

Yes; I have got some returns of the Wellington properties of the Bank of New Zealand, in Wellington: the valuation of the Stout Street property is £10,500 unimproved and £20,000 improvements, a total of £30,500; Lambton Quay, £75,000 unimproved and £55,000 improvements, total £130,000; Manners Street, £24,500 unimproved and £14,500 improvements, total £39,000; Riddiford Street, £2,045 unimproved and £5,035 improvements, total £7,080. There is £206,000 in four banks in Wellington. That is nearly half the total of £481,000 for all New Zealand?—Yes, but that figure includes depreciation and replacement.

The valuation I have here is the valuation of the City of Wellington for rating purposes, and is the Government valuation. It seems to me that if four premises in Wellington are going to be for £206,000 there is only one reason for the banks in writing down their property, and that is to avoid taxation?—I do not think that is the case. In other countries where the taxation is not on that basis, they write them down also.

*Mr. Shaw:* You are under that impression, Mr. Langstone, but that is not the case.

*Mr. Langstone:* What is the reason for it?

*Mr. Fussell:* Ordinary prudent reasons. In 1900 the values were, comparatively, very considerably lower, but the banks did not write them up. On the other hand, they recognize that banking premises are to a certain extent specialized premises. If a bank has to remove and the premises become empty, as is the case with several of our country premises, that is a dead loss.

*Mr. Langstone:* That would apply to all other premises as well?—Yes; but we are talking from the bank's standpoint. We look at it from that standpoint, that it is prudent and in accordance with banking practice.

But other firms are not allowed to write down their premises by that amount?—Yes, they are. Other business firms do not have to pay on their reserves.

For ordinary taxation purposes, you are only allowed so much depreciation?—Other companies do not have to pay income-tax on the value of their premises, but the point about specialized premises is quite correct. If, for instance, a stone bank building on a corner section in a country town becomes empty, no one can use it if it is sold up. It would have to be sold at a very low figure and a lot of money spent on reconstruction.

That applies to a lot of other buildings?—Do you consider it is not a wise and prudent practice for the bank to adopt?

I think it is, but to me it seems that if it was written to its true value with due prudence, they would pay more in taxation than they do to-day?—They would pay more if they did not adopt that prudent policy, but any firm would be foolish not to make provision in such ways.

The banks say, "That is the valuation," and it is never questioned, but another firm cannot do that?—But it does not have to pay income-tax on it.

If a bank is paying on its assets and liabilities, on the average of its assets and liabilities, a liability is also an asset to the bank. If I bank £500 in the bank, the bank owes me £500—that is a liability?—Yes.

But if that bank lends that £500 to Mr. Munro, and he has to pay in security for £1,000, it is also an asset, because he pays the bank £500 plus the asset?—He does not owe that £1,000.

They have the security for £1,000. I have not got security for £1,000 for my £500?—The bank security is worth a lot more than £1,000.

It was not in 1894?—Nobody lost a penny, though.

The point is that every bank asset is also a liability, and *vice versa*?—Against the assets, they are liabilities; that is quite true.

They work one with the other?—But they pay on both.

On the average. Do you mean to say that a bank only earns £1 10s. per cent.?—It does not earn that much.

If you borrow £1,000 at 3 per cent., you do not lend it out under 5 per cent.?—Yes.

You make a 40-per-cent. profit there?—40 per cent.? On what?

If you borrow money at 3 per cent. and let it out at 5 per cent. that is 40 per cent.?—Yes, on the interest.

If I buy goods and get a 40-per-cent. profit on them with no chance of deterioration, it is good business?—I do not think your mathematics are quite correct. If I bought something for 1s. 1d. and sold it for 1s. 2d., I am making 100 per cent. profit.

You would have to charge 2s. 2d. to make 100 per cent.?—You are not working a percentage on the business, only on the profit, but not on the total business done. For taxation purposes, the tax is worked on the income you make, on the amount of business, on the asset and liability. I quite see what you mean, but the profit is really only 2 per cent. on £200.

You pay taxation of £1 10s. on every £100 assets and liabilities, and you pay about 6s. on the £1 10s.?—No, we pay 8s. 9d. per £100 on the average assets and liabilities.

Not 8s. 9d.?—It works out at that.

4s. 6d., plus 30 per cent.?—That is 5s. 10d., and then that is what is paid on every pound of ordinary income, and then half of that again—8s. 9d. It really comes to this, that the present basis of taxation taking everything into consideration, bears hardly on the banks because one of the principles of taxation, I think, is that it should be fair and equitable, and that when income falls the taxation should fall, and *vice versa*. But with the banks the assumption that they are making this amount goes on, and though their income is halved, they still pay the same taxation.

*Mr. Ashwin:* And when it is doubled they still pay the same?—It does not double, unfortunately.

*Mr. Langstone:* If all businesses were in the same position as the banks, there would not be any slump?—If other businesses had been conducted as the banks, there may not have been.

*Captain Rushworth:* I think not, because the banks make their own money?—They do not.