does not meet the case of a restrictive covenant such as was contained in the lease to which we were referred in Wellington, or in the lease held by Messrs. Ward Bros., at the Hutt, where the lessees were prohibited from using the land for other than agricultural purposes: *Re* Ward and the Valuer-General (25 New Zealand Law Reports, page 510). Mr. Flanagan suggested an amendment of paragraph (*b*) of subsection (2) of our section 39, which we think would include such cases. He desired that an allowance should be made in favour of a lessee in respect of "the detrimental value of any restrictions in the lease which prevent the lessee from putting the land to the use to which it is best adapted at the date of valuation," as well as in respect of the value of any onerous unfulfilled conditions to which the lessee is liable under the lease. We approve of an alteration of section 39 on these lines, and consider that such an amendment of the law should go far to remove the complaints we have heard concerning the operation of the section.

46. The valuation of the lessor's interest in the land would necessarily be increased by the amount allowed to the lessee under such a provision; but the lessor can have no just ground of complaint on this head, since he or his predecessor in title imposed the restrictions upon the lessee, and they may be assumed to be of value to the lessor in respect either of the land leased or his adjacent lands.

47. In the case of *Re* Hutt Park and Racecourse Board (27 New Zealand Law Reports, page 246), decided in 1907, the Supreme Court held that where land is owned in fee-simple, but the grant contains restrictions on the owner's powers of alienation, these restrictions should be taken into account by the valuer, and the land be accordingly valued at less than a fee-simple clothed with full powers of alienation, the Court pointing out that the definition of "capital value" contained in the Act spoke of the value not of the land, but of the owner's estate or interest therein. A similar decision was given in the case Valuer-General *v.* Ormsby, reported at page 44 of the same volume, where the property valued was Native land subject to restrictions upon alienation. We notice, however, that section 39 requires that the combined interests of the lessor and the lessee shall not be estimated at less than the capital value of the land would be estimated at if held by a single owner in fee-simple "without limitation of estate or power." We think, however, that the mere circumstance that the land has been leased should not deprive the freeholder of the benefit of the decisions above cited, but that an allowance should be made to him in respect to any restrictions contained in the grant, whether as to selling or leasing, or as to the use to which the land may be put. In some cases the owner may have been prohibited from leasing the land except for a specified purpose. It is true that in such a case he is not, under the present law, charged (as regards rent) with more than the capitalized rent he will actually receive under the lease for the unexpired term thereof, but he is also assessed upon the present value of his reversion in fee-simple that will fall in at the expiry of the lease, and it is in respect of this reversion that we consider the allowance in question should be made. The cases to which these observations apply are mostly those of lands held for semi-public, though rateable, purposes.

48. Another ground of complaint made by lessees was that whereas the owner of the fee-simple has the right under section 31 of the Valuation of Land Act, 1908, to offer his land to the Government, yet the lessee has, by the express words of the statute, no such right. Some of the witnesses who appeared before us desired that lessees should have this right; others suggested that in lieu thereof lessees should have the right of appeal to the Supreme Court against the decision of the Assessment Court on the question of the amount of the valuation. Under the existing law appeals to the Supreme Court are permitted not on questions of mere valuation, but only on points of law. We do not approve of the suggestion that lessees should have the right to offer their leasehold properties for purchase by the State, but we have the honour to recommend that they should have the desired right of appeal to the