

IS AGRICULTURAL LAND OVERTAXED AND OVERRATED?—NO!

By a Scottish Farmer

Captain A. R. McDougal is a Border agriculturist who farms successfully 1,000 acres of inferior high land from 700 to 1,250 feet above the sea level (reclaimed from heather, bog and birch by his father) and 3,000 acres of heather and hill grazing which run up to 1,500 feet.

[From the editorial note in the *Countryman*, April, 1931, where the following article appeared, the Editor saying that "of course Captain McDougal speaks for himself." We reprint the matter with acknowledgments to the *Countryman*.]

One reads so often that the agricultural landowner is unfairly taxed that an examination of the statement may well be made.

1. *Death Duties.*—Mr Churchill increased these duties in his 1923 Budget but exempted agricultural land from the increase. Mr Snowden in 1930 further increased the duties and again exempted agricultural land from the increase. The situation now is that the ordinary taxpayer pays from 33 per cent to 46 per cent more in death duties than the agricultural landowner. In the case of a £100,000 estate the difference is £6,000 in favour of the landowner. It is difficult to see any justification for exempting the landowner, the sleeping partner, from death duties and not exempting the farmer also. On a great many of our bigger farms the tenant will be compelled to pay more death duties than the landlord.

2. *Rates.*—Agricultural land in England is now entirely free from rates, and in Scotland it is also free in reality because the assessment is on one-eighth of the gross rent, which is taken as a rough-and-ready way of estimating the annual value of the houses on the farm. On a Scottish farm rented at £500, with rates at 5s. in the £, the rates would be £15 12s. 6d., payable by both owner and occupier.

3. *Land Tax.*—There remains only the Land Tax, which I think comes to less than one million pounds per annum for Great Britain, and is in its incidence almost negligible. It was a tax instituted in the Stuart kings' days, and was to be based on the annual value of all lands. A new valuation was to be made at regular intervals, but this was never done as the owners were powerful enough after the restoration of Charles II to prevent it. This tax, levied on a valuation 300 years' old, is paid by landowners only, but it is so small that it constitutes no real hardship. On a rental of £9,000 the land tax is £63 in an actual case. It varies greatly according as land values have increased since Charles II's day.

4. *Income Tax.*—This is a tax common to all and neither landowners nor tenants can complain of unfair treatment; in fact they receive special consideration. In any case, for a married man with three children, the effective rate of 4s. 6d. in the £, of income tax and supertax combined, is not paid until his income exceeds £5,000 per annum. On a farm rented at £500, and owned and occupied by married men each with three of a family, having no other income, the income tax would be 14s. on the occupier and £3 on the owner.

5. *Tithes.*—These are not taxes at all and are irrelevant to the present discussion. Tithe owners have a right of property in the land to the amount of the tithes, and that right is just as much their property as the ownership of the land is the landowners'. The original landowner got the land on condition that he paid the tithes to the Church; if the present landowner feels unable to do so,

that in no way affects the rights of the Church. Every argument advanced against paying tithes can be advanced with greater force against paying rent. Landowners have successfully shuffled off most of their responsibilities to the State. Rates were the last to go, and now it is tithes. It is difficult to see any justification for the relief, at the expense of other taxpayers, of either rates or tithes. The real remedy seems to be to forbid individuals in future to burden the land except for the execution of definite improvements, and to arrange for the compounding and redemption of existing non-remunerative burdens, such as tithes, in much the same way as casualties are now dealt with.

6. *Benefits.*—To turn now to benefits received we find the agricultural landowner generously dealt with. He can receive in free grants from 33 per cent to 50 per cent of the cost for drainage, water supplies and roads. Further, for clearing woodlands, £2 per acre; for planting, £4 per acre; for reconditioning old cottages, two-thirds of cost up to £100 per cottage. Again there are cheap State credit and loans for various purposes. In addition, the agricultural colleges and research institutions are daily adding to technical knowledge and thereby assisting agriculture. Similarly, every effort by the State for marketing and co-operation, etc., is a direct help to the agricultural landowner. In fact, there are estates which would receive far more in free grants than they pay in taxes and rates, if they set about improving their property.

7. *Sequence of Relief of Taxes, etc.*—It is interesting to note the sequence of legislation for the relief and subsidizing of agricultural landowners. The case for relief was always that rates and taxes were so high that landowners could not do their duty by their estates. The sequence of relief is as follows:—

(1) Death duties were remitted as regards new increases in 1923 and 1930.

(2) In 1925 the Housing Act gave power to local authorities to compel landlords to renovate their cottages.

(3) In 1926 the Rural Workers' Housing Act gave grants of two-thirds of the cost of reconditioning cottages.

(4) In 1928 the Credit Act gave cheap loans to landowners and supplied cheap State credit for purchase of land by farmers.

(5) In 1929 the De-rating Acts completely relieved agricultural land of all rates. It is to be noted that the reasons for these grants, high rates in particular, no longer exists, so that the fortunate landowner has got rates relief, the housing grant and death duties relief. The sequence may have been accidental, but . . . !

In face of the above facts, the cry of "Pity the poor landlord" seems both unfair and ungrateful.

Neither landlord nor tenant has been badly treated by the State, either by over-taxation or by neglect of State financial aid.

How long these very favourable conditions will last is another question, and one hopes that when agricultural land becomes the Cinderella instead of the spoilt darling, that we shall stand the shock. Enough, at any rate, to recognize now that we are not badly treated, and should be grateful, instead of wailing for more.

The reasonable deduction to be drawn from the above is that there is no justification for asking for a tariff or a subsidy to help agriculture. The agricultural industry must meet bad times itself by reduction of rent, by writing down land values, and by readjustment of methods and systems of farming.