247. It will be seen that the taxation on totalizator investments has been varied by legislation from time to time. Briefly, the position at present is that there is a first deduction of $12\frac{1}{2}$ per cent. from totalizator investments, of which the club receives $7\frac{1}{2}$ per cent. and the Government 5 per cent. There is then a further deduction of a dividend tax of 5 per cent. which goes to the Government. In other words, of a total deduction of £16 17s. from every £100 invested on the totalizator, the club receives £7 10s. (and fractions) and the Government £9 7s. Each club, however, is granted a rebate of $2\frac{1}{2}$ per cent. on the first £20,000 invested on its totalizator each year or, if the totalizator turnover is less than £20,000 for the year, then $2\frac{1}{2}$ per cent. on the full amount invested.

248. In the Third Schedule hereto is set out a table showing over a period of twenty-nine racing years beginning on 1st August, 1918, and ending on 31st July, 1947, the amount of revenue derived by the State in each of those years by way of totalizator and dividend duties. The schedule also shows the aggregate for each year and the aggregate sum received by racing and trotting clubs from commissions and fractions.

249. Reference was made to "fractions" only once during our sittings—during the cross-examination of the president of the Racing Conference. Fractions are strictly part of the sum divisible as dividends, but the proviso to section 35 (1) of the Gaming Act specifically declares that it shall not be necessary to pay out fractions of a shilling unless such fraction amounts to or exceeds sixpence, in which case sixpence shall be paid. There can be no doubt that fractions are thus legally the property of the clubs concerned. In the course of a year they amount (as the table shows) to a considerable total throughout New Zealand, and over the period covered by the table the total is very large. Some arrangements with respect to fractions is necessary, as the delay involved in counting and paying out threepenny pieces and copper coins in considerable numbers would produce dissatisfaction and possibly disorder.

250. We cannot see that the State can equitably claim to be entitled to the fractions. Nor can we regard them as essentially a profit item to clubs. In the hands of the latter, however, they ultimately go back into racing either in the form of improved or increased amenities or in the form of increased stakes. They serve a useful purpose, too, in providing an insurance fund against mistakes made by dividend calculators or pay-out clerks or caused through electrical faults in the totalizator. Some of these causes have proved costly to clubs. When, however, from unforeseen circumstances, dividends have been underpaid so that any club has stood to benefit by the underpayment, the amount involved has, by direction of the Minister, always been paid to local charities.