

But take the example quoted this morning—a man receiving £3,000 from earnings and £3,000 from an investment in a company; that would mean a total income of £6,000, which would carry a rate of 4s. 6d. in the pound, but that would only be calculated on his £3,000?—The section would only be effective where the tax on his combined incomes exceeded the tax payable on the separate assessments.

But supposing the tax payable on the separate assessments exceeded the amount that he would be liable for on £6,000: supposing his £3,000 invested in the company paid the maximum of 5s. 10d.?—What we do is to take the two interests and add them together, compute the tax on that, and allow him credit for the tax paid on the separate assessment. As I pointed out, that would only be effective where the amount of tax on the combined interests exceeded the tax that had been paid on the separate interest. You would have to give the man credit for the full proportion of the tax paid by the company.

*Mr. Hunt.*] The £3,000 from other sources paid 2s. 6·4d.; the £3,000 from the company paid 5s. 10·4d.; so that the average tax paid by the two was 4s. 2·9d. The rate for £6,000 is 4s. 6d., so that he would have to pay a little extra?—I had better give you some examples of the working-out of that, as illustrations.

*Mr. Begg.*] You do not propose to let him off anything on account of the income-tax paid through the company?—I propose to give him credit for that.

*Mr. Shirlcliffe.*] The Department does not want to collect a larger amount of tax than he would pay individually?—On his total income of £6,000, no.

*Mr. Begg.*] You do not want to collect more from the individual than the company taxation and his own: do you mean that you would give him a rebate?—No, we would not give him a rebate. I will have some examples worked out for you.

With regard to the companies not being able to pass on taxation, it is pretty evident from the figures we have got of Stock Exchange quotations that a great many companies have succeeded in keeping up their old dividends and paying the same amounts into their reserves, and still paying from 5s. to 8s. 9d. in the pound taxation in addition?—Which companies have?

Some companies. The market price of their shares is as good as it was. Since taxation was imposed on them at a higher scale they have succeeded in paying dividends on the old scale?—But in order to pay the equivalent of the dividend paid by them before the war they should be paying a considerably larger dividend.

They have been able to go on paying the same dividend?—I would not call it the same dividend. It is the same rate perhaps.

And the taxation in addition. Well now, they must have got it from somewhere?—If the tax had not been in operation they would have distributed much larger dividends. You do not find any 60-per cent. or 30-per cent. dividends here as you do in some corporations in England.

But you find substantially the same rate of profits—or, at any rate, as high—under the higher taxation. They must have got them from somewhere. I quite accept what you said, that companies or individual traders do not regulate their prices by anything else than the highest they can get. I suppose we can accept that they get the highest price they can?—That is so. No trader is a philanthropist: he gets as high a price as he can.

Generally speaking, that is the way prices are fixed. Well now, to pay the same rate, and the tax in addition, they must have got higher prices than previously?—They did.

Something enabled them to pay the same dividend as formerly?—Yes.

So, in effect, it was passed on, whether they were able to pass it on or not?—My contention is that they would have got that additional amount whether they were paying higher income-tax or not, and if we had not taken it in income-tax it would have gone in profits.

As it happened, there was a coincidence that while the high tax was on they were able to pass it on to somebody?—Yes; but one of the reasons was that high profits were being made.

*Mr. Weston.*] It was really in the nature of excess profits?—I suggested that while there were high rates of profit being made we should, in view of the excessive requirements at the time, make a reserve to meet the time when there would be a demand for a reduction of taxation, and when the Government would be wanting money badly.

*Mr. Begg.*] In fact, you saw the time when profits were large, and you thought the Government should get a bigger share of them. The companies did not pay it directly, but the public paid it in their higher prices?—They did—the public did pay it.

The company paid the higher tax because it was getting more profits?—Yes, otherwise the company would have retained it, for their prices would not have been any less.

In fact, they did collect the additional amount from the public?—Yes, and they had collected it before we assessed the tax on it.

I do not follow this about the additional dividend that should have been paid. You say, "I do not think that the shifting of the tax in New Zealand obtains to any great extent. If it were true that industrial companies in New Zealand pass on the income-tax, if they do one would expect to find a material increase in the rate of dividends paid since 1914 to compensate for the reduced value of the £1." I do not just quite follow what was in your mind: is it that the dividend should have increased because the currency depreciated?—Yes. The purchasing-power of the pound was not what it was before the war, and to compensate for that, to give the same value in dividend, a company that was paying 10 per cent. in 1914 should have paid somewhere about 15 per cent. from, say, 1916 onwards.

But did not the pound of capital depreciate as the pound of income?—But the purchasing-power of that dividend in the hands of the shareholder was not the same as it was in 1914.

But he had not the same capital in the company; it had depreciated also, had it not?—Why did it depreciate?