could never trace these people, and so we made the local authority liable in the same way as the company was liable previously; and then when the local authorities were in that position they were willing to meet us and help us get the information necessary to assess the individual debenture-holders.

But my point is that in the past ten years probably there have been very large sums invested in these local-body and company debentures, and it would press very heavily upon the holders of the bonds ?—It is not so long ago as ten years.

Well, especially during the war, we know that companies raised very huge sums on debentures ?—Yes.

Mr. Begg.] A large number of investors, I am sure, would regard it as a breach of contract. Companies that put aside big reserves have no doubt in the last four or five years invested a lot of money in local-body bonds with a view to escaping the very heavy taxation. These were issued with a maximum tax of 2s. 6d. in the pound ?—Yes.

I am very glad to get your view that there would be no breach of contract in putting all that interest on the ordinary basis ?—I do not think there would, because all those contracts must be held to be subject to alteration of the law relating to taxation. Otherwise you could never make any alteration.

Mr. Shirtcliffe.] Just the same as alterations in the Customs tariff are no breach of contract ?—That is so.

Mr. Begg.] Tax-free bonds you would regard in a different light, I take it ?—With respect to those tax-free war bonds, that was a contract entered into with the Government itself. That is in a different position altogether.

The Chairman.] That is a contract made by the Crown itself ?—Yes. The only way in which it can get out of that is to pay them off, and issue bonds at a higher rate of interest subject to tax.

The Government did try to convert them, did it not ?—It has converted a number.

What amount is outstanding of free-tax war bonds ?—I do not know. We are taking some in payment of tax. I have taken some to-day.

Mr. Weston.] The easiest way to get over the whole thing would be for the Government to take these bonds in payment of tax and death duties ?—We have been doing so to some extent.

Mr. Hunt.] Do you take them at par ?—No; at the market price at the time. People are content to pay them to us at the market price. The case I was dealing with to-day was a case of penal tax.

Mr. Begg.] You mentioned that there was far more bitter complaint in England about their income-tax than there has been here ?—I believe there has been.

Do you not think that that is because it is direct and people know what they are paying—I mean, the pill is not sugared ?—There is heavy indirect taxation there, too. But the outcry is made that the heavy tax is crippling business there. The heavy tax is not on the company as a company so much as on the individual.

Do you not think that if the same amount were collected from the inhabitants of this country in such a way that they felt they were paying it directly as is in fact collected from them under the income-tax there would be a considerable amount of bitter outcry here, too ?—It is direct taxation, the income-tax here.

But it is levied in such a way that it does not press particularly hardly on the individual—that is, the limited liability companies provide over 70 per cent. of it ?—Yes.

If individuals felt themselves taxed to that extent directly, do you not think there would be quite as bitter an outcry here as in England ?—No, I do not think so. The tax would not be so heavy as it is in England. The individual tax in England runs up to about 10s.

Is not the want of outcry here as regards individual taxation partly due to the fact that they do not know they are being given this medicine ? They pay indirectly—the medicine is not given to them directly, it is put surreptitiously into their tea ?—(No answer).

Mr. Weston.] You could give us a return, could you not, showing the graduation in England ? What I gather is that in England the graduation goes higher than ours ?—That is so.

There are bigger gaps before you get your rise ?—Yes, and there is a defect in that.

In New Zealand a man has a much greater job to make £10,000 clear for himself than he would have in Great Britain ?—Yes. The reason for our graduation having to be steeper is that we have not got the body of taxpayers. We have to make it steep on the comparatively lower incomes to get the necessary revenue.

Mr. Hunt.] It is not as steep here as in England on the lower incomes ?—Because we start higher up. That is why.

But even at, say, £1,000 or £1,500 it is nothing like what it is in England ?—For that reason the graduation starts lower down. The tax paid on an individual income in England is much higher than it is here, and it starts much lower down.

Mr. Begg.] Could you give us a return showing the amount of debenture issues since there was a special debenture-tax ?—I will try and get that.

Both local body and company—I do not mean offhand ?—I will make a note of it, and see if I can get that information. We have not got it in our Department.

You gave to Mr. Shirtcliffe a number of the advantages that limited-liability companies have, and undoubtedly have. They all enjoy these advantages equally ?—Yes.

Does that not seem to indicate a reason why they should pay equally, too ?—Individuals enjoy the same advantages in trading, whether large or small, but the larger one pays a higher tax if he is making a larger income.

Just so; but the very big company with the very large income might be earning only 2 per cent. on its capital and the small company earning 20 per cent. One is enjoying great prosperity under