

land-tax. If the mortgage exemptions allowed under the land-tax law are taken as equivalent to the £300 exemption under income-tax it would be equitable in their case to assess the employment-tax on the taxable balance of unimproved value of country lands; farmers making returns of their income would, of course, be assessed on their income and not under land-tax.

Having determined the general lines on which the Employment and Sustenance Fund should be established, we considered in more detail the incidence of the individual tax, and recommend that it be levied on the following basis:—

The special individual employment-tax to be levied on all persons, with certain exceptions, eighteen years of age and over, at the following rates:—

Males—

Eighteen and nineteen years of age	..	..	..	..	18s. per annum.
Twenty years of age and over	..	..	..	..	24s. per annum.

Females (to apply to all engaged in office, business, industry, professional work or domestic service)—

Eighteen and nineteen years of age	..	..	..	..	12s. per annum.
Twenty years of age and over	..	..	..	..	18s. per annum.

Maoris engaged as employers or employees in industry to be included, but not otherwise.

The individual employment-tax not to be levied in respect of the following persons:—

- (a) Mental-hospital patients, inmates of charitable institutions, and such others of a similar class as may be prescribed.
- (b) All married women and widows engaged solely in domestic duties in their own homes, as may be exempted by the Board.
- (c) Casual female workers, charwomen and the like, as may be prescribed by regulations or exempted by the Board.
- (d) Such other persons, old-age pensioners, permanently disabled, invalids, &c., as may be exempted by the Board.

The special responsibility of local bodies (cities, boroughs, counties, and town districts) to unemployed workers within their bounds has been recognized, and the local bodies have carried out special relief works to help the situation locally at considerable cost to the local authority, as shown in the special report attached on relief-works expenditure. We are therefore of opinion that it would be only right, if local bodies are to be saved this expenditure in future, that they should be direct contributors to this fund which we are calling the Employment and Sustenance Fund. We recommend that these local bodies be required to contribute annually to the fund 1 per cent. of their ordinary revenue from general rates.

The Committee estimates that the funds to be obtained from these sources would amount to £700,000 per annum, made up as follows:—

(1) From a flat individual tax on all persons eighteen years of age and over at rates and with exceptions as set out above	..	..	..	..	£ 505,000
(2) From a flat tax of 1d. in the pound on all individual incomes (including dividends) in excess of £300 per annum	..	..	..	..	80,000
(3) From a flat tax of 1d. in the pound on all undistributed profits of companies, and on the dividends of all absentee shareholders in registered companies	..	..	..	..	22,500
(4) From a flat tax of 3/16d. in the pound on the taxable balance of unimproved value of country lands as assessed for land-tax	..	..	..	..	67,500
(5) From a contribution from counties, cities, boroughs, and town districts of 1 per cent. of their revenue from general rates	..	..	..	..	25,000
Total	..	..	..	..	<u>£700,000</u>

These sources of revenue for the fund to be supplemented by any receipts from—

- (1) Fines and penalties imposed for breaches of the Act or regulations.
- (2) Such other moneys or sources of revenue as may be made available to the Board.

The experience of the last few years shows that this fund would be insufficient to provide for all requirements, and we therefore recommend that one-third of the total expenditure of the Employment Board in each year should be paid out of the Consolidated Fund, and two-thirds out of the Employment and Sustenance Fund raised as just described. In good years, and particularly in the early stages of the Board's work, the latter fund should be conserved and allowed to accumulate as far as possible against periodic waves of depression and unemployment.

If one-third of the expenditure of the Board be contributed by the Consolidated Fund the result will be that while the revenue raised by the special taxation we recommend will be fairly uniform in each year, the demand upon the Consolidated Fund will vary with the extent of unemployment prevailing from year to year.

Our proposals as to the raising of the necessary Employment Fund we believe are new. We are convinced they are more practical for New Zealand than would be the methods adopted in any other country, and that they are based upon social justice.

In proposing the creation of an Employment Board and the establishment of an Employment and Sustenance Fund, we cannot emphasize too strongly the need for economy in administration, and to avoid all duplication or overlapping we contemplate the utilization so far as possible of existing organizations and departments. We consider that the Government and also the local