

that this is inequitable, and that each individual should only be asked to pay a tax on his net income. It is therefore recommended that, in arriving at net income, losses in one undertaking should be as a set-off against profits made in another direction. The following resolution was unanimously passed:—

Losses made in one or more directions should in all cases be allowed as deductions from profits made in other directions.

LAND-TAX.

44. (a.) Land-tax in New Zealand is charged on the unimproved value of land. The rate is 1d. in the pound on taxable balances of £1,000 and under, increasing at the rate of 1/20000d. (·00005) until £138,000 is reached, when the maximum rate is 7½d. in the pound. These rates are subject to a super-tax of 33½d. Land-tax must be considered with income-tax. In New Zealand in arriving at landowner's taxable income the Department deducts 5 per cent. on the unimproved value of the land on which land-tax is paid.

(b.) Land-tax differs from income-tax in that it is in the nature of a rent charge, payable from year to year, irrespective of any profits accruing from its occupation.

(c.) The right to occupy land in New Zealand is deemed by the State to be a privilege for which the occupier should pay, and such payment becomes a first charge upon the land, and precedes all other debts and liabilities.

(d.) In Appendix A appears a table comparing the land-tax in New Zealand with the combined State and Commonwealth land-taxes, on land of a similar unimproved value in the various Australian States. This table, however, is misleading, as the unimproved values upon which tax is paid are on a much lower basis in Australia than in New Zealand. The Australian Year-book shows that the total amount of land-tax collected in Australia, in State and Commonwealth combined, during 1920 amounted to 11s. 8d. per head of the population, compared with £1 5s. 9d. per head in New Zealand. It gives, too, the total unimproved value of land in Australia, including Tasmania, in 1918 as £200,041,457, whereas the unimproved value in New Zealand was £260,921,812.

(e.) The allowance for improvements in New Zealand is not nearly sufficient. It is a comparatively simple matter to assess the total capital value of land, but the unimproved value is always fixed much too high. It is safe to say that in very few cases in New Zealand could our improved country lands be brought from their absolutely unimproved state to their present improved condition for very much more than the amount allowed for improvement by the Valuation Department. The Committee considers that some means must be devised which would result in making a much greater allowance for improvements.

45. It should be mentioned here that in discussing land-tax the Committee is going into a question which affects the towns almost equally with the country. The general impression, particularly amongst country people, is that land-tax is largely a country matter, and that towns are not so much interested; but this is not the case. Approximately seven-sixteenths of the total land-tax collected in New Zealand comes from towns, and nine-sixteenths from the country.

46. On account of land-tax having to be paid when there are no profits, much of the evidence received was in the direction of substituting income-tax for land-tax. A series of tables has been prepared, and are set out in Appendix B, which shows the advantages and disadvantages of land and income tax, as against income-tax alone at present graduated rates, both on properties of various sizes and on profits of various amounts. This table also shows the crushing effect of the combined graduated land and income tax upon large landowners. The tables are designed from the point of view of the owners of country lands and not town lands. In arriving at the total amount of capital used it has been assumed that under the present system of land-valuation the unimproved value of the land is 60 per cent. of the total investment, and that the other 40 per cent. consists of stock, plant, and land improvements. Some highly improved farms would have a larger percentage in stock, plant, and improvements, and a smaller percentage of the total capital for unimproved land; other very lightly improved properties would have a larger percentage of the total capital in unimproved land-values, and a smaller percentage in stock, plant, and improvements; but on the average it is thought that on the present system of land-valuation the assumption will not be far out. Properties are taken at an unimproved value ranging from £2,400 up to £210,000, and the total capital value ranges from £4,000 up to £350,000. The profits assumed are 2½ per cent., 5 per cent., 7½ per cent., 12½ per cent., 15 per cent., and 20 per cent. These percentages are after deducting all expenses, excepting only land and income tax. The table indicates that it is now practically impossible under present graduated systems of taxation to carry on farming and pastoral operations in a large way in this country.

47. From the evidence submitted to it the Committee was much impressed by the fact that the burden of land-tax, added to the increased heavy charges that the farmers now have to pay, is being felt severely by them, and will probably lead to a reduction in output. A decrease in production would be a serious matter for New Zealand, especially with the large increase which is taking place in our annual bill for interest and sinking funds on foreign debt, and which has to be paid in farm-produce. It is clearly essential that production should increase and not decrease.

48. For the reason stated, the Committee is strongly of opinion that an immediate reduction in the land-tax is necessary, and recommends that this should take the form of the removal of the super land-tax of 33½ per cent. This would mean a loss of £375,000 of land-tax revenue. The following resolution was passed unanimously:—

That this Committee recommends that the super-tax on land which was levied as a war measure be abolished as from the 1st April, 1922.

49. Consideration was given to the fact that a number of landowners have during the past season been obliged to pay their land-tax, or a portion of it, out of capital. There are undoubtedly many cases of hardship in this respect. The Commonwealth of Australia, and some of the States, make