

is started very gently. The information as to improvements is defective on the valuation rolls. People have effected improvements and have not bothered to have them put on the rolls—in many cases because if they did so they would be subject to heavier local rates. If we had applied the section rigidly this year we would have caught a lot of people, as it were, on the hop.

How does that clause work? What is improved land? What degree of improvement will keep a man's land exempt?—£1 per acre, or one-third of the unimproved value.

You do not admit that there is any particular difficulty in arriving at unimproved value?—No, no difficulty that is insurmountable.

In the cities, I thoroughly agree with you; but you do not think there is any special difficulty in arriving at it even in the case of rural lands?—No.

I suppose you know, from correspondence that you must have had, that there is a considerable sense of injustice among farmers over the taxation of unimproved value?—There is a certain amount.

A very great deal: do you not find that?—No.

They do not want improvements taxed, but what they say is that the Department has not been able to arrive at anything like equity in assessing the unimproved values. And they claim that that is true, that the weight of evidence is invariably against them. It is hard to get them together, and one man brings his evidence before the Assessment Court, and the weight that is against him is this: It is said to him, "Have you not fifteen neighbours farming similar land extending on either side of your farm? They have not appealed, and therefore they must be satisfied." That is what the farmer says is the usual procedure in an Assessment Court, and he cannot get redress?—That is their own fault. As to the feeling of injustice, I do not think there is any greater feeling amongst farmers against taxing on the unimproved value than there is against any other tax. I do not think there is any more.

You think it is just the ordinary resentment against taxation?—That is all.

*Mr. Shirlcliffe.*] To carry a little further what we have heard from Mr. Begg, it seems to me there is a great principle involved in this suggested tax on improvements. Take the case of a sheep-farmer or a dairy-farmer: He wants his land to carry the maximum number of stock, and in order that it shall do that he has got to improve his property very considerably?—Yes.

Take the case of a merchant in the city: He requires, in order to get his income, to carry more or less heavy stocks of merchandise. In order to carry those stocks he must have the property improved by way of buildings and warehouses and so forth. If you tax improvements, might you not extend the principle further and tax the stock or the merchandise out of which the income is earned?—It would be just as reasonable.

It would be as logical?—Yes.

It practically means the property-tax, does it not?—Yes.

A tax on improvements?—Yes, I think so.

*Mr. Hunt.*] I have just run out a supposititious case to see how it would work. I have set down the land, unimproved value, at £12,000, and the improvements at £4,000, making a total land-value of £16,000. Stock and plant I have set down at £4,000, making a total capital value of £20,000. Assuming that the property earned 10 per cent. before tax is paid, including the owner's labour, that would make £2,000 total earnings. If you take the land-tax on the unimproved value at £12,000—we will assume a flat rate of 1½d.—that would be £75. Income-tax would be payable on £2,000, less 5 per cent. on £12,000—namely, £600. That would leave a total taxable income of £1,400, omitting exemptions for life insurance and family, and so on. The tax on that £1,400 would be at the rate of 1s. 5-6d., which comes to £102 14s., making his total £177 14s. If you suppose that instead of taxing that man on the unimproved value you tax him on the improved value, you would levy land-tax on £16,000 instead of £12,000. At 1½d. in the pound that would be £100. The income-tax would be levied on £2,000, less 5 per cent. on £16,000, or £800; so his taxable income would be £1,200. At 1s. 4d. in the pound on that £1,200 he would pay £80, making his total payment in taxation £180. So it is almost identical, is it not?—Yes, in that case; but it would vary. I do not think you can take a stock case like that. When we take out actual cases of people with the same capital in different occupations we find that the variations are very great.

*Mr. Weston.*] There are two classes we want to exempt. There is the man who has a property of his own in the city, up to, say, £1,000—that is, including improvements. £1,000 would mean that the working-man would be able to make his house his own?—He would not nowadays.

I think he will shortly. I quite agree with you that it does run over that sum now, but we must draw a limit, and so I set down £1,000. We must give that exemption of £1,000 to the city man, and an exemption of £1,000 also for the small farmer. Then, if you were to have a flat rate, you would have to provide for farmers who came in under the progressive income-tax. It would not be fair for them to pay double taxation, would it?—No.

I would suggest that, as it were, you take your choice. Supposing a man is making a mess of his affairs, probably his income from the property will not be such as to make his income-tax equal the land-tax; but supposing the income-tax exceeds the land-tax, then tax him on his income?—Why not give the 5-per-cent. exemption, to which people have been accustomed and which in theory exempts the income from the unimproved value of the land.

The only thing that struck me there was that that would give too great an advantage to the man with a big income. Supposing he has a £20,000 property and the land is worth £16,000, you would give him an exemption of £800?—A man's income has no relation to the value of the land he occupies.

I am thinking of the big farmer, the man who has probably got £8,000?—You have got to think at the same time of the big business man. There should be no difference in the treatment of the big farmer and the big business man.