

SURVEYING TAXES IN THE GREAT WAR

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Worshipful Company of Tax Advisers'
Tax History Group

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SOURCES

- “Quarterly Record”-journal of the Association of Tax Surveying Officers (ATSO, now ARC)
- “Civilian”-Civil Service weekly magazine
- Individual reminiscences eg Wyn Griffith, *Up to Mametz* (1931) and NCS Down, *Temporary Heroes and Temporary Crusaders* (1917-19)
- Technical sources-J C Stamp, *Taxation During the War* (1932)
- National Archives-Revenue, Treasury, Army and other files

TAXABLE INCOME AND TAX YIELD 1913/14

<i>Schedule</i>	<i>Gross taxable income £</i>	<i>Tax yield £</i>
A	282,262,109*	9,400,000
B	17,500,213*	189,563
C	51,168,329	2,647,498
D	670,633,544	27,979,225
E	145,620,034	3,307,059
Totals	1,167,184,229	43,523,345 (3.72%)

*Valuations

TAX RATES AND EXEMPTIONS AUGUST 1914

Standard rate of income tax at outbreak of war 1s 2d
(5.83%)

Total incomes below £160 pa were exempt

Supertax on incomes of £5,000 or more but rate only
6d (2.5%) and only on excess over £3K

Effective tax rates on incomes of [2012 equivalent on RPI]

£3,000	[£225K]	5.83%
£50,000	[£3.75M]	8.18%
£100,000	[£7.5M]	8.25%

INLAND REVENUE CHIEF INSPECTOR'S BRANCH, 1914

Chief Inspector	1 at £1000-£1200
Deputy CIs	2 at £800 -£1000
Superintending Inspectors	12 at £800-£850
Inspectors and 1st Class Surveyors	100 at £550-£700
2nd Class Surveyors	138 at £350-£500
3rd Class Surveyors & Assistants	429 at £100-£350
Total in post	682

Multiply salaries by about 75 to get 2012 equivalent on RPI

THE SURVEYORS

- In 350 tax offices plus Somerset House
- Smaller districts had only one Surveyor plus clerks
- Including southern Ireland
- Typically joined at 18/19, via competitive exams, often previously “boy clerks” from 14/15
- Very few graduates
- All male
- In law, didn’t “assess” (General Commissioners did that)

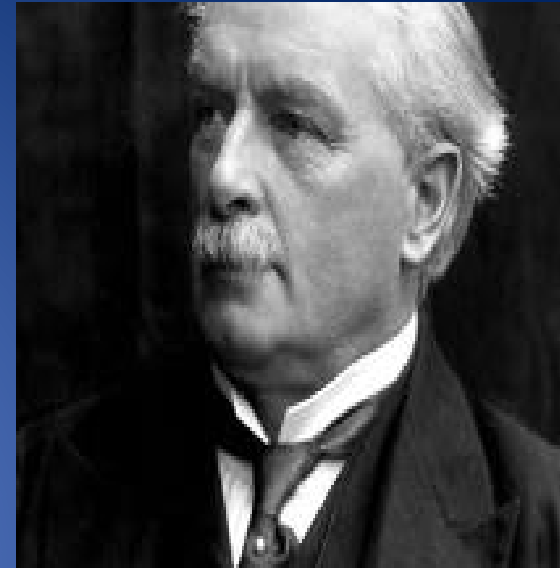


1914-ESSENTIAL WAR WORK

- GB joins the war on 4 August
- Initial fears of economic collapse, mass unemployment
- In fact, manpower shortage as 000s join up
- Only 29 Surveyors join up before further enlistment effectively banned from 14 August
- No general ban for tax clerks
- Surveyors regarded as doing essential war work

November 1914- Lloyd George's first War Budget

- War costing £1 million a day
- Standard rate increased from 1s 2d to 2s 6d (12.5%) but only from 6 Jan 1915
- Relief for small unearned incomes (encourages purchase of War Loan)



May 1915-LG's second War Budget

- War now costing £2 m a day
- Standard rate 2s 6d for whole year
- Better than expected yield for 1914/15-£59m of income tax (estimate £53m) and £10.12m of supertax (estimate £8.16m)

1914-5: TOTAL WAR

- Early war of rapid movement solidifies into trench warfare by November 1914 (First Ypres)
- Spring 1915-attacks peter out (Neuve Chapelle), first use of gas (Second Ypres): break-in but not breakthrough
- The “Shell Scandal”-Festubert (May)

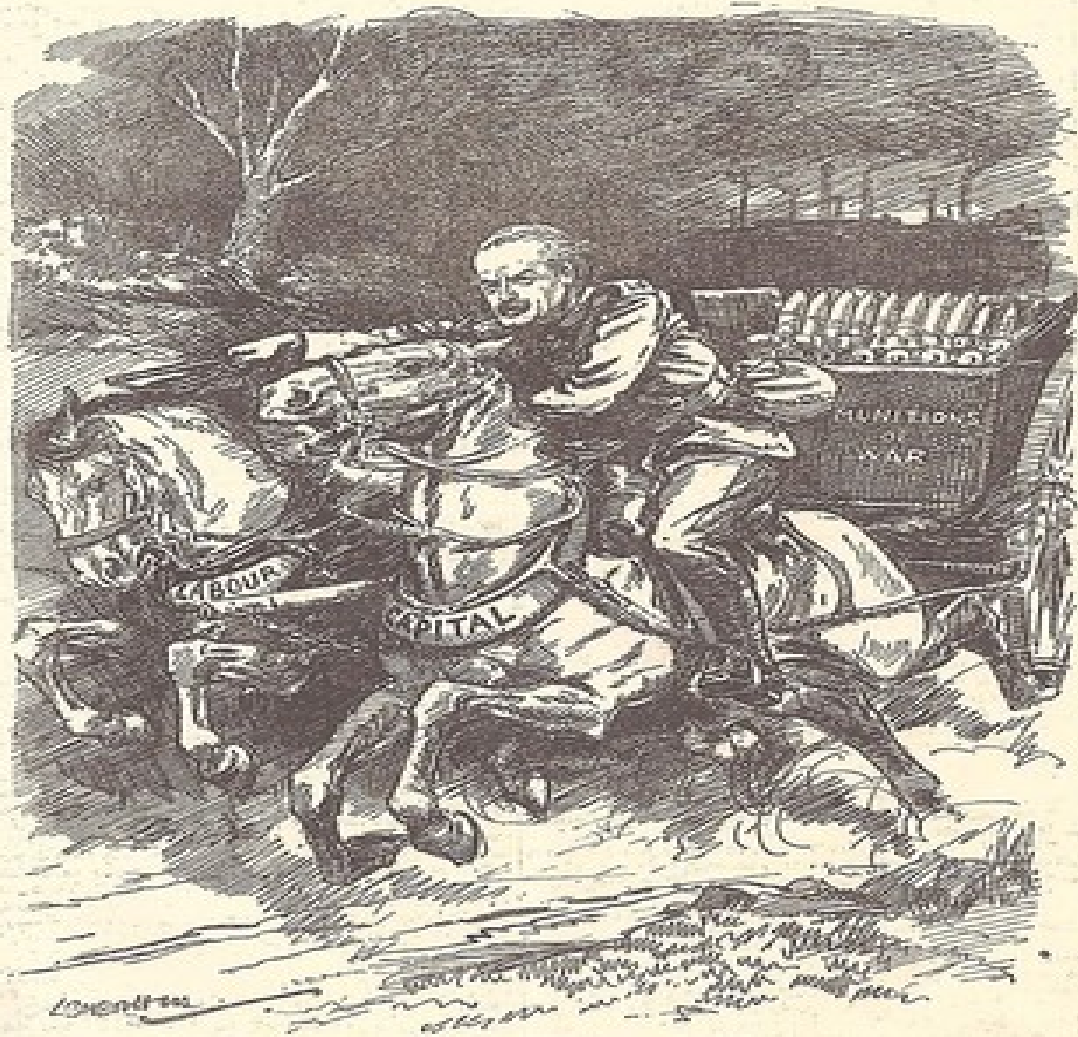


1915- HOME FRONT

- Asquith forced into Con-Lib coalition
- LG moves to Munitions Ministry
- McKenna to Treasury
- LG introduces Munitions Levy
- Confiscates manufacturers' profits in excess of 120% of average of two immediately prewar accounting periods
- Accountants have powers of entry and examination of books



PUNCH, OR THE LONDON CHARIVARI.—April 21, 1915.



DELIVERING THE GOODS.

SEPTEMBER 1915-EXCESS PROFITS DUTY

- Tax at 50%
- On excess of profit of 1st AP ending after 4/8/1914 over the “datum line” ...
- Which was the average of the best two of the three immediately prewar Aps
- Reckoned in 1930 that it had raised £1.2 billion
- Largely invented by Stamp and assessed by Surveyor, not local Commissioners
- Volume 12 of IR Tax Case series

September 1915- also in McKenna's First Finance Bill

- Small income exemption down from £160 to £130 (raises £8 million)
- Farmers pay on 100% of land valuation not 33.33%
- *“The largest and most important Finance Bill ever produced”*



QUARTERLY ASSESSMENT OF MANUAL WAGE EARNERS (1915)

- Necessary because of rising earnings (overtime) plus falling exemptions
- Many new taxpayers created-fear of wages spent by conventional due date
- Not PAYE, not deduction at source, just payment by instalments
- Assessments made by Surveyors not Commissioners
- Some Collectors appointed by Unions

1915-LORD DERBY'S SCHEME

- Response to accusations of shirking, white feathers etc
- Men willing to enlist able to “attest” and can then be called up at 14 days’ notice
- Special badges should have been issued
- Revenue allows attestation but blocks call-up of Surveyors -and then messes up issue of badges



1916-ENTER THE WOMEN

- Revenue authorised to recruit 600 women by May 1916, 400 early 1917, 1,000 early 1918
- Not just typists-particularly used on new quarterly assessment work, then in EPD centres
- Could earn up to £3 a week (wages pitched high to compete with private sector)
- “The best were very good indeed”

1916-CONSCRIPTION ARRIVES

- By summer 1916 all men under 41 liable to call up
- Government departments could grant exemption certificates to those doing work of national importance
- Revenue takes view that Surveyors covered by this
- But much of clerks' work could be done by the new women recruits, so most of the exemptions on clerks under 31 are lifted

APRIL 1916-McKENNA'S SECOND BUDGET

*War now costs £3.75m a day.

*Standard rate up to 5s (25%)

*EPD rate up to 60%

*Income of £3000 suffers 25%,
£10K 32.79%, £50K 40.5% and
£100K 41.52%



1916-THE BIG PUSH

- 1 July-Somme offensive opens-20,000 killed on day 1 alone
- 420,000 British casualties by end of November
- Coalition split over continuing conscription exemptions-in December, Asquith and McKenna forced out, LG becomes PM, Bonar Law becomes Chancellor
- New National Service Ministry set up



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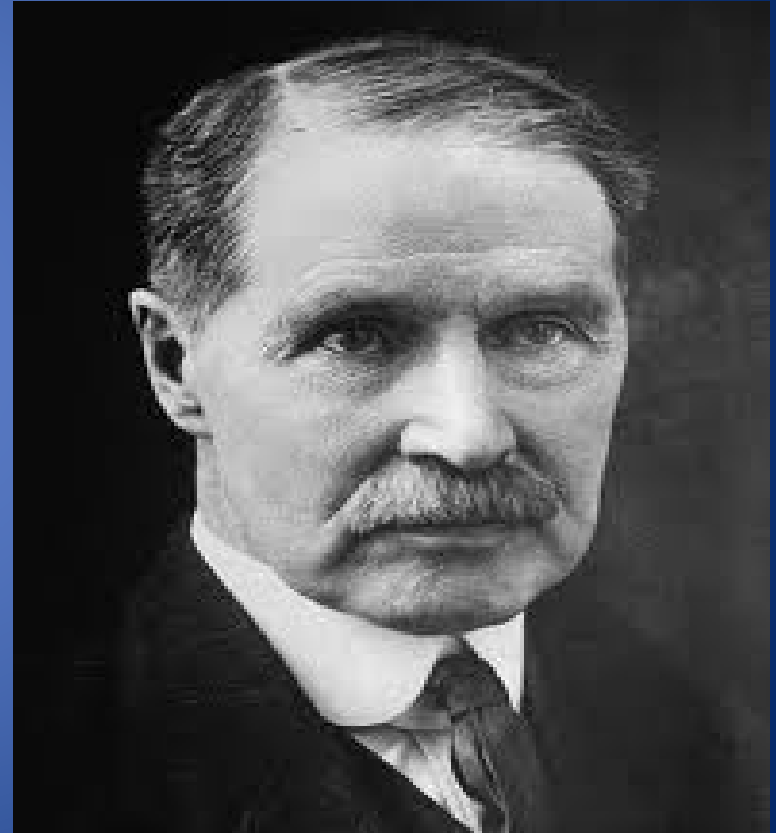




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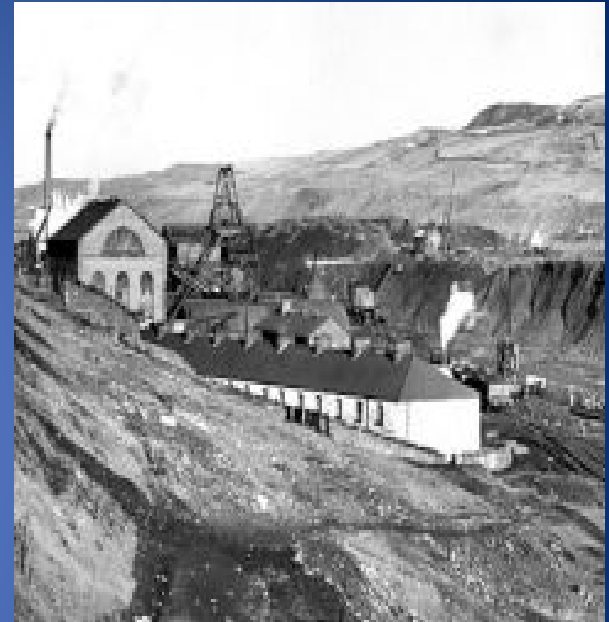
1917-BONAR LAW'S FIRST BUDGET

- Munitions Levy work transferred to Revenue plus 80 accountants
- EPD rate raised to 80%-some advocated 100%
- War Loan interest to be paid gross



1917-THE MINERS' (TAX) STRIKE

- South Wales miners claim cost of living up 80% but incomes only up 40%-demand end to “tax on overtime”
- Union withdraws voluntary collectors
- Perhaps only 25% of returns completed
- “Bonar Law hints at new married man’s allowance of £25
- “Strike” only broken by threats of court action-lastest until 1919



1917-STALEMATE

- USA now in war but contributes little as yet
- Russia heading for surrender (Lenin sues for peace October)
- Germans retire 25 miles, behind Hindenburg Line
- Flanders offensive (Third Battle of Ypres) aims at Belgian coast to capture U-Boat bases, but runs into mud of Passchendaele
- 250,000 casualties, 53,000 killed
- More success in Palestine (Jerusalem captured December)



BONAR LAW'S 1918 BUDGET

- Standard rate up to 6s (30%)
- Supertax at 22.5% on excess over £2K of incomes over £2,500
- Farmers now pay on 200% of annual value (or accounts profits if less)
- £25 married man's allowance, as promised in 1917 to miners
- EPD produces £300 million a year
- "It is only a question of taking a decision and immense sums come in"

EFFECTIVE TAX RATES 1914 v 1918

1913/14 total income

- £3,000 5.83%
- £50,000 8.18%
- £100,000 8.25%

1918/19 total income

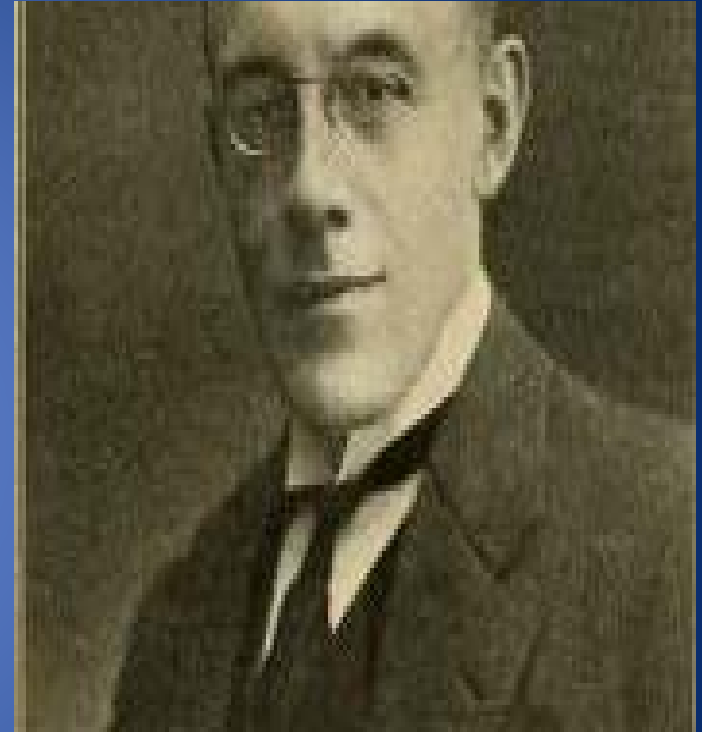
- £3,000 31.66%
- £50,000 50.4%
- £100,000 51.66%

EVASION ON THE MARCH?

- Princesse de Polignac-solicitor found guilty of conspiring with alleged non-resident client
- First prosecutions reported in staff magazines (under Perjury Act 1911)
- Judges bang patriotic drum
- One case discovered through interception of mail from Holland
- Unassessed duties recovered 1918/19 £1.216 million [1913/14 £229K]

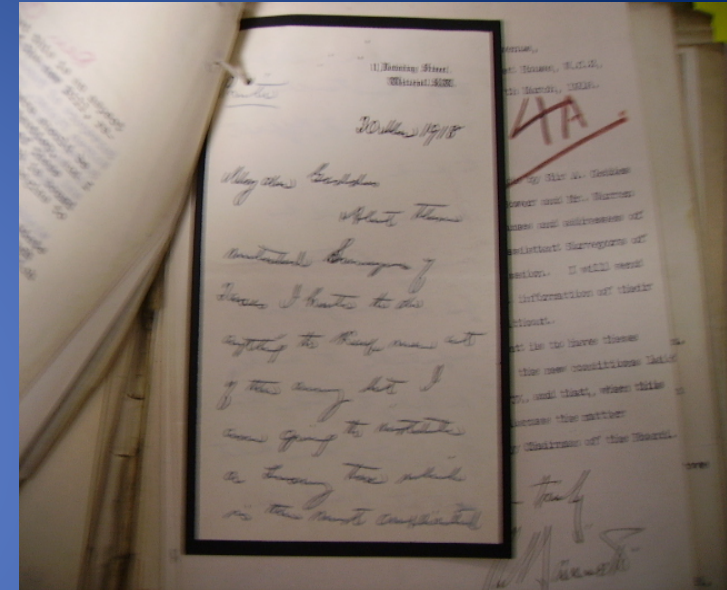
THE FIRST (AND LAST) SURVEYOR CONSCRIPTS (1)

- Sir Auckland Geddes becomes National Service Director 1917
- Determined to “comb out” all exemptions except medical grounds
- Exploits inter-union jealousies between Surveyors and Clerks



THE FIRST (AND LAST) SURVEYOR CONSCRIPTS (2)

- Revenue agrees to conference with Geddes for 22/3/18
- On 21/3/18 Germans launch “Operation Michael” -40 mile advance
- Bonar Law reveals luxury tax-need for “these wretched Surveyors”
- Finally (July) 81 Surveyors under 24 released, too late for any real use before War ends





CHIEF INSPECTOR'S BRANCH 1918

- 1225 Surveyors in post at end of war [1914-682]
- Tax yield 1918/19 £257.5 million [1913/14 £43.9 million], excluding EPD
- Taxable income under all schedules 1918/19 £2.445 billion [1913/14 £1.167 billion]
- But several Surveyors' pay bands unchanged, despite £1 in 1918 only having 47% purchasing power from 1914

TAXATION AND THE GREAT WAR-EFFECTS

- Surveyors become Inspectors (1919)
- Inspectorate opened to women, graduate entry established (1923 onwards)
- Consolidation (1918)
- Enquiry Branch (1920s)
- Income tax no longer the concern solely of the better-off

