to follow them up. There are many men who come over from Australia in summer. They work for a certain time every year. They make at the rate of, possibly, £500 or £600 a year—or have done during the last few years. They pay no tax directly. They can only be assessed efficiently through an indirect tax on some article of general consumption, and on the whole we have a pretty good selection of indirect taxes on articles of general consumption in our beer, wine, spirits, and tobacco taxes. I do not think there is anybody in New Zealand missed when you remember the effect of those taxes. Everybody pays something. We had an illustration of the dissatisfaction that is caused by the escape of one taxpayer as compared with another when we first started assessing farmers. There are thousands of them who are not liable to tax, by reason of the 5-per-cent. exemption. They did not understand why they were not taxable. I dare say some of you know farmers congregate round sale-yards and talk about this and that. A lot of these people boasted about not paying taxes, and this made those who did pay feel very sore. There was a very strong feeling about it. That would be intensified if we went down to the small incomes. Another point that has been mentioned is depreciation. Depreciation is left under our Act, as it is under all the other Income-tax Acts, to the discretion of the Commissioner, and I think that it may just as well be left there. Complaints have been made that the Department does not allow sufficient depreciation. The rates of depreciation were first fixed by one of the early Commissioners in consultation with an engineer. They went round, looked at a number of plants, and consulted taxpayers, and arrived at the old rate. That has been amended since, as evidence has been adduced that the previous rates were not sufficient. The rates as at present allowed are higher than the general body of taxpayers write off. Another point is that it is contended that depreciation should be allowed whether it is written off or not. I do not think that would be right, and I see there is a recommendation to that effect in the report of the British Commission. But my reason for saying that it should not be allowed unless written off is that, on the one hand, there are many taxpayers who do not keep proper accounts, and we have found on investigation in many instances that depreciation has been claimed where the total cost of the plant and machinery and buildings in some cases had already appeared in the working-expenses in the return. The taxpayer not having complete accounts we were not able to trace that until the books were actually investigated. Then, in the case of companies, some carry the amount to a reserve fund, and leave the assets standing in the balance-sheet at the original value. In those cases, or a great many of them, that is done for the purpose of obtaining the full price of the asset in the event of the undertaking being sold. I think it is only fair that if a taxpayer wants depreciation allowed he should show the genuineness of his claim by writing down his asset to what he considers the depreciated value. I look upon that as a necessary proof of the genuineness of his claim. Another matter that has raised considerable discussion is the assessment of companies. I said before that our income-tax is a personal income-tax, and we are consistent in treating the companies as we do—namely, as persons. It may be asked, Why do we not follow the English system? My explanation of that is that when the income-tax was introduced into England the position of companies was not clearly understood. In the latter part of the eighteenth century partnerships began to develop into the form of companies, but there was a distinct antagonism to them. There was a disinclination to admit that they were separate entities. They were looked upon as inimical to the public interest. The practice in Scotland was different from that in England. In Scotland a partnership was looked upon as a quasi-personality and treated as a separate entity. It was held by the common law of Scotland that if people advanced to such a partnership the obligation passed to the partnership itself and not to the individual partners, and that they could only recover from the partnership assets. The position was quite different in England. There was a strong disinclination to recognize companies as separate entities. They were treated as qualified partnerships, except, of course, in the case of chartered companies. In Scotland for a long time it was not considered necessary to obtain a Royal charter for a company; but the practice in Scotland was modified to a certain extent later, in accordance with English practice. There was a lot of vaccilation in the treatment of companies, and it was not until 1862 that companies in England and Scotland were formally recognized as separate entities, and that was twenty years after the income-tax came into operation, because it must be remembered that the English Income-tax Act—the consolidation of 1918—was a consolidation of the Income-tax Act of 1842 and its amendments. When we introduced our income-tax here the position of companies was clearly defined. We followed the South Australian Act, and we treated our companies in the same way as they did there—assessed them as separate entities, treated them as persons. And we were following a property-tax assessment which had been copied from America. America is the home of the property-tax, and there, although there was a great diversity of practice, companies were generally treated—I may say, altogether treated—as separate entities. In some cases the company was assessed and the shareholder exempted. In other cases both the company and the shareholder were assessed. In some cases where the company and the shareholders were in the same State the company was assessed and the shareholders were exempted. Altogether, there was a variation of practice, but on the whole companies were treated as separate entities, as persons, and we have followed that practice. While there is no doubt that companies have played a great part in the commercial development of this last forty or fifty years, or more perhaps, and are desirable, they have their disadvantages. The shareholders take no personal risk. They merely advance a certain sum, or agree to advance a certain sum, to a company. They have nothing to do with the management. They have a general control by way of vote at the annual meeting, but the management is entirely in other hands, and there is a risk of reckless trading. You have only to look back over the history of company-formation and company-flotation to realize that. An outstanding instance of that in New Zealand is in the Bank of New Zealand. Most of you will be quite familiar with it. A company can afford to take a risk that a private person cannot take. An additional evil is the Stock Exchange gambling in shares. The objections raised to the assessment of companies as separate entities are