

ment. Income-tax is said to be the most equitable of all taxes, because it places the burden where the money is. Up to a point when the tax absorbs too large a proportion of the income, the incentive to effort is reduced, and men fail to maintain their maximums. That point has been reached to-day. Thousands of capable men are disheartened, and they are resenting the attempt to place too large a proportion of their earnings at the disposal of bureaucracy. This is bad for everybody, but particularly is it bad for the thousands of unemployed. They, together with those who claim to represent them, should insist upon the tax being reduced, and upon the money remaining where it can be used to promote the good of industry."

RECAPITULATION.

66. The Committee arrived at unanimous decisions on all matters except (a) taxation of companies, (b) earned and unearned income, and (c) reduction of exemption on income-tax.

In the case of (a), "company taxation," the majority favour the taxation of shareholders in companies on their dividends and taxing companies on their undivided profits only, the change to be made at the earliest date that the finances of the country will permit. The minority favour taxation of the companies direct.

In regard to (b), "earned and unearned income," the majority favoured the abandonment of the present distinction, reverting to the old system. The minority favour the present system.

In regard to (c), "reduction of exemption on income-tax," the majority favour the present exemption of £300. The minority, consisting of one member, favours the exemption on unmarried persons being reduced to £200.

67. A recapitulation of the unanimous decisions and recommendations by the whole Committee is set out hereunder—

- (a.) That, as a first step to reduce taxation, it is imperative that further substantial economies in administration should take place, and that the public expenditure of the Dominion should be still further reduced.
- (b.) That, in order to stimulate production and industry and lessen unemployment, the scale of income taxation should be immediately revised to provide for a maximum rate not exceeding 5s. in the pound.
- (c.) That a system permitting the carrying forward of losses should be adopted.
- (d.) That losses made in one or more directions should be allowed as a deduction from profits made in other directions.
- (e.) That the question of double taxation be discussed with the British authorities.
- (f.) That interest from company and public-body debentures should be taxed at the same rate as income from other sources.
- (g.) That all Government and public-body trading undertakings should be subject to land and income taxes, and that the State Fire Department should be taxed on the same basis as private insurance companies in respect to overseas treaty reinsurances.
- (h.) That proprietary life-insurance companies should be taxed on the same basis as ordinary trading companies.
- (i.) That certain boring operations of coal companies should be treated as working expenditure.
- (j.) That coal-mine owners should be treated on the same basis as sawmillers with regard to allowances for wasting assets.
- (k.) That the amount paid for the goodwill of a lease should be apportioned over the term of the lease, and admitted as a deduction from income.
- (l.) That careful inquiry should be made as to the working of the sales and turnover taxes in other countries, with a view to ascertaining whether it is desirable to adopt either of them in this Dominion, but only as a relief to present taxation.
- (m.) That the super-tax on land, which was levied as a war measure, should be abolished as from the 1st April, 1922.
- (n.) That discretion be given to the Commissioner for Inland Revenue to remit the whole or part of the land-tax of an occupier of rural land which, though worked in a proper and workmanlike manner, have not produced sufficient to pay such tax in whole or in part.
- (o.) That the allowance of 5 per cent. upon unimproved value of land be limited to the amount of unimproved value upon which land-tax is paid.
- (p.) That all lands owned by local bodies and leased for revenue purposes shall be subject to land-tax on the same basis as privately owned lands.
- (q.) That, in order to stimulate production and industry, land-tax should be levied at a flat instead of a graduated rate, with deductions on the smaller holdings.

In conclusion, we, the members of the Committee, desire to assure you that we have fully realized the difficulty of the problem set before us, and we recognize that in the final settlement of the question you have no easy task. We hope that the result of our inquiry as presented in this report may prove useful, and that the Government may see its way to legislate in the directions suggested.

We have, &c.,

W. D. HUNT (Chairman).

E. ANDERSON.

PETER BARR.

WILLIAM BARTON.

JOHN BITCHENER.

E. F. CAMPBELL.

WALTER GOW.

A. LEIGH HUNT.

ERNEST W. HUNT.

G. SHIRTCLIFFE.

BERNARD TRIPP.

CHARLES J. WARD.

T. SHAILER WESTON.