

7. The Committee resumed on the 23rd May, and was occupied continuously in taking evidence and examining returns until Saturday, the 3rd June. The following week from Monday, the 5th June, until Saturday, the 10th June—was spent in discussing all the questions requiring to be dealt with, and resolutions were subsequently adopted covering the various matters considered.

8. A sub-committee, consisting of the Chairman (Mr. W. D. Hunt), and Messrs. Ernest W. Hunt, George Shirlcliffe, and T. Shailer Weston, was appointed to prepare a draft report for submission to the full Committee at a meeting to be held on Tuesday, the 27th June. The final sittings of the Committee lasted from the 27th to the 30th June, when the report was completed.

9. While evidence was being taken and discussed, the Commissioner for Inland Revenue, Mr. D. G. Clark, was in attendance, and gave, or obtained from his own and other Government Departments, information as desired from time to time. Colonel G. F. C. Campbell, Controller and Auditor-General, and Colonel J. J. Esson, Secretary to the Treasury, also provided valuable and necessary information. The Committee here desires to express its thanks to Mr. D. G. Clark for the very able and valuable help and information he cheerfully provided throughout the whole of the inquiry. Without his assistance and co-operation, and the data which he placed at its disposal, the Committee would have found its task much more difficult. The Committee also desires to express its very high appreciation of the evident grasp that Mr. Clark has of the mass of detail relating to his Department's affairs.

10. The Committee also wishes to express its thanks to Mr. W. H. Phillips, an officer of the Inland Revenue Department, who acted as secretary throughout the inquiry, and whose knowledge of the taxation system of the Dominion proved most valuable.

11. During the course of the inquiry thirty-one witnesses appeared before the Committee. Documents and statements prepared by thirty organizations, representing various sections of the community, were examined and considered, as were also seventy-one letters and statements sent by individuals, firms, and companies. In addition, the Committee had placed before it a large number of specially prepared Government returns, and consideration was also given to numerous printed reports of the different Government Departments.

12. The mass of information which was placed before the Committee was supplemented by the personal experience of its individual members during the various discussions and in the preparation of the report.

13. As the result of the deliberations and inquiries of the Committee, the following conclusions were unanimously arrived at:—

- (a.) That the limits of taxation that this country can bear have been reached—indeed, exceeded—and that there is now practically no reserve of taxable capacity.
- (b.) That the higher graduated rate of income-tax has reached such a point that it is drying up the sources of revenue, and, if continued, must result in a reduction of revenue from these sources, must stop progress and enterprise, and impede production and industry.
- (c.) That the income-tax on large companies is the highest in any of the British dominions—considerably higher than in Great Britain, and very much higher than in any other section of the British Empire.
- (d.) That land-tax—particularly in the higher graduated rates—is very seriously affecting production and development.
- (e.) That the rate of taxation on smaller incomes is lower, and the exemptions on these smaller incomes higher, than in any other part of the British dominions.
- (f.) That economies in public expenditure are the principal means by which relief from the present excessive taxation can be afforded.

GOVERNMENT EXPENDITURE.

14. An inquiry into the Government expenditure was not included in this Committee's order of reference. In any case, the time available was not sufficient to undertake such a task. The Committee desires, however, to record these general observations:—

Bases of Taxable National Income.

15. This Dominion is now, and is likely for some time to continue, chiefly a pastoral and agricultural community, and practically all our exports consist of the products of the land. It is with these products that we have to pay the interest and sinking fund upon the whole of our foreign debt, and also for the whole of our imports. Our pastoral and agricultural products are the coin with which we pay our way. In considering the affairs and prosperity of this country, the relative values of these products must be continually borne in mind, and the whole community must in the end adjust itself to these values. Our income from pastoral and agricultural products must necessarily be this country's guide when considering its expenditure, both public and private, and this must continue until we are in a position to develop an export trade in either manufactured goods or in services.

16. The values of our pastoral and agricultural products are fixed by export values, which are world values. The average f.o.b. value of our products to-day is not above the average of 1914. Owing to the higher costs from farm to f.o.b., the net average price that the farmer receives for his products is below the 1914 average. The purchasing-power of farm-products in goods and services is probably as low to-day, if not lower, than for the last forty years, and as a result very little new country is being broken in, and a large proportion of our improved properties are not being maintained and are going back in producing-value, all of which points to a falling-off in production.

17. The published export figures do not disclose the true position. In the 1920–21 season, owing to the shortage of ships and the shipping strike, there was a hold-up in the export of meat and dairy-produce, and, in the same year, owing to the collapse of the wool-market, the wool-sales were