

Has not the graduated land-tax had its effect already as regards the bursting-up of estates?—To a very large extent.

Then, we may say perhaps that there is not nearly the same necessity now for a bursting-up tax that there was some years ago?—Of course, you still have the necessity for the prevention of re-aggregation.

Then, you would advocate the maintenance of the graduated land-tax for that purpose?—Yes, for the purpose of preventing aggregation.

But the starting-point would require a good deal of investigation?—Yes. It would depend to a very large extent on the class of country you were dealing with.

Then, I notice you make some reference to the inclusion as a taxable profit of any profit made on the sale of land purchased within, say, twelve months of such sale: is it not a fact that already lands that are dealt in for profit are subject to taxation?—Yes, if purchased for the purpose of resale; then your profit is taxable. But take the average farmer. He sees a good property and pays, say, £5,000 for it, and within a short time an agent comes along and brings a man who is prepared to pay £6,000 for the property. The farmer sells and pockets his profit of £1,000 and pays no tax on it. Is not that so, Mr. Clark?

*Mr. Clark.*] That is so; intent is very hard to prove.

*Mr. Shirlcliffe.*] You would provide that he would have to pay the tax on his profit if he sells within twelve months of purchase?—Yes.

As to the levying of land-tax, you want a graduated tax above a certain starting-point?—Yes.

I think the question of the passing-on of income-tax has been thrashed out pretty well, and I do not want to labour the point. I suppose you would believe in this suggestion that trading concerns—not monopolies but ordinary trading concerns—buy and sell to the best advantage. They make all the profit that the market conditions will give them from time to time, quite irrespective of the income-tax they may have to pay in the future—much or little. At the end of the year they have so-much profit?—Yes.

They know that they have to provide tax for the Government, and if they are wise they will put a reasonable proportion of their profit to reserve for the payment of tax?—Yes.

Would you agree that that profit has been made quite independent of any question of income-tax?—Yes.

If there were no income-tax the profit would still be the same?—That is my opinion.

Now, in your statement you refer to a company making 13 per cent. I understand that this is just an illustration, but is it an illustration that would be likely to be met with in actual practice? You take the case of a company which makes a profit of £48,000 and pays in dividends to ordinary shareholders £21,000; then if the incidence of taxation were altered the ordinary shareholders would receive 13 per cent., subject to taxation. But in actual practice do you think that would work out? I want your views. Do you consider that in actual practice that would work out, remembering that individuals invest their money in companies in order to obtain actual dividends?—Yes.

In most companies, if they had the opportunity would they not continue to pay out a reasonable dividend of, say, 8 per cent., and place the difference to reserve?—In practice that has been done.

Therefore the removal of taxation from the company would enable it not necessarily to pay increased dividends to the shareholders, who would, for the time being, not, therefore, benefit by increased dividends, but the company would only add to its resources for the future benefit of the company?—Yes.

In the meantime the shareholders might wish to sell out, and would not receive the dividends representing the full profits made?—To a large extent that is so.

So that it does not necessarily follow that the individual would benefit by the removal of the tax?—No; but my illustration was given to show the possibilities. The preference shareholder usually buys to get a certain specified rate of dividend; the ordinary shareholder takes up shares with the idea of getting what is left. In the one case you go for a certain specified annual return, and in the case of the ordinary shareholder he goes for the chance of getting a bigger return, but possibly gets a smaller return. I was dealing with the amount that was not available for distribution in order to show how a change in the incidence of taxation would affect inequitably the different classes of shareholders.

But as a matter of practice, with companies who are always looking ahead to the extension of their businesses, do you think the individual shareholder would derive benefit in the immediate future from a change in the incidence of taxation? Would not rather the company be led to strengthen its resources for future needs, and ultimately for the benefit of the shareholder, if he continued to be a shareholder?—Yes; but in actual practice it works out that, if a company continues to make good profits, in distributing dividends it waters its stock. This watering of stock usually goes to the ordinary shareholder and not to the preference shareholder.

That is, if the shareholder continues to remain a shareholder until the stock is watered?—Yes.

You have evidently had considerable experience in handling balance-sheets: can you tell me, speaking generally, whether company dividends are substantially less to-day than they were in pre-war times?—I am not prepared to say.

Would you consider that, generally speaking, companies are still paying fair dividends?—Yes, speaking generally.

Of course, we know that there are exceptions where companies have not been paying dividends, but you might agree that that arises from losses that they have made quite independent of taxation?—Yes, quite independent.

Have any indications come under your notice that companies are unable to pay the tax and also pay reasonable dividends to their shareholders?—Due to the incidence of taxation—not to my knowledge. Not because of the tax, but it might be because of the trading-conditions.