General BOTHA—*cont.*

in the Isle of Man and Channel Islands for the purpose of this section, while the inclusion of health-seekers was evidently dictated rather by a desire to avoid hardship than by reference to any sound principle of taxation. Further, a foreign resident in the Isle of Man or Channel Islands comes within the exemption. Without a special knowledge of the administration of this section it is difficult to add to illustrations of anomalies, but it can be readily imagined that they may be very numerous.

It is suggested for consideration that a bold line of demarcation be drawn, and the title to relief on the score of income be restricted to British subjects wherever residing. By virtue of being British subjects they are entitled to the protection of the British Government whether they be taxpayers or not, while the law as it now stands imposes for this protection a far higher rate than that incurred by their countrymen who live in the United Kingdom.

Mr. LLOYD GEORGE: There are two points which have been raised. The more important point from the financial point of view, both to the Mother Country and to the Dominions, is the first point—the question of double income tax. The other is, I will not say a small point, but comparatively speaking it is. The concession of the first would involve a loss to the British revenue of at least 2,000,000*l.* a year, and it would be a growing amount, as I shall point out later on. This is a great lending country; in fact, I think it is the greatest lending country in the world. We have lent, according to the "Statist," rather over 3,000,000,000*l.* of our money for investment across the seas, and of that amount three-fifths are invested in India and the Colonies. Our investments in the Colonies are growing, and growing very rapidly, and I am very glad to think that that is the case. It is an advantage to the Mother Country and of course it helps trade, and it helps us to secure trade with the Colonies; but it is also an advantage to the Dominions and to the Colonies, because it assists them to develop the enormous resources of their various countries. But if we begin to make our income tax dependent in any degree upon the amount which is charged in the countries where our money is invested, it would be such a serious breach in our income tax as to make it incumbent upon us to put another 1*d.* and later on probably another 2*d.* upon the income of residents in our own country, and that is a contingency which, at any rate as Chancellor of the Exchequer, I would rather transfer to my successors than face myself. For that reason, as I think Sir Joseph Ward very candidly admits, it is almost impossible for a Chancellor of the Exchequer to face it—certainly so soon after a great struggle like the struggle of 1909–10, connected with the imposition of fresh taxation in this country.

Now I come to the second point, which was raised, I think, by General Botha alone, and that is the question of the exception of persons of small incomes from income tax altogether so long as they reside in the Colonies. Now, the difficulty here is purely an administrative one. Everybody is charged income tax upon his investments, whatever the total amount of his income may be; but a man whose income is under 160*l.* can claim exemption and he gets his money returned; but he has to prove his claim, and he has to establish it. You ought to be in a position to check it, and if he makes a false return you ought to be in a position to punish him for that false return, otherwise you have really no check upon the accuracy of his return at all. It is perfectly obvious that the moment your claimant is beyond the jurisdiction of your courts, you are entirely in his hands when he begins to make a claim for exemption. He can send in his claim and say: "My income is only 150*l.* a year," and you cannot check it. You have absolutely no sanction, as it were, for the purpose of examining the document which is sent in, and of punishing for a false declaration. It would really mean that as to anybody who resided either in the Colonies or abroad who chose to claim an exemption, we should have to honour his claim without any attempt at all to check it.

General BOTHA: In such a case cannot we in South Africa make inquiries for the Government here?

Mr. LLOYD GEORGE: With due respect to a Colonial Government, after all it is not their interest; their interest is rather to encourage the claimant than the Exchequer here. We find it very difficult to check demands of this kind here where