

BRITAIN'S BUDGET.**A Plain Exposition of the Finance Bill Which Has Almost Caused a Bloodless Revolution.**

While Canada has taken much interest in the fight in Great Britain regarding the English budget proposals, political coloring has made it difficult, especially from so great a distance, to thoroughly understand the principles of Great Britain's finance bill of 1909. The London Economist has printed a plain exposition of the bill and the summary is reprinted below.

In view of the possibility of a contest between Lords and Commons on the point of privilege, it is of interest to notice the wording of the preamble. This is in the special form employed for money bills. The Commons say that they have freely resolved to grant to His Majesty the duties specified, and that they beseech him that it may be enacted, with the consent of the Lords Spiritual and Temporal, as the Bill provides. The phrase exhibits the relative functions of the two Houses. The Commons grant the duties by a legislative act. The business of the Lords is only to give their consent. As it was said by the elder Pitt, the Lords have no legislative functions in connection with money Bills; they do but clothe them with the form of law.

Part I.—Duties on Land Values.

The Bill imposes new taxes on any unearned increment which may in the future accrue to owners of land. The earned increment is exempted from taxation by the device of assessing the taxes upon the unimproved value of the land; that is, its bare site value, clear of buildings, and all betterments produced by capital outlay. Increment already accrued is not to be taxed, but only that which will accrue in the future. This is secured by making a general valuation of the site value of land as it stands at present, and assessing only future increments in that value. Agricultural land is wholly exempt from the taxes.

The taxes are four in number. (1) A general increment value duty, payable whenever the owner actually realizes the unearned increment by selling or letting the land; or, on the same principle as death duties, on the death of the owner. (2) A reversion duty, which will tax especially the great windfalls that come to urban landlords when long building leases fall in. (3) An undeveloped land duty, the purpose of which is to tax valuable land, now inadequately rated, on its true market value. (4) A mineral rights duty, which will exact a contribution from the tolls and royalties received by the owners of minerals from those who actually work them.

I.—INCREMENT VALUE DUTY.**Property to be Assessed.**

The property assessed is the increment value of land which is defined as the amount by which the site value of the land at the time at which the duty is payable exceeds the original site value.

Two terms in this definition need further explanation, site value and original site value. The site value is the value of the fee simple of the land, calculated on the basis of the actual consideration for the transfer, if any, less the value of structures, timber, goodwill, redemption of fixed charges, execution of permanent works and expenses of clearance. The original site value is the site value of the land on April 30th, 1909, to be determined by a general valuation to be made upon the passing of the Act.

Exemptions.

Those who have suffered by a recent fall in the value of their land are to escape the new burden until their land recovers its original value. It is provided for this purpose that if one has bought or mortgaged land, or an interest in it, within the last 20 years, and the amount paid for it or secured upon it shows that it had at that time a higher value than the total value fixed by the general valuation, then the site value of the land at the time of the purchase or mortgage is to be the original site value, and not the site value fixed at the general valuation.

No duty is to be charged in respect of any agricultural land so long as it has no higher value than its agricultural value.

No duty is to be charged in respect of small agricultural holdings of 50 acres or less, and of total value less than £75 per acre, occupied and cultivated by their owners.

No duty is to be charged on the sites of small residences occupied by their owners (including holders of a lease for 50 years) of the annual value in London of £40 or less, in other towns of 50,000 or upwards of £26 or less, and elsewhere of £16 or less.

The periodical duty (see below) is not to be charged on corporations and other bodies, in respect of recreation grounds held by them, not for profit, if it is probable that the

land will continue to be used for recreation. The purpose of this provision is to exempt athletic clubs which have grounds for football, cricket, etc. Situated on the outskirts of great towns, where site values are rapidly increasing, these might otherwise become subject to prohibitively heavy duties.

No duty is to be charged in respect of Crown lands, but this exemption does not extend to leases and sales to the Crown.

No duty is to be charged in respect of separate flats or tenements.

The first 10 per cent. of increment after each payment of the duty is to be free of duty at the next assessment, but in a period of five years the amount of increment thus freed from duty must not exceed 25 per cent. of the site value.

Occasions on which the Duty is to be Paid.

The duty is to be paid on the occasion of any transfer of the land or an interest in it, by sale or by lease, for a term of more than 14 years, or when the land or an interest in it passes upon the death of any person.

Corporations do not die; and this last occasion for the payment of the duty does not apply to their land. To remedy this inequality, it is provided that they are to pay the duty periodically in 1914 and then every 15 years. They must also pay the duty on sale or lease of their land. The periodical payment is in place of that on death only.

Manner of Collection of the Duty.

The duty is to be paid by the seller or lessor as a stamp duty by instalments if the consideration for the sale or lease is a periodical payment. On death the duty is to be paid as if it were an addition to the estate duty. A corporation may pay the periodical duty in 15 annual instalments.

Rate of the Duty.

The duty is charged at the rate of 1s per every £5 of increment value. There is no graduation, but the effect of the exemptions is to release small properties from the duty to a very large extent.

The duty is charged only in respect of the amount of increment since last payment of duty. All previous payments are to be taken into consideration. The effect of this is that if the site value falls and then rises again, duty is not to be paid over again on the second rise.

When the duty is charged in respect of a partial interest in land, a part only of the full duty is to be paid, bearing the same proportion to the full duty as the value of the partial interest bears to the full value.

II.—REVERSION DUTY.**Property to be Assessed.**

The value of the benefit accruing to a lessor on the determination of a lease for a term of more than 21 years.

The value of the benefit is defined to be the amount by which the total value of the land on the determination of the lease, less the value of works of a permanent character executed by the lessor during the term, exceeds the capital value of the consideration for its grant. But where the lessor is not the freeholder (and so does not enjoy the whole value of the land), the value of the benefit to be assessed is reduced in proportion to the amount by which his interest is less than the value of the freehold.

No duty is to be charged on the determination of a lease of agricultural land, or where the lessor's reversionary interest is a leasehold for a term of not more than 21 years. Protection is given to vested interests by the provision that those who before the introduction of the Bill purchased the reversions of leases which determine within 40 years of the purchase are exempted from payment of the duty on their determination. Forty years is thus adopted as the limit within which reasonable expectation must be considered and not disturbed.

Occasion and Manner of Collection.

The duty is collected, on the determination of the lease, from the lessor, as a debt to the Crown.

Coincidence of Increment Value and Reversion Duty.

Under the above provisions, the same property might in some cases be assessable both to increment value duty and to reversion duty. Now the benefit accruing to a lessor on the determination of a lease is the increment in the value of the land leased during the term. Suppose that, having paid reversion duty on this increment, he were to sell the land. If he were then called upon to pay increment value duty on the sale, he would be taxed twice over upon the same increment. To prevent this, the Act provides that in such a case the payment of reversion duty is to be treated as a payment on account of increment value duty. In the converse case, where one has sold the reversion of a lease during the continuance of the term, and paid increment value duty upon the sale, this payment is to be treated as a payment on account of reversion duty. It makes no difference that in the latter case the two duties are actually collected from different persons.

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