

What would be your view as to the effect of removing the tax from companies to individuals on the profits of the larger companies: would their profits be increased, or do you think that the competition between the companies would absorb the relief obtained by the shifting of the tax? Would the larger companies make more profit, or would the force of competition absorb that extra profit?—The change to some extent would be gradual. For several years they would make the same profit, and consequently have a larger amount available for distribution because the company would be relieved of paying its proportion to the Government. The amount would be approximately the same, but the whole of the amount would be available for distribution, whereas part of it is now payable to the State. It would increase competition to some extent, but the change would be gradual.

What do you consider would be the ultimate effect upon the small trading concerns—individuals and small private companies—of the competition of those larger companies if they were relieved of the income-tax?—I would certainly think it would have the effect of facilitating the formation of combines and rings and the squeezing-out of the small man.

You think that the small traders—both private companies and individuals—would be at a great disadvantage?—Yes.

I think Mr. Hunt asked you whether you believed in the graduated income-tax?—Yes.

I think you agreed?—Yes.

Would you say that the necessity for the graduated tax depends upon the necessities of the country?—Yes.

It is because such a large amount requires to be raised for the needs of the country to-day that the graduated tax is enforced to such an extent as it is?—Yes; and, further, if you changed the incidence of taxation, and the country was so unfortunately placed that it had to raise such a large revenue again, it would have a remarkable effect upon the taxation of the individual.

If the incidence were altered, what, in your opinion, would be the effect on the present individual taxpayers?—If the State were faced with the necessity for raising a large amount it would practically squeeze the individual out as a trading unit and leave only the big companies.

But that is not my point. Under present conditions there is still the necessity for the graduated tax. If the incidence were shifted from the company to the individual shareholder, what would be the effect upon individual taxpayers generally?—The Commissioner has answered that in his statement.

But I want your view?—I agree with the Commissioner's view.

*Mr. Hunt.*] Which Commissioner?—The Commissioner of Taxes. On page 9, Minority Report, it says: "The Commissioner of Taxes gave evidence that the proposed change in the incidence of company taxation would mean that the rate of income-tax on all taxable incomes of individuals between £300 and £2,000 would have to be at least doubled." That is a quotation from Mr. Clark's evidence.

*Mr. Shirtcliffe.*] Mr. Hunt asked you whether you agreed that the companies are owned by individual shareholders. As a matter of fact, can they exercise any power as owners individually? Are they not simply voters?—Yes; and in practice it works out that the directors do what they like with the company, and the individual shareholders have no voice at all.

So far as the actual management of the company is concerned, and the handling of the assets, except in the case of liquidation, would you consider that the individual shareholders are the owners of the company?—No.

Coming to the question of the small shareholder and the large shareholder in a big company, the small shareholder puts his £500 into the company in order to obtain what he could not possibly get in any other way, I suppose?—Yes.

Because his small amount of £500 will be utilized in conjunction with the larger amount contributed by the wealthier shareholders?—Yes.

And it is really the assistance afforded by their large blocks of capital that enables his £500 to get a dividend?—Yes.

Well, they all receive the same rate of dividend, whether it is a low or a high one?—Yes.

Do you consider that the small shareholder has anything to complain about, inasmuch as he is getting the same rate of dividend on his money as the large shareholder, knowing that he could not have obtained that dividend if he had not invested his money in the company?—That is so.

Would you consider that he had anything to complain about?—No.

That is, you do not consider there is any injustice, as between the large and the small shareholder, in the present method of assessing companies?—No.

After what you have said, I presume I may take it that all profit-earning units are at present quite fairly treated by the graduated basis?—Yes.

Now, there is just this one point. A man invests his money in a company because he thinks he can do better in that way than by handling the money himself. He is attracted to a company by the rate of dividend that he thinks he can get from it?—Yes.

And the attractiveness of that rate of dividend must be governed by the rate he can get outside?—Yes.

And it follows that he does not go into the company unless he feels he will do better by so doing than if he tried to obtain interest on his money outside?—Yes.

*Mr. Begg.*] In your evidence you stated that a company is really an individual?—Yes.

But I suppose you would admit that in certain very important particulars it is totally different from an actual individual?—Yes.

Take one particular: an individual with small capital is comparatively poor and an individual with a great deal of capital is rich?—Yes.

But that does not apply to companies, does it?—It depends upon the point of view from which you look at it.