

~~person, and that the husband was that person. That view has been put out of sight by the remedial legislation of 1882, which has placed husband and wife in a position of equality as regards property. Notwithstanding this legislative change, the provision of the Act of 1842 remains in force, save as modified by the Finance Act of 1897. Even that Act only gave a partial remedy to a married woman deriving an income from her own earnings, because, instead of saying that she was to be treated as a *feme sole* in respect of such income for the purposes of the Income Tax Acts, it limits her right to have her income treated separately to the case in which her income and that of her husband, derived from his own earnings, added together, does not exceed £500. There is no ground for any such limitation that I can see. If a married woman is able to earn an income of her own, which does not exceed, say, £160, why should she pay Income Tax on that income when her unmarried sister, earning the same income, pays nothing? A few lines in the Finance Act of 1899, repealing the provisions of the Income Tax Acts as to married women, which I have discussed, and providing that, for the purposes of these Acts, a married woman should be treated as a *feme sole* would remove what is one of the few remaining disabilities of married women.~~

The Proposal for the Abolition of the Income Tax in Ireland Considered.

By WILLIAM LAWSON, LL.D., Barrister-at-Law.

[Read Tuesday, March 14th, 1899.]

SUNDRY remedies have been suggested to relieve the over-taxation of Ireland. I desire to consider one which has lately been advocated in the Press, namely, the abolition of the Income Tax in Ireland, whether it is practicable, and, if so, to what extent. In order to see what loss there would be to the Revenue, were this proposal carried out, I give the figures as they appear in the Report of the Commissioners of Inland Revenue for the year ending March 31st, 1898. The net receipts of duty for that year in Ireland was £670,742, as against £14,898,851 in England, and £1,601,784 in Scotland. The rate of duty, which was 6d. in 1889, continued at that rate till 1894, when it was raised to 7d., and in 1895 to 8d., at which figure it has since stood, the only alteration being that in 1894 further benefits were conferred upon small incomes, the limit of total exemption being raised from £150 to £160, and the limit of incomes entitled to abatement from £400 to £500, £100 only being allowed if the income was over £400. The Finance Act of 1898 gave further re-

relief to small incomes by including incomes under £700, with a scale of abatements as follows: Under £400, £160; under £500, £150; under £600, £100; under £700, £70. The Report I have referred to does not give the amount of duty received under each schedule in England, Ireland, and Scotland, but only the amount of duty charged under each schedule. These figures for the year 1896-97 are given as follows:—Schedule A, £388,448; Schedule B, £27,337; Schedule C, £22,376; Schedule D, £300,892; Schedule E, £58,676; total duty charged, £797,729, which considerably exceeds the sum received in that year, namely, £665,950. It appears from these figures that the bulk of the Income Tax in Ireland is derived from Schedules A and D. The duty under Schedule A, which deals with profits derived from property in land, is based on the Poor Law valuation of the lands, not on the rental which is the basis of the valuation by the local authorities in England. This distinction was discussed by the House of Commons Committee in 1865, and by the Financial Relations Commission. It was argued that Ireland had a benefit in this respect, as the Poor Law valuation was generally below the rental, but, having regard to the deductions allowed in England, and the want of uniformity in the Poor Law valuation in Ireland, it was considered that this apparent benefit did exist to any great degree.

The duty is, by the Act of 1853, chargeable on the landlord or immediate lessor, or on the persons rated to the relief of the poor. As a matter of practice, in most cases it is paid to the collector by the occupier, who deducts it from the rent payable to the landlord. Similarly, a landlord, in paying interest to a mortgagee, deducts Income Tax from the amount payable, and is allowed such deduction by the Inland Revenue. By this method, which is adopted under the other Schedules whenever practicable, of stopping income at its source, the duty is deducted out of the rent or interest before it reaches the landlord or mortgagee, and is thus more easily collected than if it had been recovered from landlord or mortgagee.

In considering this question, it must be borne in mind that a very large proportion of Irish rents are paid to persons living in England, or to English companies or corporations. If Income Tax under Schedule A is to be abolished, what is to be done as to these rents? The proposed abolition being to relieve the over-taxation of Ireland, it cannot be extended to benefit this class. If we look back to the Act of 1842, we find that persons residing in England had to make a return under Schedule D of income derived from possessions or securities in Ireland. This provision would have to be revived, and the liability to pay Income Tax on lands in Ireland would depend on the residence of the party. This would lead to difficulties in collection, and might operate hardly in cases. For example, the exemption of Irish land would be a boon to landlords whose rents have been

reduced, although, of course, they only pay on the reduced rents, but if a poor landlord or a distressed lady having a charge on Irish land lived in England, they would have to pay Income Tax on what they received, whereas, if they lived in Ireland, they would not.

Coming to Schedule B, profits from the occupation of lands, the method adopted was by charging a special rate of duty on the full amount assessed under Schedule A, which was in England one-half the full rate of tax, whilst in Scotland and Ireland it was approximately one-third. Thus, with a 7d. leading rate of duty in England, the Schedule B duty would be 3½d., whilst in Scotland and Ireland it would be 2½d.; and with an 8d. leading rate, the duty in England would be 4d., whilst in Scotland and Ireland it would be 3d. The Finance Act, 1894, abolished the differential rate as between England, Scotland and Ireland, and introduced a uniform rate of 3d. Farmers may elect to be assessed under Schedule D, but very few Irish farmers have at any time availed themselves of this privilege. (See Table in last Inland Revenue Report.) It is to be noted that profits arising from lands occupied as "nurseries or market gardens," though charged under Schedule B, are estimated according to the rules of Schedule D, and charged at the leading rate. Why should this be so, unless they are treated as a trade or business? Assessments under Schedule B are made on the actual occupiers of the land, and there would be no practical difficulty in abolishing the duty under this Schedule if it stood alone. It must be observed, however, that the amount of duty paid under it is comparatively small, and that the abolition would only benefit comparatively few individuals, inasmuch as the incomes of the bulk of the occupiers of land in Ireland are under the total exemption limit.

Schedule C. This consists of Government Stocks, both Home and Foreign. Inasmuch as the interest on these stocks is for the most part payable in London, the amounts assessed in Ireland are comparatively small, namely, £671,292 as against £37,826,000. This £671,292 is made up of Funded Debt, Terminable Annuities, and Guaranteed Local Loans Stock, £557,306, and India Government Stocks and Loans, £113,986. These stocks are held by persons domiciled in all parts of the United Kingdom, and as the duty is deducted before the interest is handed over to the person entitled, there is no means of ascertaining where the recipient of interest resides. I have quoted here from a memorandum on Income Tax handed in by Sir A. Milner to the Financial Relations Commission (Vol. I, p. 29). It is there pointed out that the amount of duty paid in Ireland under Schedule C does not represent all the duty paid by persons resident in Ireland under this Schedule, as they may have money invested in Government Stocks in England or in foreign countries which are assessed in England, and the duty

there deducted. An attempt is made in this memorandum to calculate how much English property (*i.e.*, property assessed to Income Tax in England) is held by persons domiciled in Ireland, and how much Irish property is held by persons domiciled in England, by referring to the records of resealing in the one country probates of wills proved and assessed to probate duty in the other. This calculation applies to assessments under Schedule D other than trades and professions, *e.g.*, public companies, foreign dividends, coupons, etc.

As regards Government Stocks transferable at the Bank of Ireland, it would not be practicable to exempt them from duty, and leave similar stocks transferable at the Bank of England liable to duty. This state of things had given rise to difficulties before the Income Tax was extended to Ireland. Mr. Disraeli called attention to this in his Budget speech in December, 1852, and proposed that funded property transferable at the Bank of Ireland should be liable to Income Tax. I quote from Mr. Samuels' recent article in the *New Ireland Review*.

Schedule E. It may be convenient to deal with this Schedule before referring to Schedule D. The amount levied under Schedule E in Ireland is comparatively small, namely, from holders of public offices, from whose salaries Income Tax is stopped, and holders of offices in Public Companies or Corporations, in which cases returns are made by the proper officer of the company or corporation, and the employes assessed on that information. Mr. Disraeli proposed that salaries of public servants in Ireland should be liable to duty, and it is difficult to see how any difference could be made between English and Irish civil servants in this respect. The salaries of employes of Public Companies, etc., would not stand on the same footing, and if professions and trades are to be exempted under Schedule D, it would seem to follow that such employes should also be exempt.

Schedule D. It is not necessary to enumerate the different classes of profits which come under this Schedule. As regards profits from trades and professions carried on in Ireland, there would be no practical difficulty in abolishing the duty. As regards Irish railways and other public companies carrying on business in Ireland, they could be relieved from making a return of their profits, but difficulties might arise as to companies which carried on business in England as well as in Ireland, and in ascertaining what proportion of their profits was to be attributed to trading in each country. Again, would English shareholders in Irish concerns be exempt? Take, for example, the great brewery of Arthur Guinness and Company. Its brewery is in Dublin, but its head office is in London, and it carries on business by agents in different parts of the United Kingdom. If this company was exempted from making a return of profits, English shareholders would get their dividends intact,

but they would have to make a return of their profits derived from this or any other Irish company. Some loss would also probably ensue from this. It appears that a considerable sum is received in Ireland in respect of Foreign and Colonial Securities and Coupons. Are these profits to be exempt merely because the duty is stopped in Ireland, when they would not be exempt if the duty was stopped in England, and the amounts, less duty, transmitted to Ireland?

Again, is the system of exemption to be kept up as regards Schedules C and E, and if a person's income is derived partly from the funds and partly from Foreign Government or other securities, must he not, when claiming exemption or abatement, make a return of his income from foreign sources?

I have endeavoured to point out some of the difficulties that would arise if this proposal were carried out; others will occur to those who are more conversant with the working of the Income Tax Acts than I am. I may, however, mention an anomaly which would result from the abolition of Schedules A and D, and the retention of Schedule C. Suppose a landlord sells to tenants under the Land Purchase Acts; he is paid in guaranteed Land Stock, which is transferable at the Bank of Ireland, and by reason of his property being in settlement he is obliged to retain the purchase money in this stock or in Consols. He pays Income Tax under Schedule C, whereas if he had not sold, he would have been exempt under Schedule A, or if he could have put the money into say Irish railways he would have been exempt also. Similarly trust funds lent on mortgage of land would be free from Income Tax, but if invested in Consols would not.

It has been shown by the Report of the Financial Relations Commission, by Mr. Synnott, in the papers read before this Society on "Some Features of the Over-Taxation of Ireland," and by Mr. Samuels in the articles from which I have quoted, that the imposition of the Income Tax in Ireland was, having regard to the circumstances of the country, an unjust and impolitic proceeding, and that the promises held out of its only being temporary were never carried out. Mr. Samuels shows in his article that Peel and Disraeli were against extending the Act to Ireland, but that the views of Gladstone and Cobden carried the day. But it is another question, should the tax be got rid of now, when it has become a part of our fiscal system. Mr. Childers, in paragraph No. 2 of his Draft Report, says:—"Several of the witnesses before the Committee of the House of Commons which inquired into these matters in the years 1864 and 1865 proposed, as a relief to Ireland, her exemption from the Income Tax, which was extended to Ireland in 1853, ten years after it had been imposed in Great Britain. It is worthy of observation, as a sign of the change of thought or feeling in these

matters, that no witness before the present Commission proposed this step."

Mr. Synnott discusses this proposal in the March number of the *New Ireland Review*. He says:—"Another objection to the abolition of Income Tax under Schedule D, or any other Schedule, is that with the existing high rates of exemption and abatement, a disproportionate amount of taxation would, in the first instance, at any rate, fall on the poor, and not on the rich."

Landlords, professional men, and traders would no doubt benefit; it is also possible that industrial enterprise would be encouraged, and additional capital be invested in commercial undertakings, but the poorer classes would not benefit, except indirectly. Therefore, it is also proposed to make such alterations in indirect taxation as would relieve the Irish consumer, *e.g.*, a reduction of the tea duty, and an increase of duties on commodities which would fall more upon the English consumer, *e.g.*, the duty on beer, foreign wines, etc. It would require a separate paper to discuss such a re-arrangement of our indirect taxes, and the interesting general question lately discussed in the *Times* articles on the Revenue, namely, whether we have not gone too far in increasing direct taxation and in reducing indirect taxation, and left ourselves no margin for emergencies. It seems extraordinary that the Income Tax should remain at 8d. in a time of peace. The *Times* points out that the payers of Income Tax are the persons who accumulate, and that they are entitled to consideration for the duration of the high rate of duty. It suggests the reduction to 6d. as soon as the exigencies of the Revenue prevail, and that, if the Tax was so lowered, abstracts would be abolished or reduced. The effect of raising the limit of abatements has been (it says) that one penny only produces £2,150,000 as against £1,900,000 twenty years ago.

VII.—*Prisons and Prisoners. Suggestions as to Treatment and Classification of Criminals.*

By HERCULES MACDONELL, M.D., Dundalk.

[Read Tuesday, April 18th, 1899.]

THE English Prison Commissioners in their Report for 1897 say:—"It is, perhaps, obvious, and, at the same time, it cannot too often be impressed on the public mind, that, under the law of the land, imprisonment in a local prison follows as a penalty, with or without hard labour, in default of a fine for offences which vary enormously in their degree of criminality.