

that that is at all out of proportion when you consider that you can get 6 per cent. on mortgages. At the present time I should say that 10 per cent. is quite a fair return and not an excessive return.

Can you show me the balance-sheets of any large companies now that are making 10 per cent. on their capital and undivided profits and reserves?—My experience of balance-sheets is that they are produced for the purpose of concealing the position. The amount of undisclosed information and the secret reserves in the business are so great that you cannot always go on the published figures as to the actual way in which the company is being run.

That is quite true there is a great deal of information concealed, but I am satisfied that 10 per cent. is not earned by large companies on the total capital that they are using at the present time?—Do you not think that that is the result of trading conditions rather than the question of taxation?

Trading conditions are now quite all right. Do you not think so?—I do not. They are still to a very large extent abnormal.

Why?—Take the trading conditions at Home and on the Continent. They are materially affecting the position.

But in New Zealand?—The conditions at Home affect the New Zealand conditions.

But our New Zealand conditions are fairly good just now?—They are improving, but I do not think they are up to pre-war standard.

In your statement you say this: "If these arguments were sound, any change in the incidence of our taxation would have the effect, as shown by my comments on clause (c), that the bulk of our taxpayers would immediately migrate to Australia." Why?—Clause (c) refers to the question of the increase that must be levied on the ordinary taxpayer in New Zealand, and it also refers to the fact that Australia has apparently changed over to the New Zealand system.

How has it changed? A flat rate of 1s. in the pound is not a change to the New Zealand system?—The statement in that journal is that it is a change-over to the New Zealand system.

That 1s. in the pound is not a graduated rate. It is a flat rate. And that is quite different from a graduated rate that goes up to 5s. 10d., is it not?—Yes; but if the statement contained in that journal is correct that Australia is changing over to the New Zealand system—

But Mr. Clark has shown that that statement is wrong. What Australia is adopting is a 1s. flat rate, as against a graduation going up to 5s. 10d. in the pound?—Then, of course, my statement is incorrect. I was basing it on that published statement, which was the only evidence I had as regards the change-over in Australia.

You admit, on what Mr. Clark has said, that it is not the New Zealand system?—Yes.

Why would these people go over to Australia?—I was assuming that that statement was correct.

You spoke about the difficulty in shareholders applying for a refund. Is it not true that debenture-holders now apply for a refund?—I had on several occasions to apply for a refund of tax on shares issued in England and held by a trust estate in New Zealand.

I mean, in New Zealand. Is it not true that debenture-holders in New Zealand now get a rebate of taxation?—Yes.

Is there any more difficulty in getting a rebate with respect to shares than in respect to debentures?—I should say there is a great deal more difficulty, because debentures are usually issued in big parcels, and there is a comparatively small number of issues. They are held in comparatively large amounts, while shares are held in comparatively small amounts. If I had single shares in several companies I would have to apply for a refund on the one share in each case. It would not be worth while. On the other hand, debentures being usually held in much larger parcels, it is worth while. Let me mention my experience with the Revenue authorities at Home in connection with an application that I made in connection with a trust estate. The forms were sent out for me to complete, and I completed them. They went Home and came back again. They did the round trip five times, and finally the Revenue authorities accepted my original application for a refund. The period covered was, I think, a year and nine months.

That is your misfortune from living in New Zealand; but in England they have carried out the practice for many years, and they stick to it?—Yes. The position in England is that the taxpayer is educated to that system. In New Zealand the taxpayer is not, and you have got to commence educating every business man in New Zealand up to it. To do that will throw a tremendous amount of work on the office.

*Mr. Clark:* I should like to say that the system of refunding is avoided as far as possible on debentures. We arranged to allow the local authorities to pay out in full where the taxpayer made a declaration that his income was under £300, so as to avoid collecting and refunding again. The only cases in which we make refunds are where the rate varies. Where the local authority gives us a list of the holders of debentures we deal direct with them. So that collecting at the source and refunding is being departed from as speedily as possible, owing to the irritation caused. With regard to the English system, one of the Committee's reports on taxation some years ago commented on the fact that the Revenue authorities at Home were three years behind with their refunds.

*Mr. Hunt:* The system at present in force, as I understand it, is this: Say a company is returning its list of debenture-holders to you, a declaration is made—

*Mr. Clark:* Not now. As soon as it supplies us with an authentic list of debenture-holders we deal directly with the debenture-holders, and they are responsible to us for the tax until they advise a transfer of the debentures. We departed as soon as ever we could from the system of refunding.

*Mr. Hunt:* Could not that same system be applied to shares?

*Mr. Clark:* We would have to deal directly with every shareholder, and every shareholder would have to advise us of the transfer of shares. We would have to keep a record of all transfers of shares. As far as the Department are concerned, we are not raising any objection on that point. I just wanted to explain about the debentures.