

difficulty to warrant any reduction in the company-taxation or alteration in the system, that the doubling of the tax on those incomes would be a burden too heavy to warrant the change?—It takes the tax that must be collected from the companies which are in a position to pay and puts it on to the individuals who may not be in a position to pay with equal facility.

In other words, you admit that the tax paid by the company ultimately comes off the shareholder, and you think that an alteration to a new system would cause the tax on incomes of from £300 to £2,000 to be doubled, and that that would be a burden too heavy to be borne?—I do not say it would be a burden too heavy to be borne, but I say it would be a less equitable distribution of the burden.

An income of £300 pays no tax, but an income of £400 pays a tax at the present time of 2½d. in the pound: doubling that it would be 5d. Do you think it would be better for a person drawing £400 from a company to pay 5s. 10d. than for a person to pay 5d. in the pound?—I do not assume that the individual pays the tax.

But you admit that the company does not pass it on, therefore the companies pay it out of their profits, and therefore the profits for the individual shareholders were reduced?—Yes.

Therefore, if they are reduced, you think it would be better that a shareholder should have his income from a company reduced to £200 by increased tax than that a man with an income of £400 should pay 5d. in the pound instead of 2½d.?—I would require to go back to know how the shareholder acquired his shares. He must take his disabilities as to tax with his advantages.

Those shares were taken up with the knowledge that there was a flat rate of 1s. 4d. in the pound and with the knowledge that the whole burden was to be put on the companies. But to get back to my point. An individual with an income of £300 pays nothing, and doubling that gives nothing; an individual with an income of £400 pays 2½d. in the pound, and by doubling that he would be asked to pay 5d. in the pound; an individual with an income of £600 pays 5·6d. in the pound, which doubled amounts to 11·2d. in the pound; an individual with an income of £1,000 pays 1s. 2·4d. in the pound, which doubled amounts to 2s. 4·8d. in the pound; an individual with an income of £1,500 pays 1s. 6·4d. in the pound, which doubled amounts to 3s. 0·8d. in the pound; an individual with an income of £2,000 pays 1s. 10·4d. in the pound, which doubled amounts to 3s. 8·8d. in the pound. Do you think it is better that a shareholder with an income of £200 a year drawn from companies should have his income reduced to that amount through a burden of 5s. 10d. in the pound than that people with £400 should pay 5d. in the pound, and people with £2,000 should pay 3s. 8d. in the pound?—I am not prepared to admit that the income he draws from the company is the income that pays the tax. The income that pays the tax is the profit earned by the company.

You have admitted that the company cannot pass it on. Then it must come off the shareholders' profits. You admitted that the shareholders' dividends are reduced by the amount of the tax?—It is not increased by the excess amount of the profits made.

It is quite true that there are a number of companies, owing to the high tax put on, which are only paying preferential dividends?—I have not seen companies in that situation.

What about all the co-operative companies: are they not only paying dividends on preference shares?—But they have lost money.

*Mr. Shirlcliffe:* Do they pay income-tax?

*Mr. Clark:* They pay some.

*Mr. Hunt.]* There is one other point: in the course of your written statement you say that you think that a farmer should pay tax on the profits made from the sale of land if the sale is made within twelve months of the date of purchase. Would you apply that to people selling town sections? Would you do the same with the purchase of town sections?—The same thing does not quite apply, because to some extent the incidence of income-tax should be for the general benefit of the community, and it is most desirable that with that end in view production should be carried on to the maximum extent. With a farm, to my mind, this selling at a profit on a farm is against production. That does not apply so much on town sections.

Does not that put up the price of the home?—Yes, but it does not reduce production in the country.

What about trading in stock shares?

*Mr. Clark:* They are liable now.

*Mr. Hunt:* But if a man is trading in shares he does not pay tax?—(Witness) That is so.

*Mr. Hunt.]* You said that an alteration in the tax would squeeze out the small trader. If you went back to the individual system, the individual system largely operated in Australia: did that squeeze out the small trader there?—I do not know.

It operates entirely in Great Britain: did it squeeze out the small trader there?—The conditions were different in Great Britain, because the tax on company income has been levied on the individual shareholder, whereas in New Zealand we have built up a system under which the company has been treated as a separate entity.

Why should the change squeeze out the small trader in New Zealand if it did not squeeze him out in Great Britain?—It is different here. In New Zealand it has grown up with a different system.

The graduated system in New Zealand has only operated since the war began; it was a flat rate, and was so small a thing that it was hardly felt?—I am prepared to admit that the graduation now goes too high in the interests of the community generally.

You have no other reasons why it should squeeze out the small trader in New Zealand while it does not do that in Australia or in the United Kingdom?—That certainly is the main reason.

*Mr. Begg.]* In regard to this income-tax from land, you say you are impressed with the fairness of income-tax from land in order to prevent aggregation?—Yes.

In your experience—I take it that you have been in the habit of sending in farmers' returns or assisting the farmers to do so—do you really get the return from a farm? Do you think that is feasible?—Yes, you get it approximately correctly.