

*The Chairman.*] Is not the answer that the individual is not taxed at all?—That is so.

The shareholders pay it only indirectly?—All shareholders in the one company pay the same rate.

*Mr. Hunt.*] So that in 68 per cent. of the tax collected there was no spread in the tax taken from the small and the large shareholder?—I am not prepared to say that.

A company making a small profit may be owned by people with large incomes. The point I want to make is, is there any difference in the rate of tax paid by the different shareholders?—There is no difference in the rate simply because he is a wealthy man or a large shareholder.

The shareholder is not affected at all?—That is so.

In 68 per cent. of the tax collected the small shareholder pays the same as the big one?—That is so.

It is true that there is no spread in the tax paid in respect of 68 per cent. of it?—There is no spread in the tax as between the individuals that hold the shares in a company, but that cannot apply to the whole 68 per cent., because one company makes a big profit and pays a big tax, while another company makes a small profit and pays a small tax.

It depends upon the size of the profit. There is no difference as between the shareholders in one particular company?—In each particular company, no.

So that in 68 per cent. of the tax collected there was no spread?—In each individual company that is so.

So that it only leaves the remaining 32 per cent. of the graduated tax to apply to individuals?—If you ignore the fact that a company is an individual.

But a company is owned by individuals?—But they are individuals.

It is only on the 32 per cent. that there is any spread in the tax?—No; I disagree with you, because in respect of the other 68 per cent. the companies are actually individuals.

The companies are owned by individuals. You admit that there is no difference between the rate of tax paid by the different individuals in a company?—In the same company there is no spread.

So that all the individuals in these companies paid the same rate of tax?—In each particular company, yes.

So that that leaves 32 per cent. for the graduation to apply to?—No; because there is the other 68 per cent. The company is the one that earns the profit and the company is a separate entity.

We admit that a company is a separate entity, but we are talking about the individuals who have the incomes: they have all the same rate to pay. It is only in regard to the 32 per cent. where the individuals are graduated?—You cannot make a striking distinction in that way, because part of the 32 per cent. will form part of the 68 per cent., because a shareholder may be a private individual for purposes of taxation.

But in the income paying 32 per cent. of the tax—no company income is included in that?—Yes.

What company income is included in that? On that 32 per cent. there is a graduation in the rate of tax?—Yes.

But is it not true that owing to the possibility of well-to-do men with large incomes investing in tax-free securities or company shares with no spread they avoid graduation?—It might be possible, and no doubt it is done. As regards the tax-free securities, that is a question of policy as to whether the Government is justified in issuing them, whereas company shares are not tax-free: the company pays the tax. The individual does not earn the profit on which the tax is paid. The tax should be paid when the profit is made.

Say I am a man with £10,000 a year. I invest half my capital in companies, and the income I get from that is not taxable in my hands?—It is possible that if you invested half your income you might lose it.

But if I put half my capital into companies the income is not taxable in my hands?—No.

And you admit that I do not pay any more in the pound than the smaller shareholder?—That is so.

Does not that reduce my taxable income from £10,000 to £5,000?—First of all, how was your previous capital invested?

Suppose I had it invested in loans or mortgages, which brought me in £10,000 a year, or supposing I had it in businesses and changed my investment, realizing on my old investment: does not that reduce my taxable income from £10,000 to £5,000?—As an individual, you reduced your direct income subject to taxation.

And so the effect is that in my company investments I get the same dividends tax-free as an individual, and I got a saving on the other investment?—Yes.

So that I am doing better out of my company investment?—Yes.

Now, do you think there is any shifting of the tax—the passing of it on to other people: can a taxpayer pass his tax on?—In respect of what?

An income-tax is supposed to be placed on the individual income—that a man must pay it out of his own resources?—Yes, counting a company as an individual.

It has to be paid out of his own resources: because he is paying that tax he must not obtain a larger profit out of his customers?—Theoretically that is supposed to be the case, but take the question of putting a tax on petrol or tires.

But that is a duty, which is always passed on. But take the income-tax, is that passed on or not?—I do not think it is. Personally I have never seen commodities altered in price through an increase in income-tax paid by the vendor. The thing that regulates the price of a commodity is almost entirely competition.