

balance you require progressive taxes on income so as to bring out a really proportional system of taxation in accordance with faculty." It looks to me as if you want, on one page, a proportional tax, and on the next page you want a progressive tax?—No; the proportion is in the income-tax. Although there is a progressive income-tax, taking the system as a whole it is really proportional.

You believe in a proportional income-tax?—Yes, provided it is not carried too far. It can be carried too far.

Before the war we did not have a progressive tax?—We did, but it was not so accentuated.

It was more of a flat rate, with lower rates on the smaller incomes?—Not exactly. About 1910, as far as I remember, we had the graduated tax introduced here, and at the same time in England.

But it was only graduated up to a small amount; it was really a flat rate that affected the fair-sized income?—Well, it is a flat rate now for a man with a fair-sized income.

It was a very much lower figure?—Yes; about £1,600.

When this steeply graduated tax came in, what was the idea behind it?—To get more revenue.

Was the idea behind it that the man with the large income should pay more for each pound than the man with the small income?—Yes.

Now, in company taxation, with shareholders in the company and the customers of the company, can you see any difference in the rate paid by the small shareholder and the rate paid by the big shareholder?—No.

They all pay the same?—I disregard the shareholders altogether.

You will admit that all the shareholders pay the same rate?—Yes.

Would you admit that a large shareholder pays less than a small one—as far as the rate is concerned?—No.

Let me put it this way: you will admit that the tax paid by the company is that paid by the shareholder or by the customer of the company?—Yes.

If it is paid by the shareholders, all the shareholders are paying alike?—Yes.

Now, assuming that I am a man in business making £10,000 a year out of my business, and that I decide that 5s. 10d. in the pound is too much to pay. So I cut my business in half and put £5,000 into, say, the Bank of New Zealand. Now, the effect of that is that on my investment in the Bank of New Zealand I am paying only the same rate of tax as the smallest shareholder?—Yes; but I propose to meet that by correcting the income-tax.

But in addition to that I have reduced the tax from 5s. 10d. to 3s. 10d., so that by investing half my capital in the Bank of New Zealand I have saved 2s. in the pound, or £500 a year?—Yes; but my suggested amendment would get over that.

That would put me in the position that I, a man with a large income, would be saving £500 a year in tax?—Yes; but that would not be so if my suggested amendment were carried out.

So that from the point of view of the shareholder the larger shareholder is in a better position than the smaller one, because he can get a safe return and save that amount in tax?—Yes.

From the point of view of the customer, is it not true that a large customer can buy cheaper from a company than a small one—because he buys in larger blocks?—I do not know the practice.

Most people would admit that that is so?—Well, I find that I can go to companies and, without their knowing who I am, I can buy goods at the same price from wholesale companies as is paid by the Government. I know the prices paid by the Government.

But the larger purchaser generally gets the lowest rate. Then we arrive at this conclusion: that the large shareholder in a company pays no more than the smaller one, but gets certain concessions that the smaller one cannot get?—You cannot say he does not pay more: he will be paying more on his private income.

But the point I am trying to bring out is that the large shareholder in a company pays no more tax than the small shareholder, and by reason of his investment in a company he saves tax on his income?—That is so.

So that the larger shareholder is getting a greater benefit from his investment than the small shareholder?—That is so.

Therefore there is no graduation in the tax on the company investment?—Oh, there is, when——

But as between the shareholders?—No.

Is it not true that of the total income-tax you collect approximately 70 per cent. comes from companies?—Yes, and it is tending to increase even more.

Therefore your graduated system—that was designed to make the large man pay a larger proportion on each pound than the small man—does not apply to 70 per cent. of the total tax you collect?—Oh, yes, it does.

You admit that as far as companies are concerned there is no spread of taxation as between shareholders, that the small and large shareholders are on the same basis in contributing 70 per cent. of the total tax you collect; therefore there is no spread in the taxation in connection with the 70 per cent. of the tax you collect?—Between the shareholders there is, of course, no spread, but there is between the companies.

So that the motive of this graduated tax as between individuals only applies to approximately 30 per cent.?—Yes.

Now, will you admit that even in the 30 per cent. there is very little spread because of the opportunities given to the larger man of saving taxation. For example, take a man that is drawing £10,000 a year, £3,000 of which comes from farming, £3,000 from shares in companies, and £4,000 from his own personal income and investments: he is only graduated as a £4,000 man?—£4,000 on his personal income, and, of course, his tax on his company income would be whatever rate the company paid.

But there he is paying no more than the smaller man?—No.