

grievance towards the present Act, but to give my opinion generally on taxation, keeping in view that the Act may be altered shortly, and that such an alteration may be the means of ruining the flax industry. Further than that, if the flax industry is fairly treated, and other industries crushed by taxation, the load eventually will fall on our industry. I agree with those who state that taxation should be levied in proportion to the ability to pay, providing levying the tax does not strangle present industries or prevent new industries from starting. The present income-tax has the effect of destroying all large industries where the tax cannot be passed on. Companies have paid an excessive amount in taxation. Why people should be penalized for co-operating for the purpose of carrying on some industry which cannot be carried on in a small way is beyond my understanding. It appears to be almost a crime to join with others to run a business, judging by the way the Income-tax Act has been drafted. There is no way that an income-tax of 5s. 10d. in the pound can be levied without doing serious injury to industries. I have been unfortunate through having my interests pooled with others in a company. Had I kept a private business and not joined with others I would have been much better off to-day. There was a small gain in operating by running a large concern, but this was offset over and over again by the excessive rate placed on the larger business. My company had to pay a staggering tax, and on the top of this the yellow-leaf disease destroyed nearly all our flax. We had sufficient flax to keep nine machines going before the disease came, but after that we worked two machines for some time. Naturally we lost a lot of money. You can imagine how I feel towards a department which, in effect, says, "When you make a profit we will come in and share it"—at one period to the extent of 8s. 9d. in the pound and later on to the extent of 7s. 4d. in the pound—"but when you make a loss we are not interested; that is your difficulty; but, remember, if you make a profit we will come again for our share, but we are not interested in your losses or the loss of your capital." As an excuse for taxing in this way it is said the Government wanted the money. There must be some stronger reason than this, because a man could take money dishonestly and as an excuse give the same reason. It has been said that the excessive rate must be borne by the companies because if their load was lightened others would have to carry the extra weight. These arguments should carry no weight, because it is not right to crush out a few while others have a very light burden. Even for selfish reasons the load should be distributed so that industries should not be destroyed and the confidence of those who control them broken, because it is apparent that the extension of present industries and the establishment of new industries must ease the load for everybody. It is only natural for people to pick the line of least resistance. The man with great organizing ability finds that by arranging his industry to produce cheaply, and using his ability to extend the business, a load has been placed on him which it is impossible to carry. For this reason I call the graduated income-tax, when placed on industries, the efficiency and enterprise tax, or the good-management tax. In looking over the Official Year-book at the importations I was struck with the amount of material imported which can only be manufactured by large concerns. It would be a good thing if this material was manufactured here. The policy of the country should be to encourage manufacturing in every possible way, because the consumer usually buys locally manufactured goods cheaper than the imported. Without local industries the population of this country can hardly increase beyond three million. By carrying on manufacturing together with using the land to the fullest extent it is easy to imagine our Dominion with a population of sixteen million. Excessive income-tax means industrial destruction. If the country wants to prevent a few men from becoming excessively wealthy, then this end could be attained by putting a graduated tax on the individual. I notice in the last six years the Income-tax Department has collected about £34,000,000. This money was taken from firms who could have used it to a good advantage towards improving the country.

Do you wish to say anything supplementary to that?—All I wish to say is that I am the president of the New Zealand Flax-millers' Association, and that I am acquainted with many local bodies, in one way and another. Besides that, I am interested in a large industrial concern. I have given you my opinion on taxation for what it is worth.

*Mr. Hunt.*] You are opposed to the taxation on companies, and you think everybody should pay taxation individually?—To say that I am opposed to the taxation of companies is a little beyond what I believe, but I think a lower rate of taxation should be imposed on companies. It should not be so high as to break confidence: about 3s. or 2s. 6d. in the pound should be the limit.

Do you think that the present steeply graduated rate on companies is unfair on industries?—If my opinion goes for anything, I am sure of it. A man is always a fool to play a game when the cards are stacked against him: to try to pay 5s. 10d. in the pound when the competition is as it is in the world to-day is undoubtedly trying to play the game when the cards are stacked against you. A man is foolish to continue under these conditions. It cannot be done. We have made money, and we have lost money, but we hope to recover our losses, but the present rate is too big to pay. Further than that, all successful industries are made out of the profits from those industries. If you take the history of any successful industry you will find that it has become profitable because the people have only taken a fair amount out of the industry, and the additional capital has gone towards building up the industry.

Your business of flax-milling is a sort of manufacturing industry?—Yes; we grow the flax, and then after the flax is matured we mill it and ship it away. It goes to the United States, Canada, England, and Australia. We are in competition with manila hemp produced in the Philippine Islands, and sisal produced in Yucatan, and lately the Javanese have gone into the production of sisal. They pay a low rate there, and it looks to me, from the way they are increasing their output, that they will be an important factor. We are up against fibre produced by coloured labour.

You are not at present paying income-tax?—No.