

- (10.) *Whether or not any special taxation for the benefit of the local bodies in kauri-gum districts should be placed on kauri-gum production by way of royalty or otherwise.*
- (11.) *If the Commission is of opinion that the imposition of such royalty or taxation is advisable, what is a fair and equitable royalty or tax to fix, and in what manner should it be apportioned.*

We are of opinion that special taxation should be placed on kauri-gum for the benefit of the local bodies in the kauri-gum districts, for there is no doubt that these local bodies have not received proper revenue from the gum lands. In the first place there are the privately owned lands, and in the second place the large areas of Crown lands and kauri-gum reserves. With regard to the private lands, the valuation for taxation purposes is assessed merely on the value of the land for farming purposes, without taking into account the value of the gum the land contains. Owing to the difficulty of ascertaining the value of the gum in the land, probably no other system of valuation was practicable. The consequence has been that the value has been assessed on a merely farming basis. The owners of these lands, however, pay rates and taxes, if only on a low valuation, and probably in some cases they pay in addition land and income tax. But in the case of the Crown lands and the kauri-gum reserves the local bodies derive no revenue at all beyond the almost nominal license fee of 5s. per year paid by the gum-digger, which is handed over to the local bodies after the cost of collection has been deducted.

Now, the occupiers of these lands—gum-diggers and others—while enjoying all the benefits of ratepayers in respect to the use of roads and bridges, and the full benefits of hospital and charitable aid, make no contribution towards the cost of local government beyond the license fee just mentioned. This anomalous condition seriously affects the finances of some of the northern counties, owing to the fact that more than half the gum-bearing lands are either Crown lands or included in the kauri-gum reserves.

In view of these facts we consider that some means should be devised enabling the local bodies to obtain a fair revenue from the gum lands, and after the fullest and most careful consideration we recommend—

- (1.) That a tax of 1 per cent. be imposed on the declared f.o.b. value of all kauri-gum exported from New Zealand.
- (2.) That a royalty of $1\frac{2}{3}$ per cent., or 4d. in the pound sterling, be charged on all kauri-gum dug or otherwise obtained from Crown lands or kauri-gum reserves, such royalty to be based on the price paid for the gum on the field.
- (3.) That when valuing private gum lands for rating or taxation purposes the value of the gum in the soil should not be taken into account.

We recognize that exception may be taken to the imposition of an export tax, but we think such a tax is necessary in the circumstances, owing to the difficulty of ascertaining the value for rating purposes of the gum in the soil.

In order to facilitate the collection of the royalty it will be necessary to make it a condition in every license to dig or otherwise obtain gum that when the holder of such license is selling gum he shall declare in writing the locality from which the gum was obtained, whether from Crown land, kauri-gum reserve, or privately owned land, and every gum-buyer's license should contain a condition that the holder must collect from any seller of gum dug or otherwise obtained from Crown lands or kauri-gum reserves above referred to a royalty of $1\frac{2}{3}$ per cent., or 4d. in the pound sterling, based on the purchase-price of the gum in the field. There should also be a similar condition in all gum-brokers' licenses, making the broker responsible for the collection of the said royalty when he receives the gum direct from the fields without the intervention of gum-buyers. In the event of one gum-buyer buying gum from another, the latter should produce a declaration as to the origin of the gum, as provided above. The royalty of $1\frac{2}{3}$ per cent. recommended above has application only to the gum-digger holding a license to dig at will on the kauri-gum reserves and Crown lands open to him, and does not apply to the selector of a gum-chip area who has the monopoly of the particular area to the exclusion of other diggers. In such cases the royalty paid should be determined by the Commissioner of Crown lands according to the circumstances of the case.

The allocation of the royalties collected and of the money derived from the export tax among the various local bodies interested should not be a matter of