which has been assessed at the date of the commencement of this Act but which is unpaid at that date shall not be collected, and no assessment shall be made in respect of any land value duty which became chargeable before that date.

(3) Where any person shows to the satisfaction of the Commissioners of Inland Revenue that he or any person of whom he is, in the opinion of the Commissioners, the legal representative has at any time paid any sum on account of any land value duty he shall, on making an application in that behalf to the Commissioners at any time within six months after the date of the commencement of this Act and in such form as may be prescribed by the Commissioners, be entitled to repayment of the sum so paid.

(4) Where an immediate lessor has paid or borne any annual increment value duty and has made a deduction in respect of that duty from the rent payable by him to his lessor, he shall on obtaining a repayment under this section of that duty refund to the lessor or the representative of the lessor a sum equal to the amount so deducted.

(5) In this section the expression "land values duties" means the increment value duty (including annual increment value duty), reversion duty, and undeveloped land duty imposed by Part I. of the Finance (1909-10) Act 1910 but does not include mineral rights duty.

FUTURE WORK OF THE VALUATION DEPARTMENT

Answering Mr. G. Locker-Lampson in the House of Commons, on 27th April, Mr. Austen Chamberlain, the Chancellor of the Exchequer, gave the following summary of work which the Valuation Department has still to undertake, after the repeal of the Land Value duties :—

1. Valuation of all real estate passing on death, for purposes of the Death Duties.

2. Valuations of real estate comprised in voluntary conveyances, for purposes of Stamp Duty.

3. Valuations of real estate in connection with old age pensions.

4. Determination of compensation for the extinction of redundant liquor licences in certain cases.

5. Determination of annual licence value and monopoly value in certain cases.

6. Valuation of minerals in connection with Minerals Rights Duty.

7. Compilation of register of lands acquired out of moneys provided by Parliament.

8. Work for other Government Departments. In addition, the Valuation Department performs work of a very varied character, and the opinion of the Department on questions of the value of real estate is constantly being asked for by many of the Government Departments. Special reference may be made to the work being done in connection with housing (for the Ministry of Health), land settlement (for the Ministry of Agriculture), and for the Admiralty. In the case of housing, the Department frequently undertakes negotiation (as well as giving an opinion of value) on behalf of the local authority, when purchasing land.

9. Work under the Acquisition of Land Act 1919.

10. Should it be decided that the original valuation (as at 30th April 1909) is to be made available for public information in some form or other, a considerable amount of work will be required in connection with the arrangement and tabulation of the existing figures.

COST OF THE DEPARTMENT

On April 26th Mr. Chamberlain answered a number of questions in the House of Commons relating to the Valuation Department, the gist of which was that the estimated cost of the Valuation Department for the current financial year was £537,000, including an estimated sum of £35,000 in respect of expenditure borne on the Votes of other Departments. The sum of £537,000 includes £468,000 as the estimated cost of the staff in salaries and allowances.

REDUCTION OF THE STAFF

In the House of Commons, on the 4th May, Mr. Chamberlain was further questioned on the Valuation Department, and in his reply said :

The staff of the Department, which in August, 1914, numbered 4,882, was reduced in November, 1915, to 1,983, and at the present time has been further reduced to 1,292. Of this staff only a small portion, estimated to cost £6,500 out of a total cost of £468,000, is engaged in work connected with Land Values Duties. It will be disbanded as soon as circumstances permit, the date depending largely upon the extent to which taxpayers claim repayment. Both the Board of Inland Revenue and I desire that the House should be satisfied that no staff is maintained in excess of that required for the discharge of the duties of the Office. I propose, therefore, to invite the Select Committee on National Expenditure to investigate the expenditure of the Department, and if they consent full information both as to the duties of the Department and the staff employed will be laid before them.

SECOND READING OF THE FINANCE BILL

The Second Reading of the Finance Bill was debated in the House of Commons on 11th and 12th May, and was agreed to without a division. Only three speeches were made in protest against the proposed repeal of the Land Value duties.

Mr. Tom Myers (Lab.) said :—

So far as I understand working-class feeling, there is a resentment against the Land Taxes being thrown over. There is a deep-rooted conviction in the minds of the democracy of this country that the great source of revenue ought to be the land of this country. These taxes ought to have been extended and not thrown over.

Mr. Trevelyan Thomson (Lib.) quoted from speeches delivered by the present Prime Minister when he was defending the proposals of the 1909 Budget and was carrying the fiery cross throughout the land.

At that time he showed clearly that the whole social development, the industry, housing, and all the social amenities of our industrial life in our large towns, were held up because the land was kept from its proper use. The same need and the same causes were at work now, and if it was justified then, it is equally justified now. Only last Tuesday (4th May) the local authority in Middlesbrough had a minute from its Education Committee advising the purchase of a site of 1½ acres for an open-air school on the outskirts of the town at £1,750 an acre. That was where the Land Valuation Department was not allowed to come to their assistance. The undeveloped land tax should be increased in order that land may be forced into the market and in order that it may not pay a man to withhold land from use until, by starving the interests of the town, the town is blackmailed into giving the price that he demands.

Mr. Lambert (Lib.) made an interesting contribution to the Debate, and a good deal can be read between the lines of his assertion that the Land Value duties did a good thing in preventing the existence of a Conservative administration when the war broke out. He said :—

I stopped up all night here for many nights voting for those Land Taxes. Apparently they have not been so productive of revenue as to provide enough for one Dreadnought. Still, I regard them almost as a stroke of Providence. Those Land Taxes in the Budget of 1909 brought the Liberal Party back into power during those years. How fortunate that the Liberal Party was back in power on the 4th August, 1914.

Supposing that the present Prime Minister, whom you now worship, and whom you then cursed, had taken the wrong turning in 1914. I do not know what might have happened. Therefore I regard the Land Taxes as an act of Providence: they returned the Liberal Party into power, and brought the present Prime Minister in as an incomparable War Minister.

COMMITTEE AND REPORT STAGE

The Committee and Report Stage of the Finance Bill will be taken when Parliament reassembles after Whitsun. The real struggle over the Land Value duties and the Valuation will be fought out when the House considers Clause 49 of the Bill.

THE MAKING OF THE VALUATION EXTRACTS FROM EVIDENCE SUBMITTED TO THE SELECT COMMITTEE ON THE LAND VALUE DUTIES

We stated in our issue of last month that the evidence submitted by several of those who intended to appear as witnesses before the Select Committee on the Land Value Duties (Parliamentary Paper, Cmd. 556, price 1s. 6d.) is well worth perusal. It contains valuable expert opinion on the present position of the Valuation, and on the nature and yield of the Land Value Duties, now to be repealed. The information given by Mr. Edgar J. Harper, the Chief Valuer, and by Mr. C. J. Howell Thomas is most instructive. Mr. C. H. Gott, Superintending Valuer in the West Riding, deals with the valuation of minerals, and students of that problem will find in his evidence answers to several perplexing questions. Mr. Percy Thompson, a Commissioner of the Inland Revenue, of which the Valuation Department is a branch, submits a lengthy memorandum deserving notice for its tone of hostile criticism. Under cover of a review of the land clauses of the Finance (1909-10) Act, 1910, he, as a civil servant and Commissioner of the Revenue, makes statements which would scarcely have passed unchallenged if the Committee had proceeded to cross-examine its witnesses. We are not surprised that Captain Pretzman, M.P., writing in the LAND UNION JOURNAL of May, declares that he need not comment on Mr. Thompson's evidence "as it speaks for itself and is nice reading." Mr. Thompson's evidence is so gratifying to the LAND UNION that it is reprinted almost in full in their Journal. No mention is made of the authoritative statements by Mr. Harper, Mr. Howell Thomas and Mr. Gott, from which we now extract the following more important information:—

Mr. E. J. Harper's Evidence

Staff Difficulties. Mr. Harper entered the Department in September, 1911, in succession to Sir Robert J. Thompson. At that date (nineteen months after the Act had passed) the responsible valuers were occupied with an undue proportion of routine and clerical work. District valuers in particular had a large part of their time occupied in supervising their office staffs and in signing numerous forms and other documents. In 1911-12 the staff was increased by 1,400 clerks and valuation assistants, and by 1,260 in the following year, the engagement and training of this staff involving a very heavy burden on the superintending and district valuers. And no sooner had the staff arrived at the maximum of efficiency than it was reduced and dislocated by the war. Mr. Harper appends a table showing the progress of the work from year to year. During the year ended March 31st, 1911 (when valuers were seriously handicapped by the want of clerical assistance) less than 4 per cent. of the total number of hereditaments and less than $\frac{1}{2}$ per cent. of the total acreage had been valued. During the year ended March 31st, 1914 (when the valuation offices were properly equipped) nearly 31 per cent. of the hereditaments and more than 37 per cent. of the acreage was valued.

Tenure Difficulties. District valuers and their staffs had far more to do than is ordinarily implied in the phrase "making a

valuation." Before the work of valuing could commence it was necessary to identify and define each unit to be valued. This consumed a large part of the time. In many large estate offices the records were frequently incomplete and no accurate information could be given in cases of difficulty and dispute. Most of these difficulties arose from the ancient and complicated systems of tenure (which still persist in various places), as well as the more modern leasehold system. Great difficulties were encountered in tracing the nature and extent of the various interests in each property, and ascertaining the names and addresses of the persons interested. Particulars given by owners from memory were frequently incorrect. In some cases mortgages made returns as if they were owners without stating that they were mortgagees, and long-leaseholders as if they had been freeholders. Provisional Valuations had sometimes to be served by placard fixed upon the land, where it was impossible to discover an owner. (Section 31 (4).)

Difficulties Owing to Concurrent Work. Work on the original valuation was also retarded by the necessity of dealing concurrently with other work, e.g., valuations for reversion duty, estate duty and stamp duty purposes, valuation of property belonging to applicants for old age pensions, valuations for compensation on the extinction of redundant licences, and valuations of hotels and other large licensed premises in order to determine their annual licence value under Section 44 of the Act. The valuation of property for these special purposes compelled the sectional valuer to travel from place to place instead of working steadily in one locality until it was all valued.

Valuing for Undeveloped Land Duty. Probably the greatest amount of time was lost to the work of original valuation by the necessity of giving precedence to the valuation of undeveloped land for the purpose of collecting undeveloped land duty. Had it been possible to take each parcel of land in geographical order much time would have been saved. But in order to value undeveloped land a great deal of preliminary investigation had first to be undertaken in order to determine which land came within the statutory definition. The valuer had then to travel from place to place to value it. A great deal of undeveloped land on the margin of towns is practically derelict, often unfenced, very often unoccupied, and in the majority of cases the owner had made no return. When all efforts had been made, it was impossible to guarantee that all undeveloped land likely to yield duty had been valued; and, as a matter of fact, isolated plots of undeveloped land continued to be discovered, in localities where land of that character is not usually looked for.

End of the Task. Every effort was made to complete the original valuation by March 31st, 1915, but the outbreak of war in August, 1914, made this impossible. All valuations of the surface had, however, been made by the end of July, 1915, with the exception of three districts. The work was practically completed (so far as it could be completed on the ground) by the end of September, 1915. It is estimated that at least 60 per cent. of the valuations have become final. During the war no valuations became final unless at the owner's pressing request.

Cost of the Valuation. No exact record has been kept of the proper proportion of the total cost of the Valuation Office to be allocated to services other than the work on the original valuation, but a reasonable estimate would be 33 $\frac{1}{3}$ per cent. The aggregate cost up to September, 1915, including the estimated charges borne upon the Votes of other Departments was £3,025,550. Deducting 33 $\frac{1}{3}$ per cent. as accounted for by other services leaves a sum of £2,017,034 as the approximate cost of the original valuation. Dealing with the cost in detail it will be found that the figures work out as follows: 10,585,586 hereditaments were valued at an average cost of 45.73 pence each; and alternatively, 56,144,309 acres were valued at a cost of 8.62 pence per acre.

Statistical Results. Up to the present there has been no opportunity of totalling the valuation books or analysing the results of the work. The figures given in Table A have been compiled from the monthly returns sent up by district valuers to indicate their progress.

Table A, to which Mr. Harper refers, gives the aggregate "total value" (i.e., gross value less fixed charges such as chief rents, tithes and feu duties, and less easements, rights of way, etc.), and the summary is as follows:—

England and Wales	£4,768,388,662
Scotland	499,395,393
Great Britain	£5,267,784,055