

Take an instance—land that was in good forest twenty-five years ago. An industrious man cleared the land of it as worthless, and he was assessed, as having improved the land, we will say, to the extent of £5 an acre by doing so?—Yes.

But to-day the exact contrary would be the case: the land would be worth £50 an acre more with the forest on it. Do not anomalies like that vitiate the thing?—I do not think so. You cannot get any exactitude in a system of taxation.

This might be so inexact as to be oppressive?—There is no evidence of that so far.

A tax on the unimproved value: trying to arrive at what is the unimproved value?—I think we manage to get to it approximately.

*The Chairman.*] Taxing on the capital value would be much simpler, would it not?—It would be simpler, but a return to the old property-tax would cause a great deal of complaint. The property-tax tends to fall on real property eventually and the man who improves his land suffers as compared with the man who does not.

*Mr. Hunt.*] That might have been the case with the property-tax, but now with the land and income tax he would be exempted 5 per cent. of capital value, instead of 5 per cent. on the improvements?—That would not compensate him for the additional tax. He would have to pay a heavier income-tax by reason of his greater industry, and a heavier land-tax by reason of his improvements.

*The Chairman.*] Is that how it would work out?—The man holding the land unimproved would derive no income at all from it.

*Mr. Shirlcliffe.*] Would not there be a little inconsistency there if you taxed a man's improvements? He puts those improvements on the land in order to obtain a greater income?—Yes.

You tax him on his income on a graduated scale?—Yes.

Would you not therefore be taxing him twice on the same investment?—Yes.

There would be a system of double taxation?—Yes.

*Mr. Begg.*] That is to say, taxing improvements is taxing thrift and enterprise, of course; but in its essence there is nothing else to tax: is not that the case?—Oh, no. I do not think that. There is a value in land that cannot be held to be created by any individual.

There is as things are—that is, collectively created, not individually?—Yes.

But where it is held that way you have the other penalty to hold over the man. For instance, where he gets no income at all you propose to—we do, in fact—charge him an extra tax. If a man holds land for speculation and there is no income at all from it, we tax him 50 per cent. heavier?—50 per cent. would not be sufficient if you were dealing with capital values.

No; but in my experience of the unimproved value the capital value and the unimproved value are so many pounds apart in a district, and it varies very little on the highly improved farm and the moderately improved one. That is how it works out in practice?—That is a fault in the practice that requires remedying.

It is a practice that is almost ineradicable, apparently?—I do not think it is.

You yourself referred to claims for exemption for what the Romans had done. That seems pretty remote, but in practice in assessing the unimproved value in New Zealand a very much shorter term than that is fixed for improvements?—Speaking from memory, the term fixed under the English Valuation of Land Act for the exhaustion of improvements was thirty years.

My recollection is that some forms of improvement, such as draining, were assumed to have exhausted themselves in nineteen years, whereas every practical man knows that they are permanent—they are there for ever, if properly done?—Yes; but on the theory that the whole of the capital is returned over a certain period, that limitation of term is best.

But is not that a rather vicious principle? A man makes an improvement owing to his skill or his expenditure of capital. The mere fact that he gets back a return does not make that not an improvement for the future. It does not vitiate the fact that he has an improvement there which should come off the capital value, does it?—No, possibly not; but it is not so vicious as taxing on the whole of your improvements as a regular thing.

Would you not have this advantage: you would know what you were doing in the one case, and you do not know in the other?—You know approximately. The taxation of the whole of the improvements as a regular thing would be far more vicious than the occasional taxation of a certain amount of improvement with the unimproved value; because your case is an exceptional case; it is not a general case.

My experience is that the case is fairly general and is becoming more general every year, because the possibility of imagining what the land was like originally becomes less every year that passes. It is a young country, and we can to some extent get information as to what the improvements amount to. But that is becoming more difficult every year?—It is a difficulty that was overcome in England by a scientific system of valuation.

*Mr. Weston.*] Your principle is, How long will it take for the improvements to return you the money you have expended in making them? And when that money is returned, then those improvements, as it were, merge in the prairie value of the land.

*Mr. Begg.*] They should not merge. That is my point. The mere fact that a man has got a return from his improvements does not make them any the less belong to him. One man will get back a big return for improvements that cost him next to nothing. Another man will spend a great deal of capital and will not get any return at all from it. That it has been done successfully in England I am glad to hear. I did not know it had been done successfully. I knew it had been done?—Of course, there was a great deal of prejudice in England against it, and the method of levying the tax was so ineffective that it did not produce sufficient to justify the expenditure. That is the reason why it was abolished.

Has it been found in practice that the penalty tax of 50 per cent. checks speculation?—It has not been sufficiently long in operation. It has only been started this year, and anything like that