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**An Inquiry Into The Nature and Causes Of The Wealth Of Nations**

In Two Volumes

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Appendix to Articles I. and II. Taxes upon the capital Value of Land, Houses, and Stock.

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rest of money. Money is frequently sunk in France upon what are called Contracts for the constitution of a rent, that is, perpetual annuities redeemable at any time by the debtor upon repayment of the sum originally advanced, but of which this redemption is not exigible by the creditor except in particular cases. The vingtieme seems not to have raised the rate of those annuities, though it is exactly levied upon them all.

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APPENDIX TO ARTICLES I. and II.

*Taxes upon the capital Value of Land, Houses, and Stock.*

WHILE property remains in the possession of the same person, whatever permanent taxes may have been imposed upon it, they have never been intended to diminish or take away any part of its capital value, but only some part of the revenue arising from it. But when property changes hands, when it is transmitted either from the dead to the living, or from the living to the living, such taxes have frequently been imposed upon it as necessarily take away some part of its capital value.

THE transference of all sorts of property from the dead to the living, and that of immoveable property, of land and houses, from the living to the living, are transactions which are in their nature either public and notorious, or such as cannot be long concealed. Such transactions, therefore, may be taxed directly. The transference of stock or immoveable property from the living to the living by the lending of money, is frequently a secret transaction, and may always be made so. It cannot easily, therefore, be taxed directly. It has been taxed indirectly in two different ways; first, by requiring that the deed, containing the obligation to repay, should be written upon paper or parchment, which had paid a

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certain stamp-duty, otherwise not to be valid; secondly, by requiring, under the like penalty of invalidity, that it should be recorded either in a public or secret register, and by imposing certain duties upon such registration. Stamp-duties and duties of registration have frequently been imposed likewise upon the deeds transferring property of all kinds from the dead to the living, and upon those transferring immoveable property from the living to the living, transactions which might easily have been taxed directly.

THE *Vicesima Hereditatum*, the twentieth penny of inheritances, imposed by Augustus upon the antient Romans, was a tax upon the transference of property from the dead to the living. Dion Cassius†, the author who writes concerning it the least indistinctly, says, that it was imposed upon all successions, legacies and donations, in case of death, except upon those to the nearest relations, and to the poor.

OF the same kind is the Dutch tax upon successions\*. Collateral successions are taxed, according to the degree of relation, from five to thirty per cent. upon the whole value of the succession. Testamentary donations or legacies to collaterals, are subject to the like duties. Those from husband to wife, or from wife to husband, to the fiftieth penny. The *Luctuosa Hereditas*, the mournful succession of ascendants to descendants, to the twentieth penny only. Direct successions, or those of descendants to ascendants, pay no tax. The death of a father, to such of his children as live in the same house with him, is seldom attended with any increase, and frequently with a considerable diminution of revenue; by the loss of his industry, of his office, or of some life-rent estate, of which he may have been in possession. That tax would be cruel and oppressive which aggravated their loss by taking from them any part of

† Lib. 55. See also Burman de *Vestigalibus pop. Rom.* cap. xi. and Bouchaud de l'impôt du vingtième sur les successions.

\* *Memoires concernant les Droits, &c.* tom. i. p. 225.





of his succession. It may, however, sometimes be otherwise with those children who, in the language of the Roman law, are said to be emancipated; in that of the Scotch law, to be foris-familiated; that is, who have received their portion, have got families of their own, and are supported by funds separate and independent of those of their father. Whatever part of his succession might come to such children, would be a real addition to their fortune, and might, therefore, perhaps, without more inconvenience than what attends all duties of this kind, be liable to some tax.

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THE casualties of the feudal law were taxes upon the transference of land, both from the dead to the living, and from the living to the living. In antient times they constituted in every part of Europe one of the principal branches of the revenue of the crown.

THE heir of every immediate vassal of the crown paid a certain duty, generally a year's rent, upon receiving the investiture of the estate. If the heir was a minor, the whole rents of the estate, during the continuance of the minority, devolved to the superior without any other charge, besides the maintenance of the minor, and the payment of the widow's dower, when there happened to be a dowager, upon the land. When the minor came to be of age, another tax, called Relief, was still due to the superior, which generally amounted likewise to a year's rent. A long minority, which in the present times so frequently disburdens a great estate of all its incumbrances, and restores the family to their antient splendor, could in those times have no such effect. The waste, and not the disincumbrance of the estate, was the common effect of a long minority.

By the feudal law the vassal could not alienate without the consent of his superior, who generally extorted a fine or composition for granting it. This fine, which was at first arbitrary, came in many countries to be regulated at a certain portion





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of the price of the land. In some countries, where the greater part of the other feudal customs have gone into difuse, this tax upon the alienation of land still continues to make a considerable branch of the revenue of the sovereign. In the canton of Berne it is so high as a sixth part of the price of all noble fiefs; and a tenth part of that of all ignoble ones\*. In the canton of Lucerne the tax upon the sale of lands is not universal, and takes place only in certain districts. But if any person sells his land, in order to remove out of the territory, he pays ten per cent. upon the whole price of the sale †. Taxes of the same kind upon the sale either of all lands, or of lands held by certain tenures, take place in many other countries, and make a more or less considerable branch of the revenue of the sovereign.

SUCH transactions may be taxed indirectly by means either of stamp-duties, or of duties upon registration; and those duties either may or may not be proportioned to the value of the subject which is transferred.

IN Great Britain the stamp-duties are higher or lower, not so much according to the value of the property transferred, (an eighteen penny or half crown stamp being sufficient upon a bond for the largest sum of money) as according to the nature of the deed. The highest do not exceed six pounds upon every sheet of paper, or skin of parchment; and these high duties fall chiefly upon grants from the crown, and upon certain law proceedings; without any regard to the value of the subject. There are in Great Britain no duties on the registration of deeds or writings, except the fees of the officers, who keep the register; and these are seldom more than a reasonable recompence for their labour. The crown derives no revenue from them.

\* Memoires concernant les Droits, &c. tom. i. p. 154.

† Id. p. 157.





IN Holland \* there are both stamp-duties and duties upon registration; which in some cases are, and in some are not proportioned to the value of the property transferred. All testaments must be written upon stamp-paper, of which the price is proportioned to the property disposed of, so that there are stamps which cost from three-pence, or three stivers a sheet, to three hundred florins, equal to about twenty-seven pound ten shillings of our money. If the stamp is of an inferior price to what the testator ought to have made use of, his succession is confiscated. This is over and above all their other taxes on succession. Except bills of exchange, and some other mercantile bills, all other deeds, bonds and contracts, are subject to a stamp-duty. This duty, however, does not rise in proportion to the value of the subject. All sales of land and of houses, and all mortgages upon either, must be registered, and, upon registration, pay a duty to the state of two and a half per cent. upon the amount of the price or the mortgage. This duty is extended to the sale of all ships and vessels of more than two tons burthen, whether decked or undecked. These, it seems, are considered as a sort of houses upon the water. The sale of moveables, when it is ordered by a court of justice, is subject to the like duty of two and a half per cent.

IN France there are both stamp-duties and duties upon registration. The former are considered as a branch of the aides or excise, and in the provinces where those duties take place, are levied by the excise officers. The latter are considered as a branch of the domaine of the crown, and are levied by a different set of officers.

THOSE modes of taxation, by stamp-duties and by duties upon registration, are of very modern invention. In the course of little more than a century, however, stamp-duties have, in Europe, become almost universal, and duties upon registration

\* Id. tom. i. p. 223, 224, 225.

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extremely common. There is no art which one government sooner learns of another than that of draining money from the pockets of the people.

TAXES upon the transference of property from the dead to the living, fall finally as well as immediately upon the person to whom the property is transferred. Taxes upon the sale of land fall altogether upon the seller. The seller is almost always under the necessity of selling, and must, therefore, take such a price as he can get. The buyer is scarce ever under the necessity of buying, and will, therefore, give only such a price as he likes. He considers what the land will cost him in tax and price together. The more he is obliged to pay in the way of tax, the less he will be disposed to give in the way of price. Such taxes, therefore, fall almost always upon a necessitous person, and must, therefore, be frequently very cruel and oppressive. Taxes upon the sale of new-built houses, where the building is sold without the ground, fall generally upon the buyer, because the builder must generally have his profit; otherwise he must give up the trade. If he advances the tax, therefore, the buyer must generally repay it to him. Taxes upon the sale of old houses, for the same reason as those upon the sale of land, fall generally upon the seller; whom in most cases either conveniency or necessity obliges to sell. The number of new built houses that are annually brought to market, is more or less regulated by the demand. Unless the demand is such as to afford the builder his profit, after paying all expences, he will build no more houses. The number of old houses which happen at any time to come to market is regulated by accidents of which the greater part have no relation to the demand. Two or three great bankruptcies in a mercantile town, will bring many houses to sale, which must be sold for what can be got for them. Taxes upon the sale of ground-rents fall altogether upon the seller; for the same reason as those upon





upon the sale of land. Stamp duties, and duties upon the registration of bonds and contracts for borrowed money, fall altogether upon the borrower, and, in fact, are always paid by him. Duties of the same kind upon law proceedings fall upon the suitors. They reduce to both the capital value of the subject in dispute. The more it costs to acquire any property, the less must be the value of it when acquired.

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ALL taxes upon the transference of property of every kind, so far as they diminish the capital value of that property, tend to diminish the funds destined for the maintenance of productive labour. They are all more or less unthrifty taxes that increase the revenue of the sovereign, which seldom maintains any but unproductive labourers, at the expence of the capital of the people which maintains none but productive.

SUCH taxes, even when they are proportioned to the value of the property transferred, are still unequal; the frequency of transference not being always equal in property of equal value. When they are not proportioned to this value, which is the case with the greater part of the stamp-duties, and duties of registration, they are still more so. They are in no respect arbitrary, but are or may be in all cases perfectly clear and certain. Though they sometimes fall upon the person who is not very able to pay; the time of payment is in most cases sufficiently convenient for him. When the payment becomes due, he must in most cases have the money to pay. They are levied at very little expence, and in general subject the contributors to no other inconveniency besides always the unavoidable one of paying the tax.

IN France the stamp-duties are not much complained of. Those of registration, which they call the Contrôle, are. They give occasion, it is pretended, to much extortion in the officers of the

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farmers general who collect the tax, which is in a great measure arbitrary and uncertain. In the greater part of the libels which have been written against the present system of finances in France, the abuses of the contrôle make a principal article. Uncertainty, however, does not seem to be necessarily inherent in the nature of such taxes. If the popular complaints are well founded, the abuse must arise, not so much from the nature of the tax, as from the want of precision and distinctness in the words of the edicts or laws which impose it.

The registration of mortgages, and in general of all rights upon immoveable property, as it gives great security both to creditors and purchasers, is extremely advantageous to the public. That of the greater part of deeds of other kinds is frequently inconvenient and even dangerous to individuals, without any advantage to the public. All registers which, it is acknowledged, ought to be kept secret, ought certainly never to exist. The credit of individuals ought certainly never to depend upon so very slender a security as the probity and religion of the inferior officers of revenue. But where the fees of registration have been made a source of revenue to the sovereign, register offices have commonly been multiplied without end, both for the deeds which ought to be registered, and for those which ought not. In France there are several different sorts of secret registers. This abuse, though not perhaps a necessary, it must be acknowledged, is a very natural effect of such taxes.

Such stamp-duties as those in England upon cards and dice, upon news-papers and periodical pamphlets, &c. are properly taxes upon consumption; the final payment falls upon the persons who use or consume such commodities. Such stamp-duties as those upon licences to retail ale, wine and spirituous liquors, though intended perhaps to fall upon the profits of the retailers, are

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