income-tax at all. The significant drop, in this instance, is not from the £10,004 paid by the Metropolitan Trotting Club to the £5,173 paid by the New Brighton Trotting Club and the £3,135 paid by the Canterbury Park Trotting Club, for all three clubs raced on the same course at Addington. Rather it is to the £2,562 paid by the Wellington Trotting Club or to the £1,128 paid by the Forbury Park Trotting Club. Both, incidentally, are city clubs. At that point there is a noticeable drop to the £331 paid in income-tax by the Oamaru Trotting Club, which was the next highest contributor. It is curious that this should be so when the Timaru Trotting Club paid no tax at all.

222. The policy of the Legislature has been variable in respect of income-tax and, as represented to us by Mr. C. R. Richardson on behalf of the racing clubs, can be summarized as follows :—

(1) Taxation on profits of the racing activities of clubs was first imposed by section 11 (*d*) of the Finance Act, 1915. It was suggested that the raising of revenue for war purposes was the motive of its imposition.

(2) The profits from racing activities of clubs was exempted from taxation by section 78 (1) of the Land and Income Tax Act, 1923.

(3) Sporting bodies other than racing clubs were granted a specific exemption from all income-tax by section 4 of the Land and Income Tax Amendment Act, 1933. At that point of time, however, the profits earned by clubs from their racing activities were already in fact not taxable in respect of income-tax. They, however, remained liable to that tax in respect of income from investments, rentals, and other similar sources.

(4) Profits from racing were again made liable to income-tax and, consequentially of course, to social security contributions, by section 14 of the Land and Income Tax Amendment Act, 1939.

223. From this summary it would appear that profits from racing activities were free of income-tax prior to 1915 ; subject to it from 1915 to 1923 ; free of it from 1923 to 1939, but, in the latter year and since, have been subject to it and, incidentally, also to social security contributions.

224. The racing and trotting clubs do not seek exemption from income-tax and social security taxation in respect of income from such sources as rentals and interest. Income so derived, they concede, is a proper subject for taxation. They do contend, however, that other profits from racing should be free from all land and income tax and from all liability to pay social security contributions. Their contention is, firstly, that, in principle, they should be as free of liability in that