

Death duties are so heavy, and those have got to come out of the partnership capital?—Yes. Those are the advantages that a company has that are some compensation for the high taxes that are paid. Those are some of the advantages that the company obtains from its formation, and it only obtains them as a company, as a separate entity, apart from the shareholders. Why should it seek to evade the liabilities of company-formation?

The liabilities of company-formation are only liabilities created in New Zealand. They are not created elsewhere?—They are created elsewhere. They are tending that way now.

It is not so in England?—Yes. The corporation-tax is an entirely new tax.

But the tendency is to wipe that out?—They will not be able to presently. They will have to come back to it.

They have reduced it £10,000,000?—They have reduced it, but they will have to come back to it.

That is quite contrary to the opinion of the last Chancellor of the Exchequer?—It may be, but it will not be the opinion of the future Chancellor of the Exchequer. Australia had to modify its company taxation this last year.

Mr. Weston.] You mentioned just now—Mr. Hunt used the words—continuity of existence as being one of the great advantages of a company?—Yes.

Would you say that there is an unearned increment in a company's business in just the same way as there is an unearned increment in land—that is to say, the growth of a district or a town or a country confers an additional value on a business which has a continuous life?—I would not be prepared to say that.

Would you not regard the goodwill of a business as in the nature of an unearned increment?—Yes. That will apply to a private business as well as a company.

Would not the goodwill of a company be greater owing to the fact of its continuous existence?—It probably would, but I would not like to say definitely. I think it might. That is as far as I would care to go.

So that, as it were, there is a greater resiliency in a company's business to withstand excessive taxation?—Yes.

With regard to the popularity of companies, you as Registrar have all the companies under your control now: would you say that companies are becoming less popular in New Zealand?—No; rather more popular, I think. The number of registrations is increasing.

With regard to passing it on, income-tax is either on personal exertion or on capital, is it not?—Or on income from capital.

Or the use of capital?—Yes.

As regards personal exertion, I presume that a man always tries to get as much as he can?—Yes.

So that if you put a tax on his earnings it would be difficult for him to get more than he was getting at the time the tax was put on: that is so as a general rule?—Yes.

In isolated cases, as, for instance, men of great brilliancy in a profession, they might be able to increase their charges slightly to meet the increased income-tax?—If they could do that they could do it whether there was a tax or not.

There might be some reserve for them more than there is in the case of the bread-and-butter man. You see, the ordinary man pretty well gets the full value of his work, while the very brilliant man may have a reserve?—You are talking of the man in employment?

No, in business or a profession?—Yes.

With regard to the use of capital, the return you get from capital tends, so far as interest is concerned, to be the same in every industry?—Yes.

The difference in the rates upon capital invested in different industries really is due to the allowance for risk—insurance against risk?—Yes.

The question whether capital can pass on a tax upon its use will depend upon the amount of capital in the country and the demand for it?—And whether it can shift to avoid the tax.

The question of taxation, *per se*, would not be a factor. What return you can get for capital depends upon the law of supply and demand—the amount of capital available for investment?—That fixes the rate of interest.

And the question of the taxation upon the profitable use of it is not a factor?—If all capital is equally taxed.

Just so. For instance, as an example, in England at the present time there is an increase in the interest payable on long-term loans?—Yes.

For Government and municipal securities?—Yes.

There will probably be a rise, I understand, of from $1\frac{1}{2}$ to 2 per cent. On the other hand, for short-term securities last year the rate was never lower. I am speaking of London?—I did not know that.

It was under 2 per cent. Towards the end it ran up to $2\frac{3}{4}$ per cent. With regard to English taxation, in England the company has to find the standard rate?—It pays tax at the normal rate, which is at present 4s. 6d. in the pound on the whole of its profits.

Not only on the dividends, but also on its undivided profits?—Yes, including certain interest on fixed loans, and in paying out the dividends it deducts the tax from the recipients.

But it finds the cash to pay the taxation?—Yes.

In addition to that it pays its company-tax of 6d. in the pound?—6d. in the pound, but not exceeding 1s. on the undivided profits.

So that practically, if it pays 1s. on the undivided profits, it would have to find 5s. 6d. Taking an average, would you say that the companies are finding 5s. in the pound on all profits?—It would