

special provision for rebate of the land-tax in certain cases of hardship. The Committee considers that where a landowner can prove conclusively to the Commissioner for Inland Revenue that, without deducting interest on borrowed money, he has no profits with which to pay land-tax, and this notwithstanding the fact that he has worked his property in a proper and workmanlike manner, the Commissioner for Inland Revenue should have power to remit that portion of the land-tax which is really being paid out of capital. The following resolution was carried unanimously :—

That the Commissioner for Inland Revenue be given discretion, by legislation next session, to remit the whole or part of land-tax levied upon an occupier in respect of rural lands which, though worked in a proper and workmanlike manner, have not produced sufficient, after deducting expenses of working (including local rates, but not including interest on mortgage of land or stock, or interest upon the value of such land and stock if unmortgaged), to pay such tax in whole or part.

50. From the evidence put before it the Committee has come to the conclusion that the graduated land-tax, which was originally imposed from the point of view of bursting up large landed estates, is now no longer required, and that it now has the effect of preventing the development of much of our land. A great deal of our hill country in New Zealand cannot produce more by close settlement; in fact, it often produced less in this way, at increased cost to the country for roading, &c. A great deal of this hill country can be more economically broken in and developed in large blocks. It is lands that can be cultivated, or that are suitable for dairying, that produce more when closely settled. Purely pastoral hill sheep-country will often give better results in fairly large blocks. The Committee is therefore of opinion that the present graduated system of land-tax should ultimately be abolished in favour of a flat rate, with a reduction on the smaller holdings, together with safeguards to ensure that the land is properly worked and not merely held for speculation. The graduated income-tax provides a sufficient surcharge on the larger holder. The following resolution was passed unanimously :

That the Committee is of opinion that the graduated land-tax as at present imposed is not in the best interests of the country, inasmuch as it tends to restrict production and enterprise, and that a flat rate should be substituted.

51. It was pointed out that, under the law as it stands, holders of small and moderately sized blocks of land subject to mortgage are escaping both land and income tax by reason of the deductions granted. They are allowed to deduct the amount of a mortgage from the value of their unimproved land for taxation purposes, and thus escape land-tax; and for income-tax purposes they are allowed a 5-per-cent. deduction on the whole of the unimproved value of the land without deducting mortgage. They are also allowed to deduct interest on mortgage. It is obvious that there is one deduction too many, and it was unanimously resolved—

That the allowance of 5 per cent. upon the unimproved value of land allowed in computing taxable incomes be limited to the amount of the unimproved value upon which land-tax is paid.

52. Local bodies owning endowment and other lands pay no land-tax, and this appears wrong in principle. If these lands escape, it means that higher rates have to be paid on other lands to bring in the necessary revenue. There appears to be no reason why local bodies, when they lease these lands and obtain revenue from them, should not pay land-tax in the same manner as private owners. It was unanimously resolved—

That all lands owned by local bodies and leased for revenue purposes to persons, firms, or companies should be subject to land-tax on the same basis as privately owned lands.

53. The question of land-tax levied on Native lands was brought before the Committee. Large blocks of Native lands held in trust for a large number of Natives, and leased by the trustees to Europeans, are taxed on the graduated scale as if they belonged to one owner. The result in many cases is that a very large proportion of the rent, in some cases almost the whole of it, goes in land-tax, and there is often little, and sometimes nothing, left for the Natives. We have not had time to go closely into this matter, and have no recommendation to make beyond this :—

That from the statements made to the Committee it appears as if an injustice has been inflicted on the Natives, and it is recommended that it should be inquired into.

DOUBLE TAXATION.

54. The question of dual taxation on British companies operating in New Zealand was considered. New Zealand is, and will be for many years to come, in the development stage, and the Committee thinks it most desirable that outside capital, and particularly British capital, should be attracted and not discouraged. The Committee was informed that a satisfactory arrangement had been arrived at between the British and Australian authorities with regard to the taxation of British capital invested in Australia. The Committee has been unable to learn exactly what this arrangement is, but feels satisfied that it is not in the interest of New Zealand to permit conditions for the investment of British capital in New Zealand to be less favourable than in Australia. The following resolution was carried unanimously :—

That the question of dual taxation be further considered with the British authorities, and arrangements made that will result in British capital invested in New Zealand being placed in a position at least as favourable as in Australia, provided such arrangement does not put British investors on a better footing than New Zealand investors.

TAX ON DEBENTURES.

55. The question of taxation on the interest received from investments in debentures of public bodies and companies was fully considered by the Committee. At the present time public-body debentures issued in New Zealand pay a tax of 2s. 6d. in the pound, which is met by the debenture-