

STATISTICAL AND SOCIAL INQUIRY SOCIETY OF IRELAND.

INCOME TAX STATISTICS.

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In approaching an analysis of Revenue Statistics, one is confronted almost immediately with difficulties created by the form in which those statistics are presented in the Annual Reports published by the Revenue Commissioners. There is on the one hand a considerable amount of information which is of little or no interest to the economist or statistician. While, on the other hand, there is such a considerable amount of useful information omitted that one is left to one's own devices about filling in the gaps caused by the omissions. These remarks apply more particularly to the Income Tax statistics, the omissions in which are to an extent understandable because the Revenue Commissioners and their officials are acting under an oath of secrecy which probably makes them particularly guarded in the information which they are prepared to communicate to the public.

Another set of difficulties presents itself in the preliminary explanations which are necessary by way of indicating the meaning of the various Schedules of the Income Tax Acts and the exact significance of the figures set out under those Schedules before attempting to draw any conclusions from the figures. In reading this paper I realise that I have to try to make it interesting not only to those who are already well informed on the Income Tax code, but also to those who are possibly not; I have, moreover, to consider not only those who are interested in Revenue statistics for the sake of those statistics merely, but also those who are looking for broader information on the subject of national income and distribution of wealth. I shall try to meet all these points of view as much as possible, and in doing so I hope to bring to light some of the more salient features of interest which are hidden away in the Revenue Reports.

It will be necessary, in the first instance, to define the nature of the income and the method of determining the amount of that income as we find it included in the various Revenue Tables. The Reports available cover the years 1923-24 to 1929-30 inclusive, and, therefore, finish with the last year before considerable simplification had been introduced by legislation. From the year 1930-31 income assessed under Schedules D and E can be taken as that earned in the preceding year, so that the way of the statistician will be made much easier by knowing exactly that the days of various bases of assessment ceased with the year 1929-30. In order to have a clear view of the methods of arriving

at the figures with which we are dealing, the following Summary is necessary :—

Schedule	Nature of Income Assessed	Basis of Assessment
A.	From property, i.e. ownership in houses and lands From Railways, Canals, Docks, Mines	Poor Law Valuation. Income of preceding year. Average of five preceding years.
B	From occupation of agricultural lands. From occupation of amenity lands.	Poor Law Valuation, Land Commission Annuity or Interest in lieu of rent, whichever is the least. ½rd Poor Law Valuation.
C.	From Saorstát, British, and other Government Securities.	Actual income of year.
D Cases 1 & 2	From Trades, Professions, and Vocations.	Average of three preceding years.
Case 3	From Interest on National Loan, War Loan, Deposits, etc, etc From Milk Selling and Cattle Dealing.	} Income of preceding year.
Case 4	From Foreign and Colonial Securities. Other Government Securities	
D. Case 5	From Foreign and Colonial Possessions.	Average of three preceding years.
Case 6	From Casual Profits	Actual income of year.
E.	From Remuneration of offices and employment.	Actual income of year.

It is worth while keeping this Summary constantly in mind, as it will serve as a reminder against all sorts of pitfalls with which the figures are so well provided, and we can now turn to an examination of the figures in the various Schedules. Schedules A and B provide us with the first pitfall in the following figures for income from the ownership of lands and from the occupation of lands as follows :—

Year	Amount Assessed, Schedule A		Income below the Exemption Limit	Amount Assessed Schedule B
	Lands	Houses and Buildings		
1923-24	£ 7,642,100	£ 3,281,700	£ 3,958,100	£ 2,299,100
1924-25	2,713,700	3,387,500	370,300	2,027,500
1925-26	2,724,300	3,377,600	384,300	1,943,300
1926-27	2,751,200	3,411,800	511,800	1,917,300
1927-28	2,751,400	3,448,800	587,900	1,888,800
1928-29	2,763,800	3,573,000	647,600	1,867,300
1929-30	2,770,500	3,504,400	659,200	1,855,100

A comparison of these figures for the years 1923-24 and 1924-25 shows an extraordinary drop in the statutory income from lands assessed Schedule A and also a considerable drop in the statutory income from occupation of lands assessed Schedule B, and to a student probing into these figures these might present a real puzzle. It will be observed, however, under Schedule A that the drop was largely due to the elimination of exempt owners in 1924-25. There was, moreover, another factor in operation, namely, the Land Act of 1923, which resulted in the transfer of property in agricultural land assessed under Schedule A from liable landlords to exempt tenants, who are not assessed, and in reducing the amounts assessed under Schedule B by reference to the two factors of transfer of lands from liable to non-liable occupiers and of the reduction of the statutory basis of Poor Law Valuation to the lower basis of the Land Purchase Annuity or interest in lieu of rent. Here is the effect from a Revenue point of view of a definite change in the social and economic system of the State. The continued reduction in the Schedule B assessment figures even after the year 1924-25 is also probably due to the determination of lower Assessment values by reference to Purchase Annuities fixed as Land Purchase proceeded, and to the gradual elimination of exempt occupiers from Assessment. *It can most definitely be stated that the reductions shown for Schedule A on lands and for Schedule B are not attributable to any slump in the revenue earning power of agricultural lands.* On the other hand, the fixation of Assessments by reference to Poor Law Valuation or other artificial basis definitely rules out the possibility of ascertaining the true income from agricultural production.

Before leaving the subject of Schedule A, there are two other matters which are worth attention. Regarding the first matter, if one returns to the figures quoted above, it will be observed that the Assessments on houses and buildings showed a definite increase each year until the year 1929-30, when it is quite possible some elimination of exempt owners took place. Bearing in mind that the income from houses and buildings was determined entirely in those years by reference to the Poor Law Valuation, which is also taken as the measure of the beneficial ownership of consumption income of all persons owning their own houses or factories or offices, we see reflected in the figures the gradual trend of new building and of the slow rate at which it was proceeding.

The second matter is that of endeavouring to get at some figure of National Income, at least from house property, and for this it is necessary to use the following figures in Table 83 of the Revenue Report for the year to 31st March, 1931, setting out the Assessments for the year 1929-30:—

Gross Income Houses, Messuages, Tenements, etc.	£3,504,000
Repairs, etc., Houses and Buildings	£226,300

As the repairs allowance applies for all practical purposes only to houses and other premises in the occupation of their own owners, and as the allowance is fixed by reference to one-sixth of the Assessment, the value placed on this ownership occupation would be £1,357,800 (£226,300—6). It follows that the value placed on let property would be £2,142,600 (£3,504,000—£1,357,800), but as this is really the Poor Law Valuation, and as it would be a conservative estimate to take the rack rent (i.e. the Gross rent less necessary outgoings) as double the Poor Law Valuation, twice that Poor Law Valuation, namely, £4,284,000, would give us the amount of income accruing to owners

from owners of let property. It would be entirely beyond the possible scope of this paper to endeavour to measure the consumption income of owner occupiers, involving as it would an analysis of the amount of the Assessments into those for houses used as residences and buildings used for commercial purposes such as offices, factories, etc. Before leaving the figures finally, I should like to point out that the effect of the Double Taxation Agreement of 1926 was to exempt British owners from Assessment on property and profits here, just as the converse exemption is granted by the British Revenue to Saorstát owners of British property; it follows the properties owned by British individuals, firms or companies would not, or, at least, should not be regarded as included in the published figures quoted above from the year 1926-27 onwards.

Schedule C next calls for comment, and I cannot do better than set out the following extract from the various yearly Tables :—

Schedule C.	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
Saorstát Government Stocks	—	—	49,100	118,500	173,500	227,800	302,700
British and Indian Stocks	1,643,300	1,639,100	1,611,900	1,468,600	1,364,700	1,351,800	1,261,800
Foreign and Dominion Stocks ...	538,800	1,202,200	1,489,500	1,405,500	1,465,600	1,413,200	1,479,700
	2,182,100	2,841,300	3,150,500	2,992,600	3,003,800	2,992,800	3,044,200
Exemptions for dividends to non-residents ...	159,400	384,000	227,700	242,600	363,200	271,400	291,700
Deduction for dividends to Charities, Friendly Societies, etc.	202,600	218,800	240,900	213,000	211,000	231,000	215,100

An extraordinary point about Schedule C is that while it purports to deal with income from Government Stocks, Saorstát, British, Foreign, and so on, it does not cover income from National Loans or British War Loan because that income is paid in full, assessed direct on the recipients and is categorically included in assessment under Case III of Schedule D. The income dealt with under Schedule C presents no difficulties of interpretation, as it is the actual income of the year assessed as it is received. There are several points worthy of comment :—

- (a) The gradual growth of interest payable on Saorstát Government Stocks, apart from National Loan.
- (b) The steady fall in income from British and Indian Government Stocks, even treating the fall after the year 1925-26 as rather abnormal. This general fall was probably due mainly to conversion of stocks and to transfers from the Bank of Ireland to the Bank of England Registers.
- (c) The consistently steady income from the year 1925-26 of income from Foreign and Dominion Government Stocks.
- (d) The substantial exemption granted to foreign residents, which indicates that this country acts as a Clearing House for income accruing to those residents to a considerable extent.

Before proceeding to deal with the complications of Schedule D, I propose to refer to the figures for Schedule E, which covers remuneration of all kinds from employments and which presents little or no complications, because up to and including the year 1929-30 the statistical figures represent the actual assessed income of the year. The trend of the figures can be seen at a glance from the following synopsis:—

Year	Gross Income Assessed	Exemptions	Reductions	Actual Income after Deducting Exemption and Overcharges
	£			£
1923-24	24,911,000	98,000	4,298,000	20,515,100
1924-25	21,550,100	112,400	1,376,100	20,061,600
1925-26	22,808,800	114,400	1,336,700	21,357,700
1926-27	22,899,900	124,200	1,357,700	21,418,000
1927-28	23,694,100	143,400	1,400,800	22,149,900
1928-29	23,133,400	151,000	1,343,300	21,639,100
1929-30	24,311,300	207,800	1,233,000	22,870,500

The Gross Income figures for the year 1923-24 were clearly inflated probably because taxpayers were ignoring the Revenue machinery, as a result of which reductions in the amount had to be made out of all proportion to those in subsequent years. The actual income figures in the final column really provide the basis of comparison of income earned by liable or potentially liable individuals, and display a gradual rise which was temporarily interrupted in 1928-29 for reasons which are not given by the Revenue Commissioners, and which for the layman could only be a matter of guesswork. In the year 1930-31 and future years the assessed income will be that of the preceding year as against the income of the actual years up to and including the year 1929-30, which in effect means that the income of 1929-30 will be repeated for all practical purposes in the figures of assessed income for 1930-31. The Revenue Report figures for Schedule E will always provide reliable data of the incomes of liable employed persons for those who are carrying their researches into the question of National Income, and it will be an interesting point to compare the assessed income of employees with that from businesses, trades and professions, which provide to a very large extent the work from which their employees derive their incomes.

We now come to the figures relating to Schedule D, which is *par excellence* the revenue-producing part of the Income Tax machine. For reference purposes the following comparative figures are set out:—

Year	Gross Income	Exemptions for Individuals	Exemptions for Charities	Non-Residents Income	Wear and Tear Allowances	Other Reductions	Actual or Net Income
	£	£	£	£	£	£	£
1923-24	28,105,100	377,000	470,100	44,500	536,900	5,508,000	31,168,600
1924-25	31,905,600	384,600	464,000	—	630,300	5,176,500	25,250,200
1925-26	32,496,600	327,200	491,500	—	614,900	4,856,000	26,207,000
1926-27	32,349,500	390,000	466,500	—	643,200	5,299,300	25,550,500
1927-28	29,336,000	348,300	522,000	—	563,900	4,273,900	23,627,000
1928-29	31,239,400	311,200	629,200	—	617,600	4,969,000	24,712,400
1929-30	34,508,500	362,200	507,700	—	623,600	6,054,100	26,960,900

I am afraid that my comments on these figures must be largely of a negative or destructive nature, largely because of the manner in which

they are presented in the Reports. My listeners will bear in mind the Statement set out earlier in this table as to the nature of the various kinds of income assessed under Schedule D and of the various bases of assessment employed. If the figures quoted above purported to display the income of the year preceding the year of assessment, as the figures in future Reports will do, we should at least have passed away from the difficulties of having to contend with three years' averages for trades and professions, but we should still have to contend with the hopeless position created by throwing profits from trades, professions, interest, foreign and colonial securities and possessions, and casual profits into one total for us to make what we can of it. It would not be too much to expect that the Revenue Report should show, as a matter of national information, the Gross Income, the deduction and the Actual Income emerging from the segregation of the figures for (a) Trades, (b) Professions and Vocations, (c) Interest, (d) Foreign and Colonial securities and possession, and (e) other profits. One might go a step further and get a segregation of the income from foreign and colonial sources into income from Great Britain and income from other countries. I am perfectly satisfied that the student of national statistics and economics will never be able to turn to the Revenue Report for useful information until the segregations suggested are made.

Taking the figures as I find them, I can only direct attention to a few special points as follows:—

- (a) The jump in the Gross Income in the year 1924–25 as compared with that for the year 1923–24 was, I suggest, due to the arrangements for assessing income of or from British Companies. When the Saorstát was established, British Companies trading here became liable to taxation as did their dividends and interest. but the Revenue machine was probably not ready to deal with the assessment and the work was not overtaken until the year 1924–25.
- (b) The Gross Income for 1927–28 shows a fall as compared with the years 1926–27 and 1928–29; this fall was, I suggest, purely temporary because of the operation of the Double Taxation Agreement of 1926–27, which Agreement exempted the profits of British concerns trading in the Saorstát and made the recipients of the dividend, who are resident here, liable to Saorstát tax on the full dividend. A radical change of this kind was bound to disturb the work of assessing, and by the year 1929–30 the work of assessing had been clearly overtaken.
- (c) The figures of Wear and Tear, or, as they were commonly known, of Depreciation Allowances, are instructive. This allowance is granted at varying rates on different types of plant and machinery and on motor cars, lorries and omnibuses to trades, and, as profits are computed in the first instance by ignoring depreciation and the depreciation allowance is treated as a separate deduction or expense, it emerges as a distinct item in the statistics. It will be observed that there was a distinctly upward trend from 1923–24 to 1926–27 inclusive, which was retarded in 1927–28 most probably because British concerns previously assessed, and to whom Depreciation Allowance was granted, were eliminated from the figures. From 1927–28 the

upward trend again appears and relates solely to industries managed and controlled in the Saorstát. This feature of Wear and Tear Allowance will well repay scrutiny in future Reports, as it should furnish one of the proofs of the extent of our new industrialisation.

Having analysed the figures for the various Schedules, I have now to refer you to the summarised results for the various years as set out in the Appendix A to this paper. It has occurred to me that the statistician who takes up the Revenue Report may be in some preliminary difficulty as to the assembly of the figures in the statements for the various Schedules into the summarised statement, and just to show how the assembly is done I have set out in Appendix B the assembly for the year 1929-30; there is an item of £1,300 which appears in my total under the heading of "Exemption for Charities" which is included in the Revenue Summary under the heading of "Other Reductions and Discharges." The summarised Statement for the years 1923-24 to 1929-30 inclusive, as set out in Appendix A, gives the statistician a bird's eye view of the Income Tax figures, and I propose to devote the remainder of my paper to what may be described as a running commentary on those figures following the paragraphing of the Revenue Report:—

(a) *Gross Income*.—This is, of course, the income as it emerges for assessment, regardless of the fact that some of it may belong to exempt individuals, charities, friendly societies, non-residents, and that some of it has to be eventually regarded as non-existent because of allowances for overcharges and losses. I should perhaps explain here that exempt individuals are excluded as far as possible from assessment, but it is inevitable that some should creep in. An easy example of this is that of a firm consisting of three partners, two of whom are liable and the third exempt. The firm's profits must be assessed as a whole, and the only way to deal with an exempt partner is to release his share of profits from liability through the appropriate column of the assessment. On the other hand, the exempt individual is not to be confounded with the individual who by reason of married or children allowance is not liable to pay tax, the latter is potentially liable once his income goes above £135 (now £125), and his profits are included in the statistics. In other words, the exempt individual whose income is not included is one whose income is below the statutory exempt limit.

(b) **EXEMPTIONS:**

Exempt Individuals.—I have already explained how this arises through the operation of assessing people whose incomes are not above the exemption limit. If you will look at the figures you will see that the proportion which the income of these exempt individuals bears to the Gross Income is about 2 per cent. If the figures here were in any way helpful towards the purpose, it would be interesting to ascertain what is the proportion of income by way of dividends and interest which accrues to those who are exempt from Income Tax. Unfortunately the figures do not assist, and I can only interpellate here my own view that it is about 17½ per cent.

Charities, Colleges, etc.—There are fluctuations in the figures from year to year which suggest that Trustees are not the staid conservative folk that people think they are when it is a matter of varying investments to the advantage of the trusts and societies which they represent. Another feature is that there is a vast amount of money, varying between 15 and 20 million pounds, invested on behalf of the charities, societies and institutions referred to in the statement—surely not a bad record for a poor backward country.

Non-Residents.—I have already commented upon the position of trust held by our bankers for non-residents when dealing with the figures under Schedule C.

(c) REDUCTIONS :

Repairs to Lands, Houses and Buildings.—My remarks under Schedule A have already covered this.

Empty Property.—This hardly calls for comment. Even with building booms, there are always empty houses, due to family disputes about title or to the financial embarrassment of owners who have not the money to spend on making their premises habitable.

Wear and Tear.—I have dealt with this already in the course of my remarks concerning the Schedule D figures.

Other Reductions and Discharges.—The deduction under this head is very substantial, and has to be made in order to relate Gross Income properly to Actual Income. Books have to be closed early in December when a number of cases are under appeal for which reductions have subsequently to be made. Taxpayers go out of business or die or make losses, and certain reliefs and adjustments follow which affect the original assessment. Again, interest to banks, etc., is paid which cannot be ascertained for some time after the assessments are closed, and allowance has to be granted for such interest. From a statistical point of view, the deduction made under this head might be more properly shown immediately after what is called "Gross Income" and not in the body of the Statement, and the resultant might then conveniently be called "True Gross Income" or some such term.

(d) *Actual Income* is as described on the Statement. It will be seen at a glance that Schedules D and E together accounts for nearly 50 million pounds out of approximately 56 millions. While the figures for Schedule E are about four millions less than those for Schedule D, there is really no relative comparison in the yield, because Schedule D covers the profits of the big companies and corporations and also all manner of income from investments, whereas Schedule E covers salaried people whose allowances in very many cases free them from liability. Unfortunately the Revenue Profits give no inkling of the relative yield.

(e) *Earned Income Relief.*—In the years in question this was 1/10th of the assessed earned income. As one-tenth of the Actual income assessed in the year 1929–30 under Schedule

B and E at £1,349,000 and £22,870,500 gives £2,421,950 it follows that there is a balance of £1,017,750 (£3,439,700—£2,421,950) available for Schedule D, which indicates in this direction, at any rate, the trend of the burden which Schedule D has to bear and its value to the Revenue administration.

(f) *Assessable Income.*—This requires no comment.

(g) *Personal Allowances.*—I think that the value of the figures here is in showing the numbers of people who are affected by direct taxation, and who are therefore likely to take a decided interest in the body politic. It would be easy enough to divide the total married allowance by £225 and the total single allowance by £135 to get the minimum number of persons affected, but these divisors would be too high when the previous earned income relief is taken into account. Take, for example, a person with £120 earned income and £20 from interest who would be assessed thus: Gross, £140; less earned relief, £12; and personal allowance of £128 thus leaving him free. Then there is the married person making £220 from business who would be assessed on £220, less earned relief £22, and personal allowance £198. I suggest that the divisor for single persons should be about £133½, while for married persons I suggest that the divisor might lie around £200, and adopting these, there would appear to be 66,000 single persons and 61,000 married persons affected by income taxation. The preponderance of the bachelor element never struck me so forcibly before, and for the sake of those who prefer their single blessedness I hope that this paper will not come under the notice of the Minister for Finance.

Ignoring the limited number of single persons who obtain allowance for children, married persons had the children's allowance in the year 1929–30 to the tune of £2,058,000, an average of over £33 per head. In the years under review the allowances for children were £36 for the first child and £27 for each of the others. With an average of £33, it does not look as if the payment of income tax is conducive to a high birth rate, to say the least of it. On the other hand, there may be quite a large number of persons to whom the children's allowance is of little advantage, because the children have grown up just when their parents' incomes have reached the point at which those incomes have become a matter of interest to the Revenue Department.

Another side of married life is reflected in the separate allowance for wife's Earned Income Relief, i.e., the allowance of £45 to wives earning their own living. As the total allowance for 1929–30 was £229,900, it follows that at a minimum there were over 5,100 married women who were earning their own living in that year and whose incomes taken with those of their husbands at least attracted the attention of the Revenue Authorities.

The allowance for housekeeper, which is fixed at £45, accounted for a total allowance of £71,700 in the year 1929–30, and as this allowance is granted only in case

children have to be looked after, there is evidence here of nearly 1,600 families bereft of mothers or fathers, whose surviving parent has to go on earning the bread and butter while he or she commits the children to the care of a female relative or other such person acting as housekeeper.

There remains the allowance for dependent relatives, which, fixed at £25 per relative, accounted for an allowance of of £339,100 in the year 1929-30. The conditions governing this allowance are stringent, and the claimant must prove that the dependent is incapacitated by old age or infirmity or is a widowed mother. At a minimum over 13 500 such dependents were maintained in the year 1929-30, and it does not require much knowledge of conditions obtaining in our country to appreciate the bearing that this number has on the number of bachelor taxpayers to which I have previously adverted.

(h) *Taxable income* and

(j) *Tax Chargeable*.—These require no comment.

(k) *Allowance for Life Insurance*.—This allowance is given in terms of tax and not of income. For all practical purposes the relief can be taken as computed at half the standard rate on the amount of the Life Assurance Premiums, and to get at these premiums we can proceed as follows:—

Year	(a)	(b)	(c)
	Relief £	Rate at which Relief granted	Life Insurance Premiums (a) × £1 (b)
1923-24	81,600	2/6	652,800
1924-25	89,600	2/6	716,800
1925-26	72,700	2/0	727,000
1926-27	76,300	2/0	763,000
1927-28	62,100	1/6	828,000
1928-29	62,800	1/6	837,333
1929-30	69,200	1/6	922,666

There is something definitely instructive about the upward trend of the figures in Column (c) as indicating a phase of thrift and prudence which, insurance shibboleths apart, shows up the national character in, a new and entirely satisfactory light.

I have endeavoured to confine this paper to Income Tax statistics, but I cannot resist the opportunity of introducing here what appears to be to me the only useful portion of the Revenue statistics relating to Stamp Duties. The following extract is instructive in the light of the foregoing figures from the Income Tax Statistics:—

Stamp Duties on —

Year	Stocks, Shares and Debentures	Companies' Share Capital	Cheques and Bills	Life Insurance Policies
	£	£	£	£
1923-24	83,712	25,412	186,279	589
1924-25	91,038	10,143	177,421	167
1925-26	108,783	18,040	179,369	1,722
1926-27	91,043	14,678	171,180	1,346
1927-28	110,899	16,056	166,432	1,599
1928-29	108,976	18,706	169,648	2,203
1929-30	76,439	7,467	140,094	2,896
1930-31	58,577	9,905	117,264	5,729

The rates of duty did not vary upwards, but there may have been some gain to the Saorstát Revenue in having policies, which were prior to 1923 stamped in England, stamped here instead. Granted that there was this gain in the earlier years, it will not, in my opinion, explain the relative increase in the years 1928-29 *et seq.* It, therefore appears to me to be clear that, during a period of depression and distrust, when the confidence of the public was shaken and when the Revenue suffered because of the reduced volume of the transactions in investments and banking transactions, the State was gaining from the thrift and prudence of that portion of its citizens who can only provide for contingencies through the medium of insuring their lives for the benefit of their dependents. It is not the amount of the Stamp Duties on Life Insurance which matters, but rather the remarkably progressive increase while duties on other transactions were falling.

Double Taxation Relief.—From the year 1926-27 onwards this can only arise in the case of taxpayers who are resident both in Saorstát and in Great Britain or Northern Ireland. It is not safe to dogmatise on the basis of the figure £327,400 shown for this relief in the year 1929-30 because of the difficulty that most of these cases have to hang over until the end of the year for settlement, and there is always a time lag and an amount of uncertainty about the amount of the ultimate relief. It will be observed that, like Life Insurance relief, this Double Taxation relief is given in terms of tax, and it may be noted that the relief is given in terms of one-half of the British or Saorstát rates, whichever is the lower, on total income. Taking the amount, £327,400, as it stands, and also that the Saorstát rate of 3s. was the lower, the minimum amount of income of double residents brought under review was £4,365,000. If these double residents spent only one-third of their income in this country, they are a considerable national asset from the point of a spending capacity of £1,455,000, and of revenue yielding capacity by way of income tax, £327,400, to which, of course, has to be added Surtax about which the Revenue statistics afford no clue, but which might be taken at £150,000 as a conservative estimate. A distinct class of residents who are worth nearly 2 millions per annum to the country is, in my opinion, deserving of consideration and encouragement as an asset in our national balance sheet.

(l) and (m) *Net Produce of the Income Tax and Average Yield.*—

These are clearly set out in the Table to which I have added at the bottom the standard rate in force each year. When considering average yield it is necessary to bear in mind that the Revenue Authorities have power to make additional assessments for six years, that there is often a good deal of tax collectible in a year in respect of previous years, but that, on the other hand, changes in basis may find the Revenue Department, always chronically overworked and understaffed, unprepared, with the result that there is a lag in assessing. However, taking one year with another, a certain state of normality amidst many abnormalities is reached. If you look at the average effective rates of tax you will find a trend upwards which can be attributed partly to more intensive assessing and partly to improving national income.

The Revenue tables employ the method of ascertaining the effective rate of tax by reference to Actual Income under (d). Most of us would

prefer to use the method of ascertaining the effective rate by reference to Gross Income; for the year 1929-30 £70 approximately Gross Income yielded £3½ approximately which gives an effective rate of 1/- per pound of Gross Income assessed. This effective rate of yield is not to be confused with the question often asked as to what is the yield per shilling of income tax imposed and which can be answered according to the results shown yearly in the Table thus :—

Year	Net Produce of Tax	Standard Rate	Yield per 1/- in £
1923-24	£ 4,455,800	5/-	891,160
1924-25	5,110,600	5/-	1,022,120
1925-26	4,020,500	4/-	1,005,125
1926-27	3,935,800	4/-	983,950
1927-28	3,020,000	3/-	1,006,666
1928-29	3,225,000	3/-	1,075,000
1929-30	3,490,000	3/-	1,163,333

It will be seen that the net produce of the tax has been increasing, allowing of course for the special drop in the year 1926-27 when the revised Double Taxation Agreement came into force, and that a reasonably conservative estimate for present-day conditions would be somewhat above that for 1929-30, say, £1,200,000 per shilling of tax imposed.

There is just one more feature of this matter of yield of the tax to which I should like to advert and that is what the Minister of Finance hopes to get and what he actually does get in yield. Here are the figures :—

Year	Budget Estimate	Net Produce per Tables	Actual yield or Net receipt
1923-24	£ 3,000,000	£ 4,455,800	£ 4,894,776
1924-25	4,580,000	5,110,600	5,380,238
1925-26	4,800,000	4,020,500	5,126,426
1926-27	4,450,000	3,935,800	4,629,410
1927-28	3,750,000	3,020,000	3,607,730
1928-29	3,600,000	3,225,000	3,580,763
1929-30	3,400,000	3,490,000	3,511,827
1930-31	3,390,000	—	3,504,857

When the Budget Estimate is being framed it is clear that account has to be taken of the fact that not all the tax assessed for a year will come into the Exchequer in that year but that, on the other hand, old arrears will come in as will a certain amount of "Back Duty" by way of composition for penalties. Except in the years 1923-24 and 1924-25 which were abnormal and also, to a small extent, in the year 1929-30 the Minister in his Budget Estimate took the view that old arrears would bring his receipts above the normal amount to be expected and the Minister's optimism was fully justified except in the years 1927-28 and 1928-29 when the receipts fell somewhat short of the Estimates but not appreciably. In actual fact the Revenue Commissioners and their officials produced results in all years except 1927-28 and 1928-29 which not only confirmed the optimism of the Minister but made it appear almost half-hearted in its hopeful anticipation.

By way of concluding this paper I should like to finish on the same note as I began and to remind my listeners that it is really difficult to

utilise the statistics in the form in which they are presented with anything approaching complete satisfaction. In a very imperfect way I have endeavoured to convey some of the implications of the figures and I have achieved nothing more than the negative result of warning future interpreters of the statistics against the various pitfalls arranged with such unpremeditated care by the Revenue Department, I shall at least have performed a sort of negative duty to others. Certain improvements have been suggested but are not likely to be adopted as the Revenue Department would, I am quite sure, regard the time spent on more detailed statistics as badly spent when there is so much to be done in the matter of collecting taxes which is, after all, the primary business of that Department and the reason for its existence.

APPENDIX A.
INCOME TAX—SCHEDULES A, B, C, D AND E.—ASSESSMENTS MADE IN.

	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
(a) GROSS INCOME... ..	£ 68,421,200	£ 64,425,700	£ 66,501,100	£ 66,322,300	£ 64,122,900	£ 65,569,700	£ 69,994,000
(b) Exemptions :—							
Incomes below the effective exemption limit ...	4,548,200	1,021,300	962,400	1,175,000	1,227,900	1,265,300	1,384,100
Charities, Colleges, Hospitals, Schools and Friendly Societies, etc.	818,800	814,500	849,600	781,400	846,600	996,200	832,500
Dominion and Foreign Dividends belonging to persons not resident in Saorstát Eireann ...	203,900	384,000	227,700	242,600	263,200	271,400	291,700
(c) Reductions :—							
Repairs—Lands and Houses and Buildings	1,001,200	555,300	561,700	577,760	591,400	571,800	572,600
Empty Property	15,100	16,400	23,800	23,160	20,100	19,700	16,500
Wear and Tear of Machinery or Plant	536,900	630,300	614,900	643,200	563,900	617,600	623,600
Other Reductions and Discharges	13,076,700	9,256,400	9,013,200	9,830,100	8,823,100	9,557,600	10,301,300
Total (b) and (c)	20,200,800	12,678,200	12,253,300	13,273,100	12,336,200	13,299,600	14,022,300
(d) Actual Income, viz., Gross Income (a), Less Exemptions (b) and Reductions (c)—							
Schedule A	3,584,100	3,335,000	3,244,800	2,864,900	2,779,900	2,769,800	2,717,100
" B	1,675,800	1,482,700	1,362,800	1,284,100	1,322,200	1,300,000	1,349,000
" C	1,276,800	1,618,000	2,075,500	1,931,700	1,907,300	1,848,800	2,074,200
" D	21,168,600	25,250,200	26,207,000	25,550,500	23,627,900	24,712,400	26,960,900
" E	20,515,100	20,061,600	21,357,700	21,418,000	22,149,900	21,639,100	22,870,500
Total (d)	48,220,400	51,747,500	54,247,800	53,049,200	51,786,700	52,270,100	55,971,700
(e) Earned Income Allowance	2,965,300	3,105,000	3,081,900	3,113,400	3,238,100	3,275,100	3,439,700

(f)	Assessable Income, viz. (d) minus (e)	45,255,100	48,642,500	51,165,900	49,935,800	48,548,600	48,995,000	52,532,000
(g)	Personal Allowances, Deductions and Reliefs :—							
	Married Persons, £225	10,242,400	9,666,800	10,502,200	10,768,000	11,532,900	11,553,400	12,213,600
	Other Persons, £135	8,324,300	7,847,100	8,309,000	8,494,100	8,472,100	8,416,100	8,820,000
	Allowance in respect of Wife's Earned Income (Max., £45)	152,500	214,200	181,800	193,600	218,800	221,300	229,900
	Relief in respect of Housekeeper	69,500	114,300	65,900	68,800	68,100	66,400	71,700
	Relief in respect of Children	1,717,600	1,673,100	1,762,200	1,839,100	1,666,900	1,954,700	2,058,800
	Relief in respect of Dependent Relative	287,300	344,400	316,600	346,300	343,600	326,900	339,100
	Total (g)	20,793,600	19,859,900	21,137,700	21,709,900	22,602,400	22,538,800	23,733,100
(h)	Taxable Income, viz., Assessable Income (f), less Allowances (g) :—							
	(i) At half standard rate... ..	6,497,900	7,056,700	7,938,300	8,148,000	8,492,400	8,782,900	9,116,600
	(ii) At standard rate	17,963,600	21,725,900	22,089,900	20,077,000	17,453,800	17,673,300	19,682,300
	Total (h)	24,461,500	28,782,600	30,028,200	28,225,900	25,946,200	26,456,200	28,798,900
(j)	Tax chargeable thereon	5,332,600	6,292,900	5,160,200	4,919,900	3,345,400	3,472,700	3,886,600
(k)	Allowance of tax in respect of Life Insurance Premiums	81,600	89,600	72,700	76,300	62,100	62,800	69,200
	Double Taxation Relief	795,200	1,092,700	1,067,000	907,800	263,300	184,900	327,400
(l)	Net Produce of the Tax	4,455,800	5,110,600	4,020,500	3,935,800	3,020,000	3,225,000	3,490,000
(m)	Net Produce for each penny of the standard* rate of tax, i.e. one-sixtieth of the total (l)	74,264	85,177	83,760	81,996	83,883	89,583	96,944
	Average effective rate of tax levied on each pound of actual income (d)	1s. 10d.	2s. 0d.	1s. 6d.	1s. 6d.	1s. 2d.	1s. 3d.	1s. 2d.
	*Standard Rate for year	5s. 0d.	5s. 0d.	4s. 0d.	4s. 0d.	3s. 0d.	3s. 0d.	3s. 0d.

APPENDIX B.

Printed by Cahill & Co., Ltd., at Parkgate Printing Works, Dublin.

	YEAR 1929-30.					Total
	Schedule A.	Schedule B.	Schedule C.	Schedule D.	Schedule E.	
(a) GROSS INCOME	6,274,900	1,855,100	3,944,200	34,508,500	24,311,300	69,994,000
b) Exemptions :—						
Incomes below the effective exemption limit	659,200	45,400	109,500	362,200	207,800	1,384,100
Charities, Colleges, Hospitals, Schools, Friendly Societies, etc.	108,400	—	215,100	507,700	—	831,200 (£832,500 in General Summary).
Dominions and Foreign Dividends belonging to persons not resident in Saorstát Eireann	—	—	291,700	—	—	291,700
(c) Reductions :—						
Repairs, etc., Lands	346,300	—	—	—	—	346,300
Repairs, etc., Houses and Buildings	226,300	—	—	—	—	226,300
Empty Property	16,500	—	—	—	—	16,500
Wear and Tear of Machinery or Plant	—	—	—	623,600	—	623,600
Other Reductions and Discharges	2,201,100	460,700	353,700	6,054,100	1,233,000	10,302,600 (£10,301,300 in General Summary).
Total (b) and (c)	3,557,800	506,100	970,000	7,547,600	1,440,800	14,022,300
(d) Actual Income, viz., Gross Income (a), less Exemptions (b) and Reductions (c)	2,717,100	1,349,000	2,074,200	26,960,900	22,870,500	55,971,700

DISCUSSION ON MR. DAVIS'S PAPER.

Following are résumés of the observations of some of the speakers to Mr. Davis's paper:—

Mr. J. Johnston: In these days of talk about planned economies exact knowledge of basic economic facts is important, not only for Governments, but for would-be instructors of public opinion. In the ordinary course of their work, Government Departments acquire a heap of valuable information which a very little extra effort would make it possible to present to the public in an intelligible form. That little extra effort should be made: *e.g.*, the weekly unemployment statistics tell us nothing. We want to know in what categories of employment unemployment is increasing, in what it is diminishing. Only 25 per cent of retail shops pay any income-tax at all — a fact nowhere published in our available statistics. One sometimes expects such shops keep no accounts, and avoid joint-stock forms of organisation, for fear they might have to pay income-tax. The percentage of gross profits in retail trade has risen since the war and not come down again. In America this phenomenon is partly the result of high protective tariffs and high-money wages. It is regarded as a main cause of the price-disparity between agricultural and industrial goods which, in turn, is regarded as a main cause of the economic collapse in that country. It is important to know the distribution of the ownership of foreign investment among Free State nationals and institutions, so that we may estimate the chances of these investments being sold to meet current costs of living, or repatriated with a view to reinvestment in native industry. Any such process would weaken the external stability of value of our currency, more seriously in the first case than in the second. So, too, would any movement abroad of the rentier classes, so to speak, to join their investments. In so far as these assets are owned by religious and educational institutions, their ownership may be regarded as solidly fixed in the country and this represents a fairly high proportion of the whole. Before we embark on economic experiments, we want to know where we are with regard to these important matters.

Dr. George O'Brien joined in complimenting Mr. Davis on his paper, and suggested that a similar inquiry embracing all the direct taxes would be even more valuable. While agreeing that the published statistics were not presented in the form that would have been adopted by a student of economic and social problems, he reminded the Society that they were primarily designed to inform the Minister for Finance, to whom they were addressed, of the facts regarding the collection of the revenue. If the form of the statistics were to be changed, the following were some of the matters they might be utilised to illustrate: the distribution of the burden of direct taxation between different sections of the community classified by incomes and by occupations; the geographical distribution of Irish investments; the incomes, occupations, and mobility of recipients of incomes from abroad; and the numbers of taxpayers classified by their conjugal conditions. The speaker drew attention to the great importance of unearned income derived from abroad in maintaining equilibrium in the country's balance of payments, and suggested that any substantial reduction of this income would set up a serious deflationary sequence. Finally, he threw some doubt on the income-tax statistics as a basis for calculating the national income of the Free State in view of the peculiar income structure of the country.

The following notes have been received from MR. CHARLES EASON, who has not been able to be present:—

Mr. Davis recommends the transfer from Schedule 'D' to Schedule 'C' of case 3—Interest on National Loan, War Loan, etc., and case 4—Income from Foreign and Colonial securities and other Government securities. This is an important recommendation which should have our approval. As to Housing—the figures given by Mr. Davis do not show the increase in building which has been going on for some time, but as regards these figures and others in the Report it is necessary to bear in mind that they are four years in arrear, and considerable changes have occurred since March, 1930, which will be reflected in the later statistics. Mr. Davis draws attention to the steady income from Foreign and Dominion Government stocks, and in regard to this income, the change which may have taken place in the last four years that may be important. Mr. Davis also draws attention to the figures of "Wear and Tear," and points out that they will indicate the progress of new production, so that it is important to get these figures up to date as soon as possible. Mr. Davis suggests that the item of "Other Reductions" is very large, and he thinks that the adjustment, which is due to accounts not being complete at the end of the financial year, should be deducted from the gross income, and the figures described as "True Gross Income." This would be a very desirable change. As regards the Personal Allowances, Mr. Davis brings out the interesting fact that of the persons affected by direct taxation, 66,000 are single, and 61,000 married. Mr. Davis also draws attention to the growth in Life Insurance which is really quite remarkable and important, as indicating that saving is going on in the Free State.

Corrigenda.

Page 50, 2nd table, heading col. 4—add "Schedule A."

Page 52, 1st line—delete "from owners"; 4th and 5th last line—delete "of income."

Page 54, 2nd line—for "table" read "paper."

Page 60, 2nd line—for "£70" read "£ m 70"; 3rd line—for "£3½" read "£ m 3½."