

especially on roads. In most cases the roads to the timber mills are a perfect disgrace. One reason is that the local governing bodies cannot spend money on those roads because they are mainly on Crown land and lead to the State mills and therefore little or no rates are collected from the district. I hope the matter will be given consideration because people working at the mills more than anybody else are entitled to good roads. The only enjoyment most of them can hope for is to jump into their motor cars and drive to the beach or to town occasionally, and they should be able to do so without being shaken to pieces before reaching their destination.

Progress reported.

ADJOURNMENT—SPECIAL.

THE PREMIER (Hon. J. C. Willcock—Geraldton) [10.56]: I move—

That the House at its rising adjourn till Thursday next.

Question put and passed.

House adjourned at 10.57 p.m.

Legislative Council,

Thursday, 10th October, 1940.

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

ASSENT TO BILLS.

Message from the Lieut.-Governor received and read notifying assent to the following Bills:—

- 1, Financial Emergency Tax Assessment Act Amendment.

- 2, Coal Mines Regulation Act Amendment.
- 3, Mine Workers' Relief (War Service).
- 4, Mine Workers' Relief (Payments Authorisation).

QUESTION—HOSPITAL, NORTHAM.

Hon. V. HAMERSLEY (for Hon. G. B. Wood) asked the Chief Secretary: In view of the ever-increasing overcrowding and congestion at the Northam Government Hospital, which is causing much concern to the health authorities, will the Government make an early statement as to its intentions in respect to building extensions to the hospital?

The **CHIEF SECRETARY** replied: Yes.

BILLS (2)—THIRD READING.

- 1, Land Tax.

Passed.

- 2, Harbours and Jetties Act Amendment.
Transmitted to the Assembly.

BILL—ELECTORAL ACT AMENDMENT (No. 2).

Further report of Committee adopted.

BILL—INCOME TAX ASSESSMENT ACT AMENDMENT.

Second Reading.

Debate resumed from the 8th October.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West—in reply) [4.39]: I thought it desirable to take the assessment Bill before the tax Bill in view of the fact that amendments have been placed on the notice paper. I take this opportunity to explain briefly the reasons for the amendments appearing in my name. Since the Bill was received in this House, copies of the measure that the Commonwealth Government proposes to introduce to amend the Commonwealth Income Tax Act have come to hand, and that Bill deals with the question of taxation at the source. There are certain provisions in it which, if they become law, will render necessary an amendment of our legislation

to provide machinery to enable the joint State and Federal Taxation Department to work satisfactorily. The principal amendment has regard to the use of stamps. Naturally, it would not be desirable to have one stamp for State taxation and a separate stamp for Commonwealth taxation, seeing that both taxes are collected by the one department, and more particularly of course when our returns are joint returns. Therefore it has become necessary, according to the Crown Law authorities, to provide for the position that will arise. That is the reason for the amendments appearing in my name on the notice paper. It would be necessary, for instance, to have an agreement between the two Governments determining how we shall arrive at the amount due to the Commonwealth and the amount due to the State, both in regard to stamps that have been used and stamps which remain unused at the end of the financial year. Hon. members will, I think, realise that in such matters, which may be somewhat intricate, it is desirable that we should have in our legislation authority to deal with them in a proper way. I am advised that my amendments on the notice paper will enable that end to be attained. Then there is a further amendment dealing with employees, which I think speaks for itself. The object is to bring our legislation into line with that of the Commonwealth in this regard. In Committee, if necessary, I shall give a more detailed explanation.

I am pleased with the manner in which the measure has been received by the House; and that remark applies also to the Income Tax Bill. Evidently members are anxious to assist as far as they can, although one or two have exercised their right to criticise, pointing out what in their opinion are anomalies, and in one or two cases having pointed out things with which they disagree entirely. Still, the discussion on the measure has shown that every member is anxious to assist as far as he can. I propose to reply to the more important matters which have been raised in the course of the debate. Mr. Seddon, for instance, referred to the fact that under this legislation taxpayers would not be entitled to a deduction for financial emergency tax which they have paid, and which they have usually, under our previous legislation, been permitted to deduct. That is perfectly true

as from this year onward; but it is incorrect so far as the current financial year is concerned, because most taxpayers have paid their financial emergency tax and will be entitled to a deduction for the present year.

Hon. J. Nicholson: And then the deduction stops?

The CHIEF SECRETARY: Yes. So that any criticism there might be on that aspect of the Bill would be more correctly advanced on Bills to be introduced in the next session dealing with income tax and assessment. According to the taxation authorities there is a principle involved in this, inasmuch as it is generally recognised that State taxation should not be allowed as a deduction from taxable income for State taxation purposes, and that this is the only State of the Commonwealth where it has been allowed. We know that in relation to Federal taxation State taxes may be deducted from the amount on which one is to be assessed by the Commonwealth authorities.

Hon. J. Nicholson: It is a reasonable deduction.

The CHIEF SECRETARY: Yes, but not reasonable as regards the State.

Hon. J. Nicholson: I do not know that.

The CHIEF SECRETARY: That is recognised, I understand, by all taxation authorities. So we can say as regards the financial emergency tax that it has been a concessional deduction and that it cannot be placed in any other category. I must also point out that originally the tax was introduced as an unemployment tax, and that other States have also introduced taxation of a similar character. In three States of the Commonwealth where State taxation of that kind was introduced, it was allowed as a deduction, but in the other three States no deduction was allowed. Again, there has been other special taxation introduced by other Australian States, and in no case—so I am advised—except Tasmania has any allowance been made for those particular taxes. In any event, the Government, in considering the amount of money it will receive from taxation during the year, must have regard for the taxable income available—in other words, the field of taxation that is available—and fix the rate of tax accordingly. I think it will be understood by members that if we extend the field of taxation or, as the case may be, reduce it,

that fact must have a big influence on the rate of tax to be fixed in order to produce a given amount of money. Naturally on this occasion the Treasurer, notwithstanding the change in our method of taxation, is most anxious to receive from this source this year as much money as he received last year. He cannot afford to do with less, and I believe most members recognise that fact. As it turns out, on this occasion, if the estimates of the Commissioner of Taxation are fully realised, the Treasurer will be somewhere between £50,000 and £60,000 short of the amount received from this tax last year. Thus members will acknowledge that if there is any change in the Bill now before the House, it will be necessary for the Treasurer to consider by what means he can make up that additional amount of money. Further it would upset what has been described as the balance arrived at as a result of this method of taxation. The fact that the Treasurer will be between £50,000 or £60,000 short is a matter to which the House must, I submit, give every consideration.

Hon. A. Thomson: If the Treasurer is £60,000 over, I hope he will grant a corresponding reduction.

The CHIEF SECRETARY: There might be a possibility of that if the Treasurer's commitments do not increase, but from all appearances I should say that the prospects are very much against the hon. member's supposition. There is an amalgamation of the two taxes. In arriving at the rate of tax which would produce the same amount of money this year as last year, a highly involved procedure has naturally to be adopted. However, if there should be even 1 per cent. difference between the estimated and the actual result, that would mean a tremendous sum of money. With amalgamation of the two taxes, and collection at the source, and the change generally in our method of taxation, the Commissioner of Taxation has advised us that the amount to be received by the Treasurer this year will be between £50,000 or £60,000 less.

Hon. W. J. Mann: While some taxpayers will receive a remission of taxation, other taxpayers—on a higher grade—will pay more.

The CHIEF SECRETARY: If the hon. member had listened carefully to the debate the other evening, he would know there are certain classes of taxpayers who will not pay

as much tax this year as they did last year. Many matters must be taken into consideration in a measure of this kind. Members will recall that when I was introducing the Bill I remarked that the Treasurer had been very loth to depart from what he suggested last year would be the basis of taxation, namely, commencing at 9d. in the pound. In order to keep his word, he decided to adhere to what has been described as a scientific method, a tax commencing at 9d. in the pound and increasing by .01d. for every additional £1 of income. The Commissioner of Taxation says that that will make a difference of between £50,000 and £60,000 a year.

Mr. Seddon referred to the question of insurance canvassers. I understood him to say he was concerned on behalf of some storekeepers who transacted a certain amount of hire-purchase business, in that they sold agricultural machinery on time-payment and also occasionally sold on terms, a motor car or bicycle or articles of that description. The Commissioner of Taxation assures me that the term "insurance agent" has a well defined meaning, as has also the term "time-payment collector." Those two terms will not apply to the storekeepers for whom Mr. Seddon expressed concern. In any event, if the terms did apply, there was no reason why the storekeepers should not come to an amicable arrangement with the Commissioner of Taxation, who would be quite prepared to meet them. As a matter of fact, the Commissioner of Taxation said he could see little difficulty in the matter at all. Therefore Mr. Seddon has little cause to be afraid. A casual employee may be exempt for one or two weeks because he earns less than 37s. per week, but in the third week he may earn £2 per week and his employer would then make the necessary deduction. Members will agree with me that an insurance agent is in the same position as a casual worker. His income varies from time to time; on occasions he earns a large income, at other times not so much; but, as I have said, there will be no difficulty with regard to the storekeepers. I think Mr. Seddon will be satisfied with the Commissioner's explanation.

The more important question raised by Mr. Seddon dealt with an allowance for the spouse of a taxpayer. Members are aware that taxpayers have been entitled to a deduction of £50 for a spouse under the Federal taxation measure. That concession has prevailed for some years past, but has

never been allowed under State taxation. If it were allowed by the State, it would make such a large difference to the amount of tax which the Treasurer would receive that it would be absolutely necessary for him either to re-cast the whole of his taxation proposals, or—to put it briefly—to increase the rate of tax by at least 10 per cent. for every person, and in addition to reduce the statutory exemption. That is an extremely serious matter, as members will realise. I therefore asked the Commissioner to ascertain the effect of Mr. Seddon's suggestion, and I propose to give the House the information supplied to me by that officer. This will show members how serious the proposal is. When members have heard the details, I am sure they will realise that it is impossible for the Treasurer to sacrifice the amount of money that would be involved; this, on the estimate of the Commissioner of Taxation, is certainly not less than £100,000.

Hon. H. Tuckey: The deduction has not been allowed in the past?

The CHIEF SECRETARY: No. Mr. Seddon put forward an argument which I considered well worth taking a note of; the more I delved into the matter the more important it became, so I thought it would be well to let members know what the effect would be. The Commissioner of Taxation says that the amount of revenue which would be lost cannot be definitely ascertained, but it would be considerable—as I have said, about £100,000. I propose to take as an example the case of a taxpayer, a married man without dependants with an income of £300. Members will have noticed from the table that was supplied to them that such a taxpayer would pay a tax of £15 per annum, that is, without allowing a deduction for his spouse. If that allowance were made, however, his taxable income would be reduced from £300 to £150, just half.

Hon. V. Hamersley: Why £150?

The CHIEF SECRETARY: I will deal with that point in a moment. The tax would amount to £6 11s. 3d., instead of £15. That would mean a loss of £8 8s. 9d. All married persons, without dependants, who now have an income of £250, are taxed on an income of £150. The tax is £6 11s. 3d. If that taxpayer were allowed the deduction for his spouse, he would escape taxation altogether. So that the taxpayer with an in-

come of £300 who today pays £15 would, under Mr. Seddon's proposal, have his taxation reduced to £6 11s. 3d., whereas the taxpayer with an income of £250 would escape taxation altogether. I trust members will bear with me while I try to explain this particular case. In order to make the position plain, I have set out what a taxpayer with an income of £300 would pay under the Bill. There is no statutory exemption, because for every £1 over £200 the exemption is reduced by £2. So that on £300, being £100 over £200 there is no statutory exemption; it is wiped out. Consequently, there will be paid £15 by way of tax. Under Mr. Seddon's proposal on a net income of £300 the deduction of £50 would reduce the income to £250 and that figure being £50 over the statutory exemption of £200, and the statutory exemption being reduced by £2 for every £1 over, means that the statutory exemption is reduced to £100, thus leaving the taxable income at £150. The tax would then amount to £6 11s. 3d., or a loss of £8 8s. 9d. There is another disability in regard to a proposal of that kind, because we know that when a taxable income is reduced the rate of taxation is also reduced by .01d. for every £1. Members will therefore appreciate the extreme difficulty of arriving at the exact amount which would be involved in an amendment such as that suggested. The Commissioner said it would mean a loss of approximately £100,000, and in order that the Government might receive the revenue from taxation it had budgeted for, it would be necessary to increase the rate of taxation by not less than 10 per cent., and possibly also reduce the statutory exemption.

No additional liability is being imposed on any taxpayer by not making a deduction for a spouse, neither will any additional liability be imposed by continuing the present exemption which has been in existence since 1922. For the information of members I might state that for the years 1922 to 1930 the Federal exemption was £200 less £1 for every £3 in excess of £200, and since 1934 it has been £250 less £1 for every £2 by which the income exceeds £250. In this State, when an income reaches £300 the exemption disappears. Those were the main points that were raised with regard to the Bill. There were other matters mentioned on the Income Tax Bill which I propose to deal with when we reach it. But I suggest that it is

absolutely essential that the Treasurer should reach the estimates he has submitted to another place. Even though he succeeds in doing that there will still be a deficit. The figures quoted here and elsewhere have been supplied by the Commissioner of Taxation, and they were furnished by him in the belief that they were the nearest approach to accuracy on the facts as he knows them. Consequently, I must repeat that if there is any material alteration in the assessment Bill, it will be necessary for the Treasurer to consider what other alterations he will have to make so that he may be enabled to receive the amount of revenue in taxation for which he has budgeted.

Question put and passed.

Bill read a second time.

In Committee.

Hon. J. Cornell in the Chair; the Chief Secretary in charge of the Bill.

Clauses 1 to 4—agreed to.

Clause 5—Amendment of Section 17:

Hon. J. NICHOLSON: I should like to draw attention to what seems to be a matter that might receive the attention of the Treasurer. The proviso to the clause sets out that where goods are exported by a resident of the State to a place outside Australia and sold by him or by a branch of his business, or by an agent, the whole of the sale price of such goods shall, unless the Commissioner is satisfied that income tax has been paid in the country of sale upon the profit derived by the exporter, be deemed to be assessable income derived from a source in the State. My attention has been drawn to an instance where a resident of this State may also have a branch business in a country outside Australia. There is nothing in our assessment Act that enables the resident here to take into account losses sustained outside Australia. Assuming he has made a profit in the business in this State, he has to pay income tax on the full measure of that profit, but when he is making up his own accounts he finds unfortunately that his business outside has resulted in a loss in that particular year, and he cannot take that into account. That seems unjust. It would be advisable to add a proviso that would meet a case such as I have quoted. I have drafted a pro-

viso which, I think, will meet the position. I move an amendment—

That a further proviso be added as follows:—Provided that where a resident of the State carries on a business in the State and elsewhere, and that business as a whole results in a loss in any year, the assessable income of that taxpayer for that year shall include, and shall be deemed to include, the gross income derived from that business by that taxpayer from all the sources in this State and elsewhere.

That will enable the whole of the profits and earnings to be taken into account and an equitable method of assessment being arrived at instead of a fictitious one.

The CHIEF SECRETARY: Profits of a branch conducted overseas are not taken into account in this State, and therefore if we do not impose taxation in an instance such as that quoted by the hon. member, I cannot see that we are justified in making an allowance when a loss results outside the State. I oppose the amendment.

Amendment put and negatived.

Clause put and passed.

Clauses 6 to 10—agreed to.

Clause 11—Amendment of Section 79:

Hon. V. HAMERSLEY: There is an amendment on the notice paper in the name of Mr. Seddon who, unfortunately, is not present at the moment.

The CHAIRMAN: If the Bill is amended, as seems inevitable, Mr. Seddon can move his amendment on recommitment. If it is not amended, Mr. Hamersley can move for its recommitment after the last clause has been dealt with.

Clause put and passed.

Clauses 12 to 18—agreed to.

Clause 19—Amendment of Section 191:

The CHIEF SECRETARY: I move an amendment—

That in paragraph (a), after the word "wages" in line 6, the words "under a contract of service" be inserted.

This amendment has been rendered necessary so that our definition may be brought into line with the Commonwealth legislation. It will make the position a little more clear than it was originally.

Hon. G. W. MILES: What is the exact meaning of "contract of service"? A man may engage a carrier to cart goods for him. Would he be obliged to make deductions from the wages paid to that individual?

The CHIEF SECRETARY: So many arguments have occurred in the Chamber on the subject that I thought every member understood it. Under the Commonwealth Act the definition includes those who are under contract of service to perform certain work for certain wages or at a certain price. The definition would not apply to contractors, piece-workers and so forth.

Hon. H. S. W. Parker: A singer would be under a contract of service.

Amendment put and passed.

Hon. J. NICHOLSON: I move an amendment—

That subparagraph (b) be struck out.

The sub-paragraph in question relates to insurance, time-payment canvassers or collectors paid wholly or in part by commission. I do not see how such people can be looked upon as employees for income tax purposes. They should not be included in the category of employee.

Hon. J. J. Holmes: Would you exclude them from taxation?

Hon. J. NICHOLSON: No. They would have to make up their returns and account for their income.

Hon. H. S. W. Parker: Would you not have to redraft the Bill?

Hon. J. NICHOLSON: I think not.

Hon. G. Fraser: They are employees just as much as are members of Parliament.

The CHIEF SECRETARY: I am surprised that Mr. Nicholson should have moved such an amendment. Apparently he feels he must continue the argument he has raised on so many previous occasions concerning the relationship of master and servant, and the relationship of an insurance canvasser and the company employing him. The object of the definition is to provide that insurance collectors shall be entitled to have their income tax deducted at the source, just as is the case with other employees. From many of such people difficulty has been experienced in collecting the tax due. It will be noticed that members of Parliament are specifically provided for; they are not workers within the meaning of the Act.

The CHAIRMAN: The Chief Secretary should not reflect upon members of Parliament.

The CHIEF SECRETARY: I am not doing so, but that is the point I wish to

make. The inclusion of the definition is also necessary to bring the State into conformity with the Commonwealth legislation.

Hon. J. Nicholson: But these words are not included in the Commonwealth Act.

The CHIEF SECRETARY: They are to be included in the amending legislation that the Commonwealth Government intends to introduce. I do not see why insurance canvassers should not be able to pay taxation at the source, as other members of the community can.

Hon. G. W. Miles: Probably we shall lose revenue if we do not agree to the definition.

The CHIEF SECRETARY: That is quite possible.

Hon. H. S. W. PARKER: The definition is necessary to facilitate the drafting of the Act generally, and if we strike it out, many alterations will be necessary to overcome the consequent difficulties. I am concerned about the word "time-payment." The paragraph refers "to an insurance or time-payment canvasser or collector." Does that mean a time-payment canvasser and a time-payment collector? Does the word "time-payment" qualify both canvasser and collector?

The CHIEF SECRETARY: In order to meet the point raised by Mr. Parker, it may be necessary to insert the word "time-payment" before the reference to collectors as well.

Hon. J. Nicholson: I think you will have to go further and make it read: "to an insurance or time-payment canvasser and to an insurance or part-time collector."

The CHIEF SECRETARY: We can let the matter pass for the time being, and I will have it looked into.

Amendment put and negatived.

The CHIEF SECRETARY: I move an amendment—

That the following further paragraphs be added to the definition of "employee":—

"(d) a member of Parliament;

(e) any person who receives or is entitled to receive any salary or wages as defined in paragraph (b) of the definition of 'Salary or wages' hereunder."

Amendment put and passed.

The CHIEF SECRETARY: I move an amendment—

That the following paragraph be added:—

“(c) by deleting from the definition of ‘Salary or wages’ the word ‘such’ in line four of the said definition and inserting in lieu thereof the words ‘an employee under a contract of service.’”

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

Clause 20—agreed to.

Clause 21—Amendment of Section 205:

The CHIEF SECRETARY: I move an amendment—

That in line 5 of proposed new Subsection (3), the words “whereby it is provided that” be struck out, and the words “as provided for in Section 205A of this Act and pursuant thereto” inserted in lieu.

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

Clauses 22, 23—agreed to.

New clause:

The CHIEF SECRETARY: I move an amendment—

That a new clause, to stand as Clause 22, be inserted as follows:—

“Use of Commonwealth Tax Stamps by the State.

22. (1) Where the Parliament of the Commonwealth has enacted legislation which is similar to the provisions of this Division and tax stamps are prepared and placed on sale by the Commonwealth Authority for the purposes of that legislation, the Governor of the State may arrange with the Governor-General of the Commonwealth, or the State may arrange with the Commonwealth, as the case may require, for the use by the State for the purposes of this Division of tax stamps, prepared and placed on sale by the Commonwealth Authority as aforesaid.

(2) The agreement relating to any such arrangement may make provision for any other matters necessary or convenient to be provided for carrying out the arrangement.

(3) The agreement relating to any such arrangement shall contain a provision for ascertaining what proportion of the proceeds of the sales of Commonwealth tax stamps in the State shall be deemed to be attributable to sales for the purposes of this Division and what proportion shall be deemed to be attributable to sales for the purposes of the Commonwealth legislation, and the proceeds shall, in the first instance, be divided between the State and the Commonwealth accordingly.

(4) As soon as possible after the close of each financial year, the State and the Commonwealth shall, in accordance with such

method as is specified in the arrangement, determine what proportion of the proceeds of sales of Commonwealth tax stamps in the State during that financial year was attributable to sales for the purposes of this Division and what proportion was attributable to sales for the purposes of the Commonwealth legislation and the State or the Commonwealth, as the case requires, shall make such payment to the other party as is necessary in order that each shall receive the proportion to which, under the terms of the arrangement, it is entitled.

I explained the purport of this amendment during the second reading debate. It represents a machinery provision necessary for proper functioning between the Commonwealth and State departments under the new form of taxation that the Commonwealth intends to include in its new legislation, which will provide for taxation at the source for which stamps will be required. The phraseology of the amendment is that of the Crown Law Department and sets out fairly clearly what I have already advised members is the intention of the Government.

Hon. A. THOMSON: How will differentiation be made for the protection of the State if only Commonwealth stamps are used? If the amounts payable to the Commonwealth and the State are similar, it will be a simple matter, but if the amounts payable are different, what will be the position? I am just wondering whether the State may not be at a slight disadvantage.

The CHIEF SECRETARY: All such payments will have to be dissected. There will be an agreement between the two departments providing for the method of arriving at the amounts due to the Commonwealth and the State respectively. This clause is necessary to provide the power to do that. I am informed by the Commissioner that considerable dissection work will be necessary and it is essential that everything should be decided upon beforehand by means of an agreement between the two departments.

Hon. A. THOMSON: I am inclined to think we should wait until the Commonwealth and State Governments definitely place a scheme before us. The dividing of the spoils, if I may put it that way, will be an intricate matter. To agree to the clause will be to take a step in the dark, but I hesitate to hand over to the Commonwealth powers that may not appear on the surface. I do not doubt the

honesty of the Government in introducing the amendment, but the present system appears to be working satisfactorily for Western Australia. Stamps are issued bearing the imprint of Western Australia and we know that for each stamp placed on the wages book we are receiving what we are justly entitled to. The present is a much simpler method than that proposed in the amendment.

Hon. L. Craig: No; let us have one stamp to cover all the taxation.

Hon. A. THOMSON: Perhaps the hon. member has so many stamps to cancel that he is worried.

The CHIEF SECRETARY: In the final analysis the State Taxation Department will receive all it is entitled to and the same applies to the Commonwealth Taxation Department. Considerable dissection will be necessary but that is preferable to having two sets of stamps for which the employer must take the responsibility.

Hon. L. Craig: It is.

The CHIEF SECRETARY: If the employer has to decide how much Commonwealth taxation his employees have to pay and how much State taxation—

Hon. A. Thomson: That is laid down; there is a table.

The CHIEF SECRETARY: It is not as simple as that. The separate Acts contain different conditions. What will really happen is that there will be a joint stamp agreed to by the Commonwealth Government and the State Government. At the end of the year every taxpayer renders his return upon which an assessment is made. Prior to the assessments being sent out it will be necessary to have some agreement as to what proportion of the money which has already been received shall be applied to the State and what proportion to the Commonwealth. A departmental arrangement is necessary to facilitate the handling of money received by instalments during the year.

Hon. H. Tuckey: It will not affect the taxpayers at all.

The CHIEF SECRETARY: No. At the end of the year the two departments will need to have some method whereby they can adjust any difference.

Hon. A. Thomson: Who will determine what is to be paid to the State and what is to be paid to the Commonwealth?

The CHIEF SECRETARY: The representatives of the two Governments. The amount due to the respective departments is laid down by the Act, but we must have some machinery which will allow the Taxation Department in this State to divide the money after it has been received.

Hon. A. Thomson: That is what I am concerned about.

The CHIEF SECRETARY: There is no need to be concerned. The Acts lay down what each party is entitled to. The dissection in the Taxation Department will be based on the respective Acts.

Hon. A. Thomson: Would that mean the employment of more people in the Taxation Department?

The CHIEF SECRETARY: Once the Commonwealth Government has put into operation the Bill to which I have referred, the employment of more officers will be necessary.

Hon. G. W. Miles: The Taxation Department will collect more than in the past.

The CHIEF SECRETARY: Whether it collects more or not is immaterial to this particular question. The amendment is necessary to enable the two departments to devise a method enabling them to receive that to which they are entitled. The Commissioner has advised me that it will not mean much additional work.

Hon. A. THOMSON: The Chief Secretary has pointed out that this method will be more costly than the present system. We should endeavour to reduce costs as far as possible. I cannot agree that the method will mean the payment of more taxation.

Hon. L. Craig: It will be much more advantageous.

Hon. A. THOMSON: I do not know about that. I am not in the same position as the hon. member, but I cannot believe that it would be more trouble to employers to put two stamps on wages books than to affix one stamp.

Hon. G. Fraser: Three stamps are necessary because there is a hospital tax as well.

Hon. A. THOMSON: I have raised the point and obtained the information I sought, namely that the proposed method will be more costly than the present one.

The CHIEF SECRETARY: Though additional cost will be involved, it will amount to less than the additional tax that will be received. Already under our present State

system large numbers of defaulters are being brought to light which will mean in the aggregate—

Hon. A. Thomson: I am not objecting to the system of collection at the source.

The CHIEF SECRETARY: That being so, let us have the simplest possible method to deal with the matter. This clause will come into operation only when the Commonwealth Government adopts the method of collection at the source. The hon. member has no valid argument against the clause.

New clause put and passed.

Title—agreed to.

Bill reported with amendments.

BILLS (3)—FIRST READING.

- 1, Mine Workers' Relief Act Amendment.
- 2, Feeding Stuffs Act Amendment.
- 3, McNess Housing Trust Act Amendment.

Received from the Assembly.

BILL—RESERVES (GOVERNMENT DOMAIN).

Assembly's Message.

Message from the Assembly received and read notifying that it had disagreed to the amendments made by the Council.

BILL—LICENSED SURVEYORS ACT AMENDMENT.

Assembly's Message.

Message from the Assembly received and read notifying that it had agreed to the amendment made by the Council.

BILL—INCOME TAX.

Second Reading.

Debate resumed from the 8th October.

THE CHIEF SECRETARY (Hon. W. H. Kitson—West—in reply) [6.3]: As I remarked on the assessment Bill, the comment on this measure was rather helpful and certainly interesting in some respects. Mr. Seddon referred to the rate which would apply under this Bill as being particularly steep. I think he even went so far as to say that the proposal for the pro-

gression of tax would be ten times as steep as under the old method. No doubt the hon. member was perfectly genuine in making that statement, but I wondered how he could have arrived at such a conclusion. On examination I find that he was a long way from being correct. The new rates, instead of being ten times as steep as those under the old law, will be something less than 50 per cent. steeper in the manner of their progression. I cannot understand where the hon. member got the idea that the rate of progression was ten times as steep.

Hon. J. Nicholson: The rate is to be increased to .01d. whereas it was .001d. That is one one-hundredth as against one one-thousandth.

The CHIEF SECRETARY: The old rate of income tax progressed uniformly by .007d. whereas under this measure the progression is .01d. Thus the difference is far from being ten times as steep. Mr. Seddon also referred to the disappearance of the deduction for financial emergency tax payments. I dealt with this matter on the assessment Bill. I pointed out that this will not apply to the present year, so that taxpayers will not lose this deduction at any rate until we deal with the rates for 1941-42. Of course we cannot anticipate what the State's financial needs will be a year hence, but members will have an opportunity to express their views when the tax Bill is presented next session.

I should like to deal with some of the remarks made by Mr. Craig. He stated that the taxation of the income of companies was unfair, because an ordinary trading company was able to pass on the tax to its customers while a company such as a pastoral company could not do so. Taxation authorities agree that, in general, income taxes are not passed on. True, taxes on particular commodities may be and are passed on by being included in the selling prices of the goods. A perfect monopoly, if we can conceive of such a thing, might be able actually to pass on to consumers all taxation including income tax, but generally speaking it is not and cannot be done. Income tax is not like an impost on materials or commodities and is not a charge that enters into the cost of production. Naturally, the amount of income tax paid by companies varies according to their circumstances. While some companies pay high taxation, others pay very little.

Hon. L. Craig: It is passed on by adding to the percentage of profit.

The CHIEF SECRETARY: Companies can be taxed only on the realised surplus during a period of trading. I think the hon. member will find it very difficult to substantiate the general statement that income taxation is passed on to the general public. He might be able to quote an instance of this being an accomplished fact, but in the main it is not so.

Another point raised by Mr. Craig was that the present method of taxing companies has the effect of collecting tax from a company in respect of profit distributed to shareholders who are either not taxable or who are taxable at less than the company rate. He advocated taxing companies on undistributed profits only, and taxing dividends only in shareholders' assessments, if any, when the dividends reached them. This system was tried by the Commonwealth Government, but was abandoned as long ago as 1923.

Hon. L. Craig: Because more tax could be collected the other way.

The CHIEF SECRETARY: No, it was abandoned in order to provide for a less expensive system—

Hon. L. Craig: As I said, this is an easy system for the Government.

The CHIEF SECRETARY: —and bring the Commonwealth Act into closer conformity with the State Acts, all of which taxed companies on the whole of their profits.

Hon. L. Craig: Quite so.

The CHIEF SECRETARY: This matter was the subject of inquiry by a Royal Commission, and from those investigations I have some information that should interest the hon. member. The Commonwealth appointed a Royal Commission in 1932 to inquire into the question of simplifying and standardising the taxation laws of the Commonwealth and the States. The Royal Commissioners were Sir David Ferguson, a retired justice of the Supreme Court of New South Wales, and Mr. E. V. Nixon, a chartered accountant of Melbourne. All of the States co-operated in the work of the commission.

In its first report, the Royal Commission referred to the disadvantages of the system that was spoken of by Mr. Craig. These disadvantages include the necessity for

analysing each dividend paid by a company to determine the percentage of exempt income included therein in order that an adjustment might be made in the return of each shareholder.

Hon. L. Craig: They have to do it to-day.

The CHIEF SECRETARY: In the case of a dividend distributed out of accumulated income that has previously paid tax in the hands of the company, such dividend must also be analysed to determine how much has been paid out of the profits of a given year or years, and the rebate that should be allowed to each shareholder in his individual assessment. This system involved an analysis of each dividend and the determination of an appropriate rebate, and, in the circumstances, shareholders would have experienced much difficulty in checking the rebates allowed to them.

Hon. L. Craig: I did not mean that. There is something you have misunderstood.

The CHIEF SECRETARY: That is what the system would involve.

Hon. L. Craig: That might be so, but I cannot see it.

The CHIEF SECRETARY: The commission was also impressed by the fact that considerably less revenue would be collected under that system.

Hon. L. Craig: That is what I said.

The CHIEF SECRETARY: In Western Australia, under present conditions, clearly that loss would have to be made good by an increase in the rate of tax payable on undistributed profits or payable by all taxpayers. In paragraph 51 of the first report, the Royal Commission stated—

At first sight it may seem reasonable that no tax should be collected from the company in respect of profits distributed to shareholders who are either not taxable or who are taxable at less than the company rate. But, in our opinion, there is no real justification for exempting such profits either wholly or partially from the tax that is now payable by the company. The shareholders of a company, by their association in a corporate body, get the benefits which under the law are incident to incorporation, and we think it not unreasonable that they should pay something for these privileges.

The commission concluded that the system could not be recommended, and finally endorsed the method of taxation on companies that has been provided for in the In-

come Tax Assessment Act of this State and is uniform with the Commonwealth law in this respect.

In another part of his speech, Mr. Craig contrasted the taxation of mutual life assurance companies and the exemption from income tax of the incomes of superannuation funds. In considering this matter, it appears to be desirable to traverse briefly the basis of taxing the incomes of mutual and other life assurance companies. Income from premiums, interest on overdue premiums and interest from Commonwealth loans are not taxed. The hon. member conveyed the impression that every premium paid by even a small member of a mutual society was taxed.

Hon. L. Craig: No, nothing of the sort.

The CHIEF SECRETARY: That was the impression he gave the House.

Hon. L. Craig: No; I did not include the premium income.

The CHIEF SECRETARY: The principal forms of income on which such companies are taxed are rents and mortgage interest. These companies usually engage in letting valuable city office properties, and in this respect compete with private individuals and ordinary companies who are required to pay income tax on such income. Members should also appreciate that the ability of persons to undertake assurance is enhanced by the allowance of a deduction up to £50 for life assurance premiums for a taxpayer and his family.

Hon. L. Craig: That applies only to people who are taxable.

The CHIEF SECRETARY: If, as Mr. Craig said, the average annual premium paid by policy-holders is about £7, the maximum deduction of £50 should cover most of the larger policy-holders and should represent, in their cases, a large saving in income tax.

Hon. L. Craig interjected.

The PRESIDENT: Order! The hon. member will have an opportunity to speak in Committee.

The CHIEF SECRETARY: Turning to superannuation funds, we find that such funds are generally invested in Government securities, the interest on which is exempt from income tax in the hands of superannuation funds and life assurance companies alike. Therefore there is no difference between the two in that respect.

A suggestion was made by Mr. Baxter that persons in receipt of small incomes should contribute something—not necessarily at the existing minimum rate—towards the expense of State services. Members should bear in mind, however, that income tax is not the only form of taxation imposed by the State and Commonwealth Governments, and that such persons generally pay proportionately more in indirect taxation than do persons on higher incomes.

Regarding the respective contributions under the old and new rates by married persons, without children, having incomes of £300, £400 and £900, it is necessary to recall certain features of the financial emergency tax rates. Members will agree that those rates were most unscientific. They advanced by steps at certain arbitrary points and contained no progressive increase at all above an income of £806. In place of that, we now propose a rate of uniform progression throughout the range of incomes up to £4,500. Anomalies existed in the previous rates, and naturally when the contributions under the old rates are compared with those under the new rates, the differences will be neither uniform nor proportionate at every point. Let me cite an example of the anomalies in the progression of the financial emergency tax that the new scale of rates will correct. A person with an income of £806 paid in financial emergency tax £3 8s. 1d. more than a person receiving an income of £805. For £1 of additional income, that taxpayer had to pay increased taxation to the extent of £3 8s. 1d. That is one of the striking anomalies of the old method and, as I have indicated, will be avoided under the new system. Many anomalies that existed before will be removed. Though it might be possible at the moment to point to various anomalies like those which have been mentioned, there will be no chance of such anomalies recurring after this year. I hope the Chamber will approve of the Bill without amendment.

Question put and passed.

Bill read a second time.

House adjourned at 6.20 p.m.