

Transferring Company Tax to Individual Shareholder.—To entirely absolve companies from taxation would give them an undue advantage over the private trader with whom they are in competition, and who has to pay graduated tax on his trading profits. Consequently, the company being a separate trading entity, should be taxed, if only as agent for its shareholders, but companies should be uniformly taxed. I am therefore unable to recommend the transference of the entire tax to the individual.

Proposed Solution.—To arrive at a method of taxing companies which will avoid the existing discrimination between large and small companies already indicated, I suggest the adoption of a flat rate of tax on all the profits of companies, whether distributed or not. While this fairly adjusts the tax as between large and small companies, it does not, *per se*, adjust the rights of individual shareholders. To achieve this I recommend a modification of the British system (which may be safely followed) whereby the individual shareholder, after receipt of his dividend, may claim an adjustment of the difference between the tax already paid by the company as his agent and the graduated rate which he is entitled personally to pay.

Advantages of Proposed Method.—The advantages of this system are: (a) Graduation now unfairly applied to the aggregate profits of companies (irrespective of percentage of profit to capital) is abolished; (b) the tax is levied on an equal basis on all the profits of all companies; (c) the company is recognized as a trading entity which should pay tax as such, or as agent for its shareholders; (d) the collection of tax from companies, in first instance, enables prompt collection to be made at the source and reduces evasion to a minimum; (e) the provision for adjustments with shareholders ensures that the tax ultimately paid by the individual will be on a just basis, which should be the aim of any system of taxation; (f) the adoption of this system is *immediately practicable*, because it does not involve any revolutionary change in the present method of collection; (g) it fully ensures the provision of whatever revenue is levied through this channel, and eliminates the uncertainty which would inevitably attach to a reversion to direct taxation; (h) any loss of revenue that may be occasioned by the adjustments with shareholders could rightly be equalized by a variation of the graduated tax on individuals.

It has been argued that the work of making adjustments with individual shareholders will entail an expense incommensurate with the benefit to taxpayers, but this is a nebulous bogey, and should not be allowed to interfere with the equitable incidence of the tax. There would necessarily be a minimum amount of rebate fixed, as it would be absurd to make refunds which would be of no benefit to the individual taxpayer, and the retention of these fractions would easily counterbalance the book-keeping expense connected with the adjustments generally. From the fact that such adjustments are part of the established British system it is reasonable to conclude that they involve no undue expense, and that the principle is quite practicable and subject to no serious disadvantage.

Urgency of Change.—The present system of graduated company taxation being unjust, it should be immediately abolished, its retention being intolerable. The alternative system here recommended makes it easily practicable for the change-over to be enacted during the present session of Parliament I therefore recommend:—

- (1.) That the income-tax on companies be levied on the basis of a flat rate on the profits (whether distributed or not).
- (2.) That provision be made for adjustment between the rates of tax payable by individual shareholders and that paid by the company.

A. LEIGH HUNT.

APPENDIX A.

LAND-TAX OF AUSTRALIAN STATES AND COMMONWEALTH COMBINED.

Taxable Amount.	New Zealand.	Victoria and Commonwealth combined.	New South Wales and Commonwealth combined.	South Australia and Commonwealth combined.	West Australia and Commonwealth combined.	Queensland and Commonwealth combined.
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1,000	5 11 1	7 7 0	9 8 8	7 7 0	10 1 2	12 11 1
2,000	11 13 4	15 4 8	19 8 8	15 4 8	20 13 0	27 14 8
3,000	18 6 8	23 13 0	29 18 0	23 13 0	31 15 6	67 18 0
5,000	33 6 8	42 1 8	52 10 0	42 1 7	55 12 7	135 16 7
10,000	80 11 1	97 10 0	118 6 7	118 6 8	124 11 7	305 16 7
20,000	216 13 4	248 6 7	289 19 11	248 6 7	302 9 11	706 13 3
50,000	958 6 8	1,020 10 7	1,124 19 11	1,114 11 7	1,156 4 11	2,364 19 11
75,000	1,958 6 8	2,031 5 0	2,187 10 0	2,177 1 8	2,234 7 6	4,375 0 0
100,000	3,305 11 1	3,208 6 8	3,416 13 4	3,406 5 0	3,479 3 4	6,333 6 8
150,000	6,541 13 4	5,562 10 0	5,875 0 0	5,864 11 8	5,968 15 0	10,250 0 0
200,000	8,722 2 9	7,916 13 4	8,333 6 8	8,323 11 4	8,458 6 8	14,166 13 4