

How would that system of yours work? We will suppose, for example, that a man with £10,000 a year, or, say, with £6,000 a year, is drawing half of that from companies that are paying the maximum tax and half of it from other sources. In the meantime he is only taxed at the rate fixed for £3,000 a year, which is 2s. 6d.; he is not taxed at the rate fixed for £6,000 a year, which is 4s. 6d.?—It would have to be adjusted by aggregating the two sources for fixing the rate and giving credit for the tax paid by the company, so that the balance would pay the maximum rate.

The £3,000 that he got from the company would have paid 5s. 10d. in the pound?—Yes.

Would you credit him with 5s. 10d.?—On that part, yes.

The rate on £3,000 would be only 2s. 6d., and on £6,000 4s. 6d.; so he would have nothing more to pay, would he?—Oh, yes. His total income is £10,000.

No; £6,000. He is drawing £3,000 from taxable sources and £3,000 from a big company that is already paying 5s. 10d.?—I misunderstood. He would have nothing more to pay in that case. If his income were £10,000 he would have to pay the difference between what he had paid on his private income and the maximum rate.

*Mr. Weston.*] It would not be fair to give him a rebate. Supposing that on his company taxation he had not paid 4s. 6d. in the pound, he ought to make it up; but he ought not to be given a rebate if he has paid at the rate of 5s. 10d.?—No. It would have to be drawn so as to make his income from outside the company pay at the rate applicable to the total of his income. That is what I was driving at.

*Mr. Hunt.*] Suppose a man has £6,000 a year. £3,000 is drawn from a company that is paying the maximum tax at the rate of 5s. 10d., £3,000 is drawn from taxable sources, and the rate on £3,000 is 2s. 6d. The average rate that his whole income has paid is half-way between the two rates—that is, 3s. 8d.?—Yes. I see your point. We have to work the section so as to make that £3,000 pay at the rate applicable to £6,000. That is my intention.

Which £3,000?—The £3,000 derived from outside the company.

Would not you set off the extra rate that his other £3,000 would pay?—No, I would not.

*Mr. Shurtleffe.*] You would ignore the company rate altogether?—Yes.

*Mr. Hunt.*] That means that he is going to be taxed worse than ever?—That man would be taxed worse than he is now, certainly.

*Mr. Begg.*] That income would be taxed twice, partly, would it not?—No. His company income would remain at the 5s. 10d. rate. His other income would be assessed at the £6,000 rate.

*The Chairman.*] On £3,000?—Yes.

He would not pay double taxation?—No.

*Mr. Hunt.*] There would be double taxation. Your contention is that the company is not able to pass it on, and if your contention that it cannot be passed on is correct, then his investment in the company is paying 5s. 10d.?—Yes.

And his £3,000 from outside sources is paying 2s. 6d. You are going to charge him on his outside £3,000 at the £6,000 rate?—Yes.

Which is 4s. 6d.?—Yes.

So, in effect, he will have paid at the £6,000 rate on £3,000, and at the £10,000 rate on the other £3,000?—Yes.

And he cannot pass it on, so that he is paying the whole of it?—Yes.

You are going to make it worse than ever for him?—Worse for him than it is at present, yes.

Companies are being destroyed as it is. That will destroy them so much more. Small investors are getting out of companies now because they can get better investments, and this will mean that the big investors will get out too, and that will be the end of it?—I am throwing that suggestion out to meet the difficulty which, it seems to me, has been raised by yourself as to the large shareholder who escapes taxation.

You are going to penalize the large shareholder because he invests in a company?—I do not know that he is penalized. He is prevented from evading a maximum rate by dividing his income into separate lots.

No. It would be a fair thing in that case if you took him as a £6,000 man and credited him with the over-amount he paid on his company taxation?—That would be ignoring the company altogether, and you could not afford to do that. No country can afford at the present time to ignore the company as a taxation entity.

England does?—No.

Well, she taxes to such a small amount that it hardly counts?—Well, what is all the complaint in England about the high taxation for? The complaint there is more bitter than it is here.

The Legislature in England thinks that the first thing to do to relieve industry is to take any extra burden off the company?—Then why all the complaint?

They complain about the high tax all along, and they are complaining in England that the total tax must be reduced because it is too high?—Because it is killing industry.

Because it is killing industry; but the tax that kills industry worst of all is an excessive tax put on companies?—That is, if the bulk of the industries are carried on by companies, of course, it will have a more serious effect; but it will have the same effect on enterprise that is carried on by private individuals.

But there is so much industry that you could not carry on at all unless it was done by a company?—It could be carried on by partnerships.

No?—Why not?

For this reason: a large industry must have continuity of life. A partnership means that when a partner dies his assets have got to go out?—Not necessarily. Not now. It used to be so.

Very few trustees care to carry on a partnership?—It depends on whether the business is good enough or not.