1922.

NEW ZEALAND.

NATIVE AFFAIRS COMMITTEE

REPORT AND EVIDENCE ON PETITION No. 143 OF 1922, OF TE HURINUI APANUI AND 132 OTHERS, AND 45 SIMILAR PETITIONS.

(MR. YOUNG, CHAIRMAN.)

Report brought up 23rd October, 1922, together with Petition and Minutes of Evidence, and ordered to be printed.

ORDER OF REFERENCE.

Extract from the Journals of the House of Representatives.

FRIDAY, THE 14TH DAY OF JULY, 1922.

Ordered, "That Standing Order 219 be suspended, and that a Native Affairs Committee be appointed, consisting of fifteen members, to consider all petitions, reports, returns, and other documents relating to affairs especially affecting the Native race that may be brought before the House this session, and from time to time to report thereon to the House; with power to call for persons and papers; three to be a quorum: the Committee to consist of Mr. Campbell, Mr. Field, Mr. Hawken, Mr. Henare, the Hon. Sir W. H. Herries, Mr. Hockly, Mr. Jennings, the Hon. Mr. Ngata, the Hon. Sir M. Pomare, Mr. Reed, Mr. R. W. Smith, Mr. Uru, Mr. Williams, Mr. Young, and the mover."—(Hon. Mr. COATES.)

REPORT.

No. 143 of 1922.—Petition of TE HURINUI APANUI and 132 Others (and forty-five similar Petitions, as per Schedule attached).

PRAYING for relief of Native leaseholds from Native-land tax under the Finance Act, 1917.

I am directed to report that the Committee recommends that these petitions, together with a copy of the evidence taken, be referred to the Government.

23rd October, 1922. J. A. YOUNG, Chairman.

SCHEDULE.

No. 189/22.—Hera Tipene and 102 others.
No. 190/22.—Te Morehu Kirikau and 67 others.
No. 191/22.—Tupaea Rapaere and 82 others.
No. 192/22.—Tutura Hamana and 68 others.
No. 193/22.—Keepa Tamati and 66 others.
No. 194/22.—Wiremu Keepa and 66 others.
No. 195/22.—Haki Roihana and 66 others.
No. 196/22.—Mikaera Pewhairangi and 39 others.
No. 197/22.—Wiremu Potae and 26 others.
No. 198/22.—Meri Wharepapa and 35 others.
No. 199/22.—Te Pouwhare and 66 others.
No. 200/22.—Kaipa Kingi and 75 others.
No. 201/22.—Taui Takerei and 66 others.
No. 202/22.—Taituha Waitere and 62 others.
No. 232/22.—Hoani Haeata and 11 others.
No. 233/22.—Te Matene Whaanga and 34 others.
No. 234/22.—Henare Reweti and 28 others.
No. 235/22.—Henry Albert and 20 others.
No. 236/22.—Wetini Taku and 66 others.
No. 243/22.—Akapita te Toa Hamuera and 66 others.
No. 244/22.—Arohekaihe Watene and 66 others.
No. 245/22.—Rawinia te Whiwhi and 36 others.
No. 246/22.—Karatiana Patutahi and 57 others.
No. 247/22.—Pita te Hau and 51 others.
No. 248/22.—Turanga Hinaki and 60 others.
No. 249/22.—Waiariki Matui and 66 others.
No. 250/22.—Te Hati Tipoki and 43 others.
No. 251/22.—Rewi Kerehi and 59 others.
No. 259/22.—Wiremu Kirihiti and 31 others.
No. 264/22.—Panikena Kaa and 152 others.
No. 270/22.—Mere Hira te Popo and 66 others.
No. 271/22.—Harihari Ranapia and 66 others.
No. 272/22.—Tumihi Ranapia and 21 others.
No. 273/22.—Raureti Mokonuiarangi and 66 others.
No. 274/22.—W. Whatanui and 66 others.
No. 275/22.—George W. Stainton and 61 others.
No. 288/22.—Pare Teramea and 43 others.
No. 289/22.—Henare Ruru and 31 others.
No. 290/22.—Wi te Wharekerehere Kewa and 67 others.
No. 300/22.—Maraea Wakakereru Rawhi and 18 others.
No. 301/22.—Te Pou te Kokau and 17 others.
No. 307/22.—Haki Tamati and 191 others.
No. 346/22.—Tangatake Hapuhu and 61 others.
No. 368/22.—Paratene Ngata and 111 others.
No. 369/22.—Ngapera Kawana and 30 others.

MINUTES OF EVIDENCE.

TUESDAY, 26TH SEPTEMBER, 1922.

The Chairman: Gentlemen, we have before us this morning Petition No. 143, from Te Hurinui Apanui and 132 others, and forty-three similar petitions, with a total number of signatures of 2,682, presented by the Hon. Mr. Ngata, praying for relief in connection with the taxation on Native land under the Finance Act, 1917. I will ask the Clerk to read the petition.

Petition read out by the Clerk of the Native Affairs Committee.

The Chairman: As you presented the petition, Mr. Ngata, perhaps you would like to make some remarks.

Hon. Mr. Ngata: Not just at present, sir. I will be satisfied if the Committee will take the statements of the Commissioner of Taxes, the Under-Secretary of the Native Department, and the Deputy Native Trustee. At the conclusion of their remarks I will make a short statement to the Committee.

Mr. D. G. CLARK, Commissioner of Taxes, examined.

The Chairman.] As representing the Taxation Department, Mr. Clark, no doubt you will be in a position to give us some information on this question. We would be pleased to have your views upon the petition. You have seen the petition?—Yes, sir, I have seen it, and I may say that I have submitted one of the two alternatives to the Government. I think that the land-tax on leased Native lands might be limited to one-quarter of the rental.

Is that the Natives' recommendation or the Chief Judge's recommendation?—It is the Natives' recommendation. I have another suggestion made from the Native Trust Office—that is to say, a proposal to assess the Native leased land in accordance with the tenancy; but the objection to that is that it would facilitate the aggregation of land in the hands of tenants. Of course, there are restrictions on persons leasing Native land. I may say that I continually come across instances of men who lease Native land in the name of their families. We would have to recognize the ownership and the tenancy as well. In my opinion a more simple method would be to make provision for limiting the tax to one-quarter of the rental.

What is your view with respect to the suggestion made by the petitioners that the annual rent revenue may be regarded as income and be made subject to income-tax, instead of a tax upon the value of the land itself—have you given consideration to that point?—It is liable to income-tax now, subject to the deduction of 5 per cent. of the unimproved value of the land. The rental is subject to income-tax now.

Is that assessable as a lump sum?—No.

Is it assessable against each individual Native?—Yes, the share of each individual Native has to be considered.

In connection with the Ohotu, the rental is £2,595 5s. 6d.: I am not concerned with the amount of the land-tax for the moment; but it is possible that a thousand Natives might be interested in the ownership of that block?—Yes.

The total rental is £2,595, and there might be a thousand Natives in the block?—That would be, roughly, £2 each.

Roughly speaking, about £2 per head would be the rental in each case: from the taxation point of view that does not come to your Department?—No, we get very little income-tax from any of that, if we get any at all.

Hon. Sir M. Pomare: There are six hundred Natives concerned.

Hon. Mr. Ngata.] The suggestion, of course, is to treat that as income—there would be the income-tax on £2,000?—Yes, less 5 per cent. on the unimproved value.

The Chairman: Supposing there was £2,000 of taxable income, what would that amount to?—Roughly, between £200 and £300.

Hon. Sir W. H. Herries.] That would represent 25 per cent.?—Yes. That would not make the maximun tax £500, and we can do that without disturbing the system of the Act.

You will admit, Mr. Clark, that there was a great alteration in the 1917 Act?—There were no special alterations in regard to Native lands, because they fell in with the others when the graduated tax was merged in the ordinary land-tax.

Hon. Mr. Ngata.] You were in the House of Representatives, Mr. Clark, when Sir Joseph Ward, who was then in charge of the Bill in Committee, gave the Native members the assurance that there would be no change?—Yes, I think I was.

And later, in the Legislative Council, Sir Francis Bell repeated that statement, and his speech is on record in *Hansard*?—Yes.

What is the position at Taumarunui in regard to the different ownerships?—At Taumarunui and Te Kuiti we recognized the different ownerships.

But they are partitioned?—Yes.

Hon. Sir W. H. Herries.] It was formerly reckoned as one because it was in the hands of the Board?—No, not as far back as I can remember. I may say that I dealt with the matter in 1912, and I went through those assessments in the Native Land Office at Auckland, and we were dividing the land then.

Hon. Mr. Ngata.] You say, in regard to the Native Trustee's proposal of assessing on tenancies, that that might lead to confusion in the assessment?—Yes.

Are not the different tenancies assessed separately?—Not necessarily.

As to aggregation, how can there be any inducement if the land-tax is deducted from the lands and does not apply to rentals ?—That is a very great inducement.

The tenant has no concern now with the amount of the tax, or the incidence of the tax—I suppose he would if part of the land-tax was thrown on him ?—He might in that case.

Hon. Sir M. Pomare.] Do you say the objection is on account of the tax being imposed on the individual interests ?—There is no objection where the interests are defined ; but if you were to do that with Native land, you would be adopting a different principle altogether from what is adopted in the assessment of European land.

Would there be any objection to assessment on the individual interests ?—It is departing from the principle of assessing the land-tax altogether.

It could be done ?—You would have to provide specially for an exemption for each owner.

The position is this : the Native owners are forced into that position—the Native Land Act has put them into that position ?—Yes.

Hon. Mr. Ngata : You are talking about vested land ?

Hon. Sir M. Pomare.] Yes. They have done that of their own volition and for their own profit ?—That is so. What has been done has been done for the benefit of the whole community, so as to get the land utilized.

The Chairman.] And to provide simple machinery for dealing with the land ?—Yes.

Hon. Sir M. Pomare.] They are worse off than if they left the land alone ?—Would it not meet the case if the land-tax was restricted to 25 per cent. of the rental ?

Hon. Mr. Ngata.] That would be the maximum ?—Yes.

Hon. Sir M. Pomare.] Would that deal with each individual interest ?—I cannot tell you that without going into the matter further. I think a lot of the trouble in connection with the Native lands is the inadequate rental received.

Hon. Sir M. Pomare.] That was the inducement for the land to be taken up ?—In some of the recent cases the rental is not adequate. When you consider the valuation placed upon some of the land on the East Coast ——

Mr. King (Deputy Native Trustee) : I propose dealing with that aspect of the matter particularly.

Mr. Clark : That being so, I will not say anything in regard to that aspect of the matter.

The Chairman : The Committee would be pleased to hear Mr. King.

Mr. H. S. King, Deputy Native Trustee, made a statement and was examined.

Mr. King : Mr. Chairman and gentlemen, I am appearing before the Committee in the capacity of Deputy Native Trustee. I may say also that I have been authorized by Mr. W. Rawson, East Coast Commissioner, to appear before the Committee to give certain evidence, and the following is the telegram forwarded to me :—

"H. S. King, Native Trust Office, Wellington.

"Authorize you produce statement prepared by me and other information as you think advisable before Land-tax Committee of House Tuesday next.

"W. Rawson,
"East Coast Commissioner."

Well, sir, during the recent sitting of the Taxation Commission, Judge Rawson, in the dual capacity of Native Trustee and of East Coast Trust Commissioner, appeared before it for the purpose of drawing particular attention to the heavy burden the graduated land-tax, assessed in accordance with the provisions of the Finance Act of 1917, is imposing on Native lands, especially the more valuable blocks which are vested in the Native Trustee and the East Coast Commissioner. His remarks to the Commission are summarized in the following correspondence :—

"Native Trust Office, 12th June, 1922.

"Memorandum for the Chairman, Commission of Taxes, Wellington.

"Re *Land-tax on Maori Lands.*

"As promised, I now forward you copies of the figures used by me when addressing the Commission on the above matter.

"My point, of course, was that, owing to the lands being held by a trustee for a Maori community, the tax was assessed as though there was only one owner, whereas there were in fact very many, and in many cases hundreds, of owners. Communistic ownership, though strange to Europeans, is true Maori custom, and the object of placing the legal title in one person was merely to facilitate the leasing of the various blocks.

"W. E. Rawson,
"Native Trustee and East Coast Commissioner."

The Judge's remarks to the Commission were as follows :—

"*Land-tax.*—Until the passing of the Finance Act, 1917, Native lands that were leased were liable to land-tax at a flat rate of ½d. in the pound, a European landowner then paying 1d. in the pound ordinary land-tax. Native lands were not liable to a graduated land-tax, whereas European lands were. The Finance Act, 1917, laid down generally that European lands were liable to a graduated land-tax, the ordinary land-tax being abolished or merged so that there was only one land-tax, and that was graduated. It also made the leased Native lands liable to half the amount of tax payable on European lands, and so the principle of graduation was applied to Native land. This was a sudden and unexpected result of the 1917 legislation. The then Finance Minister (Sir Joseph Ward) gave his assurance to the Maori members of Parliament that the law in regard to tax on Native land

was not altered. But he does not appear to have realized that the combining of the ordinary and graduated land-tax had brought about a far-reaching and serious alteration. I have prepared in connection with some of the leased lands of the Trust a table showing the rents received and land-tax deducted therefrom between 1912 and 1921. Thus on four blocks in 1913 the rents totalled £3,180 8s. 5d., and the land-tax deducted £131 7s. 8d. In 1918, the year after the passing of the Finance Act, 1917, the proportions had changed to £3,631 19s. 1d. rents and £545 9s. land-tax. In 1921 they were £3,907 12s. 3d. rents and £1,068 1s. 1d. land-tax. The 400 per cent. increase in 1918 was due to the passing of the Finance Act. The increase of 1921 over 1918 was due to a combination of increased values and of a graduation based on these increased values. It must be remembered that these lands were leased when land-values were very low and access difficult. To induce lessees to take up the lands, low rentals and easy terms were given, and the element of taxation was not prominent. Still, the proportions of rent deductible for land-tax would have increased with each Government valuation of the lands in the district, assuming that the rate of the tax had remained at a flat rate of ½d. in the pound. But a combination of increasing values and a graduated tax thereupon has caused the tax to increase out of all proportion to the revenue. This in Mangopoike A the rent has remained stationery at £722 18s. 6d., whereas the tax has increased from £38 6s. 3d. in 1912 to £428 15s. 9d. in 1921, and is now nearly 60 per cent. of the revenue. In Tahora 2c 1, Section 3, the tax has increased from £9 15s. in 1913 to £287 1s. this year, and is now equal to 51 per cent. of the rent revenue (see schedule attached). The graduation principle of taxing as applied to leased Native lands has probably come to stay, but it seems to be oppressive as regards the larger blocks held under lease. There should be some provision fixing a maximum proportion as between land-tax and rent—say, 33⅓ per cent.—otherwise trust estates (including lands vested in Maori Land Boards) must become bankrupt. Alternatively, a proportion of the liability might be passed on to lessees."

There are two schedules that are attached, one showing the rents received from some of the leased lands of the Trust, and the land-tax deducted therefrom, between 1912 and 1921, and the other showing the percentage of the land-tax received to the rental, which were referred to in the Judge's remarks to the Taxation Commission.

SCHEDULE SHOWING RENTS RECEIVED FROM LEASED LANDS, AND LAND-TAX DEDUCTED.

Year.	Mangahei 2D.		Mangapoike A.		Mangapoike 2A3.		Tahora 2c1 Sec. 3.		Mangatu No. 1.	
	Rent received.	Land-tax.	Rent received.	Land-tax.	Rent received.	Land-tax.	Rent received.	Land-tax.	Rent received.	Land-tax.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£	£
1912	1,759 19 9	45 17 7	722 18 6	38 6 3	218 18 0	47 3 10	..	..	..	..
1913	1,759 19 9	43 4 4	722 18 6	30 19 10	328 7 0	5 15 8	369 3 2	9 15 10	..	..
1914	1,759 19 9	41 15 6	722 18 6	36 15 10	328 7 0	7 16 8	369 3 2	6 1 6	..	..
1915	1,759 19 9	40 10 2	722 18 6	37 13 4	744 7 0	..	369 3 2	9 15 10	..	..
1916	1,759 19 9	32 3 6	722 18 6	38 17 9	744 7 0	10 19 1	440 4 6	9 15 10	..	..
1917	1,759 19 9	43 10 7	722 18 6	39 10 7	744 7 0	27 1 7	567 5 6	9 15 10	..	..
1918	1,759 19 9	234 9 7	722 18 6	156 17 6	744 7 0	107 18 10	404 13 10	46 3 1	..	..
1919	1,759 19 10	234 9 7	722 18 6	275 3 1	744 7 0	107 19 0	440 4 6	46 3 1	..	..
1920	1,759 19 10	234 9 7	722 18 6	275 3 1	744 7 0	107 19 0	570 18 0	46 3 1	5,910	5,200*
1921	1,759 19 10	234 9 7	722 18 6	428 15 9	853 16 0	117 14 9	570 18 0	287 1 0	..	..
1922	..	..	722 18 6	538 4 5	..	..	..	..	..	..

* Equal to 88 per cent.

SCHEDULE SHOWING RENTAL, TAX PAYABLE, AND PERCENTAGE OF LAND-TAX TO RENTAL, OF CERTAIN BLOCKS

(NOTE.—The tax payable is under the Finance Act, 1917.)

Block.	Government Unimproved Value.	Total Rental.	Tax Payable.	Percentage, Land-tax to Rental.
	£	£ s. d.	£ s. d.	
Grant 3778 (Mokoia perpetual leases) ..	97,435	3,435 17 3	1,575 13 5	45
Grant 3800 (Inuwai perpetual leases) ..	47,986	1,426 8 0	446 8 9	31
Grant 3780 (Ngatitupaea perpetual leases)	26,756	1,001 11 0	170 0 8	17
Grant 3887	12,495	563 15 0	54 13 1	9
North Island "tenths"	75,306	1,859 7 6	986 7 2	53
Palmerston North Reserves	38,446	1,077 17 6	306 14 10	28
Nelson Native Reserves (city sections) ..	28,646	1,219 13 6	189 11 3	15
Greymouth Native Reserve	114,360	4,335 6 6	2,118 4 0	48
Reserve, Palmerston	62,202	1,077 17 6	701 10 4	65

The figures show conclusively that the operation of the graduated tax imposes an unduly heavy burden on leased Native lands; but, in addition to the facts laid before the Commission, there are points which I would like to bring to the attention of the Committee. Tax on leased Native land is assessed at half of the amount on European land, so that in the case of Mangatu No. 1, if the land was in European ownership, it would in 1920 have been charged with tax amounting to £10,440, while the annual rental would be a sum of £5,910—a deficiency of £4,530—a position which, I venture to say, would not be tolerated for a moment. The explanation of this inequity is that the land was leased some twenty years ago at a small rental, and the closer settlement and progress of the East Coast district has now sent up the value of land enormously, so that with each separate valuation the

unimproved value of the land increases, but the rent remains stationery over the first term of the lease—namely, twenty-one years. As far as the East Coast Commissioner was concerned, he was in 1920 faced with the invidious position of having, after providing for land-tax, the munificent sum of £690 out of which he had to meet administration expenses, and the interest on the mortgage, and the overdraft in the bank. For any trustee to try to manage a trust estate handicapped as Mangatu No. 1 is by the heavy land-tax is a task which is hopeless from the outset, more especially with the prospect that any future valuation will again increase the value of this valuable block of Native land, and bring about a resultant increase in the abnormally heavy tax it is called upon to pay. Another example of how oppressive is the graduated tax is furnished by taking the case of the Greymouth Township, which includes an area of a little over 500 acres of Native land, which is administered by the Native Trustee, who collects the rents from the various tenants. The following figures show the position from the year 1914 onwards :—

Year.	Rent collected. £	Tax paid. £
1914	3,540	237
1915	4,257	236
1916	3,761	238
1917	4,207	1,623
1918	4,223	1,623
1919	4,591	1,623
1920	5,134	1,623
1921	4,335	2,118

So that if in 1921 that portion of the township which is Native land was in European ownership it would be called upon to pay tax amounting to £4,236 out of a revenue of £4,335. These figures show how the operation of the graduated tax under the Act of 1917 has compelled leased Native lands to carry a burden out of all proportion to the benefit the owners are entitled to receive. The legislation laying down the law with regard to the management of trust lands by the Native Trustee requires to be taken into consideration on any question concerning the land-tax. The all-important point to be considered in the renewal of a lease is the amount of annual rental which is to be paid for the renewed term. The procedure for fixing this, briefly, is that the lessor (the Native Trustee) offers the lessee a renewal at a rent which is 5 per cent. on the latest Government unimproved value. If the lessee does not elect to pay this amount—and this is quite the usual thing—then it is necessary to have the rental assessed by arbitration. The lessor appoints his arbitrator and the lessee nominates his, and in practically every case both arbitrators are residents of the locality in which the land is situated, and generally they are also lessees from the Trustee. They can fix any rental they like, and the lessor is bound to accept their decision, even although it is well below the 5 per cent. margin. In the case of the East Coast blocks the rents for the renewed term are fixed by arbitration only. This system is open to serious thought as to whether Natives have under it any chance of receiving what they are justly entitled to—*i.e.*, a fair rental for their land. This appears to be borne out in the case of Greymouth Township, as the total unimproved value is £114,360, and the present annual rental is a sum of £4,335 6s. 6d., or £3 16s. 6d. per cent. In the year 1874 the total annual rental collected in Greymouth was £3,697, and in 1921 it has risen to £4,146, so that the increase in rent over a period of forty-seven years was only the sum of £449, although the unimproved value has grown to the present large amount. Again, it is quite competent for arbitrators to fix the rental at a lesser amount than what was paid during the previous period, or to fix no increase at all. That such possibilities can exist is evidenced by the following cases : Sections 26 and 27 of Block I——

The Chairman : Is that at Greymouth ?

Mr. King : Yes. In 1866 the annual rental was £37 10s. ; in 1871 it was the same amount ; and in 1901 it had dropped to £21 15s. per annum. Section 13, Block II : In 1903 the annual rental was exactly the same as in 1868—viz., a sum of £31 10s. Recently the first term of the leases in Mangatu No. 1 Block expired, and it was necessary for the rentals for the renewed term to be fixed by the arbitrators ; and, as they entered upon their arbitration during the slump period, the result was shown in their assessments ; but even if times had been normal the same thing would have applied. The Commissioner naturally expected that, as the land had been leased for twenty-one years at a very low rental, he would during the renewed term receive a rental more in common with the increased value of the land, and thus put him in a better financial position to manage his trust in the future ; and it is not very difficult to imagine his feelings when he ascertained that the arbitrators had assessed the rentals at amounts which would not be half of what he expected to receive, and these rents must stand for the next twenty-one years, no matter to what amount the Government valuation increases. One cannot very well blame the arbitrators for what they have done, unless perhaps for the pessimism which led them to believe that this bright and buoyant Dominion would not, for the next twenty-one years, lift itself out of the trough of the slump waves which were breaking over everything at that particular time. The increasing value of land in this Dominion is showing more and more how grossly unfair is the system of fixing a rental by arbitration ; but the lessees have their rights given them by the statute law of the country, and, while the rent is fixed by this inequitable system, the tax is based upon an entirely different valuation—viz., the Government valuation. I should like to quote a portion of a letter from the Hon. Mr. Myers, Acting Minister of Finance, to the Hon. the Minister in charge of the Public Trust Office, in regard to a petition from some of the owners of the Ngatitu grant in the West Coast Settlement Reserves in Taranaki. The letter is dated 10th July, 1919, and it reads—

". . . An investigation of the figures of the assessments of the lessees of the grant mentioned in the petition of the Ngatitu Grant 3799 discloses what appears to me to be a most extraordinary position. The district in which the lands comprised in this grant are situated was revised in 1913–14.

All the leases of these lands with the exception of one were renewed in 1914–15. The assessed capital value of the land is £123,922; the assessed unimproved value is £100,371. The aggregate rentals payable under the leases renewed at that time or since the revision amount to £1,900, or something under 2 per cent. of the unimproved value. Surely it is here that the remedy should be applied, and a more adequate rent obtained. To attempt to amend the taxing legislation so as to grant a separate exemption to each owner in joint holdings would have very grave effect on the assessment of land-tax generally. There is an old saying that 'Hard cases make bad laws,' which certainly applies in this case. If any relief is to be given to these Native owners, it should be by way of special grant, and not by any attempt to amend the legislation."

The Natives could not be blamed for that position. The Native beneficiaries of the land, which is part of the Greymouth Township, realizing the burden of the tax which was imposed upon their property, endeavoured to obtain some measure of relief by applying to the Native Land Court to partition the land so that there would be smaller blocks upon which to assess the tax; but again the incidence of the law proved an impassable barrier. I should like to quote one or two extracts from the report of the Land Court in dealing with the application to partition the land. The report reads: "The principal object of the present application for partition is to break up the reserve into smaller estates, so as to relieve it of burdens which threaten it as a single estate."

Then, further on it reads: "The Court, while holding it has not jurisdiction to partition, would, if it had the power, consider it to be its duty to so partition the estate as to relieve the land from the onerous burdens which press upon it. It does not follow, however, that the Court would cut out individuals, except possibly in a case where it might be desirable to secure some particular Native in possession of his home."

Then, the Chief Justice of the Supreme Court, Sir Robert Stout, also remarks as to the hardship of certain Greymouth owners, in the judgment of the Court as to whether there was any jurisdiction to partition the land. He says: "I am a party to the judgment that has been read by my learned brother Edwards, but I desire to make the following additional observations: The Natives seem to have a *bona fide* grievance, and they are apparently placed in a unique position. Their lands are jointly worth over £100,000, but their income, after payment of taxes and collection of rents, does not amount to 2½ per cent. on that value. The lands are joined as if the Natives were holders in common, but they are in fact held by the Public Trustee, and the Natives have neither the control nor the management of them. The whole reserve, however, is subjected to graduated taxation. In view of the position in which the Native owners are placed, and of the fact that they are denied the right to partition their lands, I am of opinion that it would be only just to charge a land-tax in accordance with their shares. When Parliament is apprised of their position it will no doubt take steps to grant them relief."

Greymouth can also be taken as an example of the invidious position forced upon the Native Trustee by the heavy tax. The Native portion was a reserve excluded from the Arahura purchase, to be set aside and leased for the benefit of the owners for all time, and it is the bounden duty of the Trustee to carry out that trust. But what is the position to-day? For some time past there has been an agitation that the lessees should be allowed to acquire the freehold of their sections, an object which is in direct contravention of the expressed wishes of the Natives when they set aside this reserve; but the Native Trustee realizes that it will not be long before the whole of the annual rental will be required to meet the payment of tax, and consequently he is forced to admit that it is far better to let the object of the trust go to the wall, and allow the land to be sold, rather than see its revenue eaten up year after year by undue heavy taxation.

In addition to the above remarks, attention can be drawn to the following curious position, which, from a national point of view, is deserving of very careful thought. Land-tax is payable only on Native land which is leased, so that in the case of lands controlled by the Native Trustee, or the Commissioner, there is no inducement or benefit gained by attempting to again lease a section over which the lease has expired or been surrendered, as in the event of it not being leased again it is realized that the amount of land-tax will be decreased proportionately to the value of the block which was originally leased, and with the chances that in the future the tax will be greater than it is now it would seem better for the beneficiaries that the land should simply be left to go back and no thought taken to re-lease it. Nor is there any inducement to Natives to now lease any of the valuable lands still in their possession, because they realize that once a lease is entered into the land becomes liable for the graduated tax, and experience has taught them that the longer the lease goes on the greater will be the proportion of rent required to meet it. With a view to lightening the present burden of tax the Native Trustee submitted to the Commissioner of Taxes the following suggested amendments to the Finance Act, viz:—

"Section twenty-six of the Finance Act, 1917, as amended by section eight of the Land and Income Tax Amendment Act, 1920, is hereby further amended by adding the following subsections:—

"(1.) Where Native land is occupied by or in the possession of persons (other than the Native beneficial owners, or a trustee or trustees for them) as tenants or holders of separate areas as holdings, then the Native owners, or their trustee or trustees, shall be chargeable with land-tax in accordance with the said section twenty-six assessed upon each such area or holding separately, irrespective of the fact that some of the beneficial owners may be the same persons.

"(2.) In no case shall any Native owner or owners, or trustees therefor, be chargeable with land-tax in respect of Native land owned by him or them in excess of one-fourth of the amount of the annual revenue derivable therefrom."

It may be claimed that it would be difficult, or cause additional work, to give effect to subsection (1) above; but there does not appear to be any difficult question involved, as it appears as if all that is necessary is to put each separate leasehold estate on the taxation registers, and if these particulars can be entered on the County Council rolls for the purpose of local rating it should not be

a very hard matter to do the same for taxation purposes. Each separate lessee is entered upon the rolls for land-tax assessments, so it should not cause any unusual amount of work to also enter the separate holdings in addition to the separate lessees. It has also been suggested that an equitable way of assessing the tax would be to base it upon the value of each individual owner's share in any particular block.

In conclusion, it is desired to specifically draw the attention of the Committee to the following points as far as lands under the control of the Native Trustee and the East Coast Commissioner are affected by the graduated land-tax imposed by the Finance Act, 1917 :—

(1.) When the graduated tax was provided for by the Act of 1917 the Maori members of Parliament were given an assurance by a Minister of the Crown that it would not affect Native lands, and as regards existing taxation the position would remain unchanged.

(2.) With a view to aiding the speedy opening-up of their lands Maoris in the past consented to the vesting of large and valuable blocks in trustees. This now acts as a boomerang, in that the Trustee, although only administering the land for the benefit of the actual owners, is looked upon for taxing purposes as the sole owner, whereas in actual fact there are in some cases hundreds of owners.

(3.) The statute law recognises and authorizes the rentals for the lands to be fixed by a system which is undoubtedly unfair, whereas the tax is assessed upon an entirely different basis.

(4.) The statute law prevents the owners from partitioning their lands, and thus endeavouring to obtain some measure of relief from the heavy liability they have to meet in the annual payment of tax.

(5.) The present operation of the graduated tax is so harsh that it is conducive to allowing Native lands to be left idle and unproductive, so as to avoid payment of tax.

That concludes my statement, Mr. Chairman.

Hon. Mr. Ngata (to Mr. King).] Do you know whether the tax is paid on the unused portion of a block? Take Mangatu, for instance—portions of that block are leased and portions are not leased?—As far as I understand the position, it is only on those portions that are leased that the tax is paid—that is, land that is occupied and used by other than owners.

It is one title?—That is so.

Mr. Clark: It is only the occupied land that is assessed.

Hon. Mr. Ngata (to Mr. Clark).] Although they form part of the one title?

Mr. Clark: That does not make any difference.

Hon. Mr. Ngata.] Then you assessment is on the tenancy after all?

Mr. Clark: Yes.

The Chairman.] In other words, the whole of the Native land is assessable for land-tax if it is leased to some person other than the Native owner?

Mr. Clark: That is so.

Hon. Mr. Ngata: It all depends upon what you mean by "Native land."

The Chairman (to Mr. Clark).] That is the point we would like some further information upon. The term has been used by Mr. King that the land-tax is levied on only such Native land as was leased, and that when the lease expired the Native owners paid no tax. The point I want to clear up is this: that where the title of the Native land is in the name of the Native owner, and used by that owner, does not that owner pay the land-tax?

Mr. Clark: Only where the Native is Europeanized.

Hon. Sir M. Pomare.] The single owner pays?

Mr. Clark: No, he should not.

The Chairman.] I used the expression "Native land occupied by other than the Native owner": if that land was leased to another Native, I presume that that land would pay land-tax?

Mr. Clark: Yes; I should like to read subsection (1) of section 26 of the Finance Act, 1917, in regard to the land-tax chargeable on Native land, as follows: "No Native shall be chargeable with land-tax in respect of his interest in Native land unless the land is, as to his interest therein, in the occupation of any person other than the Native owner or a trustee for him." That provides that the Native occupying his own land is not liable for any land-tax.

Hon. Mr. Ngata.] Does not that depend on the definition of a "Native"—a half-caste is not a Native under the land-tax?

Mr. Clark: There is a slight difference between our definition and that in the Native Land Act. A half-caste is not a Native under the Finance Act. Under the Land and Income Tax Act, 1916, a Native is defined as follows: "'Native' means a person who is a Native within the meaning and for the purposes of the Native Land Act, 1909, save that a half-caste, within the meaning of that Act, shall not be deemed to be a Native."

The Chairman.] I would like to ask you, Mr. Clark, a question in regard to the matter of taxation which will apply to all forms of taxation. What is your opinion in regard to the proposal that the moment a person takes up a piece of land on lease from another, even if the lease were for a period of twenty-one years—what is your opinion with regard to that lessee paying the land-tax on the whole value of the land right through the period to the end of his lease? I wonder whether you feel disposed to express an opinion?

Mr. Clark: I do not think I could, because it is hardly a matter for me to answer.

Hon. Sir W. H. Herries.] You tax on the value of the land and not on the value of the lease: as the lease gets near its end the Native interest predominates—you do not make any difference in the tax?

Mr. Clark: Well, that is a fault in the valuation, and in the letter that was signed by the Hon. Mr. Myers was the point I was raising.

The Chairman.] But the trouble arises in this way: in every revaluation that is made of the property during the currency of the lease you get nearer to the determination of the lease, which shows the Maori owner's interest as increasing in the lease, whereas the lessee's interest is diminishing all the time: the consequence is the lessee is paying less land-tax as time goes on, and the owner of the land is assessed with a larger proportion, although his rent from the land remains stationery?

Mr. Clark: There appears to be very few cases of that description.

Hon. Sir W. H. Herries.] That is a matter for the Valuation Department—that has nothing to do with the Taxation Department?

Mr. Clark: No.

Hon. Mr. Ngata (to Mr. King).] In Greymouth there are portions of the trust not leased, or, if leased, they are leased at peppercorn rentals?—That is so.

Are the value of those portions taken in in the assessment of the tax?—That is so. They are leased at peppercorn rentals.

It is the greatest value of the Greymouth reserves that is taken for taxation purposes, irrespective of what are revenue-producing and what are not?—That is so, with the exception of a few reserves.

Some of them are leased to Churches, and so on?—Yes, some of them are leased to the Churches at peppercorn rentals.

Mr. R. N. JONES, Under-Secretary, Native Department, examined.

The Chairman.] Have you anything to add, Mr. Jones, in your capacity as Under-Secretary of the Native Department?—Perhaps I could tell you the results so far as the Boards were concerned. Before doing so, however, I would like to say that I have always found the officers of the Taxation Department very good to get on with. Sometimes it has taken a good bit to get them moving, but once we did so we found them very good. I would like to say that when I was in charge of the Gisborne district I found that they charged us too much taxation, but eventually they refunded the extra money paid.

Hon. Mr. Ngata.] Why did they do that?—Because we pointed out there were separate trusts, and they were charging the Board as being one body. It was at that time we raised the question as to there being separate trusts, and, fortunately, the Solicitor-General agreed with us. With regard to the question of the present taxation, I desire to say that it is a real grievance. I would like to say that I gave the Registrars instructions to furnish me with returns showing what was the land-tax paid in 1914 and the land-tax paid in 1921, in order to show the increase. It is, however, quite possible in a few cases that the Registrars may have misunderstood the instructions, and included in the 1922 returns one or two blocks that were not leased in 1914. I hardly think that that would be so. In 1914 the North Island Boards paid in land-tax £1,068 6s. 10d., and now they are paying £6,668 2s. 6d., an increase of £5,599 15s. 8d., representing an increase of 540 per cent. That shows how the Natives are affected.

The Chairman.] Have you got the relative set-off against that—that is, the amount of rent? You are giving us the amount of taxation?—The rents have not increased.

Well, the amounts received by each Board against which this taxation is paid?—I have not got that.

That is the point we want to ascertain in order to make the information of value to us?—It never increased.

You can furnish that information?—Yes.

Hon. Sir W. H. Herries.] Will it be in your report?—The amount of the annual rental would not be there.

Not in the accounts of each Board?—No, but I could get it for you.

The Chairman.] You are giving us the increased taxation for those respective Boards: for this to be of real interest for the purposes of this Committee we would want to know the rents?—I have all that, but I did not think it was necessary to take it that way. I may say that I have here a return showing the names of the various blocks [produced].

In view of the statement made by Mr. Clark, and in view of the prayer of the petitioners, it is very important for us to have in one column the amount of rent paid by those respective Boards, and the amount of taxation in another?—We can give you those particulars.

Would there not be some very serious departmental difficulty in arranging those lists and making separate assessments?—None whatever, so far as the Boards are concerned.

You have a block of land in which a large number of Natives are interested: in your own report you refer to the Ohotu Block, which has six hundred owners?—That is so. That is only a matter of arithmetic—that is to say, if they are getting £1,200 they cannot get more than £2 apiece.

Not necessarily, because they might have relative interests—shares, and different proportions of values?—That is making separate trusts. We can easily inform the Taxation Department where a man owns more than a certain area of the particular block in question.

It seems to me that you have to have tens of thousands of records, because all the Natives may have interests in a good many other blocks—a Native might have an interest in the Ohotu Block, and he might have interests in other blocks: for instance, if a Native has an interest in a block on the East Coast and has an interest in another block elsewhere he is assessed on the total?—I was speaking of each particular block. It is evident to me that a tax of 25 per cent. would be an injustice to the Natives.

Hon. Sir W. H. Herries.] Did you not agree to the 25 per cent.?—No.

What do you think it should be?—I think it should be 10 per cent. at the outside; and if I could get it I would have it at 7 per cent.

The Chairman: You have here a report made by Mr. Rawson in which he stated to the Taxation Committee that the tax should be 33⅓ per cent.

Mr. King: He modified that view to 25 per cent. when submitting the draft legislation.

The Chairman: It would appear that two important officers of the Department are in conflict.

Mr. Jones: If you work the matter out you will find that it would be unfair in some cases. I may say that I am concerned with the small man.

The Chairman (to Mr. Jones).] What is your idea with respect to the last proposal made by the petitioners, where they suggest that the annual rent revenue should be regarded as income and be made subject to income-tax instead of a tax upon the value of the land itself ?—There would be no great injustice in that, because it would be in the interests of the small man.

Would it not work out at more than 10 per cent., and in some cases more than, say, 25 per cent. ?—No.

In some cases the land-tax goes up to 8s. odd in the pound, which is close on 50 per cent. ?—I do not think you would find it would go up to anything like that. At any rate, that is my suggestion. If you were to work it out on the 25 per cent. basis the Taxation Department would say that it would not be fair.

You realize that it is not proposed to pay 25 per cent., but it is proposed that in the assessment of the land-tax the total tax shall not, in any one block, exceed 25 per cent. ?—I have no objection to that if you take it out of the tenant.

It is implied by your suggestion that the Taxation Department is asking too much, in that it is asking for 25 per cent. of the total rents received. The Taxation Department is not asking for that, but asks in any assessment it makes for land-tax on those blocks that it shall not exceed in any case 25 per cent. of the total rents received by the Natives: that means, in many cases of a small amount, it does not come to that—it would be very much less ?—In all these cases I have here the tax has increased by 100 per cent. in a very short time, and that means you would eventually take 25 per cent. of the rent on every occasion. I do not see how it will become less.

In your reply to the petition you state "These are certainly isolated cases, but it shows what is possible under the present system" ?—That is so.

Hon. Sir W. H. Herries.] Perhaps Mr. Jones and Mr. King could look into the question of the 25 per cent. and work it out and let us know what it comes to ?—Very well.

Hon. Mr. Ngata.] Where the leases are from a Maori lessor to a private tenant and not under some Board or trustee, there is no body that can act for the Natives in the assessment of the land-tax values ?—No, the tenant simply deducts it and that is the end of it.

What area of Native land is leased, approximately ?—That will be shown in the returns with the annual report. I have not got that information with me.

Hon. Mr. NGATA made a statement.

The Chairman: I understand you wish to make a few remarks, Mr. Ngata ?

Hon. Mr. Ngata: Yes, sir. I would like to place on record a very short statement as to the position of the Maori members in regard to this question. It was in 1917 that the alteration was made in the incidence of this tax. I was then requested to put the question to Sir Joseph Ward, who was then Minister of Finance, on the floor of the House when the Bill was in Committee, and I then asked him as to how the Bill affected the taxation of Native lands. Sir Joseph Ward gave us the assurance that there was no alteration in the law. There is no record of that in *Hansard*, because the Bill was in Committee at the time. Later on, however, when the Bill went to the Legislative Council, Sir Francis Bell made a statement, which is recorded in *Hansard*, Volume 179, page 940, and this is what he said: "The Act in most of its provisions is a repetition of provisions which already exist in our statute-book. All the provisions, for instance, relating to the taxation on aggregation of land, all the provisions relating to the taxation of absentees, all the provisions relating to the taxation in a particular method of Native land, are simply copies into this Act from the existing Acts relating to the subject matters." Now, with the assurance from the Minister of Finance and with the assurance of the Minister in another place we were satisfied that the Government did not intend in 1917 to alter the law. As a matter of fact I do not think that either the Minister of Finance or the Commissioner of Taxes at the time appreciated the really fundamental change that had been brought about by the merging of the ordinary with the graduated land-tax in the establishment of one graduation. I do not think that it was realized until 1920. It was in 1920 that we made the first representations to Sir William Herries, as Native Minister, to look into the matter. At that time most serious complaints had been made by the East Coast Land Commissioner, who was the first man to realize the position of Mangatu and other blocks. I would like to have that placed on record, as otherwise it might be thought that the Native members were asleep and not giving their attention to this matter. I would also like to add that this petition was prepared at a great Native meeting at Waitangi in the beginning of April. The whole matter had been agitating the Maoris for some months prior to that, and it was decided by the Native members to bring it up at the Waitangi meeting, and get a representative expression of opinion from all the Maoris there.

Mr. T. Henare: I also brought the matter under the notice of the Prime Minister.

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