

can fix prices independently, because we had an instance lately of butter being fixed in Dunedin here, and the North Island swamped the South Island with butter, and the price had to be reduced. So there is competition there all right.

I suggested before that the trader buys and sells to the best advantage and makes what profit he can according to the market conditions. Does not the farmer do the same thing as regards selling his produce? Does he not sell to the best possible advantage, irrespective of the cost of production?—There is no doubt about that, but, after all, he is ruled by the London market.

But if the London market goes up, as it has done during recent years, in respect of dairy-produce and wool—wool especially during the last twelve months—the farmer welcomes the rise and takes the fullest possible advantage of the increased values. So in that respect he is on all-fours with the trader who makes all the profit he can, but the trader has not the same chances of making a big market rise as the farmer has?—There is this difference with the farmer: that all the produce he sells he has got to sell in the open market in competition with the whole world. On the other hand, everything he buys he has to buy in a heavily protected market.

ALFRED FELS examined.

The Chairman.] You are a director of Hallenstein Bros. (Limited), Mr. Fels?—Yes.

And you propose to submit your views in connection with the question of the incidence of land-tax?—Quite so.

You have put your views in a letter: will you read it to us?—Yes. It is as follows:—

City and town properties should be taxed on an entirely different principle from that applied to rural properties. The present graduated tax was originally designed for bursting-up large rural estates and for preventing the aggregation of rural lands. The application of the same principle to town lands does not seem logical. For instance, we own the freehold or leasehold of a few poles in various towns, and as these properties are situated in the retail area their values are necessarily high. According to the present taxation law, the unimproved values of these small properties are added together, and we are taxed on the total at the highest graduated rate as if we were owners of an unduly large rural estate. This is an iniquitous system, and as far back as 1910 Sir Joseph Ward, then Prime Minister and Minister of Finance, admitted it in Parliament, but did not feel inclined to introduce amending legislation.

All business concerns that own or lease more than one property, either in the same town or in various towns, are affected similarly, and some of them consequently suffer great hardship. The tax hinders and in some cases absolutely stops commercial and industrial development, which is the last thing any Government can desire.

This tendency is strongly accentuated by section 52 of the Land and Income Tax Act of 1923 (formerly section 7 of the Finance Act of 1917), which further raises, through the addition of leaseholds, the graduated rate of land-tax. We refer to it specially in the next paragraph. Section 52 of the Land and Income Tax Act, 1923, states that any person holding a lease over a property shall be deemed for the purpose of this Act to be the owner of the fee-simple, and shall be assessed and liable for land-tax accordingly. On the other hand, he is entitled to a reduction in his land-tax by the amount of tax payable by the owner of the freehold. If the owner's tax on such property amounts to more than the lessee's tax on the same property, the lessee cannot benefit by such excess. On the other hand, if the owner is taxed at a lower rate than the lessee, the latter pays the difference in extra tax. Apart from this result, the effect of the above section of the Act is to increase the lessee's graduated scale applicable to the whole of his freehold and leasehold. In reality, it is only thinly veiled double taxation, and more than double taxation. To illustrate these remarks we give hereunder a few instances relating to land-tax so levied in 1923. It will be seen from these examples that, owing to the high graduated rate at which we were assessed, we actually paid in the first case over four times as much land-tax, and in the second case practically six times as much land-tax, on these leasehold properties as was simultaneously paid by the freehold owners.

Leasehold Property situated Corner Princes Street and Octagon, Dunedin.

	£	s.	d.
Tax paid by us	343	8	0
Less refund of tax paid by owner	66	1	0
Extra taxation paid by us	£277	7	0

Leasehold Property situated Corner Cuba and Ghuznee Streets, Wellington.

	£	s.	d.
Tax paid by us	245	10	0
Less refund of tax paid by owners	36	17	0
Extra taxation paid by us	£208	13	0

We could quote further examples, but think that these illustrations are sufficient. In regard to the Wellington lease, we still would like to state that we are not leasing any land, but only a portion of the ground floor of a building not belonging to us, and a special valuation had to be made for the purpose of ascertaining the unimproved value of that portion. It follows that if we rented a room on the top floor of a six-story building the unimproved value of such room would also have to be