

Assuming that the capital is in sterling, £50,000 paid £5,000 dividends?—But quite apart from the capital, if the company was passing on the tax it would have passed on sufficient to give the shareholders the equivalent in value of their dividends before the war.

*Mr. Weston.*] All your assets would go up in value.

*Mr. Begg:* Yes, certainly.

*Mr. Weston:* So that your £1 would be represented by more in capital.

*Mr. Begg.*] Some capital increased in value and some capital decreased. But a company floated in 1916 or 1917, and getting into action right away and proceeding to earn dividends, the capital put into the company was depreciated to the same extent as the profits?—(Witness) That would be so; but taking the companies that were in existence before—

The capital that was sunk in something that went up in value would increase, but the other floated when the depreciation had settled would have its capital decreased?—I do not know. If a company could have sold out and divided the result of its realization amongst its shareholders at that date, and they were content to invest that on deposit until the time of stress had passed, they would have made a distinct gain.

I can see that where it was a company whose fixed assets had increased in value?—Yes, and where the stock had increased in value.

And a great many of them did increase in value?—It does not show in the returns I have there.

*Mr. Hunt.*] A great many of them, if they did not increase their dividends, retained their dividends?—The only instances I know of are one or two of the banks and the flour-milling companies.

*Mr. Begg.*] However, that deflation has taken place now, and many companies have found that the value of their capital was not there?—But my point was that the shareholders did not get the return from their capital that they were getting before the war—the return in value.

They are not getting it yet, but still they could hardly expect to get it and yet pay 7s. in the pound as well?—That is just my point.

So it is quite evident that the public generally contributed that to the companies in some shape or form or they could not have done it?—The tax was paid out of what the company took from the public; but if the tax had not been charged the company would have retained it for themselves instead of paying it in tax.

Yes. If the Department had not taken that money the shareholders would, and the public would have been in the same position?—Yes.

The public did, under the circumstances, contribute it?—That is not what is meant by the persons who advocated that the tax has been passed on.

In your statement you favour interest from debentures being put on the same footing as any other income?—Yes.

We know that a great many issues were put out when the debenture-tax was 2s. 6d. in the pound for local-body loans: would you consider it breaking a contract? Would you consider it breaking a contract if when next year's Act is passed they were placed under ordinary rates and the individuals charged?—All those contracts must be made subject to variations in the Government's tax.

Where a local body issued a loan with 2s. 6d., would you consider any contract would be broken?—No, no more than any contract was broken when we first imposed income-tax.

So that you think it would be perfectly right and proper to abolish the debenture-tax and put it on income?—Yes, now that we are in a position to trace the debentures.

Is there any difficulty in tracing those debentures?—No, not now. The local body is liable until it supplies us with a list of the debenture-holders. The debenture-holders are liable until they advise us of any change of ownership.

And the companies the same?—No.

Would it help if these bearer bonds were wiped out of existence and inscribed stock substituted?—Yes.

Is there any objection to that?—They are not so readily negotiable. Probably the real objection is that they are more easily traceable for taxation.

They could not pass from hand to hand, but as instruments of security they are practically equivalent?—Yes. The bearer bonds are usually used in the payment of ordinary accounts. With inscribed stock that could not be done.

Would that facilitate the matter much?—As far as we are concerned as a taxing authority, it would.

And, as far as you know, the advantage would outweigh the disadvantage if they were done away with?—I do not think it matters as long as we have the present arrangements with the local bodies—that they supply us with a list, and the holder of bearer bonds is responsible for the tax until he notifies us of change of ownership.

And you could put company loans on the same footing?—Yes.

Then, I gather that you do advocate that the debenture-tax should be abolished?—Yes.

And the income from debentures pay on the same footing as ordinary income?—Yes.

*Mr. Shurtleffe.*] Do you advocate that that should be done as regards past issues?—Yes. I make no distinction between past issued or present and future issues.

It occurs to me that that might be construed as a breach of contract on the part of the Legislature. In the case of some companies and Corporations it would press very hardly upon the holders of the bonds, who had invested in good faith?—The holders of the bonds of local authorities were always liable to income-tax. They were liable to return the interest.

Only to pay debenture-tax?—No; that was quite a new thing. Prior to that they were liable to return the interest to us and pay the tax on that income, along with their other income. But we