

from being £3,117. The correspondence in connection with income-tax, including circular letters asking for returns, has at times been very heavy, and inquiries are now going on and will be continued. Since the 1st January last 2,000 letters have been despatched requesting information, and 1,800 asking for returns.

The attempt to collect an income-tax, without having branch offices in the three principal cities, may be said to be still under trial, and it may yet be found necessary to have resident officers in Auckland, Christchurch, and Dunedin. Nothing will be done in this direction until the present system has been further tried, and the Chief Postmasters throughout the colony will, in the meantime, act as officers for the department to a certain extent in income-tax matters. Some of the Chief Postmasters have already given valuable assistance. Introducing an income-tax on a new system was inevitably a difficult task, and the taxpayers had necessarily many doubts as to the manner in which returns should be compiled. The amount collected up to the 30th June, £73,627, must not be accepted as final, though at present a reliable estimate cannot be given as to additional tax that may be received. The amending Land and Income Assessment Bill, which will be introduced shortly, will contain provisions setting at rest some doubts as to the interpretation of the Act, and further powers will be asked to be granted to the Commissioner to obtain information respecting the completeness and accuracy of returns of income. It has been found necessary to obtain such powers as regards both land and income taxes.

No objections have yet been referred to a Resident Magistrate sitting as a Board of Review. It may be remarked that it is probable that these will not be numerous, at all events compared with the number affecting land-tax assessments. The correct value of land is the question that goes to a Board of Review, and hardly any questions of interpretation of the law. Doubts as to interpretation will be more frequent under the income-tax provisions of the Acts; and, instead of having these referred to a Resident Magistrate, they, as a rule, would be by consent taken to the Supreme Court on a case stated. There will, of course, be objections to be decided by a Resident Magistrate, but disputes will only be thus dealt with, when they cannot be arranged without it. It has been from time to time asserted that all returns of income forwarded to this office are accepted as correct without investigation, but a very large proportion of taxpayers could, from their own experience, give this a denial. More numerous and thorough inquiries and investigations would have been made if it had been possible; but, as I have already stated, the enormous work in connection with the assessment of land, and the collection of land-tax, prevented further attention being given to the assessment of income-tax. Both systems could not be attended to at the same time with a small permanent staff.

It is desirable to draw attention to the fact that what may be deemed a small result of the income-tax for this colony is due, in part, to the high exemption of £300, and largely to all income from the use or produce of land derived by the owner or occupier—this includes rent—and all interest from registered mortgages of land, being exempt from income-tax. Land and mortgages, and income therefrom, contribute to the land-tax alone. The allowance of an exemption of £300 to each partner in a firm has caused a serious decrease in the income-tax revenue, the effect being to diminish tax paid by some firms by £30, and more in certain cases. In others, where there are only two partners, and the income is charged as 6d. in the pound, the loss is only £2 10s.

The attached table gives a classification of land- and income-tax taxpayers by occupation or designation, and of companies according to the business they carry on. Results are contrasted with those of the last assessment for property-tax in 1888, which were published in 1889.

Under both systems the largest contributions were by graziers, sheepfarmers, farmers, dairymen, &c.—that is, by owners of country lands—the total for land and income-tax being £89,341, and for property-tax £81,544. The number of the property-tax payers was 8,611. The number of land-tax payers is 4,760, who are assessed for ordinary land-tax £60,203; 766 are assessed for graduated land-tax £28,015; and 97 are assessed for income-tax £1,123. In considering these and other results it should be remembered that some who pay graduated tax do not pay land-tax, but it may be taken to be the rule that the land-tax payers include those who pay graduated tax, and the number of the latter are therefore omitted in these comparisons. Further, some of those who pay land-tax also pay income-tax. Land companies (15) were assessed for property-tax £12,049; and land companies (19) were assessed for land-tax £16,579, and graduated tax £15,232, which, with income-tax £396, make up £32,207, which shows an increase of £20,158 in the present as compared with the late system. Loan companies contribute £30,923 for land- and income-tax as against £38,147 property-tax; life insurance companies, £11,790, as against £11,749; fire and marine insurance companies, £8,279, as against £6,652; banks pay £10,184, as against £14,244; mercantile companies, £16,302, as against £9,384; manufacturing companies, £7,549, as against £3,784; manufacturing and mercantile, £5,622, as against £5,807; coal-mining, £1,425, as against £1,498; gold-mining (23), £2,735, as against (113) £2,545; building societies pay £1,987, and were not assessed for property-tax; church property corporations and trusts, £2,736, as against £2,046.

In amounts paid by persons, the table shows that, as a rule, the totals contributed in the various classes under the two systems do not differ very materially, excepting in the class including "working storemen, mechanics, labourers, shepherds, miners, sailors, &c.": 2,242 paid property-tax, £4,053; and 249 paid land- and income-tax, £543.

Classifications of payers of ordinary land-tax, graduated land-tax, and income-tax, by amount on which they are assessed, are also given.

The report and the tables herewith should be taken in connection with and as supplementary to reports by the Commissioner of Taxes laid before Parliament in 1892 (B.—17, B.—20, and B.—20A).

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The Hon. the Colonial Treasurer.