

On the whole of the interest that it collected on its own capital it would pay tax?—Yes.

So that really the State Advances tax is a very small thing when compared with what a company's tax would be that was doing the same business?—No, I do not think so.

*Mr. Shirlcliffe.*] I would suggest that Mr. Clark work out the comparison to give an illustration. It would not take very long?—Very well. I will give an example.

*Mr. Begg.*] Is not this the great advantage that the State Advances Department has over a company doing similar business: that it can borrow without having paid-up capital, whereas a company cannot?—Yes. It has the State guarantee.

*Mr. Weston.*] As a matter of fact, the difficulty in dealing with Government undertakings and local-body undertakings is that their capital consists of borrowed moneys?—Yes.

And it is difficult to apply the ordinary methods of assessment or rules of assessment of income to local authorities and Government undertakings?—They could be applied. They are applied in England.

You would not arrive at any satisfactory results?—They do.

We dealt with that matter on the Taxation Committee?—Yes.

Take a tramway undertaking, that is carried on purely on debenture-money?—Yes.

And if that money was borrowed in London and interest was payable in London it would be exempt from taxation?—That is so, but the operations of the local authority would not be exempt.

The local authority deducts its interest?—Yes.

That means a very big deduction?—Yes. It generally raises money at a lower rate than a private concern can borrow at.

I acknowledge that, but you see the interest they pay on debentures is exempt from taxation. The result is practically that they have not to find any money for taxation?—Unless they borrow locally.

And unless they make profits to go to reserve you have nothing to tax?—No.

If they simply square the yard, pay their interest on debentures and make whatever provision is necessary for sinking fund, there is no profit to tax?—I do not know that they often do that. There are quite large assessments made on local authorities in England.

*Mr. Begg.*] Does the Tax Department gain or lose by the extension of municipal trading enterprise and Government trading enterprise?—It loses.

*Mr. Weston.*] Have you ever taken out the loss that resulted to the country by the purchase, for instance, of the Auckland tramways by the Auckland City Council?—No.

Would it be possible to take that out?—We could give the figures.

*The Chairman.*] What the company paid in past years—you lose all that, do you not?—That is what we lose.

*Mr. Shirlcliffe.*] The position in regard to Government and municipal undertakings is that all Government trading Departments, with the exception of the State Coal-mines Department, the Railways, and the Post and Telegraph, pay income-tax?—Yes.

While, on the other hand, no municipal undertakings whatever pay income-tax, do they?—No.

*Mr. Begg.*] Then the extension of enterprise by municipalities and others restricts the field of taxation?—Yes. That is inevitable. There was provision made in one amendment to tax municipal enterprises.

*Mr. Shirlcliffe.*] There is a distinct encouragement, then, to municipalities to set up trading departments?—Yes.

To the curtailment of private enterprise?—Yes.

*Mr. Weston.*] With regard to the State Fire Office, that provision that they are entitled to deduct premiums for reinsurances outside the Dominion gives them a very substantial advantage over private undertakings?—Yes. It was done with that intention.

It was done deliberately?—It was done deliberately so that the Department should be independent of the other institutions.

*Mr. Begg.*] Could you get the date when that provision was inserted? Was that exemption of the State Fire Office part of the original Act, or has it been introduced since?—It was introduced when the State Fire Office was first made assessable.

*Mr. Shirlcliffe.*] At this stage, Mr. Clark, you could hardly be ready with any suggestions within the order of reference dealing with the general question. Perhaps at a later stage you would be ready with suggestions?—Yes; or I could answer questions now, I suppose.

We thought that perhaps you would hardly be ready at this stage?—I did not anticipate your asking me. You want me to make a statement similar to the one I made to the Taxation Committee in 1922?

Yes?—I can do that.

Your views may have changed somewhat: conditions may have changed somewhat?—Very slightly.

*Mr. Weston.*] Mr. Clark may have an ideal system to place before us?—You will never reach an ideal system.

Do you think this is the right time to make such a statement?—I would sooner think over one or two of the points and jot them down.

*The Chairman.*] Would it not be better for you to think it out and write it down for us?—Yes.

I do not think we should ask you to explain the subject to us now without having prepared yourself for it?—I would rather not at this stage.

*Mr. Hunt.*] Debenture-tax is now 4s. 6d., is it not?—4s. 6d. in the pound on debentures issued after the passing of the Finance Act of last session—that is, after the 29th August of last year.

*Mr. Weston.*] What about the tax on local authorities' debentures? Is that still 2s. 6d.?—The rate is the same for both—4s. 6d.