paying the graduated tax that otherwise would apply to their total income by investing in several sources that are each taxed separately.

(*d.*) The present system of graduating the income of each company as a separate income, and charging tax accordingly, is not in accordance with the true principle of a graduated income-tax.

(*e.*) It is wrong in principle to vary the rate of taxation according to the source from which it is derived. All sources should pay at the same rate. Graduation or differentiation in the rate of tax should be according to the size of an individual's income, and not according to the source from which it is derived. The only exception should be income from tax-free war loans, in connection with which the State has made a definite contract.

(*f.*) Many of the witnesses before us dealt with the question of whether or not the income-tax imposed on companies is passed on to the consumer. The question is a difficult one, and it is impossible to arrive at a definite conclusion on the subject. It is, we think, true that the incidence of the present company tax varies from industry to industry, and it is safe at least to say that the view held by many witnesses that the tax is in every case passed on to the consumer is not justified.

(*g.*) Before a change can be made from the present form of taxation of companies it will be necessary to have data as to the full income of each individual, in order that a close estimate can be made of the probable yield of any suggested scale of individual taxation. These data are not at present available.

(*h.*) Income-tax on the smaller individual incomes in New Zealand is on a low scale as compared with the rates in Great Britain and Australia. It is only about 35 per cent. of the British rate, and about 55 per cent. of the Australian rate.

(*i.*) Appendix A shows that of the total individual assessable income of New Zealand less than 11 per cent. is held in incomes of over £2,000 a year, and less than $1\frac{1}{2}$ per cent. in incomes of over £10,000 a year. Any system of income-tax will have to obtain the bulk of its return where the assessable income is—that is, from the incomes under £2,000 a year. The individual assessable income above mentioned does not include dividends from companies. The inclusion of these dividends would probably make some alterations in the proportions given above.

(*j.*) There is a point beyond which income-tax upon individual incomes cannot be pushed without reducing its productiveness through capital leaving the country. A rate inducing an inflow of capital would produce a larger revenue to the State than otherwise would be obtained.

(*k.*) The graduated system of income-tax makes it necessary to aggregate income derived from land with other income for taxation purposes. Exemptions consequent upon land-tax stand in the way of this. For this and other reasons land-tax, including graduated land-tax, should as soon as possible be abolished.

(*l.*) The graduated land-tax was originally designed to break up large estates. There is no evidence to show that it is required any longer for this purpose, and there was much evidence showing that it is now preventing the development of large areas of land requiring a considerable amount of capital expenditure to break in. The graduated land-tax applied to business premises is a serious handicap to trade and industrial enterprise, and serves no good purpose.

(*m.*) Income from tax-free war loans can neither be charged income-tax nor be added to other income for the purpose of fixing the graduated rate on this other income, as this would be breaking the contract entered into by the State when the loans were issued.

(*n.*) There is no undertaking on behalf of the State not to vary the rate of taxation on debentures, or any other form of income except income from tax-free war loans. The State is thus free to tax all other income from year to year at the same rate or at various rates as it pleases.

(*o.*) Alterations in the form of income-tax on the lines of our conclusions will make it necessary to provide special machinery for taxing interests held in New Zealand by residents overseas, either as shareholders in companies or as debenture-holders. Companies in which these overseas interests are held fall into two classes—(i) those having their headquarters in New Zealand, and (ii) those having their headquarters outside New Zealand. Each will have to be dealt with separately.