

these advantages and the other is not?—Generally, where that is the case the reason for the high percentage of the small company's earning is that a large part is the personal earning of the directors. There may be exceptions, but generally that is the case. Into the smaller company's profits there enters a large proportion of personal earnings of the directors. It is very often a family concern where all the shareholders are working in the business and directing it.

At all events, you have told us already that you consider the graduation on the companies is right?—Yes, as long as it is not too high. I think that the tax lately has been too high to continue, and it is still too high. It wants reducing.

But you are satisfied that when taxation has to be increased, increasing on the present system is the most equitable way of doing it?—Yes, and certainly the most efficacious way.

In the event of absolute stress and when taxation had to go up until it practically absorbed everything but a bare living for the community?—We did not get quite up to that. I think it was about half-and-half.

You nearly reached that at 8s. 9d. in the pound?—That was on the larger incomes.

It would certainly put companies out of existence?—If you went for any length of time at that rate, that is quite likely.

It would not kill an individual, but it would kill a company?—It would kill an individual, too, who was engaged in trade. He could not carry on a business at that rate of taxation.

We had evidence that companies are becoming more popular as a public investment?—Yes; the advantages of corporate formation for trading are so great that I quite expect that tendency to go on.

Is there not some indication in that that the whole weight of the taxation does not fall on the company?—No.

It appeared to me as an indication that by some means or other these companies were escaping their full share?—No.

Or were capable of making some one else pay for them?—No, I do not think so.

It seems unreasonable to expect that large sums of money would be put into a form of investment in which probably the maximum tax would be imposed?—There are advantages which counter-balance the heavy tax. There is an expectation that the tax will not be continued at the high rates.

With regard to the rates of interest, there has been some evidence as to rates of interest being as high in a lightly taxed country as in a heavily taxed country. There are many things that affect rates of interest, but do you think that heavy taxation in itself, other things being equal, would tend to raise the rates of interest?—If the taxation was the same in all countries, I do not think it would affect the rate of interest.

I mean, anywhere. I agree with Mr. Shirtcliffe that it must be fixed by the law of supply and demand; but does not heavy taxation reduce the supply?—Yes, very heavy taxation would.

So it would naturally tend to put up the rate of interest?—It would take some time to do it. The effect would not be immediate, and the tax would have to continue for some time to have any appreciable effect.

But it would have that tendency?—It would, I think—that is, by depleting the capital available for investment.

*Mr. Shirtcliffe.*] Would it be possible, when you are making up that estimate of the rates required under your proposed scheme—you indicated just now that you thought you could bring the rate down to 4s. 6d. as a maximum?—I think so.

I was hoping you would have said 3s. 6d.; but would it be possible for you to bring forward alternate rates in order to provide for a lower maximum rate?—Yes, it might be.

Say, 4s. 6d. or 4s. or 3s. 6d.?—Yes.

It is the weight of the tax that the companies are really up against?—That is my feeling.

And it is the weight of the tax we want to get reduced?—Yes.

*Mr. Begg.*] Could you give us a short statement of the practice in the Australian States, and in Britain, and in America too, in regard to company taxation?—I could tell you now what it is.

I cannot remember if you tell us offhand?—Very well. I will have a statement made up.

(At 4.30 p.m. the Commission adjourned, to meet again in Dunedin on Tuesday, 29th April.)

DUNEDIN, TUESDAY, 29TH APRIL, 1924.

RODERICK FINCH, Public Accountant, Oamaru, examined.

*The Chairman.*] You have made a study of the subject of taxation, have you, Mr. Finch?—To some extent.

And you have prepared a statement setting forth your views?—Yes.

Will you please read your statement?—Yes, sir. It is as follows:—

My principal idea in wishing to give evidence before this Commission is to urge that the present method of levying income-tax on companies as separate entities should be adhered to, and that no change-over to the method of taxing the dividends paid should be made; and to urge that the correct time to tax profits is when they are made, and not when they are distributed. In advancing my opinions I propose to take as a basis for my remarks the majority report of the Taxation Committee which sat in 1922, and endeavour to reply to the arguments therein advanced. Any contemplated change in the incidence of taxation must be viewed in the light of its affect on the total revenue to be received by the State from this particular source, for the Government would be faced with the necessity, if it relieved one section of the income-tax payers, to increase the tax levied on the remainder in order to maintain the total amount to be collected. The majority report, clause 38 (c), reads as follows: "The Commissioner for Inland Revenue, in his evidence before the Committee,