

*Mr. Begg.*] What was the object of raising that debenture-tax to 4s. 6d. or continuing it at all? The original object, I think, was to permit of local bodies borrowing at a reasonable rate?—Yes.

What was the object of continuing it?—The local bodies objected to making the rate any higher—to making the interest liable to the same tax as other interest.

Are they still wanting an advantage?—A special rate was made because the persons holding local-authority debentures, as far as we knew, did not return the interest, and the local authorities would give no help, or could give no help, in tracing them. So we had to make provision to assess the local bodies as agents. Now we make an arrangement by which they give us the lists of debenture-holders, and we deal direct with them.

*Mr. Shirtcliffe.*] The local-body rate has now gone up to 4s. 6d.?—Yes, both have gone up to 4s. 6d.

*Mr. Begg.*] Would there be any great difficulty in tracing the holders of those bonds to compel them to pay income-tax instead of a special tax?—No, it would not, with our present provision.

You could trace them?—Yes.

The provision, therefore, is made or continued merely to enable local bodies to borrow money a little cheaper than other people can do it?—The idea now is gradually to work it to the same rate as the other tax—to do it gradually—that is, any new issues are to be 4s. 6d., and it is hoped to bring the rate of the other tax down to that.

Would it not be desirable to abolish this debenture-tax altogether, as soon as it can be done, and let the income be taxed in the ordinary way?—Yes.

You could trace that income?—We could trace it now with our present provision.

*Mr. Shirtcliffe.*] I want to ask a question in relation to that paragraph on page 21 dealing with mining concerns. I am asking it simply to illustrate what might happen if the same principle were applied generally and income-tax were based upon half the dividend paid to shareholders. A company might make a very large profit in one year and might pay out only a comparatively small dividend and accumulate the rest for further development purposes or for some other purpose?—Yes.

Therefore, as regards that year, your Department would stand to lose very substantially?—Oh, yes. We should lose in any year.

That would apply generally to companies if the income-tax were based in any way upon the dividends paid?—Yes. We should lose by it.

You would lose very substantially, because the inducement would be to accumulate profits, especially at this time, in the hope perhaps that the tax would be reduced later on?—Yes. Take the case of a private company—and there are large numbers of private companies: some of the profits might never come under review for income-tax. The only way we would get them would be by death duty.

*Mr. Begg.*] That did take place on a large scale, I suppose, in the years 1916, 1917, 1918, 1919, and 1920: they carried forward as much as possible?—No, it did not take place, because the profits were all assessed. Whether they were carried forward or not they were assessed.

We had to pay on the profits that were apparent, of course?—Yes. I find that the provisions concerning reinsurances and the State Fire Office was made in 1917.

That was the year when the taxation of the State Fire Department was started?—Yes.

Was that put in as a safeguard to prevent any risk of the State Fire Department being boycotted in New Zealand?—That was it.

Was it to give the State Fire a permanent advantage, or was it a safeguard to prevent its being boycotted by other companies in New Zealand?—It was to prevent that Office being controlled as to its rates by other companies.

Supposing the State Fire Department decided that premiums were still far too high here and made another big cut, would there be a tendency not to reinsure for it here?—I think so.

*Mr. Shirtcliffe.*] About land-tax, was anything done in pursuance of the recommendation made by the last Taxation Committee that all lands owned by local bodies and leased for revenue purposes should be subject to land-tax on the same basis as other lands?—No.

No action was taken?—No.

All such lands are exempt from taxation?—Yes.

They are on a commercial basis, just the same as private lands are?—Yes.

*Mr. Begg.*] What is the bearing of this special provision on page 18, section (1) of your statement: "Any person leasing land shall for the purposes of the Act be deemed to be the owner of the fee-simple of such land"?—Those special provisions were all designed to prevent the evasion of the graduated land-tax. They were designed from experience of cases of evasion—where a farmer leased land to his son, or transferred land to his son and took a lease. In other cases men formed part of their land into a company and created a company to work part of it. That was the reason for that provision with reference to the shareholders of companies, to which reference has already been made by Mr. Shirtcliffe in one of his questions. It is the section that provides that shareholders shall be assessed with their shares in companies' lands, along with their other lands. It was caused by large landowners creating companies to work their lands.

*Mr. Shirtcliffe.*] Do you get much additional revenue from that?—Yes, a fair amount.

I can see the reason for it now?—Yes, that was the reason.

ALFRED SEIFERT examined.

*The Chairman.*] You have written us a statement, Mr. Seifert: perhaps you will read it, and then the Commissioners will probably ask you some questions about it?—Yes, sir, my statement in which I have set out my opinions is as follows:—

In offering you my opinion on taxation I want you to understand that great relief has been given to the flax-milling industry by the Act passed last session, so I am not down here to voice my