

2. During the course of our inquiry fifty-two witnesses appeared before us, most of whom handed in prepared statements, on which they were examined, and a number of statements and letters were also sent in by other persons who did not appear before us. In addition to this we were supplied by the Land and Income Tax Department with a large number of specially prepared returns.

3. During the whole of our sittings the Commissioner of Taxes, Mr. D. G. Clark, was in attendance and provided us with valuable and necessary information. We wish to express our thanks to Mr. Clark for the able assistance that he has given us, and for the cheerful manner in which he provided us, as far as possible, with all the information we required during the course of our work.

4. The mass of information placed before us was supplemented by our own personal experience and knowledge of the subject.

#### INCOME-TAX.

5. In connection with the income-tax the principal question before us was as to the imposition of the graduated income-tax on companies in the same way as if they were individuals. A large number of witnesses expressed their opinion on the subject. The majority of them condemned the present system of taxing companies as unjust and as having the effect of preventing the embarkation of large amounts of capital in new commercial undertakings. On the other hand, a number of witnesses favoured the maintenance of the present system. It seems unnecessary for us to enter into any elaborate discussion of the matter here. The arguments against the present system are set forth in the evidence of the witnesses who condemned that system, and also in the report of the majority of the Taxation Committee of 1922. The arguments in favour of the present system are set forth in the minority report of the same Committee. We have considered the matter carefully, and the conclusion we have come to is that the ideal graduated income-tax is a tax upon the income from all sources of each individual, and we recommend that the fiscal policy of the Dominion should be shaped so as to secure the abolition, as soon as reasonably practicable, of the present system of company taxation. We think it desirable to add that the present system of income taxation served a useful purpose during the war and immediate post-war period, under the conditions then prevailing, fulfilling, in addition to its natural function, the part of the English excess-profits tax, and enabling an astounding amount of revenue to be raised with a minimum of inconvenience to individuals and the general public. With a return to more normal conditions of trade and industry the inequalities of the present system become apparent, and it is advisable to change over as soon as practicable to the more ideally correct system.

#### LAND-TAX.

6. We received a great deal of evidence for and against land-tax. The weight of evidence was against both land-tax and graduated land-tax, and in favour of abandoning both and substituting the graduated income-tax.

#### CONCLUSIONS.

7. The following are the conclusions at which we have arrived in connection with the questions raised before us:—

(a.) Land and income tax must be considered together, as they dovetail into each other.

(b.) The graduated system of income-tax is sound in principle and necessary in practice.

(c.) In order to put the graduated principle properly into practice it is necessary that every individual's income from all sources (income from tax-free war loans excepted) should be brought together in one amount, so that the graduated rate of tax that applies to the whole income may be fixed. The graduated system of income-tax makes it necessary that no form of income should escape from it; otherwise injustices as between one taxpayer and another and indefensible results generally are bound to creep in. Individuals with large incomes can now escape