1892.
NEW ZEALAND.

LOAN CONVERSIONS OF 1885 AND 1886.

(CORRESPONDENCE RELATING TO STAMP-DUTY ON STOCK INTO WHICH DEBENTURES MATURING 15TH JANUARY AND 15TH APRIL, 1892, ARE CONVERTIBLE.)

Presented to both Houses of the General Assembly by Command of His Excellency.

No. 1.

The AGENT-GENERAL to the PREMIER.

(No. 249.) Westminster Chambers, 13, Victoria Street, London, S.W., 19th February, 1892.

SIR,—

Referring to the conversion operations which took place in the years 1885 and 1886, which (*inter alia*) provided for the conversion of 5-per-cent. Consol bonds, and 5-per-cent. bonds redeemable in 1914, into short-dated debentures, convertible in their turn during the present year into 4-per-cent. consolidated stock, I beg to inform you that it will shortly be necessary to provide funds sufficient to meet the stamp-duty payable on the stock thus required, on its being inscribed.

I am at present in communication with the Inland Revenue Office, the Bank of England, and Messrs. Mackrell as to the rate per cent. that will be chargeable; and at the outset I have been informed through the bank that the Inland Revenue, under the provisions of the Stamp Act of last year, consider they are unable to allow any rebate, and that therefore the full duty of 12s. 6d. per cent. will have to be paid. I shall, of course, endeavour to obtain some allowance, and will report later on when the question is settled.

In any case, whether the full rate is charged or not, a sum of from £20,000 to £25,000 will have to be provided to meet the payment of stamp duty, and this I assume will have to be done by a further issue and sale of 4-per-cent. consolidated stock sufficient to meet the amount required.

I have, &c.,
W. B. PERCEVAL.

The Hon. the Premier, Wellington.

No. 2.

The PREMIER to the AGENT-GENERAL.

(No. 17.)

Premier's Office, Wellington, 12th April, 1892.

SIR,—

I have the honour to acknowledge the receipt of your letter of the 19th February (No. 249), remarking upon the Consols debentures convertible into 4-per-cent. stock this year, and the stamp duty which will be payable thereon, and informing me that you were endeavouring to obtain a rebate off the duty of 12s. 6d. per cent., in which endeavour I hope you will be successful.

With regard to the means to pay the duty, I assume the Stock Agents will take the necessary steps to issue the required stock as a part of the amount provided to meet the expenses of the conversion operations.

I do not find in your recent letters any mention of the parcel of £43,600 of the consolidated stock debentures which fell due on the 15th January last, but presume they were in course of being converted, and that your next letters will supply the omission.

I have, &c.,
J. BALLANCE.

The Agent-General, London.

No. 3.

The AGENT-GENERAL to the PREMIER.

(No. 395.) Westminster Chambers, 13, Victoria Street, London, S.W., 25th March, 1892.

SIR,—

Referring to my letter (No. 249) of the 19th February last, I have to inform you that the Inland Revenue Office has finally decided that no allowance can be made as regards the stamp duty on the 4-per-cent. stock into which the 5-per-cent. bonds are convertible during the present year.

It appears that section 53, subsection (3), of "The Imperial Revenue Act, 1880," under which the allowance in the analogous cases of municipal loans in this country was formerly made, has been repealed by the Stamp Act of 1891, and that therefore there is no analogy to support the continuance of the Treasury authority for a similar concession to debentures in a colonial loan cancelled and represented by stock inscribed at the Bank of England.

I herewith transmit copy of the correspondence which has taken place in respect to the matter with the Bank, Messrs. Mackrell, and the Inland Revenue Office.

I may add that it is proposed to defer the sale of the 4-per-cent. stock which it will be necessary to create and realise for the purpose of paying the stamp duty, until after the 1st proximo, when the stock will be quoted ex dividend. I have, &c.,

The Hon. the Premier, Wellington. W. B. PERCEVAL.

Enclosure 1 in No. 3.

SIR,— Bank of England, London, E.C., 15th February, 1892.

With reference to my letter of the 6th instant, informing you that the Inland Revenue Department had under consideration the question of the allowance formerly made when composition for stamp duty was paid upon stock inscribed from bonds on account of the duty that had been paid upon the latter, I now beg to send you herewith a copy of a letter I have received from that department. I am, &c.,

The Agent-General for New Zealand. H. J. BOWEN, Chief Accountant.

Enclosure 2 in No. 3.

SIR,— Inland Revenue, Somerset House, 12th February, 1892.

In returning the debenture forwarded with your letter of the 5th instant, I am directed by the Board of Inland Revenue to acquaint you that they are advised that no allowance can be made in respect of the stamp duty borne by the debentures of the New Zealand Government 5-per-cent. bonds when exchanged for inscribed stock. Section 53, subsection (3), of "The Inland Revenue Act, 1880," under which the allowance in the analogous cases of municipal loans was formerly made, has been repealed by the Stamp Act of 1891, and therefore there is no analogy to support the continuance of the Treasury authority for a similar concession to debentures in a colonial loan cancelled and represented by stock inscribed at the Bank of England. I am, &c.,

The Chief Accountant, Bank of England. W. H. COUSINS, Secretary.

Enclosure 3 in No. 3.

DEAR SIRS,— 13, Victoria Street, 17th February, 1892.

In 1885 and 1886 a number of the then existing New Zealand Government debentures were converted into short-dated debentures (six and seven years), which in their turn were convertible in this year into 4-per cent. consolidated stock (inscribed at the Bank of England). I enclose the prospectus (2) giving the conditions under which these conversions were carried out.

In 1885 you were in communication with the Inland Revenue Office with respect to the amount of stamp duty on these short-dated debentures, and your letter of the 2nd May, 1885, addressed to Sir F. D. Bell, reported the result.

The question has now arisen as to what amount of stamp duty is chargeable on the stock into which these short-dated debentures are convertible, and in a letter (copy enclosed) addressed to the Bank of England by the Inland Revenue Office it is stated that no allowance can be made.

The Agent-General will be glad, therefore, if you will be good enough to advise him in this matter.

I may add, for your information, that in the recent conversion of New Zealand debentures into 3½-per-cent. inscribed stock an allowance has been made by the Inland Revenue of 2s. 6d. per cent. off the 12s. 6d. per cent. duty.

I am, &c.,

Messrs. Mackrell, Maton, and Godlee. WALTER KENNAWAY.

Enclosure 4 in No. 3.

21, Cannon Street, London, E.C., 18th February, 1892.

DEAR SIR,— *Composition of Stamp Duties.*

We are in receipt of your letter of the 17th instant on this subject, and we think that the following statement as to the course of legislation will enable you to appreciate the position which the authorities now take up.

By "The Colonial Stock Act, 1877," sections 2 and 3, provision was made to enable a Colonial Government to compound for the stamp duty payable on the transfer of "inscribed stock" by a payment of 7s. 6d. per cent.

By "The Inland Revenue Act, 1880," section 53, provision was made to enable Municipal Corporations to compound for the stamp duty payable on the transfer of stocks, &c., issued by them by a payment of 12s. 6d., 15s., or 17s. 6d. per cent., according to the period for which the loan was to be current.

The Act by the same section, subsection (3) enacted that "where any such [Municipal Corporation] stock is issued in lieu of mortgages or debentures on the issue of which stamp duty has been paid, it should be lawful for the Commissioners of Her Majesty's Treasury to reduce the amount of composition payable by Municipal Corporations by the amount of the stamp duty so paid or any part thereof."

The Act (section 54) then proceeds to apply this higher scale of composition to any future composition effected (amongst others) on stock issued under "The Colonial Stock Act, 1877."

In 1887 these provisions as to composition were made to cease as to any future issue of municipal stocks, and new duty substituted, but the provisions as to colonial stock remained unaltered.

The Stamp Act of 1891, which came into operation on the 1st January, 1892, is in the main a consolidation Act, and has repealed all the previously-existing clauses bearing on the stamping of colonial and municipal stock, including, of course, subsection (3) of section 53 of the Act of 1880 which we quoted above; and this subsection is not re-enacted, although the provisions enabling a Colonial Government to compound on paying 12s. 6d., 15s., or 17s. 6d. per cent. as the case may be, and also those enabling a Municipal Corporation to compound on paying a half-yearly duty of 6d. per cent., are re-enacted.

It thus follows that the provision in the Act of 1880 enabling the Treasury to make an allowance to Municipal Corporations for stamp duty already paid, and which the Treasury had, by a liberal construction, extended to colonial stock, is gone, as the authorities point out in their letter.

Under these circumstances the only argument which it appears to us might be used on behalf of your Government is that the arrangement under which this stock is now to be issued was, in fact, made in 1885 and 1886, when section 53, subsection (3) was in force, and that therefore your Government may properly claim the benefit of that subsection at the present time when the contract of 1885 is being carried into effect.

We shall be pleased to see the authorities at Somerset House on the subject, as we have done on previous occasions, if you so desire and will let us know. We have, &c.,

The Agent-General for New Zealand. MACKRELL, MATON, AND GODLEE.

Enclosure 5 in No. 3.

13, Victoria Street, S.W., 22nd February, 1892.

DEAR SIRS,— *Composition of Stamps.*

Referring to yours of the 18th instant, I am directed by the Agent-General to request you to see the authorities at Somerset House on the subject.

As the Inland Revenue Office has been in communication with the Chief Accountant at the Bank of England in respect to the matter, I am to suggest that it would be as well for you to see the Chief Accountant and inform him that you are communicating with Somerset House. I am, &c.,

Messrs. Mackrell, Maton, and Godlee. WALTER KENNAWAY.

Enclosure 6 in No. 3.

21, Cannon Street, London, E.C., 22nd February, 1892.

Dear Sir,— *Composition of Stamp Duties.*

We beg to acknowledge receipt of your letter of to-day's date, and will see the authorities at Somerset House on the subject, but before doing so will adopt your suggestion and see the Chief Accountant at the Bank of England.

We have, &c.,
The Agent-General for New Zealand. Mackrell, Maton, and Godlee.

Enclosure 7 in No. 3.

21, Cannon Street, London, E.C., 3rd March, 1892.

Dear Sir,— *Composition of Stamps.*

Referring to your letter of the 22nd ultimo, we saw the Chief Accountant of the Bank of England on the subject of the composition of stamp duty, and subsequently attended at the Inland Revenue, and had a long discussion with the official in whose department the matter rests. After discussing the matter fully with him he asked that we would make a written communication to the authorities on the subject, when the matter would be dealt with. This we accordingly did, and we are awaiting a reply from the department.

With reference to your letters of the 23rd ultimo and of yesterday's date, we have referred to the deed-poll creating the stock, and it appears to us that the amount required for the expenses attending the issuing of the stock in exchange for the debentures falling due on the 15th January and the 15th April this year will have to be provided out of the £10,000,000 New Zealand 4-per-cent. stock created under the deed-poll of the 20th May, 1886. If, however, there is any doubt on the matter we shall be glad to call and see you on the subject, if you will let us know.

We observe that £20,000 of stock was created by a deed-poll dated 1st June, 1885, for payment of the expenses then incurred in connection with the arrangement made with the debenture-holders under the prospectus of the 6th March, 1885.

We have, &c.,
The Agent-General for New Zealand. Mackrell, Maton, and Godlee.

Enclosure 8 in No. 3.

21, Cannon Street, London, E.C., 12th March, 1892.

Dear Sir,— *Stamp Duties.*

We have this morning received from the Secretary of the Inland Revenue a letter, of which we enclose you a copy.

We are writing to the Chief Accountant of the Bank of England informing him that the Inland Revenue do not see their way to depart from the decision already communicated to the Bank.

We have, &c.,
The Agent-General for New Zealand. Mackrell, Maton, and Godlee.

Enclosure 9 in No. 10.

Gentlemen,— Inland Revenue, Somerset House, 11th March, 1892.

The Board of Inland Revenue have had submitted to them your letter of the 1st instant, seeking a reconsideration of their decision upon an application of the Bank of England for the allowance of the stamp duty on the debentures of the New Zealand Government 5-per-cent. Consols when exchanged for inscribed stock.

The Board, I am directed to acquaint you, have given careful consideration to the plea advanced by you in support of that application that when, in the year 1885, the first conversion was effected upon the condition that the further conversion into inscribed stock should be carried out in 1892, section 53 of the Inland Revenue Act of 1880 was in force; but, as that section is now repealed, they regret that they have no power to depart from the decision already communicated to the Bank of England.

I am, &c.,
Messrs. Mackrell, Maton, and Godlee. W. W. Cousins, Secretary.

No. 4.

(No. 25.) The Premier to the Agent-General.

Sir,— Premier's Office, Wellington, 19th May, 1892.

I have the honour to acknowledge the receipt of your letter of the 25th March last (No. 395), reporting the steps you had taken to obtain an allowance off the amount of stamp duty payable on the 4-per-cent. stock into which the 5-per-cent. conversion bonds maturing this year were convertible, and am sorry to learn that you were unsuccessful. It seems, however, that you did all that was possible in the matter, and I thank you for your efforts to obtain a concession.

I have, &c.,
The Agent-General for New Zealand, London. J. Ballance.

No. 5.

The Agent-General to the Premier.

(No. 514.) Westminster Chambers, 13, Victoria Street, London, S.W., 14th April, 1892.

Sir,—

In continuation of my letter (No. 389) of the 19th March last, I beg to report the following financial matters:—

* * * * *

4. The Stock Agents have inscribed £29,000 4-per-cent. stock for the purpose of meeting the payment of the stamp-duty on the £4,557,047 stock into which the seven- and six-year debentures, issued in 1885 and 1886, are convertible this year, and arrangements have been made with the Bank of England to make advances thereon, if necessary, pending its realisation.

A sale of £10,000 of this stock was, however, effected yesterday at 101¾, and it will probably be all sold in time to avoid taking any advances thereon.

* * * * *

I have, &c.,
The Hon. the Premier, Wellington. W. B. Perceval.

No. 6.

The Agent-General to the Premier.

Westminster Chambers, 13, Victoria Street, London, S.W.,
(No. 630.—Memorandum.) 22nd April, 1892.

Financial.

* * * * *

The Stock Agents have also sold, for the 28th instant account, the £29,000 4-per-cents., at 101¾, the net proceeds of which will amount to £29,434 7s. 6d. This when received will be paid into the Public Account, and will be withdrawn therefrom by means of Commissioners' orders, as and when required, for the payment of the stamp duty on 4-per-cent. stock into which the debentures issued in 1885 and 1886 are being converted.

W. B. Perceval.

[*Approximate Cost of Paper.*—Preparation, nil; printing (1,325 copies), £2 10s.]

By Authority: George Didsbury, Government Printer, Wellington.—1892.

Price 3d.]