

## THE LAND CLAUSES OF THE FINANCE ACT

SECTION 10. *Subject to the provisions of this Part of this Act relating to exemptions, there shall, in respect of all land in Great Britain, be charged for the financial year ending the thirty-first day of March, nineteen hundred and thirty-four, and for each subsequent financial year, a tax (to be called "land value tax" and hereinafter in this Part of this Act referred to as "the tax") at the rate of one penny for each pound of the land value of every land unit.*

### The More Important Amendments and Concessions

Alterations in Parts I and II of the Bill, relating to Customs and Excise and Income Tax, cause Part III to begin at Section 10 instead of Section 7, as in the original Bill. The changes mentioned below in Part III can be studied by reference to the review of the Bill which appeared in our previous issue. The new arrangement of the Sections in Part III is as follows:

#### PART III—LAND VALUE TAX

Section 10. Charge of the Land Value Tax. [The text is given above.]

Sections 11-16. Valuation, Objections and Appeals.

Sections 17-23. Assessment, Recovery and Recoupment.

Sections 24-25. Exemptions and Relief.

Sections 26-34. Supplemental—including provision (S. 26) that the tax shall be paid by owners, any lease-agreements to the contrary notwithstanding; power of commissioners to obtain information (Ss. 27-28); and definitions (Ss. 31-32).

Section 35. Application of preceding Sections to Scotland. *Two Schedules.*

#### SOME AMENDMENTS AND CONCESSIONS

##### Valuation

The valuation date [S. 32—*definitions*] has been put forward to 1st January, 1932, for the first valuation. Succeeding valuations take place on 1st August, 1936, and thereafter every fifth year.

In the original Bill tithe and tithe rentcharge, or other payment in lieu of tithe, would have been included as part of the land value. The land will now be valued as if subject to, instead of free from, that burden.

The "cultivation value" of agricultural land will include [S. 11 (2) (b)] not only agricultural buildings, but also agricultural cottages.

In the matter of notices of the valuation supplied to owners the original provision was that such notice would be sent only in connection with the first valuation; at the succeeding valuations the publication of the register was to serve in lieu of any notices whatever. It is now provided that the owners will receive notices at succeeding valuations wherever the entry in the register is not the same as at the previous valuation.

##### Objections and Appeals

The time-limit within which an owner may make objection after notice of the entry has been served on him has been extended from 30 to 42 days; in the second and succeeding valuations the owner who has not received notice of an altered entry may make an objection within 60 days after the date (1st August) on or before which the register must be deposited. The time-limit within which appeal must be made against refusal to consider the objection has been fixed at not less than 42 days, whereas in the original Bill the time-limit was left for the Reference Committee to prescribe.

The owner may object to and appeal against [S. 14 (2)] the decision of the Commissioners to value as one land unit two or more pieces of land under separate occupation but in the same ownership.

The Reference Committee which appoints the Panel of Referees for England and Wales will include the President of the Law Society along with (as originally

provided) the Lord Chief Justice, the Master of the Rolls and the President of the Chartered Surveyors' Institution.

##### Lessors and Lessees

Section 26 provides that where, by any lease granted before or after the passing of this Act, provision is made for any tax or other imposition to be payable by the lessee, that provision shall not apply in respect of the land value tax. The words *or after* were added to the original Clause.

##### Feu Duties and Ground Annuals

In Section 35 (v) the provision that superiors are to pay a proportionate share of the land value tax has been extended to receivers of ground annuals. The feu duty and the ground annual have thus been put on the same basis.

##### Assessment of the Tax

The most important change is that in Section 19, which for purposes of assessment reduces the land value by four times the "annual value" on which Schedule A income tax is based. This provision is discussed elsewhere.

The Commissioners may make an assessment at any time not later than three years after the end of the year of charge to which it relates. The original provision was six years. The time-limit within which appeals may be made against assessments has been extended from 30 to 42 days.

##### Exemption of Charitable Endowments

The "Exemption Clause" offered the target for a concentrated gunfire in behalf of religious, educational and charitable endowments. The original Bill exempted land actually occupied and used for purposes of churches and hospitals. It now also exempts the land *owned* by these institutions, as well as the land *owned* by the persons that at present enjoy "exemption from income tax under Schedule A of the Income Tax Act, 1918, by virtue of Section 37 or Section 38 of that Act, or Section 30 of the Finance Act, 1921, or allowance in respect of such income tax by virtue of that Schedule."\*

The general caption under which the exempted persons and bodies come is that they promote "charity" or are organised for "charitable purposes." The Solicitor-General, when he moved the Amendment (24th June), with this concession that makes tax-free the "rents and profits" of a large class of landowners, explained that the expression "charitable purposes" was very wide indeed. It covered four main heads—the relief of poverty, the advancement of education, the advancement of religion and other purposes beneficial to the community. It was impossible to give an exhaustive list, but he named (besides hospitals) churches; the Ecclesiastical Commissioners; the Y.M.C.A.; all public schools, the term "public school" including all schools which received grants from local authorities and the Board of Education; universities and colleges; the Trustees of Scholarship Funds; the Royal Lifeboat Institution; Societies for the protection of children; village institutes, clubs for poor boys and girls; the National and the London Playing Fields Associations. That was only a very limited list of the type of bodies,

\* See Footnote to next column.

and to that might be added bodies like the Yorkshire Agricultural Association and a number of other agricultural associations.

#### *Friendly Societies and Housing Associations*

Under the exemption clause (24) the land value tax will not be levied on land owned by a registered friendly society nor on land owned by associations, limited as to their dividends, which provide houses for the working classes.\*

#### *Playing Fields*

Since the lands owned by the institutions and bodies mentioned above will be exempt from the tax, the exemption applies also to any playing fields they may own. There is a further general exemption to playing fields which was adopted on the report stage, 3rd July.

A playing field is defined as "land used mainly or exclusively for the purposes of open-air games or recreation other than horse racing, polo, coursing, dog racing, or motor racing," and Section 24 (2) (a) provides that:—

"No tax shall be chargeable in respect of any land unit for any period during which the unit is used as a playing field under some agreement with the owner which as originally made or as subsisting at the date of the commencement of this Act could not be determined for a period of at least five years, or if there is evidence that other circumstances render it probable that the land will continue to be so used for a period of one year or more":

"Provided that, where any land unit which has been exempt from tax by reason of paragraph (a) of this sub-section ceases to be so exempt, the tax chargeable in respect of the unit for the first complete year of charge for which the tax becomes chargeable in respect thereof shall be multiplied by five or by the number of complete years of charge during which the unit has been so exempt as aforesaid, whichever is the less."

There is scope for litigation in regard to claims for exemption that may be made on such tenuous evidence as that "other circumstances render it probable that the land will continue to be so used." Probable to whom? How will the evidence be attested and how proved or disproved?

It will be noticed that the provision for imposing a multiple of the land value tax for the year when the land becomes chargeable, because it is taken out of the exempted class, applies only to land used for playing fields. It might well have been applied to all the exempted land, whether owned by churches, hospitals, friendly societies, working-class housing associations, or any of the landowning bodies who appropriate the rent or value of the land "for purposes beneficial to the community." Still better, if there is to be exemption at all, would have been a provision that the exempted land should be valued and charged with the tax year by year, the cumulative amount of the tax being payable when the land is sold or transferred to ownership or use that brings the land within the scope of the tax. But however acceptable such a provision might be, it could not have been embodied, because of the nature of the Bill as a legislative Measure.

#### *The Exemptions and the Valuation*

The exclusion of land from valuation that is not subject to the tax has to be borne in mind with reference to all these exemptions, and with reference also to the

\* If such land is subject to a lease for a term exceeding 50 years which has commenced, or to feu duty or ground annual, it will be valued and taxed: but the proportion of the tax due from these exempted bodies, either as lessors or as lessees, will be remitted.

material fact that the Bill is a "Money Bill." If the Measure had provided for valuing exempted land, it might have become more than a "Money Bill," by including provisions not directly connected with the raising of revenue; it might not have qualified for the Speaker's Certificate which has protected it against the House of Lords' Veto.

According to Section 11 (6), exempted land will not be valued till the date when it becomes chargeable to the tax; and when it becomes chargeable to tax by being transferred outside the exempted class, a special valuation of such land will be made on that date. It is true that the non-valuation of exempted land is a serious defect in the Bill, but in the circumstances things could not be otherwise. The remedy is left to amending legislation that will make the land valuation universal. These exemptions will have to be revised, and the necessity for this will be seen when the time comes to enact the future promised rating of land values. At present, rented properties belonging to churches, hospitals, schools, etc., are assessed at their "rateable value," and the occupiers—tenants of houses, business premises, etc., who provide the endowments collected from them in the form of rent—have to pay local rates on the basis of the rateable value. There has never been any question of exemption in this field; nor can there be, when the rates are transferred to the value of the land. The liability to pay the rates on the new basis will rest on those who now appropriate the land value, whoever they may be. The same principle—no exemptions—although it has not been observed in the Finance Bill, surely holds good in regard to a tax on land values levied for national purposes.

A. W. M.

## HOUSE OF COMMONS VOTES

### *Some Important Divisions on the Finance Bill*

#### BUDGET RESOLUTION—6th May

Division No. 233. "That a Land Value Tax be Charged." Carried by 289 votes to 230. Liberals voting in favour, 40; none against.

#### SECOND READING—19th May

Division No. 250. Carried by 270 votes to 230. Liberals voting in favour, 32; absent from division, 23; against Second Reading, 3—Sir R. Hutchison, G. Lambert and Sir John Simon.

#### IN COMMITTEE—9th June

Division No. 288. *Opposition Amendment to reduce the rate of tax*, which raised a general debate. Defeated by 275 votes to 225. Liberals voting against the Amendment, 27; for the Amendment, 8—D. M. Cowan, Col. England, H. Haydn Jones, Sir M. Macdonald, Dr. J. H. Morris-Jones, R. J. Russell, G. H. Shakespeare and Sir John Simon.

#### IN COMMITTEE—15th June

Division No. 303. *Opposition Amendment (verbal) relating to "cultivation value."* Snap division. The Government resisted the Amendment but were defeated by 232 votes to 208. Liberals voting with the majority, 6—L. Hore-Belisha, Sir R. Hutchison, G. Lambert, R. Hopkin Morris, R. J. Russell and Sir John Simon.

#### IN COMMITTEE—23rd June

Division No. 346. *Opposition Amendment to exempt land used for allotments.* Defeated by 256 votes to 228. Liberals voting against the Amendment, 23; for Amendment, 13—Sir R. Aske, E. L. Burgin, Clement Davies, Capt. Evans, A. Harbord, Sir R. Hutchison, R. M. Kedward, G. Lambert, J. D. Millar, P. M. Oliver, P. J. Pybus, J. de Rothschild and G. Shakespeare.

#### IN COMMITTEE—23rd June

Division No. 345. *Liberal Amendment (J. D. Millar) for a general exemption of playing fields, etc.* [A proposal to insert in the Bill the provisions in Section 17 (1) to (3) of the Finance (1909-10) Act 1910.] Defeated by 250 votes