

from the Consolidated Fund. This your Commissioners are unable to recommend. The granting of relief from the Consolidated Fund in the case of Feilding would induce similar claims from other boroughs containing farm lands. In the event of such claims being granted, the burden of any mismanagement in boroughs would largely fall upon persons resident outside those boroughs, who in some cases would be the inhabitants of local-government districts which have, by careful management and prudent expenditure, kept their own rating from becoming burdensome. In general, your Commissioners do not think it wise that the general taxpayer should be compelled to bear, either in whole or in part, the burden of a local body's indebtedness.

(e) DIFFERENTIAL RATING AS A PRINCIPLE.

The principle of differential rating is by no means new. In England, under the Lighting and Watching Act, 1833, owners and occupiers of farm land paid one-third of the rate paid by owners and occupiers of houses, buildings, and property other than land; under the Public Health Act, 1848, farm lands paid one-fourth of the rates levied under that Act; under the Agricultural Rates Act, 1896, farm lands paid one-half, in respect of poor-rate, of the rate in the pound payable in respect of buildings and other hereditaments. (The proportion was subsequently reduced to one-fourth by the Agricultural Rates Act, 1923.)

In New Zealand, for benefit from works in land-drainage and River Board areas, classification of lands involving differential rating has long been in force; and in 1913 a differential rating for water-rates was enacted, and is now embodied in section 84 (1) of the Municipal Corporations Act, 1920.

In New South Wales, under the Main Roads Act, 1924 (section 11), rural primary-production lands received partial exemption of one-half on the amount requisitioned by the Main Roads Board upon Councils under the Act.

Professor Edwin Cannan ("History of Local Rates in England in relation to the Proper Distribution of the Burden of Taxation," second edition, 1912, at page 193) says:—

Our object should be to harmonize, so far as possible, the interests of different kinds of rate-payers, so as to make the separate interest of each kind promote the joint interest of the whole. This end will be secured completely only if contribution to expenditure is exactly proportionate to benefit received from the expenditure. Perfection being impossible, we must not expect exact correspondence under any system, but approximation is possible. The differentiation under the Lighting and Watching Act, 1833, as we have said, was introduced under the influence of the idea that agricultural land did not require lighting and watching as much as houses and buildings of all kinds do. The differentiation in favour of agricultural land, railway-lines, and canals under the Public Health Act, 1848, was inspired by the idea that these properties did not require the paraphernalia which could be provided under that Act so much as buildings do. It seems, however, obviously undesirable to have a number of differentiations for different kinds of expense. The greater harmony of interest which might be secured by this method would be dearly bought by the complications of finance which it would introduce. Different classes must put up with trifling discrepancies in particular cases of expenditure if they get equality on the whole. The question is, then, whether one single differentiation should be applied to the whole of the "beneficial" expenditure, and in attempting to answer it the best plan seems to be to assume a flat rate to start with, and ask what case there is for partial exemption.

In considering English conditions it must, however, be continually borne in mind that the system of rating there is on the annual value, and that conditions there materially differ from those obtaining in local-government districts in New Zealand.

(f) EFFECT OF DIFFERENTIAL RATING IN THE BOROUGH OF FEILDING.

The amount collected from farm lands now or formerly in the Borough of Feilding is approximately one-ninth of the total amount levied (*vide* Schedule A, page 2). According to the computation of the Town Clerk (*vide* Schedule A, Appendix G), in order to provide the undermentioned percentages of relief from rates to the occupiers of farm lands it would be necessary to strike and levy over the remainder of the borough the following additional rates and percentages of rates:—

- 10 per cent. relief: $\frac{3}{32}$ d. in the pound, or 1.328 per cent.
- 20 per cent. relief: $\frac{3}{16}$ d. in the pound, or 2.656 per cent.
- 40 per cent. relief: $\frac{3}{8}$ d. in the pound, or 5.312 per cent.
- 50 per cent. relief: $\frac{5}{8}$ d. in the pound, or 6.656 per cent.

It follows, therefore, that in the case of Feilding a considerable measure of relief could be given to farm lands without placing a very large additional burden on the remaining portion of the borough.