

high a sum. We desire to emphasize the necessity of a sufficient inspection being made of each property, both for applying thereto the standard unimproved value with reference to the original nature of the soil and the situation and other characteristics of the property, and for valuing the improvements thereon.

40. Complaint has been made before us that buildings have been valued from the outside only. While we think that in the majority of cases of buildings on farms in this country a sufficient valuation could be made without an inside inspection, we are nevertheless of opinion that an inside inspection of buildings (especially residences) in towns is always necessary, having regard to many kinds of improvements which owners of town buildings make thereto, and which are not always apparent from a merely outside inspection.

41. We have the honour to recommend that, so far as can be conveniently done, the valuer, when revising the roll of a country district, should give individual notices to the landowners of the approximate dates at which he proposes to visit their properties, so as to give them an opportunity of being at home when the valuations are made and of conferring with the valuer on the subject of their improvements. We further recommend that the valuer should make inquiries as to the existence of underground drains, and as to whether land situate in swamp districts has been reclaimed.

METHOD OF VALUING LEASEHOLD INTERESTS.

42. A considerable body of evidence has been brought before us in Wellington, Auckland, and elsewhere concerning the valuation of leasehold properties under section 39 of the Valuation of Land Act, 1908. Under this section the capital value of the leasehold interest is arrived at by finding the annual sum left by deducting the annual rent reserved by the lease from a sum equal to 5 per centum of the capital value of the freehold. Then the present value of the annual sum so found is arrived at according to the number of years the lease has to run. The tables used for this purpose are, as required by the Act, prepared on a 5-per-cent.-per-annum-compound-interest basis. If the lease gives to lessee any right to compensation or of purchase or other valuable right, the present value of such right is also ascertained and added to the valuation of the lessee's interest. If the rent reserved by the lease is equal to or exceeds 5 per cent. per annum on the capital value of the freehold, his valuation in respect of rent is nil, and he would be assessed at only the present value of any right to compensation or of purchase or other valuable consideration to which he is entitled under the lease.

43. It has been objected before us that the statute does not take into consideration the burdens or disabilities placed upon some lessees by the terms of their leases. A notable instance of such a case was cited before us in Wellington. The lessee held a considerable amount of land, and had only one building erected thereon; by the terms of his lease he was prohibited from erecting more than one building, yet he had to pay land-tax and local rates on the basis that he could, if he chose, still further improve the land.

44. The Valuer-General, in his evidence given at our last Wellington sitting, expressed the view that section 39 ought to be amended so that the Department could take into consideration restrictions placed upon lessees. He referred us to a Valuation of Land Bill introduced in New South Wales in 1912, and stated that he discussed the question of these restrictions with the officer in charge of the New South Wales Valuation Department and the Law Draftsman of that State on the occasion of his visit to Sydney last year. The Law Draftsman, he added, decided to adopt our section 39, but thought that where onerous conditions were imposed by the lessor the Valuer-General should be empowered to allow for them in apportioning the full capital value of the fee-simple as between the lessor and the lessee.

45. Mr. Flanagan thought this only fair. The New South Wales Bill deducts from the lessee's valuation "the value of any unfulfilled onerous conditions to which the lessee is liable under the lease" (clause 25). This, however,