

such excess up to a maximum of 7s. 4d. in the pound. From the income-tax computed in accordance with 3 (a), (b), and (c) a deduction of 20 per cent. of the tax was made. A deduction also was made of 10 per cent. of so much of the tax as was levied on earned income up to a maximum of £2,000 of earned income. Life-insurance companies are charged half rates except in respect of income derived from debentures.

*Companies and Income from Companies.*—Companies are charged with income-tax under the general scale in respect of their total profits, and the dividends are excluded from the income of the shareholders. The Commissioner may, in the case of the shareholder whose total income does not exceed £400, pay to the shareholder a sum equal to the difference between the tax paid by the company in respect of an amount of its income equal to the shareholder's dividends and the amount which would have been payable by such shareholder in respect of the dividends if they had formed part of his taxable income. This payment is limited so that the total payment and dividend combined shall not exceed 6 per cent. of the total amount paid upon the shares. The Commissioner may, in the case of companies which consist substantially of the same shareholder and which in his opinion are not so constituted for the *bona fide* purpose of more effectually carrying out their business but rather in the purposes of reducing their taxation, treat for income-tax purposes the two companies as if they were a single company.

*Partnerships.*—Partners are required to make a joint return of the partnership income and a separate return of the non-partnership income, but each partner is assessable as an individual to include his share of the partnership income. Husband and wife carrying on business together are not deemed to be partners unless carrying on under a deed of partnership. The income of a married woman is assessable as if she were unmarried.

*Non-resident Traders, Shipowners, &c.*—If a landlord, mortgagee, or other creditor is an absentee, the tenant mortgagor or other person who transmits rent, interest, or other money to him may be assessed as agent. Any New Zealand company exempt from income-tax is assessable as the agent of absentee shareholders in respect of dividends or profits paid to them. Absentee shipowners or charterers may be assessed through the masters of their ships, as their agents. The clearance of any such ship may be withheld pending the payment of tax. Non-resident agents and non-resident traders must not in respect of the sale or purchase of goods carry on business without a warrant from the Commissioner, and are required to pay a deposit as security for payment of any tax which may be payable. A taxpayer in New Zealand who enters into a contract of insurance with a foreign company or person not carrying on business in New Zealand is treated as the agent of such company or person, and is required to pay tax assessed at the rate of 5 per cent. of the premiums.

*Mining Concerns.*—In the case of a company whose principal source of income is gold-mining or schelite-mining the taxable income is deemed to be half of the dividends paid to shareholders during the year.

*Banks.*—In the case of banking companies the taxable income is taken to be a sum equal to 30s. in every £100 of the average of its total assets and liabilities for the four quarters of the year as published in the *Gazette*, less an amount equal to the income derived on its own account as interest on Government debentures or stock expressly exempted from income-tax by any Act.

*Insurance Companies.*—In the case of insurance companies other than life insurance the taxable income does not include income derived from insurance business carried on out of New Zealand. No deduction is allowed for premiums paid for reinsurance with companies not carrying on business in New Zealand. Receipts from such reinsurances in respect of losses are not treated as income. In the case of a life-insurance company not incorporated in New Zealand the taxable income is deemed to be a sum equal to its total income from investments of any kind out of New Zealand held by or on behalf of its New Zealand branch and from investments of any kind in New Zealand, diminished by an amount equal to 2 per cent. of its investments in New Zealand, the income from which is not exempt from taxation. As pointed out before, the tax payable is half the amount which would be computed by applying the general scale to its statutory income. The State Fire Insurance Office and the Government Life Insurance Department are assessable in the same manner as New Zealand companies.

*Collection.*—Land-tax and income-tax are collected in one sum in each year. Land-tax in November. Income-tax in February. Tax may be remitted direct to the office of the Commissioner, or may be paid at any money-order post-office. The percentage of land-tax paid through post-offices is approximately 60 per cent. The percentage of income-tax paid through post-offices is approximately 50 per cent. Payment of tax may be made at least three months in advance of the due date, and where this is done interest at post-office savings-bank rate is allowed.

*Evasion.*—As the rates of tax have tended to increase, so the temptation to make false returns has become greater, and as in Great Britain so in New Zealand it has been necessary to institute more prosecutions for wilful or negligent evasion. The penalties provided under the Act are substantial, and the penalty for wilfully or negligently making false returns may be a fine not exceeding £100 and not less than £2. In addition to the foregoing the taxpayer is chargeable with treble the amount of the deficient tax. The work of the Inspectors outside examining books and accounts of taxpayers provides a check on returns, and within the Department the Investigation Branch provides a check on interest paid and interest returned, salaries paid and salaries returned, and other payments.

*Mr. Shirlcliffe.* With reference to page 19 of your statement, in relation to income-tax, subclause (b) under the heading of "Income exempted," I gather from this that all the special trading Departments do not pay income-tax?—They do now. The Public Trustee pays income-tax. The State Advances Office pays income-tax. The Government Life Insurance Department has always paid income-tax; and the State Fire Department has paid income-tax for some years.

Does the State Coal-mines Department?—No.