

one-third of the whole yield of the Property and Income Tax, which was for that year £10,957,061. If, however, the full amount of all incomes were returned, it is estimated in England that the yield, under Schedule D, would perhaps form one-half of the whole tax.

It should therefore be calculated that one-half of the £6,400,000 estimated, in round numbers, as taxable in this Colony would be leviable on property and the other half on incomes, if the English proportions were applied; but it is not likely that the amount of floating capital in use, or that the profits of professions, manufactures, and trades, bear as high a proportion to real estate in this Colony as at home. The accumulation of gold and cash is no doubt more rapid in the Colony; but its investment in land, buildings, stock and farming, in mining and the other fixed pursuits, and settlement of the Colony, quite keeps pace with that quick accumulation, and indeed absorbs whatever foreign capital can be had, even at very high rates of interest.

Much of the capital employed in commerce, trade, manufactures, and professions, is fixed in the properties used for carrying on these occupations; and we think that the proportion which incomes proper bear to incomes from property cannot be rated much over one-third of the whole.

This estimate apportions about £4,250,000 to property, and £2,150,000 to income, variously possessed by about 5,000 persons. As many persons doubtless derive income from more than one source it is not possible to divide the 5,000 into classes; nor can the number of actual holders of land be stated, as neither the Census nor the Statistics supply that information.

We have now to consider the means of ascertaining the possessors of these incomes, and of obtaining payments of the proceeds of a tax thereon to the Public Account.

We have obtained returns of local taxation, and of the mode of rating and collecting from the Provinces. These returns show that in two Provinces, Hawke's Bay and Southland, there was no local taxation, and that in the other Provinces municipal taxation amounted to £43,000, on a valuation of £2,134,000, (rejecting odd figures,) and country taxation amounted to £26,300 rated chiefly at a fixed sum per acre irrespectively of value, but in some cases on a valuation, the amount of which cannot be clearly ascertained from the returns. For the purposes of this inquiry, no notice is taken of local revenue arising from fees, licenses, &c., but only of taxation proper.

It may be gathered from these returns that only real estate to the annual value of about £2,580,000 has been brought under valuation for purposes of taxation in the Colony.

This information is however quite sufficient to show that there does not exist any local system throughout the Colony or even throughout any Province capable of adoption as a basis on which to collect an Income Tax. The partial valuations returned show that they are made on values which vary in proportion to real values, and in one of the chief returns it is stated that "owing to the fluctuating value of city property within the last several years, it is impracticable to give even an approximation as to what proportions the valuation bears to the full marketable value of the property." These valuations therefore are for the present purpose inapplicable, either as a basis for the estimation of taxable value or as an assistance in collection.

It is therefore necessary to consider a mode of assessment and collection. In doing this we must bear constantly in mind the axiom laid down in Adam Smith's "Wealth of Nations," and unanimously adopted by later political economists, that "Every tax ought to be so contrived as to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State."

The expense incurred in the collection of the British Income Tax is, as previously stated, £3 11s. 9d. per centum, but this cost does not include the "Superannuation or other allowances" of the department, which, if added, would raise the proportionate rate of cost chargeable on account of Income Tax to about £4 5s. per cent. This, however, does not show the full cost, as the labours of local authorities, directed to quite other purposes, are most extensively taken advantage of—the whole of the assessments of value throughout the Three Kingdoms being furnished by the rating for the poor, or for other local purposes.

The charge for collection of the income taxes is for this reason very low, being 14s. 6d. per cent. lower than the charge for the collection of the Customs alone, which for the financial year 1860-1, amounted to £4 19s. 6d. per cent., adding the proportion of superannuation and other allowances.

The cost of assessment and collection of the Income Tax, defrayed by the Inland Revenue Department, is estimated at £4 5s. per cent., to which should be added the sum of £2 2s. 6d. per cent. as representing the probable cost of the proportion of the work done by the Parish officers. As the whole labour of assessing and collecting an Income Tax in this Colony must devolve on the Government, the cost of collection could not be less than the home rate of £6 7s. 6d. per centum.

The sparse occupation of the country, its extent, the nomadic character of a large part of its population, their frequent changes of occupation, the rapid alternations of values of property and prices of produce, and the varying prosperity of localities, may be enumerated as the special difficulties attaching to the collection of such a tax in this Colony, and as such as would enhance the cost of collection.

The uncertain nature of incomes will render frequent assessments of value of property necessary, whilst the same cause will greatly increase the serious difficulties already stated in regard to the ascertainment of incomes proper, and afford additional security against detection to persons inclined to defraud the revenue.

There are but two modes of levying and of collection open to consideration—the system of voluntary returns of income, open to public inspection; and the system of assessments of property, and of returns of income, kept secret.

The first system would need a staff of officers to distribute forms and obtain returns of incomes, and to challenge and obtain inquiry into such as they thought insufficient. The cost, probably, of collecting the tax under such a system would be comparatively low, but we presume that such publicity of private affairs would not be tolerated.

The temptation the public system affords to persons to overstate their incomes is to the advantage of the revenue; but it is open to the same objection, on the ground of morality, as the secret system.