

(p.) We can find no reason why tenants of pastoral lands should not pay income-tax. They paid in pre-war days. They pay little or no land-tax.

(q.) The changes in land and income tax we think necessary will take some time to bring about. It may not be found possible to make the whole of the change in one step, or in the immediate future.

(r.) The changes indicated in land and income tax would mean that land held in an idle and unproductive state would pay neither land nor income tax. This would have to be provided for.

(s.) The question of double taxation of oversea investors requires further consideration.

(t.) The base on which income-tax revenue is raised should be made as broad as possible in order to lighten the weight of the tax. Every decision to free from tax, or tax lightly, some source of income carries with it a decision to tax some other source at a higher rate than would otherwise be necessary.

(u.) We can see no adequate reason why State and public-body trading and public utility concerns should not be taxed as well as private enterprise. This would broaden the base of the tax. Special provisions for taxing this source of revenue would be necessary.

(v.) Tax-paid company debentures are not on the same footing as regards taxation as tax-deducted debentures.

(w.) Land-tax presses heavily on land used for growing timber.

(x.) Death duties are equivalent to an addition to income-tax, and it is to be observed that these are much heavier on moderate fortunes in New Zealand than on similar fortunes in Great Britain. These duties act also as a check on the aggregation of land.

(y.) The foregoing conclusions have dealt with the incidence of taxation, but we wish to record our view that the weight of taxation is most important, and that it is essential in the interests of the future prosperity of the Dominion that the weight of taxation should be reduced as rapidly as possible.

RECOMMENDATIONS.

8. The following are the recommendations we make in connection with the foregoing conclusions:—

(a.) That legislation be passed instructing and empowering the Commissioner of Taxes, when obtaining future income-tax returns, to compel the individual to include in his return the whole of his income from all sources, specifying the amount from each source separately.

(b.) When the data asked for under (a) is obtained and compiled (which will be towards the end of 1925), the question whether or not a complete change can be made from the present system of taxing companies direct as individuals to the system of taxing every individual upon his total income from all sources (excepting only tax-free war loans) should be carefully considered. If a complete change is found difficult or impracticable, then a beginning should be made by taxing individuals in respect of the dividends received by them from companies, and supplementing the revenue obtained in this way by a moderate flat rate on all the profits of companies.

(c.) That the maximum rate of the graduated tax should first be fixed at a level that will not cause an outflow of capital from New Zealand. It would be advantageous to fix a rate which would cause an inflow of capital. This rate must be adjusted from year to year according to financial requirements and circumstances both within and without New Zealand.

(d.) Having fixed the maximum rate, the graduation downwards should be on a scale that will enable the required sum to be raised, such graduation to be made in such a way as not to be oppressive on the taxpayer of small means.

(e.) The rate upon undivided profits of companies should be approximately half the maximum rate.

(f.) If it is impossible without undue hardship to obtain the necessary revenue from the sources already mentioned, then the revenue from these sources should be supplemented by a moderate flat tax on companies, assessed upon their total