

Had that provision anything to do with the difficulty of the State Office getting reinsurances locally?—You mean the clause with reference to the State Fire?

Yes?—That provision was made when it was first assessed. There was special provision made to allow that deduction.

*Mr. Shirlcliffe.*] Taking page 18 of your memorandum relating to land-tax, subclause (4) reads, "For the above purposes the land of a company shall be deemed to be owned by the shareholders in the proportion which their interest in the paid-up capital bears to the whole": what is the precise bearing of that? You could never dream of collecting from each shareholder his proportion of the land-tax?—We add his share to his other land. We make an assessment on that taxpayer. There is first of all an assessment made on the company and an assessment made on the individual taxpayer, and afterwards the various interests of the taxpayer are aggregated.

A landowner makes a return of land. You have his figures before you. But naturally he does not include in that return his shareholding interest in land owned by companies in which he is interested?—No. The companies supply us with a list of shareholders, and we divided the land of the company in proportion to the holding of each shareholder. In many cases, of course, there is no additional assessment to make; it is not worth making. But where a shareholder has other lands that are taxable, and also a share in this company's land, computed in accordance with the share holding, we add the two together. It is the working of the graduated tax. We add the two together and charge the tax at the rate that the total bears, and then give credit for the proportion of the tax that the company has paid and the tax that the individual himself has paid.

The provision is only operative, I imagine, when the tax on the company's land does not reach the maximum?—No.

If a company owns land on which the maximum rate is levied, the individual shareholder's interest is also added to his return?—Yes.

In spite of the fact that the company pays the maximum rate?—It increases the rate on his other lands.

Is the tax not being paid twice, then?—No. We give credit for the amount paid by the company.

*Mr. Hunt.*] The landowner only hears from you when his rate is higher than the company's?—Not necessarily. It is when the effect of the aggregation of the lands increases the amount of the tax payable by him—the amount that would be payable if that aggregation were not made. The credit that we give wipes out the tax on the company's land, but we get the additional tax on his land by reason of its combination with the company's land.

*The Chairman.*] You get a higher rate from him?—Yes.

You do not get double tax in respect of the same land?—No.

*Mr. Begg.*] Has a case ever occurred which, treated in that way, might reduce his graduation?—We do not carry it out.

But such a case might occur?—It might; but the credit is only made in so far as it increases his graduated rate. That is provided for.

Is that applied generally—I mean, in large companies, of whose business land-owning is only a very small part?—Yes, it is applied generally. Wherever it has the effect of increasing the land-tax payable by the shareholder it is put into operation.

*Mr. Hunt.*] Mr. Shirlcliffe asked you if any of the State Departments paid income-tax, and you instanced the State Advances Department. The income-tax that the State Advances Department pays works out in practice at a very small thing as compared with what it would pay if it were owned by a company, does it not?—It is assessed under just the same provisions as a private company.

Supposing that the State Advances business were being run by a company. The whole of the capital that the State Advances Department used would be either in the form of share capital or debenture stock, and the company would have to pay tax on the whole interest it collected on its share capital and debenture-tax on the debenture stock, would it not?—As agent for the debenture-holders, yes.

The State Advances Department pays no tax upon the capital that it uses: it only pays tax on the profit that it makes on that capital?—Yes.

The capital is tax-free?—Yes.

Whereas in the hands of a company it would not be?—It would be as far as the company was concerned. It would be the debenture-holder.

No. The money that the State Advances uses is borrowed outside New Zealand?—Yes.

Now, if a company borrows money outside New Zealand they have to account to you for debenture-tax?—Yes.

But the State Advances Department has not?—But that company deducts the tax from the debenture interest.

Not if it borrows outside New Zealand?—Yes. It only pays as agent for the debenture-holders.

Say that a company borrowed in England: the money that it raised in England would be subject to the English debenture-tax, and it could not charge the debenture-holders New Zealand tax as well?—No.

So it works out in practice that the company would have to pay debenture-tax, while the State Advances Department pays none?—That is so. Of course, the State Advances capital is also taxable in England.

But not in New Zealand?—No.

Whereas a company would be taxable in both cases?—Yes—that is, if it had debenture capital.

And with respect to its own capital it would have to pay tax on the whole of the interest?—In the case of the State Advances Department the accumulated profits would be its own capital. It pays the full tax on that money, just the same as a company would.