This principle was followed during each of the ensuing five years. Throughout that period extensive experiments were conducted by the department in the artificial regeneration of sandalwood. While, as a result of those experiments, the department was able to perfect a technique whereby the successful germination of sandalwood could be secured from nuts sown under host plants, the expenditure incurred did not produce practical results mainly on account of the attacks of rabbits on the young plants. In 1929, the department abandoned its scheme to develop sandalwood re-forestation by artificial methods, and, consequently, no provision was made in the amending Act of 1930 for the allocation of any sum to the Sandalwood Trust Fund. Instead, that measure provided for the payment of the whole of the revenue from sandalwood into Consolidated Revenue. This practice has been approved by Parliament in each of the subsequent years, and it is now proposed that the amending Act be continued for a further period of twelve months. I move—

That the Bill be now read a second time.

On motion by Hon. H. Seddon, debate adjourned.

House adjourned at 10.3 p.m.

Legislative Assembly.

Wednesday, 3rd November, 1937.

The SPEAKER took the Chair at 4.30 p.m. and read prayers.

QUESTION—WATER SUPPLY, GREAT SOUTHERN.

Mr. WATTS asked the Minister for Water Supplies: When does he expect that the investigations that are being made into the question of a hydraulic survey of possible water supplies for the Great Southern and districts east thereof will have progressed sufficiently to enable him to make a statement thereon?

The MINISTER FOR WATER SUPPLIES replied: The vastness of the ramifications of the project, the collation of data, and the necessary intensive consideration of same, preclude any statement being made for a considerable time yet.

QUESTION—MILK FOR CHILDREN.

Mr. NORTH asked the Minister for Health: 1, Is the issue of a daily ration of whole milk the best and cheapest form of protective food for children? 2, Is it now established that such an issue of milk during childhood should have a material effect in reducing hospital cases later in life? 3, If the answer to No. 2 is yes—(a) will he use his influence to enable (by amending legislation or otherwise) the Lotteries Commission to subscribe annually from its funds the amount necessary to provide milk in cases where it is needed but not provided; and (b) will he impress upon the Treasurer that according to the answer (2) above, the action proposed would tend progressively to reduce the heavy demands now made upon the existing hospital tax?

The MINISTER FOR HEALTH replied: 1, Yes. 2, Yes, it must be assumed that better health will lead to a reduction of hospitalisation. 3, (a) The Lotteries Commission does not come under the control of the Minister for Public Health. (b) Yes.

BILLS (2)—THIRD READING.

1. Jury Act Amendment (No. 2).
2. Mortgagees' Rights Restriction Act Continuance.

Transmitted to the Council.

BILL—INCOME TAX ASSESSMENT.

In Committee.

Resumed from the previous day: Mr. Sleeman in the Chair; the Premier in charge of the Bill.

Clause 80—Losses of previous years:

Mr. McDONALD: This clause proposes to allow taxpayers to bring forward losses incurred during the three years preceding the year of income. That is the ultimate intention, but for the time being that is limited, because under Subclause (4) in the first year of assessment under this Act, which is the year ended 30th June last, "a person other than a company shall only be allowed losses incurred in the two years next preceding the year of income, and a company (other than a company engaged in grazing or pastoral leases) shall not be allowed losses incurred prior to the first year of income under this Act." While the ultimate idea is that all taxpayers shall be able to take into account losses incurred in the three years preceding the year of income, for the time being that is restricted and as far as the present year of income is concerned they will be able to go back only two years to bring in losses where they are ordinary taxpayers and in the case of a company, only one year. The companies in the past have not been able to bring forward losses at all, although the ordinary taxpayer has been able to do so. It has been submitted that the disability on the companies in this respect is considerable. I had an amendment prepared to strike out Subclause (4) and to provide that for the first year of income all taxpayers, including companies, should be allowed to bring in losses for the two preceding years. That would put all taxpayers on the same footing. I do not want to move it at this stage because I think the Premier will need to consider the amendment, but I mention it now and it may be possible to have the amendment moved in another place after the Premier has had an opportunity to look into it. I would, however, like to know what reason there is for imposing this disability on companies as compared with ordinary taxpayers.

The PREMIER: Companies were not allowed to go back at all previously except those dealing with pastoral and agricultural matters. It is now proposed that an additional year shall be granted in respect of which losses may be brought in for the purpose of getting a rebate. That is to say, the individual who was previously allowed two years will be allowed an additional year and the companies that were not allowed to take in losses at all are now to be allowed one year. The provision improves the position both of the ordinary taxpayer and of the companies.

Mr. McDONALD: I agree with the Premier that the Bill is giving companies something they did not have before, but I still think it is worthy of consideration whether they should not be put on the same footing as the ordinary taxpayer in regard to the period they can go back for the purpose of bringing in losses. The companies were under a disability before as compared with the ordinary taxpayer and if we intend ultimately to put them on the same basis as the ordinary taxpayer, that is by allowing them to go back three years, it will not be inequitable to start straightaway to put the companies on the same basis as the private taxpayer.

The Premier: We are giving them both progressive improvements.

Mr. McDONALD: That is so, but in the progressive improvements the Premier is still maintaining the position that the company is at some disadvantage as compared with the ordinary taxpayer.

The Premier: A disadvantage which time will wipe out.

Mr. McDONALD: That is so. Another matter to which I want to draw attention is that under the Federal Act there was a provision by which income could be averaged over a period of five years for the purpose of estimating the tax. This would be quite independent of losses because in the preceding four years there

may be no losses at all; but the income of the preceding four years might vary. It might be £100 one year and £3,000 the next year. By the Commonwealth Act it could be averaged over five years for the purpose of ascertaining the rate of tax. That was abolished by the recent Commonwealth Income Tax Act as regards all taxpayers except those engaged in primary production. The income of a primary producer is liable to great fluctuations. While the Commonwealth abolished the averaging in regard to the ordinary taxpayer it retained averaging to meet the exceptional conditions of the primary producer. I should like the Premier to consider whether it would not be equitable to have a similar provision in our Act. Western Australia beyond any other State is a primary producing State and an exception along those lines might be advisable.

The PREMIER: Whether there is any advantage in the averaging principle is a very debatable point. It operates disadvantageously to some people. I was a Minister for four or five years, and the depression arrived. The Government went out of office and my income was reduced from £1,200 or £1,300 to about £400 a year. Yet, because of the averaging principle adopted under the Federal Act, I was taxed at the rate of about 1s. in the pound, whereas I would have paid only 3d. or 4d. in the pound. The effect of averaging is that just when people are in difficulties they are slugged at an increased rate. To have the rate averaged while the income is mounting is advantageous, but it is a hardship to have to pay the high rate on a diminished income. I think it better for a taxpayer to bear the high rate while he is in receipt of a high income. The Commonwealth considered the continuance of averaging undesirable, and I think we would be wise to retain the existing practice.

Mr. SAMPSON: I move an amendment—

That at the end of Subclause 5 the words "except such sum as the taxpayer has paid to these creditors out of future income" be added.

Some debtors having received a discharge from bankruptcy at a later stage prove successful in business, and, as a moral, not legal act, pay part or the whole of the previous debts. Such people should be encouraged and the payments should be allowed as deductions.

The PREMIER: I cannot accept the amendment. It would apply probably to fewer than half-a-dozen people in the State. When people have become bankrupt they are seldom in a position to repay the money, and few people make payments that they are not legally compelled to make. We should not alter the law to benefit only a few people out of a community of half a million.

Mr. SAMPSON: I know three instances of such people who have paid their creditors in full, so the experience is not so uncommon as the Premier suggests.

The Premier: I do not think it would make any difference to the mental attitude of the man.

Mr. SAMPSON: But he should be encouraged by receiving the consideration that would have been extended to him had he paid his debts when they were due.

Amendment put and negatived.

Clause put and passed.

Clauses 81 to 101—agreed to.

Clause 102—Income of deceased received after death:

Mr. McDONALD: The Premier will say that this provision appears in the measures of other States. Hitherto when a man died in Western Australia the income earned from the 1st July to the date of death was not taxed. This clause makes provision for taxing such income, so that if a man died on the 30th January, the income earned for the seven months from the 1st July would be taxable. Certain people have submitted that this is objectionable as it amounts to double taxation. The Commonwealth Act is not so drastic, in that it does not tax income earned between the 1st July and the date of death where Federal estate duty is payable. Federal estate duty is payable if the net value exceeds £1,000. The Commonwealth therefore says that if the estate is going to pay Federal estate duty on a value exceeding £1 000, it will not impose income tax on the income earned between the 1st July and the date of death. If the estate is not worth £1,000 and therefore pays no Federal estate duty, then I take it the Commonwealth does collect the income for the period between the 1st July and the date of death, because in that case there would be no double taxation, even although it must be borne in mind that the estate duty would cover only so much income as remained unexpended by the

deceased, and was capital in the hands of the executors.

Hon. C. G. Latham: The capital would be reduced proportionately to the amount of estate duty paid.

Mr. McDONALD: Yes. I do not personally regard the matter as important, because the common experience is that we spend our income as fast as we earn it. It has been suggested to me that the clause might be reconsidered by the Premier with a view to its being made more favourable to deceased persons, or possibly left out so that the law would remain the same as it has been in the past, under which income in these circumstances would not be subject to taxation. I am not moving any amendment, because these things want full consideration. Although these representations have been made to me, I personally regard the clause as fair.

Clause put and passed.

Clause 103—Revocable trusts and trusts for minors:

Hon. C. G. LATHAM: Under the clause a person who makes a trust for the benfit of his children may be taxed in respect of it as if the income for the trust were his income. That is harsh. Most persons who set aside property or money in a trust for the benefit of their children impose a provision that if a child misbehaves he shall not share in that trust. The clause should provide that the Commissioner must have good reason for coming to a decision to tax. The power granted to him is dangerous.

The Premier: The clause does not give power to the Commissioner, but makes people liable to taxation who should be liable to it.

Hon. C. G. LATHAM: Many people establish a trust for a child when born, to be enjoyed by the child on reaching the age of 21 or, say, 23 years.

The Premier: The point is whether the trust is revocable.

Hon. C. G. LATHAM: It would be a peculiar parent who would not tie some kind of string to the property in case a child did not live up to the family reputation. The clause as it stands will discourage the wise proceeding of establishing trusts for children. In fact, the clause asserts that everybody is dishonest. If the Commissioner knows that a trust is set up deliberately to evade taxation, he should have power to tax. The power should not be given to him to exercise at his will or fancy.

The Premier: He uses discretion, surely!

Hon. C. G. LATHAM: The Commissioner should not exercise a power that is unfair. I hope the Premier will agree to some amendment. Our legal friends might assist here.

Mr. McDONALD: The clause represents a considerable extension of the law of taxation. A Royal Commission recommended that when a person made a revocable trust, power should be given to the Commissioner of Taxation to tax him on the income of that trust, because a person making a revocable trust retains power over the assets involved. Therefore I respectfully agree with the Royal Commission's recommendation. But paragraph (b) of Subclause 1 goes beyond the Royal Commission's report, because it proposes to render a revocable trust liable to taxation as if it were part of the settlor's income. That paragraph applies although the trust is absolute. In connection with Federal income taxation it is proposed to bring in revocable trusts as in this clause, but not absolute trusts made by the settlor for the benefit of children. The Commonwealth, therefore, is keeping within the terms of the Royal Commission's recommendation; but all the States so far have passed a provision similar to this one. I shall not oppose the provision, in view of the desirability of uniform law; but I think the matter might be given further consideration by the Premier. These trusts are sometimes made in order to evade taxation, but many trusts are made by men in favour of infant children without any intention whatever of evading taxation. They are made in view of the possibility of business reverses. Under the Bill the power to tax the settlor in these cases is in the discretion of the Commissioner. Some States have gone beyond that, and made the taxation of the settlor mandatory, the Commissioner having no discretion at all. Our Bill is on the lenient side in that respect. An amendment might be made to provide that the Commissioner's power to assess taxation in the case of trusts for children should be limited to cases where he thinks the trust has been formed for the purpose of evading taxation.

The PREMIER: The Leader of the Opposition is adopting a different attitude from that of the member for West Perth. He says that a revocable trust in favour of children should be exempt from taxation except where it can be proved that the

trust is designed for the purpose of dodging the obligations of the settlor regarding assessment for income tax purposes. I agree with the member for West Perth that where the trust is revocable and the settlor has a string on it, so that he can have control over the income from the money involved, he should be subject to taxation. It must be remembered that only the income from the money placed in trust would be assessed for income tax purposes.

Hon. C. G. Latham: It could not be otherwise; you could not tax him on his capital.

The PREMIER: But the hon. member made it appear that it would be so. In many instances revocable trusts are in fact revoked, and the money has been exempt from taxation during the interim. As to the people who, as pointed out by the member for West Perth, really make a genuine disposition of property in favour of their children, I do not know that it would quite work out as he suggested. If a man were comparatively well off and made a settlement in favour of his children, only to lose his own capital subsequently, it is hard to conceive that the position would be allowed to continue in which the father was penniless and his children affluent. Some steps would be taken by someone concerned to secure to the father the benefit of assistance from the trust he had created. Of course, any such arrangement would have to be subject to the approval of the court in favour of variation of the trust. If any such trust is created for the purpose of taxation evasion, it is only right that, if it is demonstrated to the satisfaction of the Commissioner that that is the position, the person concerned should be made to meet his due obligation to the State. I do not see that any hardship will arise under the clause.

Hon. C. G. LATHAM: I would be quite agreeable to leaving paragraph (a) as it stands, but I am afraid that the Premier left the impression in the minds of members that if a man decided to set aside out of his annual income money in trust for his children, he would not be taxed on that amount. Of course he would be, so long as that money was part of his taxable income. Paragraph (b), however, deals more particularly with money set aside for the purposes of a trust, and the Premier has not convinced me with his arguments.

The Premier: Such a man evades the obligation to pay taxation by creating the trust.

Hon. C. G. LATHAM: Not at all. On the other hand, there is nothing to prevent that man from transferring his money to members of his family, if he desires to evade taxation. I propose to test the feeling of the Committee on the paragraph and I move an amendment—

That paragraph (b) be struck out.

If it is a revocable trust, we should give power to the Commissioner to deal with the position, but where the trust is irrevocable, it should be left untouched.

The PREMIER: There have been trusts so created definitely for the purpose of minimising the amount of taxation persons would be required to pay, and that is all that paragraph (b) deals with. The Commissioner will only act if he "so determines." He must be convinced that the person who has created the trust has done so for the purpose of dodging taxation. If he is convinced on that score, it is only fair and reasonable that taxation should be paid.

Mr. WATTS: It is not at all clear to my mind that the meaning attributed to the paragraph is as outlined by the Premier. It appears to me, as the Leader of the Opposition suggested, that the Commissioner could determine that every such trust was created for the purpose of tax evasion.

The Premier: If we thought that were so, we would make it definite. In fact, in other States it has been made definite.

Mr. WATTS: The part that worries me most is that under paragraph (b) the settlor has no opportunity to appropriate the income of the settlement to himself, but is obliged to allow that income to be accumulated for the benefit of his children, and yet he has to pay taxation at an increased rate in consequence of the fact that income that he does not and cannot receive has to be added to the income that he does and can receive. In those circumstances the rate of tax may be increased and then, in addition, there is the extra tax he will have to pay because the amount to be assessed will be increased as I have indicated. While I agree that paragraph (a), under which the settlor has

power to vary the settlement and take advantage of the derivable income himself, is a perfectly safe provision. I cannot see that under paragraph (b) there is any possibility, unless the settlor acts illegally, in which event he would be, I presume, dealt with accordingly, for securing the benefit of the income from the amount involved in the trust. In the circumstances I think paragraph (b) is unjust.

The PREMIER: I do not wish to continue this debate, but it must be obvious that some trusts are created for the purpose of tax evasion, and there must be power vested in the Commissioner to enable him to determine the position. Other States will not allow such trusts, for they realise that they are merely instruments to enable people to dodge taxation.

Hon. N. Keenan: Except in the Commonwealth, which does not do so.

The PREMIER: Yes, that is the position. If a man had an income of £2,000 a year, he might decide to have his son trained as a doctor, a lawyer, or something else. He might see that it would cost him £400 a year in order to provide his lad with the necessary University education. Instead of paying out the £400 directly, he says to himself, "I will create a trust fund of £3,000 or £4,000, and the income from that will be about £400. This money can be used to pay for the education of the boy, and I will not have to pay income tax on it." That is the feature of the whole thing. The ordinary worker has to pay his full taxation, whatever is required of him, but the man on a couple of thousand pounds a year is able to evade taxation by the creation of a trust. That is the reason why so many trusts are formed. Notwithstanding what the Leader of the Opposition thinks, the Taxation Commissioner is not such a hard man to deal with, after all. No one likes to pay tax. I do not like it myself. But when the Commissioner does what Parliament imposes on him, he does it with justice. We do not ask him to be generous. It is only when the Commissioner definitely thinks that a trust is created for the purpose of dodging taxation——

Hon. N. Keenan: No, he can determine it at will.

The PREMIER: He has a discretionary power in that regard, but that is all. It is not to the interest of the Taxation Commissioner to get more out of taxpayers than they are entitled to pay. That discretion vested in the Commissioner will not, I am sure, operate harshly.

Amendment put and negatived.

Mr. WATTS: I move an amendment—

That in line 15 of Subclause 1 the words "so determines" be struck out and "is of opinion that such trusts are created for the purpose of evading payment of tax" be inserted in lieu.

I have listened to the Premier on this subject and I recognise that he is perfectly bona fide in his interpretation of the clause as it stands. But I think we shall be putting an unfair onus on the Commissioner unless we inform him by legislation in what circumstances it is intended that he should assess cases such as these for the payment of tax. It would be a reasonable proposition if this Committe were to follow out the views of the Premier as to exercising this power of determination, which should be exercised only when there is some evidence to show that the trust was created for the purpose of evading payment of taxation.

Amendment put and negatived.

Hon. C. G. LATHAM: I move—

That Subclause 3 be struck out.

The Premier himself will admit that this subclause is now unnecessary.

Amendment put and passed; the clause, as amended, agreed to.

Clause 104—Definitions:

Mr. NORTH: This clause deals largely with assets. The first definition is that of "average value," and in a proviso it is stated that nothing herein shall be held to bind the Commissioner as to the value of any assets at any time if, in his opinion, the State is prejudicially affected by the value adopted for such assets. I move an amendment—

That after "asset" in line 3 of the proviso the words "whether within or without the State" be inserted.

The PREMIER: This is quite a new idea. Previously the trend has been to limit everything and get deductions made, but the hon. member wishes to go off in the opposite direction and see to it that every possibility is covered in the clause. I do not think the amendment is necessary, but on the other hand I do not wish to oppose everything that members think ought to be inserted. If the hon. member with his legal training is perfectly sure that this amendment will be of

benefit to the State, I shall not complain of it.

Amendment put and a division taken with the following result:—

Ayes	25
Noes	16
Majority for	9

AYES.

Mrs. Cardell-Oliver	Mr. Munsie
Mr. Coverley	Mr. Needham
Mr. Cross	Mr. North
Mr. Doust	Mr. Nulsen
Mr. Fox	Mr. Raphael
Mr. Hawke	Mr. Rodoreda
Mr. Hegney	Mr. F. C. L. Smith
Miss Holman	Mr. Styants
Mr. Johnson	Mr. Tonkin
Mr. Keenan	Mr. Troy
Mr. Lambert	Mr. Willcock
Mr. McDonald	Mr. Wilson
Mr. Millington	(*Teller.*)

NOES.

Mr. Boyle	Mr. Patrick
Mr. Ferguson	Mr. Seward
Mr. Hill	Mr. Shearn
Mr. Hughes	Mr. Thorn
Mr. Latham	Mr. Warner
Mr. Mann	Mr. Watts
Mr. Marshall	Mr. Welsh
Mr. McLarty	Mr. Doney
	(*Teller.*)

PAIRS.

AYES.	NOES.
Mr. Wise	Mr. Brockman
Mr. Withers	Mr. Stubbs

Amendment thus passed; the clause, as amended, agreed to.

Clauses 105 to 138—agreed to.

Clause 139—Interpretation:

Hon. C. G. LATHAM: What is meant by insurance with non-residents?

The PREMIER: This introduces a new principle in taxation. An insurance company may insure in connection with some event which takes place within the State. That company may not be resident in this State. It is desired that the profit made on that transaction should be subject to taxation even if the contract was made outside the State. There are companies doing business here, but which have no agents here. There may be an insurance against rain at the Royal Show. If rain falls the company pays the amount taken out by way of insurance. If it does not rain the company collects the premium, on which a profit is made.

Hon. C. G. Latham: Is this collected by a foreign company outside Australia?

The PREMIER: There may be some agent here. This refers to any event that takes place within the State.

Hon. C. G. Latham: Would it affect Lloyds?

The PREMIER: It would affect the State Shipping Service. We might have an insurance on the "Koolinda" effected through an underwriter who is a member of Lloyds. If there was any loss the money representing the insurance would be paid to the State Shipping Service, but if any profit is made it is not subject to State taxation. People who are non-residents and insure an event which takes place within the State should pay tax on the profit they make. It is assumed that the profit on the business is 30 p.c., and the dividend rate upon that would be, say, 1s. 3d. in the pound. This would represent about 3 per cent. on the premiums, and income tax would be paid accordingly. I do not think we would have incorporated this in the measure but for the fact that the other States have adopted it and the desire is to secure uniformity amongst the States.

Mr. McDONALD: Companies at present are paying financial emergency tax and hospital tax on a certain arbitrary basis. I think it is 1½d. in the case of the hospital tax on every £3 2s. 6d. of premiums, and 6d. financial emergency tax on every £3 2s. 6d. of premiums. Will it be necessary to amend the Acts imposing those taxes in order to arrive at conformity with this measure, or will the basis of assessment in those Acts operate side by side with this new provision?

The PREMIER: That raises an interesting point. After this Bill is passed it will be necessary to bring those other two Acts into line by means of other Bills. We shall also have to do other things in the right way to make them uniform. When we have passed this Bill we shall bring down others collectively defining the assessment law with respect to hospital and financial emergency taxation. In the schedule there is a list of the Acts affected. We shall not have done with taxation when we have passed this Bill. The other Bills will be almost formal, but it is necessary to bring the various provisions properly into line with each other and make the necessary alterations to other Acts.

Hon. C. G. Latham: Are you going to introduce amendments to those Acts this year?

The PREMIER: We have already passed amendments to the Financial Emergency Tax Act. The language in the other Acts

is not the same as in this Bill. To avoid this we are consolidating those Acts to bring them into line with this measure. We are not designing any more amendments, although the new Bills will be worded slightly differently from the Acts themselves.

Hon. C. G. Latham: You will be doing the right thing if you bring down amending Acts instead of amending them by this Bill, as we have seen done in other cases.

The PREMIER: I hope we shall have all our assessment law in regard to our taxation proposals brought up to date, so that anyone who wishes to know the law can do so without wading through, say, 10 amendments to the Acts. The Acts will be amended in words though not in principle.

Mr. WATTS: I ask the Premier whether there is any prospect of certain companies in Perth that act as brokers for Lloyds, London, being taxed twice. When evidence was being given before the select committee on the State Government Insurance Bill, the representatives of those companies said that they paid tax with respect to premiums they collected in this State. It appears that under the definition of "insurer" that as those companies actually had the liability undertaken for them in London that 10 per cent. of the premium paid in respect of not only the actual income from the premiums derived by them in this State but also in regard to the amount that of necessity must be transmitted to London for the purpose of getting cover at Lloyds would be taxable. It appears to me that under the definition of "insurer" the underwriters of Lloyds undertake a liability in respect of the insurance contract in Western Australia made for them by their brokers, and in that case there is a possibility of taxation being paid twice.

The PREMIER: That is not so. The business is procured here, but those people do not make the contracts. The agent is here for the purpose of procuring the business, and he does that. He does not make the contract; the contract is made by the underwriting company and is made there. Wherever the contract is made, that portion of the profit which should be paid in Western Australia is selected for taxation. Clauses 146 and 147 of the Bill will prevent the payment of double taxation in connection with anything it is proposed to tax under the Bill.

Clause put and passed.

Clauses 140 to 147—agreed to.

Clause 148—Tax on racing stakes:

Hon. C. G. LATHAM: It is very unusual, as is proposed in the clause, that we should be imposing a tax in an assessment Act.

The Premier: It has been in the Assessment Act for years.

Hon. C. G. LATHAM: The proper thing to do is to set out how the assessment shall be made and impose the tax by means of the taxing measure. Section 7 of the Constitution Act Amendment Act of 1921 sets out that Bills imposing taxation shall deal only with the imposition of taxation, and any provision therein dealing with any other matter shall be of no effect.

The PREMIER: This provision has been in our Assessment Act quite a long time and the Assessment Act was in existence before the Constitution Act was amended in 1921. The Bill before us will continue the operations of another Act, the Act of 1907 I think, and it has always been legal and constitutional. In 1921 we altered the Constitution Act but the Assessment Act remained unaltered. The alteration in the Constitution Act was brought about because of the trouble that existed between the two Houses. If the hon. member will read the last clause of the Bill, he will see that it provides that the Bill shall be read and construed so as not to exceed the legislative power of the State to the extent that where any enactment thereof would, but for this particular section, have been construed as being in excess of that power, it shall nevertheless be a valid enactment to the extent to which it is not in excess of that power. If we had not brought in the Bill we are now considering, the provision already in the Assessment Act would have remained.

Hon. C. G. Latham: It will invalidate something that may be done in the future.

The PREMIER: So that the hon. member's fears may be allayed, I will take steps when introducing the Tax Bill to see that it is in agreement with the principle of the tax, and we can put this into the Tax Bill as well.

Hon. C. G. LATHAM: The Premier has had a good deal of experience in the Crown Law Department and, after all, it is he who

is making a mistake and not I. I am afraid that if this goes before a court for interpretation, it will be found that what I have claimed is perfectly right.

The Premier: I will make sure about it.

Hon. C. G. LATHAM: I claim that we are imposing a tax at the rate of 4d. in the £1 by this clause. My desire solely is to protect the Treasurer as far as I can.

Mr. WATTS: I move an amendment—

That in line 2 of Subclause 3 "seven" be struck out with a view to inserting "twenty-one."

The subclause provides that returns from racing clubs shall be due and the tax payable within seven days of the date when the stakes are payable. That might be all right for clubs in the metropolitan area but it might work with difficulty in the country. I dare say there are places in the country where seven days would be adequate, but there are others where difficulties would be experienced in sending along the returns within a period of seven days. I cannot see that it would do the least harm if we extended the period to, say, 21 days. The tax will be paid just the same; it is only a question of making it a little more convenient for the country organisations.

The Premier: Make it 14 days.

Amendment put and passed.

Mr. WATTS: I move an amendment—

That "fourteen" be inserted in lieu of "seven" struck out.

Amendment put and passed; the clause, as amended, agreed to.

Clauses 149 to 153—agreed to.

Sitting suspended from 6.15 to 7.30 p.m.

Clauses 154 to 166—agreed to.

On motion by Hon. C. G. Latham, consideration of Clauses 167 to 174 inclusive were postponed.

Clauses 175 to 195—agreed to.

Clause 196—False returns or statements:

Mr. WATTS: I move an amendment—

That in Subclause 2 the words "of a person who has not previously been convicted of an offence against this Act or against any law of the Commonwealth or of a State relating to income tax" be struck out.

It is a principle of British justice that the record of previous convictions of an accused person is not taken notice of until after he has been convicted of the offence with which he stands charged at the time. The effect of this clause to a very large extent is to take away that right, in that because a man has been convicted on a previous occasion, certain defences are not to be available to him. He may in the circumstances of his first prosecution and conviction not have had the defences available to him, and consequently may have been convicted. It seems wrong, if the defence is available to him and can be substantiated in his favour, that because he has been convicted of an offence, not merely against the law of the State but perhaps the law of the Commonwealth or of any other State relating to income tax, he should be deprived of the right to raise the defence.

The PREMIER: This is not a very vital principle, though, as the hon. member has pointed out, it differs from the practice which has been carried out in most courts in connection with other offences. Income tax evasions, however, are offences which people deliberately set out to commit. It is easy to see that people who have never been convicted before could offer the defence that they had made a false statement inadvertently, though it would be preferable to term that an incorrect statement rather than a false statement; but if a man has been convicted and has made this sort of defence before, and it is thus known that he is the type of individual ready to commit an offence, such a defence should not be available to him. The clause sets out that in certain circumstances the defence referred to shall be accepted, but if a man has been convicted and makes use of the same defence time after time, that is not then to be regarded as a legitimate defence.

Mr. Marshall: This does not say "time after time," but refers to only one conviction by either a Commonwealth or State authority.

The PREMIER: I am not particularly keen on the clause. Offences against the Income Tax Act are difficult to detect. Often a man might make a mistake, and the statements sent in should be regarded rather as incorrect than as false, and I am loth to deny him the right of this defence. After all, I suppose a magistrate can test the validity of the defence. The provision is here because it is the uniform provision drafted by an ex-judge of the Supreme Court. I do not say I can provide any strong argument in its favour, and if the

consensus of opinion of the House is that it should be deleted, I shall raise no strong objection, because the principle involved does vary to some extent from the usual procedure adopted in respect to other offences tried in the courts.

Mr. McDONALD: The Premier is really in agreement with the member for Katanning and I support the amendment. I am surprised that the other States have passed a similar provision, because it is so drastic. A person who is deprived of the opportunity to explain that the error was due to inadvertence or ignorance is one——

The Premier: Who should become wiser with experience.

Mr. McDONALD: No, he is one who has been convicted of any offence against the income tax law. He might have been convicted for sending in a late return or not giving an answer to a request for information or not producing a book. His previous conviction may have had nothing to do with a false statement. The amendment is only fair.

Hon. C. G. LATHAM: I support the amendment, but point out that if the person happened to be a Federal taxpayer, he could not escape because a similar provision appears in the Federal Act.

The Premier: Only two out of five pay Federal tax.

Hon. C. G. LATHAM: That is so. It seems strange that the other States should have adopted a similar provision. A man who has been prosecuted for a minor mistake should not be deprived of the opportunity to prove that the error was due to inadvertence or ignorance.

Amendment put and passed.

Mr. WATTS: I move an amendment—

That the words "within five years of the time of the commission of the offence" be added to Subclause 3.

There should not be unlimited time within which prosecutions might be launched for offences for delivering a false return or making a false answer. I am not enamoured of the period of five years, but I want to meet the possible objection that the Commissioner of Taxation must have reasonable time to ascertain instances of evasion of tax or making false statements. I know of no justification for leaving a matter of this nature open indefinitely so that a prosecution might be commenced at the end of 20 or even 30 years.

The PREMIER: This is another amendment that does not affect the principle to any extent. A considerable time generally elapses before offences are discovered and, if the Commissioner is to be limited in this way, people could set out deliberately to rob the State. There could be no object in making a false return unless material advantage was to be gained. If the offence were comparatively small, no action would be likely to be taken, but if there was deliberate evasion considerably affecting the revenue, there should be opportunity to take proceedings.

Mr. Stubbs: It happened in Melbourne and cost the Government half a million.

The PREMIER: And those frauds were not discovered for a good many years. The Commissioner would take such proceedings only if the offence had had an appreciable effect on the revenue. I oppose the amendment.

Mr. MARSHALL: I think the member for Katanning is unaware of the effect of the amendment. If the offence had extended over 10 or 15 years, I doubt whether the Commissioner could go back for more than five years. In this State a firm designedly furnished false returns over a number of years, and the amendment would limit the Commissioner in the amount he could claim because he could not cover the whole period during which false returns had been lodged. To require the Commissioner to begin the prosecution within five years of the discovery of the offence would be more satisfactory. I oppose the amendment.

Hon. C. G. LATHAM: The amendment would mean that a prosecution would have to be commenced within five years. If the offences had extended over 15 years, I do not think the Commissioner would be debarred from taking action to cover the whole period.

Mr. SAMPSON: There appears to be a general belief that every taxpayer thoroughly understands the matter and cannot possibly make a mistake. Probably not five per cent. of those who pay any considerable amount of income tax ever read the Act. Under the clause, if an incorrect answer is given an offence has been committed and there is no option but to impose a fine.

The Premier: No. It must be a "false" answer. "False" is an ever so much stronger word than "incorrect."

Mr. SAMPSON: Then that taxpayer's escutcheon is permanently stained. How

many people sign returns without knowing what they are signing! The clause does not say a "wilfully false" answer. The clause hangs a sword over the unfortunate taxpayer's head until kingdom come. In the mass and maze of figures demanded by a return, mistakes are bound to occur; and then the taxpayer is guilty and must face the music. The Premier expects taxpayers to make income tax legislation the study of their lives. I support the amendment. The liability to prosecution should not continue till the crack of doom.

Amendment put and negatived; the clause, as previously amended, agreed to.

Clauses 197 to 223—agreed to.

Clause 224—Registration of tax agents:

Hon. C. G. LATHAM: I hope the Premier will not insist upon registration of agents. There is so much registration nowadays that one does not know where one stands. I have not heard many complaints about tax agents. The Premier should agree to the deletion of the clause.

Mr. WATTS: I would be better pleased if the Premier agreed to the striking-out of the clause. There does not appear to be great necessity for setting up the machinery contemplated. If the clause is to remain in the Bill, it should be amended.

Mr. McDONALD: As regards this clause we are not tied down by the dead hand of uniformity.

Hon. C. G. Latham: The clause is not in the Federal legislation at all.

Mr. McDONALD: No. Moreover, two of the States have not adopted registration of tax agents. It has been adopted by Queensland, South Australia and Tasmania. I propose to move an amendment dealing with the constitution of the board. It is not fair to the Commissioner of Taxation that he should be a member of the board, and especially chairman of the board, because he will also be in the position of prosecutor, with the possibility of the tax agent being punished or possibly struck off the rolls. In the latter case not only will he be deprived of part of his livelihood, but the fact of having been struck off will operate against his professional standing altogether. The Queensland board consists of the Auditor General, the Under Treasurer and a practising accountant. The Tasmanian Act says the board shall consist of three persons appointed by the Governor, but does not say who they shall be. In South Australia the registration and discipline of tax agents is in the hands of the Registrar of Companies. In not one of the States that have adopted the principle of registering tax agents has the Commissioner of Taxation been mentioned as a member of the board. The suggestion I make to the Committee is that the board shall consist of the Under Treasurer as chairman and, at the instance of some accountants who would be concerned as taxing agents, a legal practitioner as one member, and then to retain the person mentioned in the Bill, namely, a public accountant. I move an amendment—

That in line 4 of Subclause 2 "Commissioner" be struck out and the words "Under Treasurer" inserted in lieu.

Later on I shall move to strike out the words "the Under Treasurer," with a view to inserting "a legal practitioner," and then after "public accountant" to insert the words "who is a member of a recognised institute of accountants."

Mr. TONKIN: I hope the Committee will not bother very much about the amendment and that the Premier will agree to the deletion of the whole clause. I cannot see why a barrister or a solicitor should be regarded as a privileged section of the community. The member for West Perth pointed out that the board he proposed to set up would include an accountant who would be specially skilled in the work to be dealt with. That section should be just as much entitled to be recognised as requiring registration as are barristers and solicitors.

The PREMIER: There is something to be said in favour of the clause. Some people act as bookkeepers, or make out their taxation returns successfully two or three times, after which they decide to set themselves up as authorities on taxation matters and the making of returns. Very often those people do not make the returns out very successfully nor do they look after the interests of their clients very well.

Mr. Marshall: When I referred to returns a little while ago it was a most simple matter, judging by the attitude adopted by members.

The CHAIRMAN: Order!

Mr. Marshall: Now it is specially skilled work! Isn't it wonderful?

The PREMIER: The taxpayers' interests are not at times looked after properly by some who pose as taxation experts. There is no provision for the registration of those people; but they put up a shingle outside their offices setting out that they are experts and thus cajole people into securing their services and in return receive amounts that they do not rightly earn. The making out of ordinary taxation forms is comparatively simple but business people may be inclined to get someone who poses as an expert to make out their returns and, at a cost of £1 or so, save themselves so much trouble. As many of the so-called experts are not really competent, the Taxation Department desires that steps shall be taken to ensure that those who do engage in the work shall be reasonably competent. They do not include the individual who now and again makes out one or two returns for his friends, but they do refer to those who make it their business and pose as taxation experts. The department desires to place the hall-mark of efficiency on those experts who are really capable of undertaking the work. However, the clause is not one that is desired from the standpoint of uniform legislation. It has been included merely for the purpose of assisting to conserve the interests of taxpayers. I am not particularly keen on the clause being passed. No principle affecting taxation is involved.

Mr. SAMPSON: I do not favour striking out the reference to the Commissioner.

Mr. Marshall: So you want to woo his favours, do you?

Mr. SAMPSON: There is justification for the establishment of a board, because if all who claim to be experts in taxation matters are to be allowed to set up in business, there will be no end to the trouble that will follow. I support the point of view expressed by the Premier. Barristers and solicitors are not necessarily good accountants. If we strike out the reference to the Commissioner it will imply our disinclination to support the clause, and I think the clause is desirable.

Hon. C. G. LATHAM: I support the amendment. Despite what the member for Swan says, the Commissioner is the man who is in charge of the Taxation Department. He will have to register the people affected, then he will have to deal with the assessments, and, should anything be discovered in the nature of a misdemeanour, he will have to deal with that phase. That is too much to expect of the Commissioner, who should be a free agent. The clause will make him a Pooh-Bah, and he should be kept off the board. Then he could draw the attention of the board to the fact that the returns made up by a certain individual were not what they should be, and the board could deal with the position.

Hon. W. D. JOHNSON: I take exception to the contention advanced by the Leader of the Opposition. My idea of administration is that if a man is placed in charge of a big job, he should be actually in charge. The idea of suggesting that the Commissioner of Taxation should not have the right to review taxation matters is absurd, for that is his job. That is what he is paid for.

Hon. C. G. Latham: I did not say anything of the sort. This deals with the registration of agents.

Hon. W. D. JOHNSON: Who should be entitled to review that phase more than the Commissioner? Surely the Commissioner should be on the board to guide the other members in their inquiries.

Amendment put and negatived.

Mr. WATTS: I move an amendment—

That in line 3 of paragraph (e) of Subclause 2, the following be added:—"That every public accountant who is a member of any recognised institute of accountants shall be deemed to be qualified to be registered."

I am placing that amendment here because I do not wish to question the right of the board to decide upon the fitness of any applicant, but I do think that public accountants who are members of a recognised institute should be definitely deemed to have the necessary qualifications; so I propose to insert the words in this place in order that the board may not be able to argue that a public accountant is not qualified; but they will still have a remedy if they consider for any sound reason that he is not a fit and proper person to be registered. In all the circumstances, I am obliged to move the amendment, after which, if possible, the clause, I hope, will be defeated. But if the clause is to remain, I think some recognition such as I propose should be given to public accountants.

Amendment put, and a division taken with the following result:—

Ayes	23
Noes	15
Majority for	8

AYES.

Mr. Boyle	Mr. Nulsen
Mrs. Cardell-Oliver	Mr. Patrick
Mr. Coverley	Mr. Rodoreda
Mr. Doust	Mr. Sampson
Mr. Ferguson	Mr. Seward
Mr. Fox	Mr. J. M. Smith
Mr. Hill	Mr. Styants
Mr. Latham	Mr. Tonkin
Mr. Mann	Mr. Watts
Mr. McDonald	Mr. Welsh
Mr. McLarty	Mr. Doney
Mr. North	(*Teller.*)

NOES.

Mr. Cross	Mr. Munsie
Mr. Hawke	Mr. Needham
Mr. Hegney	Mr. Raphael
Miss Holman	Mr. F. C. L. Smith
Mr. Johnson	Mr. Troy
Mr. Lambert	Mr. Willcock
Mr. Marshall	Mr. Wilson
Mr. Millington	(*Teller.*)

Amendment thus passed.

Hon. C. G. LATHAM: I hope the Premier will agree to the rejection of the clause. It is already provided that if a man does not earn more than £10, he can get exemption. That will be encouragement to a lot of small men to set up who will not have the necessary qualifications, and will make the cost of preparing returns very much greater. Certain men have complained about the present difficulties, but this will not remove those difficulties.

Clause, as amended, put and negatived.

Clauses 225 to 229—agreed to.

Postponed Clause 56—Depreciation:

Hon. C. G. LATHAM: I am not going to raise any objection to the clause, for after having gone into it I now think it is better to leave it as it is.

Clause put and passed.

Postponed Clause 79—Concessional deductions:

Hon. C. G. LATHAM: After we have dealt with this, I desire to move a new clause. Section 73 of the Victorian Act reads as follows:—

> Where a taxpayer who is domiciled in another State of the Commonwealth does not by reason of the insufficiency of his income in that State receive the full benefit of the concessional deductions and statutory exemption allowable under the law of that State, the Commissioner may allow either the whole or such part of the deductions allowable under the last preceding section, or Section 75 of this Act, as in his opinion is just, having regard to the taxpayer's income in Victoria as compared with his total income.

At a later stage, I propose to ask the House to agree to that as a new clause, which I will put on the Notice Paper. I propose to ask the Committee to agree to the inclusion of that provision. On the second reading I pointed out that it is unfair for a man who has most of his assets in this State and very little in another, if he is not allowed to make up the deficiency of his deductions in another State. In the meantime, I move an amendment—

> That the following new paragraph be inserted to stand as paragraph (b):—
>
> (b) The sum of fifty pounds in respect of the spouse of the taxpayer, or where the taxpayer is a widower, in respect of a female relative having the care of any of his children who are under sixteen years of age, if the spouse or relative is a resident and is wholly maintained by the taxpayer. For the purpose of this paragraph the spouse or relative shall be deemed to be wholly maintained by the taxpayer if the separate net income derived from all sources by the spouse or relative in the year of income does not exceed fifty pounds and the taxpayer contributes to the maintenance of the spouse or relative, and not otherwise: Provided that, if the spouse or relative is wholly maintained by the taxpayer during part only of the year of income, the deduction allowable shall be such part of the sum of fifty pounds as in the opinion of the Commissione is reasonable in the circumstances.

This is taken from the Federal Act. I notice that the Federal Act allows £50, the Victorian Act allows £50, the New South Wales Act allows £50, the South Australian Act allows £30, and the Queensland Act allows £72, with a deduction as the income increases. Tasmania is the only other State that has not included this provision. We propose to make this tax as nearly as possible uniform with the tax in the other States. On that account I ask the Premier to agree to this amendment. I believe it was his intention to embody this in the Bill, seeing that the marginal note here refers to Commonwealth Section 79A—"the sum of £50 in respect to the spouse of the taxpayer." The Premier possibly found that this would mean a loss of revenue, but these small deductions in the aggregate come to very little. Under the Act immediately the income of a married man reaches £300, he is assessed on his full income. The statutory exemption with the Commonwealth is £250, New South Wales £250, Victoria £200, Tasmania £125 and £200 for a married man, and South Australia £100 less £1 in every £9. We are not much more generous here than they are in the other States.

The Premier: Our responsibilities are great at this stage.

Hon. C. G. LATHAM: That is compensated for by the high taxation.

The Premier: This is no time in which to set out to give remissions of taxation.

The Minister for Lands: We are not as highly taxed as some of the other States.

Hon. C. G. LATHAM: Only Queensland is higher taxed than we are. It is no encouragement to a man to get married if he is to be taxed in this way. As uniformity is now the accepted principle, I hope this relief will be given to married men.

The PREMIER: Whilst I sympathise with the object of the Leader of the Opposition, I am afraid this is not the time in the history of the State to embark upon big tax remissions.

Hon. C. G. Latham: It never is the right time.

The PREMIER: We have had two years of drought, we have had to find large sums of money to assist people, and we had a deficit last year of £370,000, we anticipate a deficit of £120,000 this year, and we are behind in our Revenue Estimates up to date. To give taxation concessions now would be to choose the wrong time for them. I would be only too pleased to give those concessions if the time were opportune, but I think we must wait until circumstances are reasonably favourable. We start off our tax with 2d., and in South Australia they start with 1s. 2d.

Hon. C. G. Latham: You cannot say that because we have the financial emergency tax.

The PREMIER: Our scheme of taxation is different from that in South Australia.

Hon. C. G. Latham: We really start at about 1s. 3d.

The PREMIER: For people with £1,000 a year. A married man with four children would not pay income tax here until he received over £400 a year. The Leader of the Opposition now wants another £50 added to that. I do not believe in high taxation.

Hon. C. G. Latham: But you are the one who increased the rate.

The PREMIER: We altered the incidence of taxation to get the same amount of revenue.

Hon. C. G. Latham: You increased it by about £200,000 a year.

The PREMIER: That was due to the increased prosperity of the State. I know that money taken from people by way of taxation prevents them from exhibiting that enterprise with their capital that might be beneficial for the State. I do not believe in high taxation if the State can get along reasonably well without it. This is no time in which to embark upon tax reduction. If the present progress continues for three or four years, something in that direction may then be done. I also admit we are highly taxed here, but that has been necessary to enable us to meet our difficulties.

Hon. C. G. Latham: To meet extravagant expenditure.

The PREMIER: The hon. member said that before.

Hon. C. G. Latham: We will reduce taxation and put everyone on full time when we get to your side of the House.

The PREMIER: We are not yet in a position to make reductions in taxation. We would not be justified in doing so until we have exhausted all means of economy in expenditure and got the State into a sound budgetary position. The hon. member's proposal is equitable and reasonable, and in ordinary circumstances it would have been difficult for me to find an argument to combat it.

Mr. Marshall: The Premier would have brought it down himself.

The PREMIER: It would have been a part of the programme of the Government, and I hope the Government will yet be in a position to carry out the suggestion. Because of the position in which I find myself as Treasurer I am unable to agree to the amendment. Much as I would like to be with the Leader of the Opposition I find myself compelled to vote against it.

Hon. C. G. LATHAM: The Premier does not seem to realise that the amendment will bring him considerable revenue.

The Premier: You think so?

Hon. C. G. LATHAM: I know.

The Premier: If what you say is borne out we can deal with it next year. We are giving a lot away already this year.

Hon. C. G. LATHAM: The Premier is not giving away anything at all.

The Premier: We are, for example, giving away £50 for medical attendance.

Hon. C. G. LATHAM: But other things have been taken away. I do not want the Premier to be under any misapprehension as to what the Bill really means. It certainly gives relief but it also increases taxation. For instance, there has been taken away £50 for repairs to a house. I intend

to insist upon the amendment, because it is fair and equitable, and I expect the married members of the House to support it.

The PREMIER: So that the Leader of the Opposition may not be under misapprehension I propose to read some of the exemptions. The list is quite a formidable one. There is an exemption of the incomes of various types of visitors; there is the exemption of alimony; the exemption in the case of a purchased annuity, of that portion of the annuity which represents the purchase price. These are some of the items that will decrease the revenue, although there are alterations of methods which may increase revenue. It is difficult to say at the present time what the effect will really be; it is impossible to make a reliable estimate. Should the optimism of the Leader of the Opposition be borne out we can, as I have already said, deal with the matter again next year. There is an allowance of deduction for losses and outgoings necessarily incurred in carrying on a business for the purpose of producing assessable income. There is an allowance for losses incurred upon the sale of property or arising from the carrying on of any scheme the profit (if any) from which would have been included in the assessable income. There was never before an allowance for such losses. There is an allowance of deductions for the expenses of borrowing money used in the production of income. There is an allowance of deduction for expenses in connection with the preparation, stamping and registration of a lease of property used in the production of income. Everyone knows that there are charges such as procuration fees, etc., which were never before deducted. There is allowance for losses due to embezzlement by an employee; an allowance for subscriptions to any trade, business or professional association. There is an allowance for the election expenses of Parliamentary candidates and for travelling expenses in respect of Federal members. I do not know what it costs to carry out an election.

Hon. C. G. Latham: Those expenses have always been allowed.

The PREMIER: They have never been allowed.

Hon. C. G. Latham: I think you should be better advised. We have always been allowed up to £100 as a deduction.

Hon. P. D. Ferguson: In connection with Federal elections.

The PREMIER: There is an allowance of deductions for gifts in kind, subject to conditions, and the extension of the deduction for gifts to cover payments to (a) a residential educational institution, affiliated with a public university, (b) a fund for a war memorial, and voluntary payments to employees, suspensions or retiring allowances. There is a deduction for medical expenses not exceeding £50, to persons having incomes in excess of £350, which was the income limitation previously imposed. This is very important, because previously it only applied to anyone with an income of not less than £350 a year. I know myself that it cost me between £200 and £300 for medical expenses last year. In the future I will be entitled to a deduction, though I hope there will be no need to pay medical expenses. There is an allowance up to £20 for funeral or cremation expenses.

Hon. P. D. Ferguson: I hope you will never be required to pay those.

The PREMIER: There is an allowance of deduction for subscriptions to friendly societies and payments to superannuation funds; an allowance of losses in the three years preceding the year of income. This, however, will not affect the revenue until the financial year ending the 30th June, 1939. There is to be an allowance in the case of persons paying a premium for the granting of a lease, of a deduction spread over the term of the lease instead of in the year of payment. There is to be a deduction for the consideration given in respect to the transfer of a goldmining lease purchased from a bona fide prospector who is exempted as far as the corresponding income, represented by that consideration, is concerned.

Hon. C. G. Latham: Give us those from which we will derive some benefit.

The PREMIER: One would think that we were increasing the receipts from taxation to a considerable degree. In some instances I admit we do that, and we have never tried to disguise it. But combined with the increases there are many deductions which in the aggregate amount to a considerable sum. If the hon. member will take the 17 or 18 deductions and average them out with the increases he will arrive at the approximate amount of benefit that is being given. I hope the hon. member will accept my assurance that that is so. When we think it is possible to effect the

extremely desirable form that he champions we will not be slow in giving effect to it. But this is not the time. Perhaps next year if we find that the position is as he has stated or our prosperity is such that we can afford to grant some remissions in taxation we may be able to do something.

Amendment put, and a division taken with the following result:—

Ayes	15
Noes	22
Majority against ..	7

Ayes.

Mr. Boyle	Mr. Patrick
Mrs. Cardell-Oliver	Mr. Sampson
Mr. Ferguson	Mr. Seward
Mr. Hill	Mr. J. M. Smith
Mr. Latham	Mr. Watts
Mr. Mann	Mr. Welsh
Mr. McLarty	Mr. Doney
Mr. North	(*Teller.*)

Noes.

Mr. Coverley	Mr. Munsie
Mr. Cross	Mr. Needham
Mr. Doust	Mr. Nulsen
Mr. Fox	Mr. Raphael
Mr. Hawke	Mr. Rodoreda
Mr. Hegney	Mr. F. C. L. Smith
Miss Holman	Mr. Styants
Mr. Johnson	Mr. Tonkin
Mr. Lambert	Mr. Troy
Mr. Marshall	Mr. Willcock
Mr. Millington	Mr. Wilson
	(*Teller.*)

Pairs.

Ayes.	Noes.
Mr. Stubbs	Mr. Wise
Mr. Brockman	Mr. Withers
Mr. Keenan	Mr. Collier

Amendment thus negatived.

Clause put and passed.

Progress reported.

BILL—WHALING.

Received from the Council and read a first time.

BILL—FARMERS' DEBTS ADJUSTMENT ACT AMENDMENT.

Second Reading.

Debate resumed from the previous day.

HON. P. D. FERGUSON (Irwin-Moore) [9.21]: The Bill provides for the continuance for a period of three years from 1938 to 1941 of the measure, which was passed in 1931, dealing with the adjustment of the debts of farmers who found themselves in difficulties as a result of the depression and the consequent unpayable commodity prices. It is interesting to note that since the passing of the parent Act six years ago, no fewer than 2,990 applications have been received, indicating the widespread necessity for this legislation. Of those 2,990 applications 2,161 have been dealt with; 2,106 have been accepted by the trustees, and only 55 of them rejected, indicating how absolutely genuine the great bulk of those applications were. This shows that of the 2,990 farmers who found themselves in difficulties and thought they could get assistance as the result of this legislation which was designed to help them in their difficulties, only 55 were rejected by those in control as being——

Mr. SPEAKER: I ask hon. members to keep order. I can hardly hear what the hon. member is saying. Hon. members are not supposed to be walking about or speaking over the backs of the benches.

Hon. P. D. FERGUSON: Of the £2,700,000 owed by those 2,990 farmers to the Agricultural Bank £655,577 has been written off by the Bank, representing approximately 25 per cent. Of the £908,000 that these farmers owed to unsecured creditors £662,983 has been written off, or approximately 70 per cent. The unsecured creditors of these farmers have been prepared, in an effort to assist in the rehabilitation of this industry, to accept payment averaging something like 5s. in the pound on the amount of the indebtedness of these farmers to them, and I want to know what the secured creditors have done or are doing in an endeavour to assist. There is no doubt that if the agricultural industry is to be really rehabilitated something will have to be done by the secured creditors, and up to date most of the burden has fallen on the unsecured creditors, other than the Agricultural Bank. Not only have the secured creditors had their security enhanced and increased in value as a result of the action of this legislation, and as a result of the assistance that has been rendered to the farmers by the Agricultural Bank and by the unsecured creditors, but in the great majority of cases the secured creditors have done little or nothing to assist in this regard. It is the duty of Parliament to re-enact this legislation. There is still a considerable amount of work to be done in this direction, work that can only be of considerable value to the agricultural industry as a whole and

particularly those who have found themselves in financial stress due to no fault of their own. I therefore support the second reading.

Question put and passed.

Bill read a second time.

In Committee.

Bill passed through Committee without debate, reported without amendment, and the report adopted.

BILL—LAND ACT AMENDMENT.

Second Reading.

Debate resumed from the 26th August.

MR. PATRICK (Greenough) [9.30]: This Bill is intended to permit of an increase of the area of cultivable land in certain instances, and to continue relief by exemption or partial exemption of rent where there are drought conditions. There is no doubt regarding the former part; it has been required for some time. I believe that the Agricultural Bank Commissioners wanted to deal with certain classes of land, but there are circumstances apart from those mentioned by the Minister that make the amendment valuable. There are instances of land having been taken up under soldier settlement, the area of which was not sufficient for two soldier settlers, though it was too much for one. To comply with the conditions of the Act, it had to be taken up by two settlers. There is an instance in my neighbourhood of a block of 1,300 acres having been purchased. The purchase money was too much for one settler, and the block was taken up by two settlers, but there was never a living in it for two, and consequently it has been farmed by one man all along. This Bill will empower the Commissioners to make it a one-man proposition. Under the present Act, 1,000 acres of cultivable land is allowed, or 2,500 acres of mixed land, or 5,000 acres of grazing land. "Cultivable land" is now differently defined as compared with the old conditions of the Land Act. I remember when land used to be classified as first, second and third class. The term "first-class land" did not necessarily mean cultivable land. In my district one could take up a block of what was termed first-class land, and two-thirds of it could not in any circumstances be cultivated, because it was rough, hilly country, but the classifiers were guided by the class of timber growing on it, and classified it as first-class. Now the term "cultivable land" is used, and there are circumstances under which apparently the area needs to be increased. I do not know that the circumstances have not arisen before and been dealt with in connection with the Esperance country, but I believe that the area there was increased. No doubt it has been the experience of every country that when prices were high, wheatgrowing was carried out into uneconomic districts, and later it has been found that a larger area was required in those districts so that farmers could undertake grazing. According to a cable message a week or two ago, 5,000,000 acres of land in Canada had proved a failure in seven successive seasons, and the Government intended to abandon it for farming. In the United States, the Government is buying back millions of acres of land on which farmers have been attempting to grow wheat, the intention being to convert it back into cattle country. In my young days in South Australia I heard the Hon. John Warren, who I believe has sons in this State, contending that the Government were breaking up good pastoral country—salt-bush country—in the attempt to turn it into wheat land, and that the day would come when that action would be regretted because the land was not suitable for wheat. I considered at the time that Mr. Warren was wrong and was putting up the argument as a pastoralist, but experience has proved his prophecy to be entirely correct. The Minister for Lands has referred at times with admiration to the way in which the South Australian farmers have succeeded in carrying on. Although South Australia is an older farming State than is Western Australia, the farmers there have evidently been labouring under considerable difficulties. According to the report of the Lands Department of South Australia for this year, the arrears of rents and instalments on Crown lands, closer settlement lands and soldier settlements, exclusive of irrigation areas, amounted to £1,644,330. Of this sum £30,765 was arrears of rents on pastoral leases. In the irrigation settlement, the arrears of interest and instalments amounted to £336,890, while arrears of water rates totalled £298,158. When I tell members that the whole area of the irrigable land is only 17,691 acres, and that already several millions have been written off, they will ap-

preciate what an expensive undertaking that has been.

The Minister for Lands: There is some mistake in those figures.

Mr. PATRICK: They are taken from the report of the Lands Department of South Australia. It shows that the area under vineyards was 12,936 acres, orchards 1,422, lucerne 1,114, and citrus trees 2,225 acres, a total of 17,691.

The Minister for Lands: There is something wrong with those figures.

Mr. PATRICK: According to the report, that is the area under the control of the Irrigation Commissioners.

The Minister for Lands: There would be that area at Renmark.

Mr. PATRICK: Renmark was settled when I was a boy. I have given the figures from a reliable source. I do not think members have any alternative to supporting this amending Bill, because it has been proved to be necessary. Regarding the assistance to be granted to pastoralists, the Minister resented some of the criticism that had been made. I do not think there has been any criticism in this House, apart from that of the member for Roebourne and the member for Kimberley. The member for Roebourne, by interjection, said he still believed what he had stated previously, and the member for Kimberley, on a previous occasion, criticised the management of the different stations, and said there should be a subdivision of the areas. I think that was the only criticism offered by members in this House. The Minister applauded the work of the pastoralists and the prospectors—all of us join with him in applauding their work—but then he made a foolish and unnecessary comparison with what he called "squealers," at the same time looking at members on this side of the House. Whether he was referring to us, I do not know. When a previous Government introduced legislation to extend the tenure of the pastoral leases, the then Opposition made disparaging comparisons with the farmers. They considered that we were giving a concession to the pastoralists—what they termed security of tenure—and were denying it to the farmers. Now apparently the Minister is on the opposite tack.

The Minister for Lands: I supported that Bill.

Mr. PATRICK: I am speaking of the criticism offered by colleagues of the Minister. The Minister is now taking the opposite tack, but all such comparisons, in my opinion, are foolish and unnecessary. The Minister interjected a moment ago that he had supported the extension of the pastoral leases. I am glad he did so, because probably the extension was of greater value to pastoralists than the concessions in regard to rent. The pastoral industry is conducted to a great extent by large financial firms, and the extension, in their opinion, was necessary before they would continue finance.

Mr. Coverley: A plausible argument to get the extension through years ahead, and you know it.

Mr. PATRICK: Plausible or not, the argument evidently convinced the Minister for Lands, because he said he supported it. I do not know whether the member for Kimberley opposed the extension of the leases.

Mr. Coverley: I opposed the way it was done.

The Minister for Mines: I would oppose it again to-morrow. It was the worst thing ever done.

Mr. PATRICK: It was of considerable value to the pastoral industry, because that industry is mainly carried on by large financial firms, and assistance has been very necessary during the past few years.

Mr. Rodoreda: The leases were extended ten years before the period of their expiration.

Mr. PATRICK: There is no need for me to say anything more. The House must support the second reading of the Bill. As the Minister has pointed out, the pastoralists have had a particularly hard time. I am told that in some parts of the Murchison the present is about the seventh bad year in succession. As some of the pastoralists have said, the drought is bound to break some time. We can only hope that it will break in the very near future.

MR. BOYLE (Avon) [9.42]: I support the Bill. I consider that it is a long overdue measure. The hands of the Minister have been tied by the Land Act, particularly by the old conception of what constituted cultivable land. In years gone by, heavily timbered country was supposed to be the hall mark of perfection when it came

to land selection. Blocks were limited to an area of 1,000 acres. The result of that tragic error or miscalculation by the people responsible—I do not suppose they could be blamed for it, because they had nothing to guide them—is apparent to-day in those settlements on the eastern fringe of the wheat belt. Even in the wheat belt itself the 1,000-acre blocks that were allotted are in many instances proving altogether inadequate to permit of the conversion of those properties into mixed farms. The Government is faced with a very serious problem in the north-eastern portion of the wheat belt. Only to-day I received a letter from a representative organisation conveying that the settlers there are faced with the third successive year of almost absolute crop failure. It is incumbent on the Government—and I am glad that the responsibility is being accepted—to proceed with a scheme of linking up those blocks, and this cannot be done without the present amending Bill. In fact, I shall go further; I intend in Committee to ask for an area greater than the 2,000 acres. There is a very big difference in what one may term cultivable land. Many blocks, especially in the eastern areas, are timbered; and there is a peculiar formation, sub-calcareous rubble technically, which is proving a disastrous proposition for the settlers who took up the blocks as first-class country. The Minister shook his head when I mentioned an extension of the area. However, I am quite sure that whether he continues to administer the Lands Department or not—he cannot be there for ever, and I am not assuming his term is drawing to a close—elbow room, so to speak, should be given to the Minister in that regard. The wheat belt of this State is different from anything else in Australia. The restrictions hitherto imposed on the Minister by the Land Act should be removed. Therefore I hope that the House will accept the amendment which I intend to move in Committee.

HON. P. D. FERGUSON (Irwin-Moore) [9.47]: I support the second reading of the measure, for the reasons which have been outlined by other members; but I would like to ask the Minister for Lands whether he has given serious consideration to the proposal to substitute five acres of grazing land as the equivalent of two acres of cultivable land. Will the hon. gentleman agree to alter "five" to "ten"? There are many areas of grazing land in this State which consist of poor sandplain country.

The Minister for Lands: No. We do not regard that as grazing land under the Bill.

Hon. P. D. FERGUSON: Will the Minister tell us what he regards as grazing land? Is the grazing land contemplated in the Bill the land in the north-eastern areas that has been proved during recent years to be unsuitable for wheatgrowing? Does the Minister want to turn that into grazing land?

The Minister for Lands: What grazing land is that?

Hon. P. D. FERGUSON: I ask whether that is the land to which the Minister refers?

The Minister for Lands: Yes.

Hon. P. D. FERGUSON: I should say that five acres of that land would be the equivalent of two acres of first-class land. However, I want in the Land Act a provision by which a larger area than five acres of sandplain country would be deemed the equivalent of one acre of first-class land. Under the Bill the Minister will have power to allow only five acres. I hope he will agree to my suggestion.

THE MINISTER FOR LANDS (Hon. M. F. Troy—Mt. Magnet—in reply) [9.49]: I wish to make a few remarks on the references made to the Bill by hon. members opposite. As regards the reference made by the member for Avon (Mr. Boyle) to the desirability of larger areas, I consider that hon. members ought to be content with the Bill. It doubles the area, making it 2,000 acres instead of 1,000. This country is not to be judged by one or two seasons, or even by a cycle of seasons, whether good or bad. It must be judged over the years. The greater proportion of all this country which hon. members now regard as suspect will be useful country in the years to come. Probably in future years it will be said that the Government has given the country away, and that numbers of people are being shut out of occupation of land because the short-sighted Government gave the land away. In addition, in the eastern areas, as the members for Avon (Mr. Boyle) and Yilgarn-Coolgardie (Mr. Lambert) and Mt. Marshall (Mr. Warner) know, large areas of this country have been abandoned. What we are doing now is to allow the farmer to take up 2,000 acres under conditional purchase and lease other areas for ten years at a rent representing a certain percentage based on

the capital expenditure, which is frequently cut down to £300 or £400. In the Southern Cross area, land which the Agricultural Bank estimated as security for £2,000, has been reappraised at as little as £400. The settler on such a property is paying five per cent. on £400 for a lease of ten years. Is it not better to give a man 300 acres freehold with the opportunity of taking up 2,000 acres more on ten-years leasehold to prove what the country is worth? In ten years there should be a perfect experience showing what the value of the country is. That is the policy which I feel the Government should pursue, and which has been adopted. The rental is small—probably £20 a year. As regards the sandplain country, of which the member for Irwin-Moore (Hon. P. D. Ferguson) always speaks, any applicant can hold 5,000 acres of that country to-day. But he can do better than that. Even though every inducement has been offered to settlers to take up 5,000 acres free of rent for five years, after which it is sold to them at 1s. per acre, people are not availing themselves of this country. They took up large areas when the price of the land was reduced to 1s. per acre, but in the great majority of cases they did not utilise it; they merely held it until the rent became due and then abandoned it. We have now adopted another policy: any person can lease up to 10,000 acres of that land for ten years.

Hon. P. D. Ferguson: Are there any improvement conditions?

The MINISTER FOR LANDS: Yes. Lessees must fence the land and utilise it for stock. It is not necessary for them to cultivate the land. Settlers can get areas under extremely easy conditions. Any applicant now may take up 10,000 acres of that land at 5s. per thousand acres, or £2 10s. a year. There are millions of acres of such land in Western Australia which can be utilised in that way. I hope we shall get it utilised by giving the leaseholder security for a term and by making the conditions easy. Thus that country can be brought into production.

Mr. Patrick: Would the lease be extended at the end of the ten years?

The MINISTER FOR LANDS: I think so. I have written and talked to people trying to induce them to take advantage of the offer. I trust hon. members will not attempt to amend the Bill in Committee, because the Agricultural Bank wants to proceed with reconstruction in the outer area and I want that work pushed on without delay. As regards the Esperance district, that work has been done. The country in the eastern districts known as morrel country is not regarded now as cultivable land, but as grazing land. That is how we get over the difficulty. Neither the Lands Department nor the Agricultural Bank would create a farm of 2,000 acres of morrel in one unit. That would come under the heading of grazing. It is quite possible that in years to come the morrel country will be productive country, particularly from the stock standpoint. I hope hon. members will not attempt to amend the Bill in Committee, because I think the measure meets the situation for the time being.

Question put and passed.

Bill read a second time.

In Committee.

Mr. Sleeman in the Chair; the Minister for Lands in charge of the Bill.

Clause 1—agreed to.

Clause 2—Amendment of Section 47:

Mr. BOYLE: I move an amendment—

That in line 7 of the clause the word "one" be struck out, and "five" inserted in lieu.

The Minister in his reply mentioned that the Government proposed to link two blocks with the leasing of additional land for ten years. I greatly fear that the leasehold principle does not offer much attraction. The land would be leased for ten years, and there would be a restriction to 2,000 acres. It will mean that two 1,000-acre blocks will be linked up. If the Minister excludes snuffy morrel country as non-cultivable, I cannot see objection to the amendment. It simply gives the Minister more power than he has now. Among farmers there is a good deal of objection to being restricted to two blocks. I have one instance in mind with regard to the Goomarin district. There are four farmers there who have been working upon a scheme of linking up with the idea that each farmer will secure three blocks. The Bill will restrict them to two blocks, and, in addition, will offer them a leasehold proposition, but I know that will not be acceptable to most farmers concerned.

The MINISTER FOR LANDS: I do not quite understand the purport of the amend-

ment. I think the hon. member should reconsider it.

Mr. BOYLE: The Minister is quite right. I misread the provision, and ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Mr. BOYLE: I move an amendment—

That in line 6 of subparagraph (3) of the proviso "two" be struck out and the word "five" inserted in lieu.

The MINISTER FOR LANDS: For the reasons I have already given I cannot accept the amendment. It is asking too much to agree to 5,000 acres in the areas concerned. The Committee should be content with the explanation I have given. We are proposing to increase the acreage that any person can hold by 100 per cent., and, in addition, where possible, we will grant a lease of additional land to the conditional purchase holder for 10 years at a nominal rental. To allow the man to hold 5,000 acres under the conditions proposed would be going altogether too far.

Mr. SEWARD: Is any provision made for a renewal of the lease of the extra land that the individual may be permitted to take up?

The MINISTER FOR LANDS: No, not with regard to land in the sand plain country. It will be appreciated that all the improvements are already made on the holdings. The Bank has spent upwards of £2,000 or £3,000 on improvements, and the liability has been reduced to £400, so that the farmer will pay merely a percentage of the costs. He will not be called upon to make any improvements at all. There is nothing to prevent an agreement being arrived at in regard to compensation in respect to any additional improvements he may make.

Mr. Seward: I referred to such matters as the provision of additional water supplies.

The MINISTER FOR LANDS: That could be dealt with by means of an agreement. We are doing that now.

Amendment put and negatived.

Clause put and passed.

Clauses 3 and 4—agreed to.

Title—agreed to.

Bill reported without amendment and the report adopted.

BILL—COLLIE HOSPITAL AGREEMENT.

Second Reading.

Debate resumed from the 26th October.

HON. C. G. LATHAM (York) [10.10]: I have had an opportunity to peruse the Bill. It provides for the ratification of an agreement entered into between the Minister and the various local authorities. I quite understand the necessity for it because it would be impossible for any of the revenue to be taken from the local body without this special authority. There is no reason why the House should not pass the Bill. It is the usual type of agreement entered into by local authorities and the Government and will enable the Government to get back some of the money that has been advanced. I have no objection to the Bill.

Question put and passed.

Bill read a second time.

In Committee.

Bill passed through Committee without debate, reported without amendment, and the report adopted.

BILL—FINANCIAL EMERGENCY ACT AMENDMENT.

Second Reading.

Debate resumed from the 26th August.

MR. McDONALD (West Perth) [10.12]: This Bill is to continue the only remaining provision of the Financial Emergency Act for a further 12 months, that provision being the clause that relates to the reduction of interest by 22½ per cent. The Bill has to be considered in connection with the Mortgagees' Rights Restriction Act Continuance Bill. The two Acts together now represent the joint protection to people who owe money on mortgage or who have bought land under contract of sale. We cannot terminate the Bill without some sort of notice and the remarks I made last night concerning the Mortgagees' Rights Restriction Bill substantially apply to the Bill now before the House. I therefore propose to support the second reading.

Question put and passed.

Bill read a second time.

In Committee.

Bill passed through Committee without debate, reported without amendment, and the report adopted.

House adjourned at 10.15 p.m.

Legislative Council,

Thursday, 4th November, 1937.

The PRESIDENT took the Chair at 4.30 p.m., and read prayers.

BILL—JUDGES' RETIREMENT.

Read a third time, and *passed.*

BILL—NURSES REGISTRATION ACT AMENDMENT.

Report of Committee adopted.

BILL—LOTTERIES (CONTROL) ACT AMENDMENT (No. 2).

Report of Committee adopted.

BILL—FINANCIAL EMERGENCY TAX ASSESSMENT ACT AMENDMENT.

Second Reading.

Debate resumed from the previous day.

HON. L. B. BOLTON (Metropolitan) [4.36]: Like several previous speakers, and probably like the Chief Secretary himself, I regret the necessity for the introduction of the Bill. I fear that the Act, instead of continuing as a measure of emergency taxation, is here to stay. The only thing to be done is to continue it as an emergency measure and embody it in our general scheme of taxation. I am definitely opposed to the principle of the Bill. I would support such a Bill only if a fixed money figure were stated as the amount of exemption. I am totally opposed to the basic wage being adopted as the exemption figure. It is almost waste of time to discuss the Bill further. I may say, however, that a good deal of criticism has been levelled at the Auditor General for remarks in his report regarding the Act. For my part, I support the Auditor General. If there is one Government official who should be allowed to express candid opinions on affairs of State, it is the Auditor General. I agree with the suggestion he makes. Unfortunately, however, this continuation measure is necessary for the maintenance of the finances of the State. Still, the remarks of the Auditor General strengthen our hands. Under present conditions I oppose the second reading of the Bill.

On motion by Hon. J. M. Macfarlane, debate adjourned.

BILL—ANNIVERSARY OF THE BIRTHDAY OF THE REIGNING SOVEREIGN.

In Committee.

Resumed from the previous day; Hon. V. Hamersley in the Chair, the Honorary Minister in charge of the Bill.

Clause 2—Governor may proclaim a day to be observed as the birthday of the reigning Sovereign (partly considered):

Hon. H. S. W. PARKER: I move an amendment—

That after the word "Act," in line 1, there be inserted "or under any industrial award or agreement made or entered into under the