



(c) crown copyright

Completed 17/2/42
(3.0 pm)

75

THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT.)

S E C R E T.

W.P.(42)89.

17TH FEBRUARY, 1942.

✓ COPY NO. 31

WAR CABINET.

INCIDENCE OF INCOME TAX ON WEEKLY WAGE-EARNERS.

Memorandum by the Chancellor of the Exchequer.

The working of the existing scheme for the deduction of income tax from wages has been under review for some time past by a departmental committee which has in particular considered the two main points against which criticism has been levelled, namely:-

1. The delay in bringing deductions into force which has resulted in many cases in deduction not commencing at the first pay day in the 24-weekly period of deduction; and
2. The point stressed by the Minister of Labour and National Service, that in the case of seasonal employments where the earnings in the summer are at a higher level than the earnings in the winter the high tax corresponding to the summer pay is in part recoverable from the low pay of winter months.

This review has made considerable progress and I hope that I shall be able in my Budget speech to announce some changes, the details of which will take into account what is known of the views of the T.U.C. and the employers. I shall be very happy to take the Minister of Labour and National Service into consultation as soon as I have completed my consideration of the whole topic and am in a position to formulate my Budget proposals. So far as the question relates to the incidence of the tax in the case of high summer earnings and low winter earnings the issue does not arise until next January when, under the existing scheme, tax would fall to be deducted in respect of the earnings for the six months to the 5th October, 1942. There can be no question of altering the deductions that are now being made in the current six months commencing on the 1st January last.

While I do not wish at the moment to enter into any discussion of the merits of the various changes that are under consideration I must say that it seems fairly clear that a scheme under which the deduction of tax would be directly related to the amount of the current earnings is quite impracticable.

1950

STATEMENTS OF THE BOARD OF TRUSTEES

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF CHICAGO

REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 1950

THE UNIVERSITY OF CHICAGO LIBRARY

CHICAGO, ILLINOIS

The Memorandum by the Minister of Labour (W.P.(42)78) raises two issues which are independent of the working of the Tax Deduction Scheme and relate rather to the measure of the liability, namely - taxation of overtime earnings and the taxation of married women in employment. The second issue is one which I have already under consideration and I expect to be able to deal with it in the forthcoming Budget. The other issue is the issue which has been raised by the Clydeside, The National Shipbuilding Shop Stewards have proposed that overtime earnings be free of income tax. I am not prepared to entertain a proposal for the exemption of overtime pay, and I see no ground on which it could be maintained that overtime pay should be relieved from the same charge of income tax as applies to ordinary pay. Piece-work earnings are another way of encouraging production but nobody would suggest that income tax should not be paid on such earnings. The principle that no profit should be made out of the war is applied in the case of the employer by taking away by the 100 per cent. Excess Profits charge the whole of the additional profit which may arise to him, and I see no reason why the similar earnings of the worker should be relieved from an income tax charge which in no case exceeds a liability of 9/- in the £.

I do not believe that labour generally would support a claim that the wage earner with a given income should pay less tax than any other taxpayer of similar income and with the exception of the Shipbuilding Shop Stewards no representatives of labour have put forward a proposal for differentiating in favour of the wage-earner. Indeed there have been no representations from organised labour (other than the Clydeside Shop Stewards) regarding the working of the tax deduction scheme. Neither the T.U.C. nor any individual Trade Union has made any protest - but rather have given the scheme general support. I think that the real grouse is no more than the grouse that income taxpayers always have about the tax though in the end it is willingly paid. When one bears in mind the heavy increase made in the income tax bill of all taxpayers and that there are now about five and a half million liable wage-earners whereas last year there were only two and half millions - three million new payers - one might have feared a much more widespread and serious complaint. In fact the complaint is local and individual rather than general.

Finally, as regards the working of the tax deduction scheme it must not be forgotten that the tax deduction scheme spreads over six months a burden of tax which was ordinarily payable in one sum and could have been spread only over three months under the method of paying by stamps that hitherto obtained. The spread of six months tax over six months for collection has met the main claim of the worker that the tax should be collected in a manner that recognises the weekly budget. There may be rough edges still to be smoothed out in cases where there is a big difference between summer and winter earnings and this is one of the matters that I have at present under consideration.

(Intld.) K.W.

Great George Street, S.W.1.,

17TH FEBRUARY, 1942.





