CHAPTER V.

THE GLASGOW BILL: ITS TAXATION OF FEU-DUTIES.

THE second difficulty in the Glasgow bill is the taxation of feu-duties and ground annuals.

The most serious result, perhaps, would be to change the character of the feu-duty as an investment. The owner of feu-duties—who may be the original superior, but more probably is a person who has bought the right from the first superior, and, more probably still, is a body of testamentary trustees, a friendly society, or one of the large corporations, insurance, charitable, educational, or religious, in the safety and wellbeing of which millions are interested—is taxed, not by a new *ad valorem* tax on feu-duties, but by an amount that varies with the particular feu. And he has absolutely no say or representation in the fixing of the rate—a fact which surely offends against the old canon that taxation must be accompanied by representation.

For instance, suppose I pay a feu-duty of £20 to the Church of Scotland. Probably this means a return of 3 per cent. on £666 of the Church funds.

By the new Act I am taxed, perhaps, 1s. per £ on £40. This means that the Church now gets £19 instead of £20, and that the Church has had no voice whatever in the determination of the rate of its new burden. But next year the assessment is raised to 2s. per £, and another £1 comes off the Church. It is evidently the same if feus are held in burghs that impose different rates of assessment. But if the ground feued falls outside the limits of any burghs, there is no deduction. In short, the character of the feu-duty is changed, from that of an investment yielding a fixed annual interest (subject to the varying rates of income-tax), to that of an investment the return to which will vary from feu to feu and from time to time.

But, apart from this, we have to consider that, in Scotland, the "superior" is not the analogue of the London ground-owner. In London ground is leased, and, on the expiry of the lease, the landowner enters into possession both of ground and buildings erected thereon. But in Scotland the landowner sells his land in perpetuity for a fixed and unchangeable annual sum, without power of control or re-entry so long as the sum is paid. He is now to be taxed 2s. on what he receives in feu-duty. Why? On which of the recognised principles of taxation?[1] Does he benefit by municipal improvements, or is he rendered more able to pay by the service? Is not our superior in an entirely different category from the English ground-rent owner who, at the end of the lease, enters again into full possession of his ground with all its increased value? During the currency of the

[1] See p. 14.

long lease the real value of the ground-rent is rising annually. It is not right to say that this value is merely potential. It is so only in the sense that the value of a sown field is potential till it is reaped. But the farmer sells his potatoes in the ground at one price in January, at another price in March, at another in July; at any moment the owner of land held on lease may sell it for a capital sum representing that increased value, and, if he is not taxed, he escapes scot-free all the years of the lease. But to tax the owner of a feu-duty is not to tax on account of benefit received or of growing ability to pay, for he never enters into any increased value: it is simply to penalise a person who cannot escape.

Is there, then, anything to be said for taxing feu-duties?

It has been suggested that a feu-duty gets more secure as money is spent by a municipality in improvements which raise the value of house property, and that this extra security deserves the recognition of taxation. Is it not the case that feu-duties have risen in price of late years?

Yes, they have; but the reason is simple. They are already amply secured; they do not rise in value with additional security. It is undisputed, I think, that the late rise in value was simply a concomitant and expression of the falling rate of interest. Nay, has there not been a fall in their value, from thirty-five years' purchase to twenty-eight years' purchase, during the last few months, just because the rate of return to capital has been rising again?

This contains also the answer to another possible contention; namely, the blind bargain argument. It

might be said that, when the ground-owner feued off his land and the occupier took on himself the paying of rates, no one could anticipate the new taxation which has been imposed. Why should the superior not bear a share of this added burden? The answer is obvious. The reader will remember that the London contention was that it should not all fall on the occupier, but be divided at least with the site-owners, *because they benefited*.[1] Well, here is one class which does not benefit, the feu-owners. But there are two classes which do benefit, the occupier and the "proprietor"—the man who pays the feu-duty. With us, in short, it is not the superior—the land-owner proper—who is in the same position as the site-owner in London, but the proprietor.

One doubt, however, may remain. Take the case of the many landowners round about old Glasgow who feued off their land fifty years ago, and still hold these feus. Fifty years ago the feus may have been worth twenty years' purchase: now they are worth half as much again. Ought not this unearned increment to be taxed?

Yes; if we decide to tax all unearned increment, but not otherwise: for this increase is a phenomenon of the fall in interest, not of the rise in value of land. Take any five per cent. stock of fifty years ago. If it still pays five per cent. its capital value will have almost doubled, because the interest rate has gone down. Let the rate of interest again go up to five per cent. and there will be no unearned increment either in stocks or feu-duties.

But there is more than this. The unearned incre-

[1] Pp. 49-51.

ment of long holders is always dangled before us: one would think that the typical landowner to-day had kept his land in the family since the Conquest. I suppose half the feu-duties on Scottish land are held to-day in the family. What about the other half? They have been sold over and over again. They now belong to people who bought the feu-duties at or above the price at which they sell to-day, and who thus have no unearned increment. Why are these people to be taxed? But it is impossible to separate the two classes, taxing the one and not the other. To get at the holders of feu-duties, then, is not always to get at the people who made the bargain, even if it were a blind bargain for the buyer. Many of them have escaped by sale and are out of reach. To tax the people who have bought, is clearly to tax people simply because they are landowners—not because they are people who have benefited and because they hold an improved property. It is justifiable only as a part of the confiscation of rent.[1]

[1] "Supposing the man who has feued his land has done what some of them do—has sold the proceeds of his feu-duties for a certain number of years' purchase, varying from 22½, which used to be about the price, to 30 years, which is now the price—sold it, we will say, to an insurance company or building society, or a church, would you still take the proceeds from the present holder?" "I am not anticipating that I will be spared to take them from anybody, you know, but, as I have said, proceeding as I do on the initial principle that these land values belong to the community, I dare not acknowledge any difference between one holder and another."—Mr. Samuel Chisholm, Lord Provost of Glasgow, vol. iii. of Evidence, p. 90.