

FINAL REPORT OF THE

Incomes proper, taxed under "Schedule D." of the Imperial Act, 16 and 17 Vic., cap. 34, of 1853, are collected by the officers of the Board, upon returns of Income declared by each person whom the assessor serves with a notice requiring a declaration of income. The collectors and assessors of taxes, and the clerks to the Local Commissioners, are paid a poundage or commission upon the revenue obtained by them. The total cost of the collection of Inland Revenue was for the financial year 1860-1 £3 11s. 9d. per cent., and for the financial year 1850-1 £3 11s. 7½d.

In the United Kingdom the officers intrusted with the Income Tax collection are sworn to secrecy as to the returns of income, and the Board of Commissioners are not permitted even to make known the names of proved defaulters. Opportunity is thus afforded, which the Commissioners know is only too powerful a temptation, to evade taxation in whole or in part, and thus to increase the cost and difficulty of collection.

We append as a note a paragraph in illustration of this taken from the Report of the Inland Revenue Commissioners for 1861-2.

In the United States of America the returns of income are apparently not withheld from the public, as in New York there is an unofficial publication called "The Income Record," giving the taxable "income of every resident in New York." In the preface the author states that "in this country it (fraud on the revenue) will not amount to more than one-tenth, and much of that results from ignorance, rather than from a desire to defraud."

However distasteful this system of collection may be, it doubtless is cheaper and better calculated than the secret system to obtain revenue. The extent of fraud by total or partial evasion practised under Schedule D. in the United Kingdom is enormous. Mr. McCulloch estimates the amount evaded under Schedule D. as at least one-third of what should be received thereunder. Large sums are being constantly paid as "conscience money;" single payments on this account have been as high as £11,000. It is also calculated that many thousand persons evade payment altogether.

These difficulties in collection occur, it should be borne in mind, in a country where incomes are, in comparison with a Colony such as New Zealand, of fixed amounts, and the means of levying are the most complete and efficient that long experience can supply.

The Census of this Colony, of the 1st December 1864, gives a return of the "occupations of the people," as follows:—

Trade, Commerce, and Manufactures	...	...	...	7,625
Agricultural and Pastoral	...	...	...	12,089
Mechanics, Artificers, and Skilled Workers	...	...	...	12,118
Mining	...	...	...	12,527
Professions	...	...	...	1,725
Labourers	...	...	...	12,639
Domestic and General Servants	...	...	...	6,202
Miscellaneous	...	...	...	10,492
Mariners	...	...	...	3,459
No occupation stated, principally women and children	...	...	...	93,282
				172,158

NOTE.—"We think it our duty (say the Commissioners) from time to time to call attention to the deficient returns of profits under Schedule D. We have already reported to your Lordships one remarkable case of recent occurrence, where a trading firm having returned 'nil' as their profits for the year 1861-62, the Surveyor induced the District Commissioners to assess them at £12,000, and upon appeal obtained a close confirmation of his estimate by proof from their own books that the correct charge was rather more than £12,000 as the average of the three preceding years. The penalty of treble duty was inflicted by the District Commissioners, and was paid.

"To take another example from a different part of the Kingdom:—A. B. some years ago returned £15,000 as his assessable income, but the amount was raised by the Commissioners to £20,000, on which he paid. The following year he made no return, and the assessment of the Commissioners was again £20,000, but the Surveyor charged him on £45,000 the duty on which was paid without appeal. Again, the next year he made no return, and again the charge was raised by the Surveyor, who assessed him on £60,000, with the same result as in the former instance.

"£3,000 appear to be a favourite amount for assessments. We have before us four cases in which that sum has been accepted for years by the District Commissioners as the chargeable income. In the one case, in which the party was assessed on his own return, the Surveyor raised the assessment to £3,000, and in the other to £10,000, the duty being paid in both without question. From the first case, however, there has been additional profit to the revenue, the party having made a return of upwards of £17,000 for the following year.

"In one place the assessments of a large trading firm having been found greatly inadequate, inquiries were instituted as to the charges under Schedule D. in the same neighbourhood, and the following were some of the results:—

1. Returned	...	...	£170	Charge fixed on appeal	...	£ 350
2. Returned	...	...	400	Charged by Surveyor on	...	1,500
				Paid without appeal.	...	
3. No return, assessed at	...	...	660	Charge fixed on appeal	...	1,250
4. No return, assessed at	...	...	730	Charged by Surveyor on	...	1,000
				Paid without appeal.	...	
5. Returned	...	...	750	Charge fixed on appeal	...	1,600
6. Returned	...	...	800	Charge fixed on appeal	...	1,200
7. No return, assessed at	...	...	800	Charged by Surveyor on	...	2,000
				Paid without appeal.	...	
8. No return, assessed at	...	...	810	Charged by Surveyor on	...	2,000
				Paid without appeal.	...	
9. Returned	...	...	1,000	Charged by Surveyor on	...	3,000
				Paid without appeal.	...	
10. No return, assessed at	...	...	1,500	Charge fixed on appeal	...	2,250
11. Returned	...	...	1,943	Charge fixed on appeal	...	2,253
12. No return, assessed at	...	...	2,000	Charged by Surveyor on	...	3,000
				Paid without appeal.	...	
13. Returned	...	...	2,200	Charge fixed on appeal	...	5,000
14. No return, assessed at	...	...	4,500	Charged by Surveyor on	...	10,000
				Paid without appeal.	...	
15. Returned	...	...	6,000	Charged by Surveyor on	...	10,000
				Paid without appeal."	...	