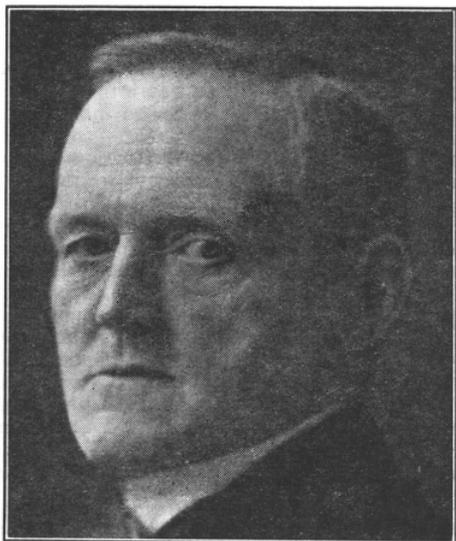


THE BUDGET AND LAND VALUE TAXATION

HOUSE OF COMMONS DEBATES



THE RIGHT HON. PHILIP SNOWDEN, M.P.
(Chancellor of the Exchequer)

FINANCIAL STATEMENT

(27th April)

The Chancellor of the Exchequer, Mr Philip Snowden, estimated the revenue for the current year, 1931-32, as the basis of casting taxation at £766,000,000, and the expenditure at £803,366,000, leaving a gap of £37,366,000 to be bridged. This difference he proposed to make good (a) with £20,000,000 to be transferred from what is known as the "Exchange Account," established during the war for purchasing foreign exchange, an account which represented £33,000,000 and could now be reduced, (b) with £10,000,000 brought into the present financial year by altering the collection of income tax (Schedules B, D and E) to make three-quarters payable on 1st January, 1932 and one-quarter on 1st July, 1932 and so in succeeding years) instead of in equal half-yearly instalments as has been the practice since 1915; and (c) by increasing the petrol tax from 4d. to 6d. per gallon, this increase taking effect at once and being estimated to yield £7,500,000 in the financial year.

TARIFF REVENUE CONDEMNED

Mr Snowden said: I have not lacked advisers in my difficulties. The Party opposite would find an easy solution of this problem by the imposition of duties upon everything. From these duties a sum of £50,000,000 to £100,000,000 a year would fall into the lap of the Exchequer as a gift from Providence, like the Israelites' manna dropped down from Heaven. No one is to pay these duties, and, incidentally, they will be levied on goods which Protection has prevented from coming into the country. A revenue tariff is advocated as the first instalment of a high general protective tariff and, so far as it produces revenue, as a means of transferring taxation to the general consumer for the relief of the direct taxpayer. It is not to be accompanied, we are told, by countervailing Excise Duties, but it will levy an Excise Duty on every article of home production, with this difference, that this Excise Duty on home production will not come as revenue to the Exchequer, but will be pocketed by the manufacturers in increased prices.

We are asked by this proposal for a revenue tariff, to go

back to the pernicious taxation methods of a century ago, which were graphically described by William Pitt when he said:—

"There is a way in which you can tax the last rag from the back, and the last bite from the mouth, without causing a murmur against heavy taxation, and that is by taxing a large number of articles in general use. The tax will pass into the price of the article. The people will grumble about high prices and hard times, but they will never know that the hard times are caused by heavy taxation."

A revenue tariff, apart from its Protectionist object, is a means of relieving the well-to-do at the expense of the poor, and is an indirect method of reducing wages. I shall never be a party to any such imposition. Taxes which would reduce the main consuming power of the masses of the people, apart from all other considerations, must be harmful to trade, and I have explained on several previous occasions my desire to avoid, if possible, all forms of taxation which, whether from the economic or the psychological point of view, would have a depressing effect on industry, and which might retard recovery in trade and employment.

"THE MAIN FEATURE—LAND VALUE TAXATION"

Concluding, Mr Snowden said: Now I turn to what I regard as the main feature of this year's Budget. The Committee will remember that in my last Budget speech I announced the introduction of a Land Valuation Bill as a prelude to levying an imposition on this basis. The Bill was, in fact, introduced later in the year, but the pressure of public business made it impossible for us to proceed with it. This year we are going to deal with the matter. Since that time I have given considerable thought to the whole subject, and I now propose to include in this year's Finance Bill provisions for the taxation of land values; provisions for the necessary and preliminary step of valuation, together with provisions for the imposition of a tax on land values upon the valuations thus obtained. I think it will be obvious, both on general grounds and also from the experience of the scheme of land value taxation introduced by my right hon. Friend the Member for Carnarvon Boroughs (Mr Lloyd George) that it would be unwise, if not impracticable, to attempt to value and tax concurrently.

The valuation is the first and, indeed, the essential step to any scheme under which a contribution to the needs of the community can be levied upon land values. I propose that the valuation should be substantially completed before the tax begins to be levied. Thus, the impost will not become operative during the current financial year, and this will necessitate a somewhat special procedure, about which I shall have something further to say in a moment. Let me first say that the valuation will, I hope, be completed within a period of two years from the passing of the Bill. It will thus be available, subject to periodical revision, as a basis upon which to charge an annual tax for 1933-34 and subsequent years. That tax, for which provision will also be included in the Bill, will be at the rate of 1d. in the £ on the capital land value.

I am advised that it is not possible to include in this year's Finance Bill provision for the imposition of taxation in a future year without taking certain special measures. I propose, therefore, as soon as the usual discussions on the other Budget Resolutions in Committee have been concluded to bring before the House a separate Resolution. This Resolution will authorize provision to be made in this year's Finance Bill for giving effect to any Resolution which may be passed in Committee of Ways and Means for imposing a tax on land values to come into operation at a date subsequent to the expiration of the current financial year.

The proposals that we shall submit for dealing with this reform will, I am convinced, be heartily welcomed and

supported by the great majority of the House of Commons and the country. The scandal of the private appropriation of land values created by the enterprise and industry of the people and by the expenditure of public money, has been tolerated far too long. In asserting the right of the community to a share in what has been created by the community, we are taking a step which will be approved not only by the Labour and the Liberal Parties, which have long advocated this reform, but also by a large number of Conservatives, whose sense of justice is outraged by glaring examples of the exploitation of the public by private land monopolists. The present system stands in the way of social and economic progress, inflicts crushing burdens on industry and hinders municipal development. When we have carried this measure, as I am sure we shall, and as we are determined to do, we shall look back upon the Budget of this year as a landmark on the road of social and economic progress, and as one further stage towards the emancipation of the people from the tyranny and the injustice of private land monopoly.

Mr Chamberlain: Some of the Chancellor's proposals we may feel, in the circumstances and within the limitations which the Government have imposed upon themselves, might have been worse. To others, we shall have to offer the sternest opposition.

Mr Lloyd George: There is one feature at least which rejoices my heart. I hope that when the right hon. Gentleman comes to deal with it, he will benefit by some of the painful experiences which I had in 1909 and subsequently, and avoid some of those pitfalls. I have no doubt that he will do that.

(28th April)

Mr Neville Chamberlain (Conservative): The Free Traders have been relieved, because the Chancellor has indicated that once again his virtue will withstand all attempts upon it and all temptations to dally with a Revenue tariff. The owners of land are relieved, because, while they knew beforehand that some mischief was afoot, they have now discovered that Land Taxes will not, at any rate, become operative for another two years; and many things may happen in two years; many schemes may "gang agley."

I contemplate with a good deal of apprehension the setting up of new machinery for the purpose of land valuation.

Sir D. Maclean (Liberal): The Liberal Party welcomes that part of the Budget which deals with the taxation of land values. It is a proposal which has been far too long delayed. Great and overwhelming has been the injustice for many years past. Every thousand pounds that the country spends now on public improvements adds to the necessity of carrying through this much-needed reform.

Colonel Wedgwood (Labour): I am indeed glad to have this opportunity of congratulating the Chancellor of the Exchequer for doing something which in the long run must be of definite and permanent advantage to employment in this country. I see that the hon. and gallant Member for Rye (Sir G. Courthope), in an interview with a correspondent of the *Times*, states:—

"There is no doubt that the threat of land values taxation, however small its eventual incidence may prove to be on certain classes of land, will have a depressing effect on market prices."

That is precisely what I hoped. It is not the actual incidence of the tax or the amount of the tax, but the fact that for the first time there is a chance of levying an annual impost on the value of land which is not being put to the best use at the present time. That annual tax will act as a perpetual incentive to the owners of such land to allow people to use that land on cheaper terms than they can obtain at present.

Mr Milner Gray (Liberal): I would like to see the land taxes speeded up. I do not see why we should wait for two years for them. There may be difficulties of which we as back benchers do not know, but there is always the possibility of the prognostications that have come from this side of the House, that the Chancellor of the Exchequer

has over-estimated his revenue being realized, and if he could speed up the land values taxation and get some of it in this year, he would have something in hand against that prognostication. That may not be possible, but at any rate we can promise him and his colleagues that in pressing through that legislation and this Budget, which we are glad is a Free Trade Budget, he will have the full support of members of this party.

(29th April)

Sir Herbert Samuel (Liberal): We rejoice that the right hon. Gentleman is proposing to carry into effect a reform which has been advocated by us for so many years—the taxation of land values.

As long ago as 1891 Mr Gladstone, in endorsing the Newcastle programme, approved of this reform, and if it had been carried out then, it would have been of enormous advantage to-day. My right hon. Friend the Member for Carnarvon Boroughs (Mr Lloyd George) will speak upon this matter, in which he has a very special interest—[An Hon. Member: "He turned it down."] He was in bad company in those days. He cast his bread upon the waters many years ago, and it is now returning to him after many days. As my right hon. Friend the Member for North Cornwall (Sir D. Maclean) said yesterday, we on these benches will support these proposals, because in regard to the taxation of land values they will take a necessary first step toward the adoption of a reform for which we have very long contended, and which is generations overdue.

Mr Churchill (Conservative): Until we know precisely what the land taxes are it is of course impossible to discuss them, but I hope that the right hon. Gentleman is not going to throw out a complicated scheme, in a speech or in a paper, and expect the House to form its judgment and opinion upon that without some reasonable interval for the study and examination by experts and actuaries and accountants of these highly-complicated and technical projects. I shall not attempt to discuss the matter this afternoon, because it has, of course, nothing whatever to do with this Budget, or the next Budget or any Budget for which the right hon. Gentleman is likely to be responsible. If these land valuation proposals are empty of money they are quite full of politics, and I only express the hope that their political aspects will be studied with as much care on this side of the Committee, as they have evidently been studied on the other side.

THE ENABLING RESOLUTION

FINANCE BILL (PROCEDURE)

(30th April)

The Chancellor of the Exchequer (Mr Philip Snowden): I beg to move,

"That, notwithstanding anything in the established practice of this House to the contrary, provision may be made in the Finance Bill of the present Session for giving effect to any Resolution which may be passed in the Committee of Ways and Means, and agreed to by this House, for imposing a tax on Land Values, although the tax is not to come into operation until a subsequent financial year."

In the Budget speech and in the answer which the Prime Minister gave to the right hon. Gentleman, the Member for Edgbaston (Mr Chamberlain), last Tuesday, an explanation has already been given of the circumstances in which it became necessary to frame this Resolution. In 1909 an attempt was made to carry out land valuation and taxation simultaneously. In the light of what happened then, and on general grounds of practicability, I have come to the conclusion that it would be courting disaster to repeat the attempt, and I am, therefore, proposing that the first step should be that of making the necessary valuation, to be followed by the assessment and collection of the tax in a later year when that valuation has been substantially completed.

I, accordingly, propose to include the necessary provisions both for valuation and the imposition of the tax in the Finance Bill of this year. As a result, it will be possible to proceed with the work of valuation as soon as the Finance

Bill passes into law, and as the work of valuation will occupy a considerable time, I intend that the tax should become chargeable for the first time, not in the current financial year, but in respect of the year 1933-34, by which time we hope the valuation will have been completed. Members will recall that last year I introduced a Bill designed to make the valuation provisions operative, but time did not permit of the consideration of that Bill by the House. Now that the proposal has been revived in conjunction with a scheme of taxation, it is obvious that it is of the utmost importance that the two matters, that is, valuation and the imposition of the tax, should be dealt with together as a whole. But it may be asked, why not in a separate Bill? Well, many answers could be given to that. I see that some of the newspapers have assumed that the real purpose of this Resolution is to ensure that these land proposals will have a safe passage to their destined haven. If that result is assured by this Resolution I should regard it as an additional recommendation. It is surely the duty of the Government, before they embark upon a measure, to be quite sure that its course is clear, and that the Bill does not encounter rocks and shoals.

For the moment I will content myself with saying that the scheme is an integral part of our financial programme of the year; indeed, the most important part of our financial programme. Last year I intended to do what I now propose, that is, to include provisions for both valuation and taxation in the Finance Bill. But that Bill was long, and contained a considerable number of highly controversial subjects, and if I had added to the Bill another controversial issue, then what the right hon. Gentleman, the Member for Epping (Mr Churchill), calls "the legitimate resources of Parliamentary obstruction" might have prevented the Finance Bill from passing this House within the dates prescribed by the Gibson Bowles Act. That would have resulted, of course, in complete financial chaos. Being prevented from including these proposals in the Finance Bill of last year, I expressed my intention of introducing a separate Valuation Bill, and, in the end, although the Bill was introduced, the pressure of Parliamentary time prevented it from being proceeded with. On further consideration it seems to me to have been rather a mistake to introduce a Valuation Bill, apart from the taxation proposals for which the Bill is required. You cannot dissociate the creation of machinery from the purpose for which the machinery has to be used, and it is entirely fitting that the measure, which sets up the machinery, should also lay down and indicate the purpose for which that machinery has to be provided.

Accordingly, if the Finance Bill is the proper measure in which to introduce proposals for the imposition of this taxation, it is unquestionably the proper place for the creation of the machinery for the purpose of the taxation which is to be imposed. Moreover, apart from this, it will be an obvious economy of Parliamentary time to include not only the two things, valuation and imposition of taxation, but the rest of our proposals in the same Bill.

Here we are met with a difficulty of procedure. The practice of this House is that in any year the Finance Bill is regarded as the vehicle for the taxation of that year, and, therefore, in general it might be held that a tax should not be imposed in any year unless it becomes operative in that year. This practice is possibly in ordinary circumstances a prudent one, but it seems to me not to provide for a case in which, although the tax is not immediately operative, its indispensable preliminary machinery must be set at work at once, and the procedure now proposed is to meet this difficulty.

[After several Members had spoken on the precedent being established]—

The Solicitor-General (Sir Stafford Cripps): If the procedure proposed is adopted, that when the year comes for the tax to be levied, there will be no need of any financial Resolution, and no need of any Clause in the Finance Act, because the date upon which the tax will be levied will be fixed by the Bill which will be passed this year. That will finally determine the matter, unless of course a subsequent Parliament at any time takes some steps to alter it.

Mr Charles Williams (Conservative), and Mr Marjoribanks (Conservative), also spoke in the debate. The Resolution was carried without division.

LAND VALUES TAX RESOLUTION

COMMITTEE STAGE

(4th May)

The Chancellor of the Exchequer (Mr Philip Snowden): I beg to move,

"That there shall be charged for the financial year ending the thirty-first day of March, nineteen hundred and thirty-four, and for every subsequent financial year, a tax at the rate of one penny for each pound of the land value of every unit of land in Great Britain."

Under the terms of this Resolution, if it be accepted, the Government will be authorised to introduce in the Finance Bill provisions for a valuation of the land of the country and for the imposition of a penny in the pound annual tax upon the ascertained capital value. The proposals which we shall submit and which I shall describe this afternoon propose certain limitations on the wide terms of this Resolution and certain exemptions from the operation of the tax which will make the measure more simple and more practical without in the least impairing its effects.

This proposal has been in the programme of the Liberal Party for about 40 years. It has been in the programme of the Labour Party ever since the inception of that Party. The underlying principle of this Resolution has often found support. Measures embodying it in Conservative Parliaments have on six occasions passed a Second Reading; 600 municipalities in the country, mainly Conservative, have petitioned Parliament to deal with the matter; and conferences of local authorities are regularly held in order to impress upon Parliament its importance. Eminent economists have given support to the proposal; Select Committees and Royal Commissions have been appointed by Parliament to inquire into this question. Indeed, so widespread is the demand for legislation of this description, that it might almost be said that it is a question which transcends all political differences.

I see that the widely-circulated newspapers of Lord Beaverbrook and Lord Rothermere are giving support to proposals for dealing with this subject. The views of these men, I have no doubt, will receive proper respect and consideration.

We have set our hands to this task and we are going to see it through. By this measure we assert the right of a community to the ownership of land. If private individuals continue to possess a nominal claim to the land, they must pay a rent to the community for the enjoyment of it, and they cannot be permitted to enjoy that privilege to the detriment of the welfare of the community.

WHY TAX LAND VALUES

Land differs from all other commodities in several respects. The land was given by the Creator, not for the use of dukes, but for the equal use of all His people. A restriction in the freedom to use land is a restriction on human liberty and freedom. To restrict the use of land by the arbitrary will of its owner, enhances its price, raises rents, hampers industry, and prevents municipal development and the promotion of social amenities. Every increase in population, every expansion of industry, every scientific development, every improvement in transport, all expenditure of public money, indeed, every child born, adds to the rent of land. Rent enters into the price of every article produced, and into every public service. The instances of this, proving the truth of this statement, are so obvious that illustrations are hardly necessary. Forty years ago, Mr. Goschen, standing at this Box and replying to a charge that the wages of Government workmen were too low, said: "I know they are. I have raised them, but I find that every time I raise the wages, the landlords raise the rents."

Land values are rising in all built-up cities, and fabulous prices are being demanded and paid for every public improvement, or when land is sold by public auction for other purposes. A striking instance of that is to be found in Liverpool. The Lordship of Liverpool was sold in 1635

for £450. Quite recently, sites have been sold in the centre of Liverpool at the rate of more than one million pounds per acre. Comparable cases are to be found in every one of our large towns and cities.

A PUBLICLY CREATED VALUE

Public attention has been, in the main, called to this evil because of the rise of new districts and the extension of towns in suburban areas. Never in history have land values been rising in rural areas and on the outskirts of our towns at the rate at which they are rising to-day. Motor transport has effected a revolution. It has practically destroyed the distinction between the rural and urban parts of the population. We go on, at the public expense, spending millions of pounds of public money on the making of roads, in order to make agricultural land into land eligible for building purposes. May I give the House a few instances which were given in a widely-circulated Conservative newspaper a short time ago? This appeared in Lord Beaverbrook's *Sunday Express* and it dealt with the rise of land values in certain London suburbs.

[Here Mr Snowden quoted from the article that was reprinted in our columns, October, 1930, issue.]

Lord Ashfield has pointed to the fact that the building of the Underground Railway to the outer districts has vastly increased the price of land. He said at one shareholders' meeting:—

"Land speculation at the Edgware terminus had forced the price to a level which restricted purchases, and he suggested that something should be done to secure the increment value due to the making of the railway."

I have here a summary of 14 cases, taken at random, where local authorities have bought land for housing purposes. Altogether these cases comprise 3,000 acres. The price paid was £582,509. When we refer to the rating assessment to see what the estimated value of this land was for rating purposes [taking 30 years' purchase of the existing rateable value—*Ed., L. & L.*], we find that it was £120,000. Let me give one particular instance, a very modern one—the London County Council Becontree housing scheme. The London County Council bought just over 2,000 acres. According to the assessment for local rating it was valued at £7,000. They received for it £295,000. They left the taxpayers to provide the subsidies on the houses that were built on this land, and they left the ratepayers to make streets and roads, schools and playing-fields and the other work of the amenities of a town of that sort. I ask this question: Why should there be one value for rating and five times that value when land is required for building?

THE LAND VALUATION

As Members are aware, the first task in the taxation of land values is the valuing of the sites. This we propose to do, and when the valuation is complete we propose to tax at a penny in the £ upon the ascertained capital value.

In the course of the discussion a few days ago, the hon. Member for mid-Bedford (Mr. Gray) expressed his regret that the valuation would not take place so that it would be possible to impose the tax within the next 12 months. My friends behind me have already expressed to me a similar regret. I must say that they show considerable lack of comprehension of the magnitude of this question. There will be from 10,000,000 to 12,000,000 of separate hereditaments to value. A large staff will have to be engaged. But they will not be able effectively to begin the work until about next October. But I will point out this to my hon. Friends: **The revenue from the taxation of land values is not by any means the only advantage that we hope to attain. There is, in my opinion, a more important advantage. It will cheapen land; it will throw open land for use. I would also point out that these advantages will begin to accrue as soon as the Bill becomes law.**

AGRICULTURAL LAND

Hon. Members will not expect an exhaustive account of my actual proposals before the Finance Bill is published; but it is, of course, due to the Committee that I should here and now give an outline of the scheme. I do not

propose that the tax should apply to agricultural land as long as it has no higher value than its value for agricultural purposes. Why? an hon. Member opposite asks. Because it is not worth while, because it would probably cost more than the effort is worth. Of course if during the Committee stage of the Finance Bill hon. Members opposite, who appear to be disappointed that agricultural land is not to be taxed, propose such an Amendment, I shall be very sympathetic to it. Where agricultural land has a higher value than its agricultural value, its cultivation value, it will be subject to the tax, but only on the excess of the value over its agricultural value. In short, purely agricultural value of agricultural land will be exempt from the new charge. That applies to allotments and market gardens, except in so far as they may have a ripening or a ripened building value.

REVALUATION

It is proposed that a valuation shall be made as from 1st August next of all the land in the country which is not specifically exempt from taxation. The values so ascertained will remain in force for five years. A revaluation will take place as from 1st August, 1936, and so on at intervals of five years. The unit of valuation, generally speaking, will be every piece of land which is in separate occupation at the valuation date.

DEFINITIONS

The definition of land value in the Finance Bill will be framed with full regard to the practical business of making the valuation complete in two years, while keeping in mind the general principles underlying a proper conception of land value. Speaking broadly, the land value will be represented by the price which a purchaser would pay for a piece of land at the date to which the valuation is directed, if, firstly, the existing buildings and works, with certain exceptions thereon, were not there, and secondly, all other pieces of land were in their existing condition with all buildings and improvements thereon. In other words, what is contemplated in the Bill is a piece of land in the state in which it is so frequently found to be offered for sale in the ordinary way, namely, as a vacant plot, unbuilt on, ready for use for building or agricultural purposes as the case may be in rural areas, or as a plot for building or some other industrial purpose in urban areas. In addition, in order to give effect to my proposals in regard to agricultural land, a further value will be ascertained in cases where the land has a higher value than its value for purely agricultural purposes; the value which is termed cultivation value is ascertained on the basis I have described, but on the assumption that the use of the land is permanently and solely restricted to agricultural purposes.

PUBLICITY

The Bill provides for the deposit in the offices of the local authorities of a register showing the value of every unit of land within its area, and the register will be open to inspection. On the occasion of the first valuation, a copy of the valuation of each unit will be served upon the owner of the unit, and deposit of the valuation will take place at a later stage when the whole valuation has been substantially completed. On subsequent revaluations service upon the owner will be dispensed with. The valuations will be deposited, and owners will be entitled to ascertain from the deposited list the valuations placed upon their units of land.

BASIS ALSO FOR LOCAL RATING

This valuation will, I hope, form the basis in arriving at the purchase price of land for public purposes, and I hope also that it may, and before long, form the basis of transferring local rating from houses, buildings and improvements to site values.

CHANGES IN OWNERSHIP

As I have said, the valuation, once settled, remains in force for five years. Of course, it is certain that in the quinquennium there will be changes in the ownership of land, and when a plot of land is divided between different owners we do not propose a new valuation; until the next general valuation the total value will be apportioned

between the additional owners and the original owner if he still retains a share of the ownership of land.

PARTICULARS OF SALES, ETC.

The Bill will confer power to require returns from the owners where necessary, and I propose also to reintroduce the provision under which information as to land sales and lettings shall be furnished to the Board of Inland Revenue as was the case up till eight years ago. That provision was abolished in circumstances with which some Members of the Committee will be familiar. It is necessary that this should be done in order that the Department of Inland Revenue shall be able to carry on their work effectively. They must keep a record of changes not only of ownership, but of changes in the value of land.

THE COST OF VALUATION

There will be from 10,000,000 to 12,000,000 separate hereditaments to value, and the process is expected to take two years to complete. I wish that it could be done in a shorter period. The cost of the valuation will depend on the form in which the Bill emerges from Parliament, and also on the degree of co-operation or opposition that we get from landowners. I am naturally not in a position to give an exact figure as to the cost of this valuation, but I estimate that the cost will be between £1,000,000 and £1,500,000, spread over three financial years; perhaps £300,000 or £400,000 of that will fall in the current financial year.

DEALING WITH APPEALS

With regard to the provisions for appeal against the valuation, objection to the amount of the valuation may be made by the owner of the land unit. Any objection that is over-ruled will be referred to one of the panel of referees which is appointed under Part I. of the Finance (1909-10) Act, 1910. His decision will be final, except of course on a point of law, which can be taken on appeal to the law courts.

ESTIMATES OF YIELD

My proposals provide for the imposition of a tax on land value. The tax will be a general tax on land value levied annually at a rate of one penny in the pound from 1933-34 onwards. The taxation proposals are consequently both more simple and more general than those in the Budget of 1909-10, and any criticism of these proposals based upon that scheme will not only be very foolish, but quite irrelevant. Until considerable progress has been made with the valuation, it will be quite impossible to give even an approximate estimate of the yield, and I do not propose to lay myself open to a future accusation of having been proved a very false prophet, because any estimate I might give might be absurdly low or fantastically high.

WHO IS TO PAY ?

Where land is owned and occupied by the same person, the tax will, of course, fall upon him, but where it is not held by one individual, but by a number of persons holding various interests, such as leases and sub-leases, and so on, the tax will be charged upon the lessee who holds under a term, as originally granted, exceeding 50 years, or, if there is no term of such length, by the freeholder. Where the tax is to be paid by a lessee, however, provision will be made to enable him to pass it back in certain circumstances.

Sir Austen Chamberlain : What are the circumstances ?

CERTAIN EXEMPTIONS

Mr Snowden : They will be explained later. Certain exemptions from taxation will be contained in the Bill. In the first place, certain classes of land will be exempted, the exemption being dependent on the ownership or use of the land. Such lands include the sites of churches and other buildings used for public worship, churchyards and burial grounds, land owned by the National Trust, land owned by local authorities, sites of hospitals and almshouses, land owned by railways and other public utility concerns working under statutory limitations where the land cannot be alienated for other purposes.

In regard to minerals, the practical difficulties in the way of dealing with these are, we find, almost insuperable. It would in any case greatly delay the completion of the valuation, and it must be borne in mind that coal and some other minerals are already subject to the Mineral Rights Duty, and coal to the Miners' Welfare Levy. Moreover, I may say that it is the programme of the Government to nationalize minerals in due course.

THE SMALL PROPRIETOR.

It is obvious that there will be an enormous number of assessments where the amount involved is negligible, and where the amount of tax will probably be no more than a few coppers, and, obviously, it will not be worth while to collect these small taxes; so I propose that individual taxpayers shall be relieved of tax for any year for which he proves that the total amount payable by him does not exceed 10s., a sum equal to tax on a capital value of £120. As hon. Members opposite appear to be much interested in the matter, I will add the further information that this relief will relieve practically the whole of the dwellings owned by the working classes.

A PRACTICABLE SCHEME

In preparing a complicated scheme of taxation of this nature innumerable occasions arise when there is some degree of conflict between abstract theory and administrative practicability. Whenever, in the course of my long preparations of this scheme, this conflict has arisen, I have striven to get as near logicality as was consistent with the simplicity and effectiveness of the scheme. If some of my hon. Friends regard this scheme which I have outlined as failing in some detail to comply with the requirements of strict logic, let me assure them that I have departed from abstract theory in no case except for overwhelming reasons. Let them remember that the one scheme of land values taxation which has been tried in this country broke down largely because of its complexity. A second administrative failure would be a disaster. It would certainly discourage the advocates of this reform, for which they have been fighting for so long. I cannot hope that my scheme will be regarded as perfect in all quarters. The first attempt at a scheme of this sort must reveal complications and difficulties, and it cannot be expected to be perfect in detail. In Committee on the Finance Bill I shall be prepared to give favourable consideration to all Amendments which will improve the Bill, but I can and do claim that the scheme as it will be introduced is a practicable and beneficial measure, which will deal effectively with a great social wrong, and it is in that belief that I confidently submit this Resolution to the House.

Sir Austen Chamberlain (Conservative) : The Chancellor assumed that the land is the property of the community, but when the community has encouraged the people to deal in it, to buy and to sell it, are you to treat the value which is created and being paid for as something which is now to be taxed as if it had never been paid for? The justice of your tax from that point of view depends upon the length of time the land has been in the same occupation, and upon whether the value accrued since the present owner came into occupation or whether it is the value for which he has already paid somebody else. You make no distinction. You tax the owner on a value for which he has already paid in full, and not merely upon fresh values which might accrue. If you want to do this thing with any degree of fairness, surely you must start with the present values and you must lay your tax on the increment value of the future. You cannot with fairness tax a man out of the property which you have not merely allowed but encouraged him to purchase and to pay for.

I take a famous case in agriculture. What was the value of the Bedford Level before it was drained? I take a case of urban development. What was the value of Bournville before the Cadbury family developed it? There, it is not the community which has made the value for the Cadbury family, it is the Cadbury family who have created a great employment and industry occupying a great number of individuals. The value was not created by the community, but by the individual, and but for the enterprise, exertion and foresight of the individual the value would never have existed.

I have shown that in many cases the value has been created by man. The land itself has been created by man in some cases. You ignore that. The instances the Chancellor gave were of land which, owing to the spread of population, or to the development of communications or other similar causes, had suddenly or rapidly increased enormously in value. He says that the public is entitled to a share of the increment. Let us grant that the public is entitled to a share of that increment—for the purposes of argument let us grant that the public is entitled to the whole of the increment. What connection has a penny tax on the capital value of land, whether it is increasing or not, whether it has increased or not, to do with the obtaining for the public of increment value produced by public exertion or public money? If land is a monopoly, one thing is certain, that any additional charge upon it will be passed on. If it is not a monopoly, the case for special taxation fails. . . . What is the relation of this new proposal to town planning? Under the town planning proposals, if a public improvement creates a betterment, the local authority is to be entitled to the whole of that betterment. Is the right hon. Gentleman's tax on the landowner going to be on that increased value irrespective of the fact that the increased value has already been taken by the local authority?

That land should not be held up against the interests of the community is a principle to which all of us can subscribe. That land should be available to the community at a fair price for any public purpose is, again, a principle to which every one of us can subscribe. But that you can single out land for a special and penal taxation is quite a different thing, and has no connection with the introductory observations made by the Chancellor of the Exchequer.

Mr Harris (Liberal): In New Zealand, in Australia, and in parts of Canada, we can see a similar proposal to this actually in practice, and all the right hon. Gentleman's alarmist prophecies to-day have not been fulfilled in our Dominions. So far from handicapping town planning, this is the right way to bring it about, because, instead of the land speculator having full play, if he tries to hold up the land in future he will have to make his contribution to the State through this modest proposal of a penny tax on the capital value.

To-day I happened to be present at the County Hall at a deputation representing all parties, with reference to what is known as the Foundling Site. Those nine acres of land are badly wanted. They are wanted as a playground for children, and they could very easily be utilized to advantage for dealing with the slum question. But the price asked by the proprietors is no less than £450,000. It occurred to me, as I listened to that deputation, that a penny tax on the capital value would have had a very healthy effect in bringing down the price. The owners would not have been so anxious to hold it up for the last penny and the public might have been able to buy it at a more reasonable figure.

If we can use the valuation that is now going to be carried out, put through, I hope, as speedily as possible, not only, as the Chancellor suggested, for the purpose of helping taxes, but also of assisting the system of levying rates, we shall do more to help industry and, what is perhaps not less important, to stimulate the building of houses, than by probably any other reform.

I hope the Government will not lose courage and will not whittle the proposals down as the result of pressure. I hope, if the proposals are to be amended that they will be amended on the lines of making them more available for rating purposes.

Sir Hilton Young (Conservative): There is only one possible way of scientific application of this tax, and that is you should fix your value at a definite time, say, the present, and tax only future sales on which there is a future increment, after the present valuation. You should tax only the unearned increment itself, that is the actual increase in value which is due to community action, and not any value due to any investment of capital upon the land. It is practically impossible to make any true distinction, any accurate and valid difference in the valuation between the improved and

unimproved value of the land. The beautiful theory of the taxation of site values is totally inapplicable in this imperfect, practical world in which we live.

Colonel Wedgwood (Labour): The first thing that we must get into our heads in this Committee is the complete and radical difference between the old tax on the unearned increment of land and the tax proposed to-day of 1d. in the £ every year on the capital selling value of the land. The two taxes are poles apart. A tax levied on the increased value of land, on the sale of the land, necessarily checked sale. Such a tax is passed on to the purchaser and adds to the cost of production.

In 1931, we are not repeating that tax. The present proposal is completely different. It is not a tax to be levied only on sale, but it is a tax to be levied every year on the market value of the land. What must be the effect of that? The ordinary owner of land, faced year by year with this tax upon the selling value of his land, will have a greater incentive to sell that land than he has at the present time. He will be more anxious to sell.

A tax upon the capital value of land, levied year by year, is not passed on to the consumer, the user of the land, but falls directly upon the owner of that land and is, in fact, a reduction in the selling value of that land by the capitalized value of the tax paid upon the land. Let me make that point clear. If you are lucky enough to own a piece of land worth £1,000, the very fact of the passing of this Act will reduce its value from £1,000 to £900. It means the transference of the economic rent from the private pocket of the landlord into the public pocket of the State. It makes no difference to the user of that land, but it does make a difference to the amount of rent going into private pockets.

I would point out to occupants of the Government bench that it was the unfortunate willingness of the Chancellor of the Exchequer of that day (1909-10) to accept at their face value the proposals of hon. Members opposite, which spoils his Bill. I trust that we shall have less willingness to accept apparently innocent Amendments, when the fact is firmly realized that every one of them is drafted by the Land Union.

In New York you find year after year the valuation of the land and the valuation of the buildings stated quite clearly side by side. You can compare them over a series of years, and you can watch how the value of the land increases. There is no difficulty in valuing a site clear of the buildings.

It is not only in our Dominions that this is being done. Go to Denmark, the most progressive of European countries. There you have not only local taxation levied upon land values but also this particular tax. In no case, in no country on earth, in no British Dominions, have they ever attempted an elaborate tax upon the unearned increment of land. Wherever it has been done it has been a tax upon the capital value of the land, and not a tax, unscientific and uneconomic in its effect, such as was introduced in the 1909 Budget. The weight of experience abroad is in favour of this direct tax and proves also that it is perfectly possible to distinguish between site and buildings so that the valuer can make good his word as between the value of the site and the value of the buildings.

I want the valuation in order that the State and municipalities may get land at a decent price instead of the extortionate amounts they have to pay now, in order that we may get a change in the basis of rating, so that buildings and factories may be exempted and the tax put upon the land, and, above all, in order that the public may get land cheaper; that everyone who wants to use land, allotment holders and farmers and those who require land for building, may be able to get it cheaper than they can to-day.

Mr James Hudson (Labour): What seems to me to be the attitude of the Conservatives is that they realize that there is so much inherent justice in this proposal, and it is so well understood by the people of this country, in spite of what happened with the land taxes on a former occasion, that they will have the utmost difficulty to retain the support of the people for the general policy which they are putting forward if once they are found opposing this, thoroughly just proposal.

The man who receives rent to-day takes as much rent as the advantage of the situation enables him to take, and when you put on a tax in addition to the rent that he pays, he is not in a position to extract anything further, from the persons who are in possession of the shops, than that which he has already extracted.

If he owns the premises, he is receiving for his ownership of the premises a payment for an advantage that he has not created.

When once we have thoroughly valued the land—we may have to put up with a great deal of opposition from hon. Members opposite, and we may get their sympathetic co-operation with the Land Union and the other forces which will practise again that *sabotage* that they practised 15 and 20 years ago—when once this patient work has been carried out, when once the various exceptions that experience will reveal to us have been made and we have really got the value of the land, and understood it for what it is, we shall have a basis for future taxation infinitely firmer and better for our purposes than the basis that we now possess. It is because the Chancellor of the Exchequer, looking forward to the future and seeing the possibilities of the great extensions which we have yet to make in public expenditure, is altering the tax system to the one that he is now proposing, that I give this proposal my heartiest support.

Marquess of Hartington (Conservative): If the Chancellor of the Exchequer attempted to extract from the City of London the perfectly colossal sum which this tax would realize, on the system suggested this afternoon, the valuation of a clear-site basis and on the assumption that the other existing buildings are in their place, that is to say, a basis of pretending that things are nothing like what they are, the City of London would migrate. You would create a desert. It would be an extremely difficult task to collect what the sum would certainly amount to. It would be a sum of many millions of pounds per year.

Mr Alpess (Labour): For myself, I regard the introduction of these proposals to secure for the community the value which has been created by the community with a great deal of personal pleasure. I am certain that the vast majority of the citizens of the city from which I come, and especially the greater proportion of my own constituents, will hail the introduction of this much-needed reform with great satisfaction. The exploitation by the landowners and land speculators of this increment value is an evil which has for a long time been crying out for redress.

I have some figures which were given to me showing the almost incredible increase in the value of land in the city of Bristol. In the centre of the division which I represent land has recently changed hands at prices ranging from £200,000 an acre to the almost incredible sum of £1,650,000 an acre.

It was the amount paid for the site after the buildings had been demolished; it is the site value. A site was bought about two years ago at £19 per square yard. This was a considerable area. Five years ago £10 per square yard was considered an excessive price.

I have a long table of figures giving the prices paid by my own town council for land on which to erect working-class dwellings. They go up to as much as £539 per acre. Agricultural land contiguous to these sites on the outskirts of the city of Bristol is valued at from £100 to £125 an acre. There is something radically wrong in a system which allows either landowners or speculators to exploit the needs of the public in this unjustifiable fashion. I happen to be living on part of an estate which was acquired a few years ago by two speculators. That has all been created by the expenditure of the public. The city council widened and extended the road, and spent a lot of money in developing that part of the city. These two speculators did not hold the land very long, and the builder who erected the house in which I reside told me that they took £2,500 clean profit out of the transaction.

Land is now being sold within the three miles of the city of Bristol, which a few years ago was valued at from £200 to £300 an acre; I should seriously question whether, when this land was entered in the rate book, the owner did not designate it as agricultural land; at any rate, it was not rated at a very high figure. Within the last few years

that land has increased in value by 10 times the original value, and to-day it is being sold at the rate of £2,500 an acre.

I hope the valuation will be proceeded with as speedily as possible, and I am confident that the result of the imposition of a charge which, to my mind, is only a fractional part of the increment value, will be such as to lead our Chancellor of the Exchequer, whom we have reason to believe will be found in that position for a long time to come, to see the necessity and wisdom of increasing the amount in the pound which is to be levied.

The Financial Secretary to the Treasury (Mr Pethick-Lawrence): The full, minute, meticulous details of the scheme are not yet before the Committee, but that is always the case with new proposals which are brought in with the Budget. Full details will be before Parliament when the Finance Bill is brought in, and the opportunity is given of reading the precise words of the various clauses of the Bill.

The right hon. Member for West Birmingham (Sir Austen Chamberlain) wanted to know whether woodlands, moorlands, allotments and a number of other classes of land were included in agricultural land. Speaking broadly, the definition of agricultural land which will be put into the clauses of the Finance Bill dealing with this subject will be the definition which appears in the De-rating Act. The only difference, I think—it is a very small one—relates to land on which farm buildings are situated. It will not be necessary to value all agricultural land. There may be cases, as it were, on the margin, where the valuers may be uncertain whether there should be a site value attached to the land in addition to the agricultural value or not, and there may be some cases where valuation will take place and it will be decided afterwards that that particular parcel of land is to be exempt from taxation; but in a very large number of cases that valuation will not be necessary. Those who are charged with carrying through this valuation will be able *prima facie* to dismiss certain tracts of land as being wholly agricultural in value, and in those cases no valuation will be required. It will be a matter for the judgment of those charged with the valuation.

The restrictions imposed under the Town Planning Act are restrictions which the landowner will be allowed to take into account when the valuation is put forward.

The right hon. Member for Newcastle-under-Lyme (Colonel Wedgwood) pointed out that the rating of land value was of as much importance as the taxation of land value. The valuation of land is just as necessary for that purpose as for the purposes of the taxation of land value, and by bringing forward this Resolution we are taking the first step which is necessary for obtaining a valuation of the land, and Parliament at some future date may be asked to deal with this question.

The proposals we are discussing are not a repetition of the Increment Value Duty, and they are not a reimposition of the Undeveloped Land Duty, but something entirely distinct from either. From the way hon. Members opposite have spoken of those schemes, those who did not remember would have thought that such schemes were the darlings of the Opposition which they would have desired to keep on the Statute Book. They disliked those schemes from the beginning, and they secured their withdrawal. The proposals which the Government are now putting forward are a more scientific method of taxation, and they do not lend themselves to the criticism which was directed against the other proposals to which I have referred.

Mr Stanley Baldwin (Conservative) spoke.

Mr Marjoribanks (Conservative): The Financial Secretary told the Committee that whether valuation should be taken in the country at all depended upon the whim, or caprice, or judgment of permanent officials. He pointed out that this was not a question of an increment tax, but a tax on value. The hon. Member for Burslem (Mr MacLaren) really should be singing the *Nunc dimittis*, for he has seen the darling theory of his dreams come to light once more, and brought to light by the party to which he belongs. But let him not be too hopeful. He should wait and see what possibly can be done with them, because all experience has shown that these taxes are unworkable, and cannot bring about the results which he, as an

enthusiast and a fanatic for the taxation of land values, hopes will come from them.

What does the Chancellor of the Exchequer mean by this ambitious scheme of land taxes? Is he out for nationalization of the land as a whole, or is he following the purer doctrine of Henry George, who was not for nationalization of the land, but of land values?

If that is his plan, all I can say is that it is a singularly cold-blooded and dishonest way of nationalizing the land. He is going, really, to the door of the taxpayer of this country—the owner of land in this country—and is really going to rob the premises of their most valuable part, namely, the value of the land.

He is now a real believer in the taxation of land values as taxation, and not as nationalization. If that is so—and I think that at any rate that is his present pose—we have to investigate very simply the principles of the philosophy of Henry George, as he wrote in California in 1879.

He was an intensely human man. That is the attraction of Henry George, and that is why he has appealed for so long to the hon. Member for Burslem (Mr MacLaren) for whom I have a great respect. He saw the problem of progress and poverty. He saw, in the place where he lived, great wealth increasing by the side of great poverty, and he presumed that the cause of the whole of this tragic situation was that the landlord took an exorbitant rent.

I thought I heard the Chancellor of the Exchequer say he was going to exempt from the effect of these taxes the whole, or most, of the working classes. Apart from the nausea which that kind of class statement induces in any honest politician, I should like to refer to a speech he made in 1913 in this House:—

“The land taxes were recommended to us because it was intended that they should tax something that was not the creation of any individual but the creation of the community and, for the time being, the Chancellor of the Exchequer said he was content to take 20 per cent. of that for the State. Now he proposes to abandon that principle altogether, and he practically says that it is wrong for a rich man to take something which is the creation of the community but it is not wrong for the poor man to do so.”—(OFFICIAL REPORT, 1st August, 1913; col. 1008, Vol. 56.)

I hope when he reads the OFFICIAL REPORT he will have the unpleasant experience of digesting those words of 1913.

Mr James Scott (Liberal): I have a particular interest in the proposal now before the Committee, because in November, 1929, I introduced, by leave of the House, a Bill proposing the taxation of land values in the towns and burghs of Scotland for the purpose of local rating. That was the first skirmish we had in this House and, although the Government did not give facilities for proceeding with the Bill, it performed the rather useful service that the Bill was allowed to be introduced by a majority of 116, and it showed that a proposal for taxation of the kind had 221 Members in favour of it.

We should endeavour to hasten the completion of the valuation. I place great emphasis upon the necessity for the publication of the figures. The nation is entitled to know the amount of every unit of land and its real capital value. If local authorities have this information and are given the power they can impose a tax upon the owner upon the real capital value of the land; an act of common justice.

I should like to say to the Solicitor-General, by way of caution, that when he comes to deal with Scotland he should consider who the owner is upon whom this tax is to fall, that he should take the greatest care to see that he gets the right owner and also that he gets all the owners; there may be a number. I would also suggest that he must see that he secures a tax upon the value of rights in land—that is what I understand the Chancellor of the Exchequer is aiming at—whether these rights are what we call in Scotland superiorities, feu duties, ground annuals, servitude or real burdens or leases.

I should like to give an excerpt from the report of the Select Committee of the House of Commons on the Land Values Taxation (Scotland) Bill of 1906—with which I am sure the Solicitor-General is already familiar—on this question of whether or not, in Scotland, we ought to bring

feu duty within the scope of the tax now proposed. As far as I know the matter of rent charge in England will also arise in the same connection. Those who have enthusiastically supported the idea of the taxation of land values have always maintained that feu duties in Scotland ought to be made subject to this tax and I refer to the report of this Select Committee for support of that contention. The report says with regard to the proposal to exempt superiors and owners of feu duties:—

“It is impossible, in the opinion of your Committee, to accede to the claim. The legal relation between superior and vassal and their relative rights in the land are familiar and well ascertained in the law of Scotland. When a superior feus land he is not truly divested of the lands contained in the grant.”

If it be true that the ground-rent owner retains a right in the feu of the land, he is, therefore, part-owner of the capital value of the land and therefore ought not to escape the taxation. These may be regarded as committee points, but I think they are points which ought to be stated at a very early stage of these Debates for the consideration of the Government.

Mr Sawyer (Labour): The expenditure of the taxpayers' money on valuing the land is not what is worrying hon. Members opposite. What is worrying them is the tax which will come along afterwards. Let us realize what is behind this proposal. In Birmingham the rent paid for land totals £5,000,000 a year. That sum is paid to those who own the soil of that city by the people of the city for permission to live and work in the city. I ask the Committee to imagine a fleet of motor-cars loaded with goods and manufactures to the value of £100,000, rolling out of that city every week. That represents what is being handed over to landowners for permission to live and work in the city.

The municipal council wanted to extend their premises, and a piece of idle land was available, and the landowner said to them “You can have it for 999 years, provided you pay a ground rent of £5,000 a year and put up a building value £50,000.” Imagine a man getting £5,000 a year and not paying a cent.

A short time ago the Worcestershire County Council and the Evesham Town Council between them opened up a new road and built a bridge, and got the land for £200 an acre. That was reasonable, but after the road was built the county council suddenly wanted a couple more acres of land to build a second bridge, and when they approached the landowner he raised the price from £200 an acre to £700 an acre. Yet the Chancellor of the Exchequer is only asking for a penny in the pound!

I am interested in this matter from another standpoint, and I cannot for the life of me understand why agricultural land is to be left out. We have a migration of 20,000 young people from the country to the town every year. They came in my younger days and competed with me outside the factory gates and railway stations, bringing down wages, but they would not come away from those districts if they could get a plot of God's earth on which to earn their livelihood. Why agricultural land is to be left out of this tax, I do not understand, but possibly it is because almost every day at Question Time, and at other times as well, hon. Members opposite are crying out about the relief of agriculture. We have been spoon-feeding agriculture too long already, and the more we feed it the larger the spoon it wants. If we want to restore agriculture, we must clear those people out of the industry who are battenning on it without doing any useful service at all—that is, the landowners. It is said that they improve the land, but if they take £1,000 a year from the land, they only spend about £50 on it.

Inside the City of Birmingham we have built upwards of 30,000 houses, and we are getting too far away. We are getting seven miles from the centre of the city, so that the people cannot get home to dinner, as the tram fares make it too expensive. Inside the city, right in the heart of it, we have what is called the Edgbaston Estate. There we have land in the best ward of the city, with the lowest death-rate, with trams running through, with gas, electricity, and sewers; everything has been done there by our city, but we cannot build there because of the cost of the land.

Sir A. Pownall (Conservative) spoke.

Mr Winterton (Labour): Some hon. Members opposite have developed a quite remarkable enthusiasm for increment duty. Will they be prepared to support a suggestion that it should be made retrospective and that all the people who have got away with the increased value of land in the past should now be subjected to that doctrine of ransom which we heard from the right hon. Gentleman's father many years ago when he talked about the necessity of a more effective instrument for preventing this robbery of public property for private purposes?

I remember some years ago the agricultural labourers in the county which I represent were informed that their wages would be decreased by one shilling per week. The landlords immediately sent a notice to the farmers that their rents would be raised because they would not have to find that one shilling per week for their labourers.

Three and a half years ago I did want to buy a piece of land. I went to the people who owned the land and was told that they would be glad to sell it for 35s. per foot frontage. The need for buying it passed, and I did not clinch the bargain. I regret very much that I did not. A year ago I went again to make an inquiry, and was asked £4 10s. for this same piece of land. I said, "You offered it for 35s. a foot only three years ago." "Oh," was the reply, "since then they have widened the road, electric light has been brought here, the gas mains are in, and a good deal of money has been spent on improving the district." I naturally asked myself what the owners had done in this provision of public amenities to justify their asking the difference between 35s. and £4 10s. in so short a space of time.

I was sorry to hear that, on ground of economy, apparently, it is not proposed to make a complete valuation of land, and that large tracts of agricultural land are to be left. It is unfortunate that that declaration has been made. I hope that it will be amended in Committee, for who is to decide how soon what is purely agricultural land may not very shortly become suitable for building land or land which it is desired to develop for other purposes? If we are to have a Domesday Book, let us have a complete Domesday Book, even if it means a little more expenditure at the beginning.

Mr Atkinson (Conservative): As far as I am concerned, taxation limited to land which was being kept out of the market for some purpose or another would not have met with any strenuous opposition from me, but this proposal goes far beyond that, and includes the taxation of all land, whether it is being held up or whether it is being developed—every unit of land except agricultural land.

If we were levying the tax on the undeveloped land merely, there would be some inducement to owners to put that land on to the market, but the effect of levying it on all land operates in the opposite direction. In this Resolution there is no taxation of increased value due to the expenditure of the community there.

If hon. Members really wanted to carry out that idea they ought to get at the man who has made a profit at somebody else's expense. In what form was the land given by the Creator to the people? Of what value was it when it was given by the Creator to the people? It was uncleared ground, I suppose, inaccessible, worth very little, if anything. To what people was the land of England given? To the early Britons, to those who came before them, to the Anglo-Saxons.

If the Government were proposing to tax land which is being kept out of the market, and if they were proposing simply to take the unearned increment, there might be something to be said for that, and, at any rate, it could be defended on paper.

Mr Rosbotham (Labour): On Saturday last I heard from one part of the Division (Ormskirk), which I have the honour to represent, a case where there was a piece of land of a very sandy nature worth about £25 an acre, and the owner of that land is about to receive £500 or £600 an acre for this very poor sandy land because it is required for building purposes. One can quite understand, when an increased value like that is charged for land used for building purposes, the rents of the occupiers of those

houses will be greatly increased on account of the enhanced price charged for the land.

I am in favour of the valuation of all land, including agricultural land. The flooded areas are going to be improved by the operation of the Land Drainage Act, and I should like to hear from the Solicitor-General if he can give us some information as to who will benefit from the improvement due to the operation of the Land Drainage Act in those flooded areas.

Major Muirhead (Conservative): Through my estate (in Oxfordshire) there run a variety of roads, some of them first-class roads, and some second-class roads. It is quite patent that the land, say, 100 yards on either side of those roads, has a potential building value larger than the value of ordinary agricultural land. Under this proposal, if I keep that land without building on it, I pay the tax. If, under the Town and Country Planning Bill, I sell the land, I pay on any increment that I may happen to get.

Here is the tax imposed on that land. The effect would be to incite me to turn perfectly decent agricultural land into one of the very worst forms of building development. It is quite obvious, however, that that could not be done with every bit of land that was valued in that way, because there would then be more houses than there was a demand for.

Sir A. Steel-Maitland (Conservative): We all know that in the outskirts of great towns there is a certain amount of building each year. There may be a thousand acres of land, any one acre of which may conceivably be built upon in any year. We know that probably only about 40 or 60 acres will actually be built upon. Are all the thousand acres to be valued? It is clear that any one of them may be built upon, that unearned increment may be received in respect of any one of them, but not in respect of all of them for quite a long time. How, in fairness, is the valuation to be made? I can well imagine that if you had an Increment Duty, and if you had some form of betterment, you could fit the situation fairly, and that is the sort of fairness which many of us on this side would not resist for a moment.

The Chancellor of the Exchequer is letting off the poorer people whose annual bill will not exceed 10s., people whose land is not more than £120 in capital value. Whatever case may be made out for them, is it in accordance with justice to tax the man who has paid a high price for land of which the capital value is considerable, while you are letting off the others? From the point of view of justice, there is no justification whatsoever for not making allowance for the values that have already accrued, whatever you do with regard to the value which accrues in the future.

(6th May)

Sir W. Mitchell-Thomson (Conservative): The Road Board has always had the power to schedule and acquire compulsorily at its then value land lying alongside the line of a proposed road for a depth of 220 yards on each side of the road. It is true that the Board has not often exercised that power; I do not know whether it has exercised it at all. But the power is there, and that is an effective cure for a great part of the grievance regarding ribbon development. As regards the general principle of betterment, there is a very great deal to be said for it where you can definitely isolate the betterment and date it to a particular act by the State or a local authority. Recognition of that principle was enshrined for the first time in a general Act of Parliament by a Conservative Government in 1925. It is in the Town Planning Act.

Nor can it be said that this proposal is really necessary in order to force undeveloped land on the market. Ever since 1919 the Acquisition of Land Act and the provisions for compensation which have been imported into many other Acts have been available to local authorities. I do not believe that in the course of these discussions one case will be brought forward in which it can truly be said that a local authority which rightfully desires to get land for public purposes is unable to do so at a fair market price.

Apparently, in addition to statutory exemptions, there are to be permissive exemptions from valuation depending upon what the hon. Gentleman called the good judgment

of those charged with the valuation. To give a discretion to the tax-gatherer as to whether or not he shall proceed to start the machinery for taxation, appears to be a most remarkable principle. The question whether a subject is to be assessed to tax or not, and, indeed the question whether information is to be available upon which he may be taxed, is to be left in the discretion of His Majesty's servants.

Mr MacLaren (Labour): The whole idea behind the taxation of land value is to remove taxation from off industry and off the food of the people, and to remove rates from off the houses of the people—rates that are making housing impossible. We are anxious to take the brake off industry, and to call upon ground rent to pay its toll. This is not taxation upon industry, but it is taxation upon rent or land values.

With regard to the idea that any private individual can create land values, we are told to look at Letchworth, at what Sir William Morris is doing at Oxford, and to look at Bournville. The reply to that is easy. If any private individual believes that he can create, by his own individual effort, communal value in land, then why does he not go to the Sahara Desert? Why does he not go to the top of Ben Nevis?

The value of any improvement created by an individual is determined by the value of the site in which he places it. The reason why Sir William Morris goes to Oxford, or someone goes to Bournville or Letchworth, is that there is a communal demand for the use of that site for certain purposes.

Take local rating for a moment—because it is correlated with national taxation. If you build houses, you are rated and penalized for doing so. Leave the land vacant, and under the administration of the late Government you pay no rates at all. Then you wonder why we have a housing problem.

Millions of public money are spent and millions of taxation levied upon the industries of this country in order to try to cure diseases which are constantly perpetuated by the housing system of this country, and directly attributable to the vicious local rating system. I will take Stoke-on-Trent, which I represent in this House. There we can build a house of three rooms, a kitchen and a bathroom, for 10s. a week, but when we levy our rates upon it, the sum jumps to 19s. 6d. a week, and we cannot let it unless at an uneconomic rent.

The other day I asked a landowner just outside the Potteries why the land there was worth £800 an acre, and he said, "Well, it gets the air from Buxton Moor." I said, "Can you tell me anything which the landlord has done to make it worth £800 an acre?" I said, "Who sent the air? You?" He then said, "It is on the sunny side of the hill." I said, "Who sent the sun?" I asked him to tell me something that the owner of the land had done which put him in a position to ask from the local authority £800 an acre, and he could not. Nor can any landowner.

The right hon. Gentleman opposite said that the valuation is going to be costly. If the right hon. Gentleman rejects the proposal, will he accept the landlord's valuation this year? That we ask the landowners of England and Scotland to state the value of their land, with this little proviso, that if they make a statement the amount will be taken both in respect of Probate Duty and of sale. Will the right hon. Gentleman accept that?

I am not concerned with the cost of valuation, provided that it is carried through effectively, because it will be a final and a splendid structure which has caused much attention and labour in the laying of its foundation. This initial valuation will be a new Domesday Book, and although it may cost much in its initial stages in regard to collection, hon. Members have no right whatever to make comparisons between the income of the tax derived from an impost of land taxation and the initial cost of valuation. Hon. Gentlemen opposite know that the subsequent valuations will cost us little or nothing. But the income from a tax on land values based upon them will far outbalance the cost they will incur. They know that, hence this rooted opposition to the first valuation.

In the valuation proposals of 1909-10 the valuations were more or less private and secret. You could not find out

the valuation unless you were a solicitor or an interested party. The Chancellor of the Exchequer has taken the bold course, a course justified by practice in other countries, and that is that after the valuation has been made it shall be open to the light of inspection, so that one person can compare the value of his site with the value of another.

Publicity of valuation causes expeditious valuation, keeps the valuation up to date, and removes causes of suspicion between one landowner and another. There is one thing I regret. I understand that minerals are to be exempted. I regret that more than I can say, because minerals have an enormous value. I hope that the definition of minerals will be so defined as not to include surface land.

I only wish the right hon. Member for Epping (Mr Churchill) had been in his place, because I would have liked to bring before his notice a little classic. This is what he said at Drury Lane Theatre on 20th April, 1907:—

"We have to face all the resources of a great monopoly so ancient that it has become almost venerable. We have against us all the modern money power. We have to deal with the apathy and levity of all sections of the public. We have against us the political machinery of class and privilege represented by the Second Chamber in the State. There are only two ways in which people can acquire wealth. There is production and there is plunder."

I have never used that word—

"Production is always beneficial. Plunder is always pernicious, and its proceeds are either monopolized by a few or consumed in the mere struggle for possession. We are here to range definitely on the side of production, and to eliminate plunder as an element in our social system. The present land system hampers, hobbles and restricts industry. They, the landlords, were resolved if they could to prevent any class from steadily absorbing under the shelter of the law the wealth in the creation of which they had borne no share, wealth which belonged not to them, but to the community, wealth which they could only secure by vexatious obstruction of social and economic progress, far more injurious and wasteful than could be measured by their inordinate gains."

How the whirligig of time brings changes! Who would have thought that the author of those words was the right hon. Gentleman who tried to save the Conservative Party by bringing in that fatuous futility called de-rating?

Mr Lloyd George (Liberal): This is my hon. Friend's happy day. I congratulate him upon seeing the coming accomplishment of a great many years of hard work in converting public opinion to the acceptance of this idea, the taxation of land values.

The right hon. Member for Epping (Mr Churchill) has arrived about 10 minutes too late. He might have heard a very brilliant passage of oratory, which I have no doubt he will have many other opportunities of hearing, in support of this particular form of taxation.

I heard part of the Debate on Monday and I read it all. I was not quite sure at the end of that perusal whether the Conservative Party mean to fight these taxes. There were bitter memories of 1909-10 as the result of the conflict at that time. How bitter those memories are one can learn from the way that the references to that conflict are greeted after a period of 20 years have elapsed. There has been a good deal of denunciation of this valuation, and as I was responsible for the legislation which inaugurated it I should like to say a few words upon it. These taxes were abolished in 1920, but it was part of the arrangement made at that time that if the taxes were abolished the valuation was to remain; and I shall have something to say about the way in which that pact was broken. The right hon. Member for West Birmingham (Sir A. Chamberlain) was Chancellor of the Exchequer at the time when the taxes were abolished, and in his Budget statement he said:—

"But whilst we propose to terminate the duty, we attach great importance to the existence of a State valuation of all the land and buildings of the United Kingdom

based upon an up-to-date system of values, which would be available for the information of the Government and, within proper limits, of other public authorities, and which might be utilized in connection with any taxation proposals of the future or with a reform of rating."

Then there are some words which are still more significant, and I ask hon. Members who say that that valuation was £5,000,000 thrown away to listen to these words. The right hon. Gentleman was speaking then not merely on his own behalf, but on behalf of most right hon. Members sitting on the Front Opposition Bench. I was not in the House at the time; I was away.

"In our view it is essential that there should be a thoroughly equipped and skilled State Valuation Department whose services would be available for the use of the Government."

Then Mr Kennedy Jones, who was Conservative Member for Hornsey, interrupted and said, "Why not sack the lot?" to which the right hon. Gentleman replied:—

"I will tell hon. Members why not—because we should lose a great deal more money than we should save. We are confirmed in the view of the necessity for the continuance of this Department by the great assistance which has been afforded by the Valuation Staff during the war in the requisitioning of land for war purposes, and by the proved worth of their services in connection with the acquisition of land for public purposes, such as housing and land settlement, as to which the Government has taken further large financial responsibilities. Apart from their revenue functions in connection with Death Duties, the Valuation Department will render such assistance to other Government Departments as occasion may require. For this purpose it is essential that the system under which particulars of sales and leases of land are reported to the Inland Revenue should be continued in order that the Department may be in possession of the fullest information."—[OFFICIAL REPORT, 19th April, 1920; col. 85, Vol. 128.]

Then comes the question of time. The right hon. Gentleman said that it took four years. If anyone will take the trouble to look at the Act of 1910 he will know why it took all that time. I am not referring merely to the difficulties I had to get the Bill through, though with my critics in front of me and critics behind me it was a difficult thing to get a Bill at all, and I was much more concerned with getting a valuation than I was about the actual amount of the duty. The Bill was fought in this House for months.

In order to get the Bill through under those conditions concessions had to be made, sometimes to those behind me, certainly to those in front of me, if we were to make any progress. Anybody looking at that Bill will see such a schedule of exemptions, restrictions, reductions, and limitations that it was bound to take time. I gave in; I was far too meek.

I presented too great a front because of exemptions. Simplicity of the basis of valuation is the best guarantee for the right hon. Gentleman the Chancellor of the Exchequer against litigation of that kind. I could not propose amendments of the law in this respect from 1914 up to 1919. We had a far more terrible task to think about then. I see that somebody had time in 1917 to try to get up evidence against the land tax. I was too busy to defend that.

Then, it is said, "Why did you drop the land tax?" I say, quite frankly, that it was a Coalition Government. I am making no complaint against my old colleagues. I was confronted with this position. It was impossible to go on with these taxes without amendment of the law. It was a Coalition and the majority of those supporting it were at least three to one Conservatives, and I would have had to press them. The leader of the fight against land taxes was the right hon. Gentleman the Member for West Birmingham, and he was Chancellor of the Exchequer. I would have had to ask him to do so. Any Coalition of that kind is bound to be a compromise, but what was the compromise in this case? The compromise has been very fairly stated in the words which I have read from the right hon. Gentleman the Member for West Birmingham—that the taxes were to go off but the valuation was to remain

as a basis for Death Duties, for the purchase of land for public purposes and for future rating. What happened to that compromise? The Coalition went out in 1922. In 1923 what happened to that bargain? Right hon. Gentlemen said, "No, we cannot abolish this valuation; it is part of the arrangement that the taxes are to go but the valuation is to remain. We will leave it to an open vote of the House." And all the Conservative Members voted to get rid of the valuation. Of course the Government were not responsible. Had that been done by Labour or Liberal Members, I know what would have been said. This is the first time I have had the opportunity of saying that, and I would not have said it except for the challenge which has been made.

As to the merits of a duty upon land values, it has excited a good deal of indignation. Hon. Members have treated it as if it were something which had never been done before in any civilized country. They say that, not merely is it unjust, but that it is impracticable, that it cannot be done. My answer is that it has been done and is being done at this moment. It is being done in some of our Dominions—in some of the greatest cities in the Dominions. It is being done in the United States of America. The same applies to Denmark and New Zealand and New South Wales.

The real value of this is not so much what the right hon. Gentleman gets out of his penny; it is the thing that he pointed out, that it is to be the basis of local taxation. What is happening at the present time? It is not merely because of the De-rating Act, although the De-rating Act has impoverished the local authorities very considerably.

They are completely at the end of their tether, they have completely exhausted their resources. There are a great many things that they would like to do, and that they know would be of enormous advantage to their towns, and cities, and counties, but they have no means. What is the result? They have always to come to the State, and the State is forced gradually to give a larger and larger percentage of grants. Why? Because the local authorities have been bankrupted very largely by this extraordinary restriction in their basis of taxation. This measure of the right hon. Gentleman will broaden the basis of taxation; it will strengthen the local authorities; it will give them greater opportunities of beneficial action for the State; and, beyond that, it is in itself equitable, it is equitable as between one taxpayer and another, and it is equitable as far as the whole community is concerned.

Major Hills (Conservative): The right hon. Gentleman (referring to Mr Snowden) talked of land going up in value without any action on the part of the landlord, and he says that the State ought to take part of that increased value. That may be all very well, but you cannot distinguish between the part that the State has put into the land and what the private individual may have put into the land; and if you tax improvements made by the landowner, you will do a thing which you cannot possibly justify, and which is the very worst thing to do for the community.

The argument is that this tax will drive land into the market and make it more saleable. I agree that if you tax land, and the tax that you have to pay yearly comes to more than the yearly return on the land, there is an inducement to sell, and to that extent land is forced into the market. But that only operates on the first sale, for the man who buys the land buys it at a price which represents the land with the capitalized value of the tax deducted. If you have land that is worth £1,000, as the right hon. Gentleman supposed, you sell it less tax, namely, for £900, so that the man who buys it gets the tax paid. Therefore, he has no incentive to sell, because he has discounted the whole effect of the tax, and the same causes which make a man hold up land and keep it for a future increase in value will operate on him.

When this Bill is passed, the building trade will pay the same price exactly. If land is worth £1,000, and they get it for £900, they really pay £1,000, because they pay £900 to the owner of the land and an annual charge to the Government, and the capitalized value of that charge is the difference between £900 and £1,000. It does not make the land cheaper at all.

Sir James Sexton (Labour): I want to deal particularly with Liverpool and the statement that this tax is a charge upon industry. A sum amounting to nearly £7,000,000 has been spent on street improvements, and not long ago we paid £350 a square yard for city improvements in connection with the new tunnel. At the approach to the place where I live outside Liverpool there is a tramway. The Liverpool Corporation wanted to extend the tramway and we had to purchase a slice of agricultural land from the landowner. I do not suppose the area will amount to more than 2½ acres. That agricultural land is generally rented at about £2 a year, and at 20 years' purchase it would be worth £50 or £60. The Liverpool Corporation paid £700 for it. The landlord laid down the conditions that common workmen's dwellings must not come "between the wind and the nobility of the villas," which sprang up on both sides and enhanced the value of his agricultural land over tenfold.

When it became necessary to extend the docks of Liverpool to the North End, the Dock Board wanted the seashore. Before they could use the seashore, it was said, they had to pay £80,000 before they put a spade in it. The Dock Board, being by Act of Parliament limited to 2½ per cent payment on their bonds, in order to meet that payment had to charge heavy dock and harbour dues to the shipowners.

Then comes the question of housing accommodation. The demand for the clay beneath those sandhills to make bricks for houses caused the value of those sandhills to rise immediately, from nothing to thousands of pounds an acre. On every thousand bricks made by the brick-maker he paid the landlord 2s. 6d. a thousand. The clay was taken out and the landowner sent word round to all the manufacturers to dump their refuse into the big hole that remained and charged them 3d. a load for every load they dumped. When they had filled it up, he leased it to a jerry-builder at £2,000 or £3,000 an acre to put jerry-built houses upon it. There again the dock labourer and sailor were ground between the upper and nether millstones of low wages and high rates and rents.

Every main road, every tramway, every pleasure ground, every open space, aye, every gaol and asylum, every workhouse built on the land, increases the value of the land. My regret is that the tax is so small. But it is a beginning.

We sent many men to fight for our native land. They expected to come back to a land fit for heroes to live in, but found it was only heroes who could live in it under existing conditions. The position simply is that no man has any right to exploit the joint industry of the people without giving something in return for it. The hon. and learned Gentleman said that this was a burden on industry, and went on to say:—

"Members talk about what the community put into the land, about the money spent by local authorities, but who finds it? The landowner finds it."

He is quite right there. He does find it, but he does nothing to create it. Yet these gentlemen never lose an opportunity of reviling the men who are in receipt of the dole as men who are subsidized for their unemployment.

Sir W. Brass (Conservative) spoke.

Mr George Hardie (Labour): Scotland has some of the blackest pages in the history of the world, in regard to the treatment of the people on the land. Scotland has twice passed a Valuation Bill, which has each time been killed in the other House. The agitation as to the taxation of land values really began in a serious form in Glasgow. The Glasgow Corporation started the agitation, so far as local authorities are concerned. The 1910 agitation grew out of the Scottish agitation.

In 1925, the Scottish Co-operative Wholesale Society issued a report in respect of certain expenditure upon land. It pointed out that when the Scottish Co-operative Wholesale Society bought land in Glasgow, to put up works, in 1887, it paid £500 per acre. In 1914, desiring to extend their premises by one-and-a-half acres, they had to pay, not £500 an acre, but £2,000 per acre. In 1915 another extension became necessary over about three acres, and the Scottish Co-operative Wholesale Society had to pay, not £2,000 per acre, but £5,500 per acre. The landlords

were scooping up a bit of the dividend that other people should have had. The reform must come. The feu duties must not escape the tax.

How does this matter affect Scotland? We desire to speed up the valuation. We cannot understand that it has to take all this time to value the land, and we are very apprehensive of the present proposals. In Scotland we have a system of registering all changing of land for a long time back, and we could begin right away by taking that registration as part of the machine that is going to do the work. I do not see why those who are looking at this thing as if it were going to be a tremendous lot of trouble, should look to Scotland as giving any trouble at all. Four months should be quite ample to go through all those proofs, and you could start off the moment that that was finished. You would have completed your valuation.

I am quite sure that the question of the ground-annuals will be brought up, and will be mixed with the new duties. The ground-annual, or feu, is paid by a vassal by way of a sum of money, as trustee for the King. In regard to the case of *Scott v. Edmond*, 1850, 12D. 1077, Lord Blackburn said:—

"I think it is established by a long series of authorities, ending with *Scott v. Edmond*, that the obligation created by a Clause in relief in a feu-charter worded in terms such as these does not apply to burdens or taxes imposed by future or supervening laws."

That, I think, makes the position quite clear, so far as the legal point is concerned.

I hope that those in charge of this matter on the Front Bench will see to it, since there is this difference existing in Scotland and since we can facilitate matters as far as actual valuation is concerned, that the feu duties do not escape. We must get right into that question, and perhaps on the later stages of this proposal we may be able to obtain some further details from the Scottish Office.

Earl of Dalkeith (Conservative): The Government would deserve far greater support for their proposal if it was really designed to deal with, and would succeed in dealing with, certain cases of exploitation in the sale of land, especially the sale of land for the use of the community.

As a member of a family still owning a considerable estate, chiefly agricultural, in Scotland, I feel entitled to challenge and deny the assumption so freely made about landowners, especially dukes, and the use of the land for which they are responsible. I feel justified in taking exception to the attacks upon landowners and the insinuations that their land is habitually used to the disadvantage of the community.

The landowner is paying his share and rightly objects to being singled. In Scotland, if a fair deduction was made for owners' improvements, there would be no value left for taxation, but sometimes there would be a minus.

Mr Stamford (Labour): Up to the present we have seen very little conviction and no enthusiasm at all on the other side of the Committee, and it may be that hon. Members opposite are reserving their resistance to the proposals to a later stage. If I were to hazard a guess at the tactics of the Opposition, it is that later on their policy will be to do all they can to restrict the scope of this new taxation and enlarge the range of the exemptions and exceptions. If that be the case, as I imagine it will be, I can only express the hope that the Chancellor of the Exchequer will resist to the fullest extent that kind of tactics, as I have no doubt he will.

The hon. Member for Burslem (Mr MacLaren) ventured to give one or two quotations from speeches made by the ex-Chancellor of the Exchequer (Mr Churchill). I have one here. It is an extract from a speech delivered at Edinburgh in 1910:—

"Every one of these improvements is effected by the labour and at the cost of other people, many of the most important are effected at the cost of the municipality and the ratepayer. To not one of these improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is sensibly enhanced. He renders no service to the community, he contributes nothing even to the process from which his own enrichment is derived."

I see no reason for excluding any type of land from the valuation proposals. The nation has a right to know the total value of the national estate. I hope that the valuation will be complete, that it will make public for the first time the value of the national estate, and that it will admit of no exceptions or exemptions whatever. I was also glad to hear the Chancellor of the Exchequer express the hope that when the valuation was complete, it would be made the basis for the purchase of land by local authorities and—what I regard as even more important—for the transference of local rates from houses and improvements.

I am rather at a loss to understand exactly what ground the Conservative Party is choosing for its fight on these valuation and taxation proposals. We are told, on the one hand, that their effect will be to increase the cost of production and the cost of commodities; on the other hand, there have been arguments advanced from the other side to the effect that this new tax will be a grievous burden on the landowners of Great Britain. It is impossible for the Conservative Party to have it both ways.

At the root of the problem of unemployment, I believe, is to be found the problem of land monopoly. It is the worst of all monopolies, because it is the monopoly of the source of all wealth, of all production and of all life.

Unemployment, the poverty of the people, is part of the price that society has to pay for the denial of common rights to land. I believe those rights can be enforced by the instrument of taxation. I congratulate the Chancellor of the Exchequer on his good fortune in having his name associated with what, I believe, will in future be recognized to be one of the biggest, most important and far-reaching reforms ever submitted to the House of Commons.

Mr Cadogan (Conservative) spoke.

Mr Duncan Millar (Liberal): I would like to mention the proposal brought in by the great municipality of Glasgow to secure the rating of site values. I agree with the Chancellor of the Exchequer that there are hundreds of municipalities who would be prepared to do the same. I do not think that this point has been stressed sufficiently.

The Chancellor of the Exchequer, in referring to the taxation which he proposes by this Resolution, said the intention was to raise revenue for the purpose of meeting the expense of de-rating proposals, amounting to a sum of £35,000,000. My submission to the Committee is that instead of meeting the expense of de-rating the duty of the Chancellor of the Exchequer is to abolish the de-rating proposal and readjust taxation in order that every section of the community will benefit. Under the de-rating scheme many industries are getting advantages for which they never asked, and which they did not deserve, and the ratepayers are called upon to pay an additional charge to those engaged in trade.

Sir D. Herbert (Conservative): I understand this tax on land values, if not to be levied directly upon, is at any rate ultimately to be thrown back upon the actual freeholders of the property. It may be levied on the leaseholders if the original lease is for more than 50 years, but he is to have the right of recourse against his lessor. It is going to amount to confiscation of a form of property which is not properly described as an interest in land in the sense that the owner can do nothing whatever at present with regard to the deeds. You are leaving a severe tax on a form of property the owner of which has no practical power whatever to interfere with the user of the land for a great number of years.

Sir T. Inskip (Conservative): There is but one inevitable consequence of placing a tax upon the sites occupied by the factories which are essential to every industry in the country, and that is to increase the overhead expenses. If you are going to increase the overhead expenses, you either increase the cost of production or you must reduce the wages of the workers.

When the nation is driven, as it will be driven, to face facts which can no longer be avoided, we believe that the nation will show its unmistakable opinion about this crazy tax of the Chancellor of the Exchequer.

The Solicitor-General (Sir Stafford Cripps): The hon. and learned Member (Sir T. Inskip) has said that the

strict logic of this tax has been departed from by the exemptions; but this was stated by the Chancellor of the Exchequer himself in introducing this Resolution and, moreover, the reason was given. There are cases of very small values, where it would be a waste of time and money to enter into a valuation and taxation of the subject.

There were two matters which the right hon. Member for South Croydon (Sir W. Mitchell-Thompson) agreed needed some treatment. First, there was the unearned benefit accruing to landowners from the expenditure of public money, and secondly, there was the holding up of suburban land. Both these matters he suggested had been cured, to some extent, by legislation. As regards the first matter, he pointed to the right of the Road Board to acquire land on either side of a road, and also to the provision for the payment of some portion of the betterment by the landowner, or its deduction from compensation. That provision as to the Road Board has never been used for this reason—that the Road Board in view of the state of its funds cannot lock up money in a quarter-mile width of land throughout the country, when it needs the money urgently for other matters. That has successfully made that provision a dead letter. Then as regards betterment, if the right hon. Gentleman has ever been before an arbitrator, as I have been on many occasions, trying to get something for betterment, he will know that that provision also is, substantially, a dead letter.

Let me turn to the second point, the holding up of suburban land. The right hon. Gentleman seemed to think that the Acquisition of Land Act of 1919 gave some powers to local authorities to acquire land. I assure him that it did nothing of the sort. The only thing that it did was to attempt to cut down the admittedly exorbitant prices that were paid under the Lands Clauses Act and to substitute, as a measure of compensation for the value to the owner, the market price. That has had no effect as regards the reduction of market prices, nor has it had any effect in the reduction of the amount that the local authorities could pay, except the 10 per cent. which was allowed under the Lands Clauses Act; and I can assure the right hon. Gentleman, from my own experience in arbitrations all around London, that consistently the prices paid by the London County Council, for instance, for land for their housing sites have been exorbitant.

Market value is created by the amount of land in the market. If speculators and others hold it up and do not allow it to go on the market, the price rises rapidly, and a very small sale at a very high price is the only test of market value. If there is a public valuation when these arbitrations take place, the position of the owner will be a very different one. He will no longer be able merely to take as the test of the market value one or two isolated sales at high prices, but he will also have to face cross-examination on his own valuation of his own land.

As regards the agricultural valuation, the provision will be that there will be no taxation, and that where there are exemptions from taxation, it will not be necessary to value. That is a matter which, of course, is to be left to someone to determine. The Act lays down who shall be taxed and who shall not be taxed, and some authority has to determine who comes as an individual within those provisions and who comes without those provisions.

People will not have their land valued where obviously they do not come within the category to be taxed. Everybody knows that up and down the country there are large tracts of land which obviously have no value other than agricultural. On the other hand, there are large tracts of land which may or may not have some value apart from agricultural land. This, of course, will all have to be valued, and if it is found by the valuer that they have a land value above their agricultural value, the difference between the two values will be liable to taxation. That, of course, will be for the first valuation and for the first quinquennium, and when the next valuation comes at the end of five years, it will be perfectly competent to bring in or to leave out any of that land if the character has altered, or if it has become improved or developed, or the other way round.

At the first valuation there will only be valuation of those units which are to be taxed. The reason for that is

that it is desired to carry through the valuation as rapidly and as efficiently as possible, and it is desired to get the tax as soon as possible.

As to the cost of valuation, it is right that an accurate figure should be given rather than the grossly inaccurate figure of £5,000,000 which has so far been discussed as though it had been established. The actual facts of the case, as I appreciate them, are these: In the year 1919 Sir Edgar Harper, as mentioned by the right hon. Gentleman, gave evidence before a Select Committee and then stated that the expenditure up to September, 1915, was £3,000,000, of which £2,000,000 alone was for the first valuation. Subsequently to September, 1915, as the right hon. Gentleman said to-day, no further money was expended on that valuation, which was entirely shut down. The right hon. Member for West Birmingham (Sir A. Chamberlain) will appreciate that he is falling into an error, because a great deal of the cost of the Department, in fact, practically the total cost of the Department from 1915 to 1919 was, as he stated himself, in the passage read by the right hon. Member for Carnarvon Boroughs, due to war work—the acquisition of land and valuation for war purposes, and the other £1,000,000 which was spent, not on the valuation, was spent on the assessment of Estate Duty and service for other Government Departments by the Valuation Department. So the sole sum which was expended on the valuation was £2,000,000. Under that scheme there were four different values to be ascertained in order to get the site value. There was the gross value, the total value, the assessable site value and the gross site value. In order to ascertain them 20 figures on each valuation form had to be calculated and filled in; and, as the right hon. Member for Croydon (Sir W. Mitchell-Thompson) will no doubt recollect from the forms which he must often have seen a mass of particulars had also to be supplied. If that cost only £2,000,000, it would seem that the Chancellor of the Exchequer's estimate for a single valuation of a single figure is a very liberal one indeed—a single figure except in the case of agricultural land.

As to the Town Planning Act and the Town and Country, Planning Bill which is at present before a Standing Committee, if land is restricted by such a thing as the town planning provisions, that is one of the matters that a valuer must take into account. If anyone is prepared perpetually to dedicate land to the particular purpose to which they desire to dedicate it, and arrange to have it included in the Town Planning Act restricted for ever to that use, they can preserve their playing-fields substantially without taxation.

It was stated by the right hon. Gentleman the Member for Tamworth (Sir A. Steel-Maitland) that there was no justification for taxing the man who paid the figure—the high figure—and not the man who received the high figure. That argument might be applicable if we were dealing with an increment duty, which we are not. The reason for the putting of the tax on the land value at the moment, in whosoever hands it may be, is that it is held that the community have an interest in all the land. That is an interest they have because it is by reason of the existence of the community, the expenditure and organization of the community, that the land has grown to that value. It is by reason of the continued expenditure of the community that that value is preserved to the owner from day to day, and it is by reason of the future expenditure that that land is expected to increase in value. It is for these reasons that the tax is a fair tax; it is a mere acknowledgment by the owner of the land, a gift by him in exchange for a very great benefit which he is hourly receiving from the community.

One other point I may deal with. That is the question of passing back the tax. The method to be adopted is a method somewhat analogous to the Schedule A method. I can best illustrate it by giving a precise example. Let me assume that a person holds under a long lease, subject to a ground rent, a plot of land of which the annual value of the ground rent is £100, and the capital value of the plot is £5,000, equivalent to an annual value of £250 at 5 per cent, on 20 years' purchase. There the tax on the £5,000 at one penny in the £ would be £20 16s. Of that, two-fifths could be passed on, because the proportion between the

annual value of £250 and the ground rent of £100 is two-fifths. Therefore, the lessee could pass back £8 6s. 8d., which would fall as a tax on the £100 ground rent. The remainder, over £12 10s., would be paid by the lessee himself.

The imposition of this tax, coupled with the valuation which must necessarily precede it, is one of the measures long and consistently advocated by those on this side of the House. Vast sums have been spent by the community in the past in improving the facilities and services connected with the land in this country, and great works are now being carried through at enormous expense, and will in the future be carried through probably upon an ever-increasing scale. It is the expenditure of these moneys in the past by the community which has developed the land throughout the country, and has given it the value which it now has in the hands of the owners. It is the continual expenditure of this money from day to day that upholds and maintains those values for the owners, and it is only common justice that those who own the land which is so benefited, and will be further benefited in the future by the expenditure of the resources of the community, should pay some acknowledgment to the community for those benefits.

The Question being put, the Resolution was carried by 289 votes to 230.

RESOLUTION REPORTED AND ADOPTED

REPORT STAGE

(7th May)

Sir Henry Betterton (Conservative): Moved to insert after the word "value" in the Resolution the words "excluding such value as may have accrued by reason of any improvements made by the owner thereof or any of his predecessors in title."

Mr Neville Chamberlain (Conservative) later moved to add at the end of this Amendment the words "within the last 50 years."

The Financial Secretary to the Treasury (Mr Pethick-Lawrence) explained that the Finance Bill would deal fully with the question of improvements to be excluded from land value. Then would be the time for the Conservatives to discuss the refinements they had argued with so much refreshing zeal. What had taken the form of a genuine modification would be destructive of the Resolution if it was accepted by the House.

This concluding debate, on 7th May, occupied 85 columns of the OFFICIAL REPORT and little new ground was covered. The Government was on guard against purely wrecking tactics, exposed as "a snare" by the Solicitor-General, Sir Stafford Cripps.

Besides those named, the Members who spoke were Sir Hilton Young (Conservative), Col. Wedgwood (Labour), Major Hills (Conservative), Mr MacLaren (Labour), Lt.-Col. Fremantle (Conservative), Mr Ben Riley (Labour), Capt. Bourne (Conservative), Mr Marjoribanks (Conservative), Sir D. Herbert (Conservative), Mr Womersley (Conservative), Major Colville (Conservative), Sir Charles Oman (Conservative), Mr Beaumont (Conservative), Sir A. Lambert Ward (Conservative), Mr Campbell (Conservative), Sir Samuel Roberts (Conservative), Col. Ruggles Brise (Conservative), Mr T. Wilson (Labour), Mr Oswald Lewis (Conservative), and Capt. Harold Balfour (Conservative).

Mr Neville Chamberlain's Amendment was defeated by 224 votes to 149. Sir H. Betterton's original Amendment was defeated by 239 votes to 148.

Thereupon, on report, the Resolution was carried by 166 votes to 94, the House by that decision declaring that:—

There shall be charged for the financial year ending the thirty-first day of March, nineteen hundred and thirty-four, and for every subsequent financial year, a tax at the rate of one penny for each pound of the land value of every unit of land in Great Britain.

BILL ORDERED TO BE BROUGHT IN