

their industry. The minority is always defeating them. The majority cannot function because the minority upsets their organisation. The Government must do something for the marketing of milk and the products of milk if our dairy farmers are ever to arrive at a flourishing position. I have said sufficient to convey to the Government that I will never be satisfied until they realise that we are losing money through our marketing methods, and that production itself is not the seat of the trouble. We can reduce the cost of production to an extent. We can do much through a review of the tariff. Where, however, we can save pence in the cost of production, we can save shillings through marketing. So long as we carry on the number of organisations that exist to-day, interfering with the free exchange between consumers and producers, so long will our producers be in difficulties. Queensland and New South Wales stand out as the marketing States of the Commonwealth. We must get into line with them. We can do things better than they are doing. We are nearer to the markets and we are beginning with some of our industries. We have not built up a big vested interest. If we give our producers an opportunity to control the marketing of their products, and give them the full result of their labour, they will have a chance to overcome their difficulties. In the interests of the men, women and children associated with our primary industries I appeal to Parliament to do something to tackle the marketing problem.

Progress reported.

*House adjourned at 11.7 p.m.*

## Legislative Council,

*Thursday, 29th October, 1931.*

	PAGE
Question: Unemployment, farm labour subsidy	4887
Leave of absence	4887
Bills: Reserves (No. 2), 3R.	4887
Roads Closure (No. 2), 3R.	4887
Land Tax and Income Tax (No. 2), 2R.	4887
Dividend Duties Act Amendment, 2R.	4891

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

### QUESTION—UNEMPLOYMENT.

#### *Farm Labour Subsidy.*

Hon. E. H. H. HALL asked the Chief Secretary: 1, Is it a fact that the Government have decided to discontinue, as from the 14th November next, the farm labour subsidy scheme? 2, If so, what has caused this decision? 3, How many men are at present engaged under the scheme?

The CHIEF SECRETARY replied: 1, Yes. 2, Because it has served the purpose for which it was devised. 3, 2,500.

### LEAVE OF ABSENCE.

On motion by Hon H. Seddon, leave of absence for six consecutive sittings granted to Hon. C. H. Wittenoom (South-East) on the ground of urgent private business.

### BILLS (2)—THIRD READING.

- 1, Reserves (No. 2).
- 2, Roads Closure (No. 2).

*Passed.*

### BILL—LAND TAX AND INCOME TAX (No. 2).

#### *Second Reading.*

Debate resumed from the previous day.

HON. J. M. DREW (Central) [4.38]: There is no doubt that owing to the low prices of wool and wheat the condition of the farmer and the pastoralist calls for sympathetic consideration. No one

will deny that the farmer and the pastoralist are entitled to be eased of some of the financial burdens which oppress them, but the method of relief proposed in the Bill is one to which strong exception can be taken. The object of the measure is a worthy one—to help the farmer and the pastoralist—but the aid is to be rendered by placing a special burden on persons earning taxable incomes of £100 and upwards. Following on the hospital tax, this will mean no light burden. It is, in effect, a super tax of no less than 20 per cent. No one would think so from the explanations given by the Chief Secretary and in another place. The impression sought to be created is that the taxpayer will be affected only to the extent of 13 1/3rd per cent. However, if hon. members will make a calculation as to the effect of the reduction of the existing rebate from 33 1/3rd per cent. to 20 per cent., they will find that instead of its being an impost representing 13 1/3rd per cent., it is an impost representing 20 per cent. In other words, the Bill takes from every person chargeable with income tax 20 per cent. more than would otherwise be chargeable; that is, unless my calculations are incorrect. If the tax were imposed only on the earners of large incomes, there would not be such strong ground for objection; but, as I said before, the 20 per cent. falls on every person who is called upon to pay income tax. Taking the analysis of income tax assessments supplied by the Commissioner of Taxation for the year ended 30th June, 1930, there were 10,989 persons with taxable incomes between £101 and £300, out of the total of 28,657 persons who paid taxation for that year. In the previous year to that, a normal year, the depression was not reflected in the returns, and 50,366 persons were taxed, and of these 31,073 were persons with small incomes. About 61 per cent. of the total were individuals with taxable incomes ranging between £101 and £300. The impost provided in the Bill will affect all such persons, as every member will admit, more seriously than the well-to-do. There are other, less objectionable, and at the same time more effective, means of coming to the aid of the farmer and pastoralist than the method proposed by the Bill.

Hon. G. W. Miles: What means?

Hon. J. M. DREW: A drastic re-valuation of agricultural lands and a revision of the rent of pastoral leases are urgently needed. In my opinion, those things should not be done by valuation, which would probably extend over six years, but on a percentage basis in order to avoid delay. Last year a Bill was introduced in this Chamber to permit of such action being taken, though only of course so far as agricultural lands were concerned. I should like to know what has been done in that respect. I was given to understand that there was to be a reduction on a percentage basis. It may have taken place, but I feel sure it has not taken place to the extent merited. The return of the Commissioner of Taxation for last year showed that the old unimproved value of agricultural lands had been increased from £10,583,741 to £18,591,104 during the previous six years, as a result of re-valuations. The values went up by over £8,000,000, or about 80 per cent., during that period. Values may have gone up; no doubt they did go up; but undoubtedly, also, they have gone down again even below the old mark. I think it is indisputable, and the farmers are entitled to a substantial reduction straight away. The Bill does not stop at affording relief to those who are in real need; it goes much farther, for it takes into account and extends its privileges to fruitgrowers, gardeners generally, and dairy farmers, who are not suffering from the depression to any greater extent than are those engaged in other forms of industry. In fact from what I know and can see they, or the majority of them, should be doing very well at present, and to my mind there is no justification whatever for the extension of generosity to them. What the farmer and pastoralist need is immediate relief, and relief that is worth while. The Bill relieves only to an extent on an average of £2 10s. per head. A reduction of railway freight on their machinery and to a certain extent on their wheat, and a fairly substantial extent on their wool during the continuance of the low prices, would be of infinitely more benefit. The Government have gained much by the sacrifices of the workers, some thousands of whom are employed in the Railway Department. The Railway Department have benefited considerably as a result, and there should be a lowering of railway freights to assist all primary industries. The Government would certainly not lose in the end,

but would gain, by reducing the freight rates on wool to such an extent as would drive out the competition of the motor trucks which, in spite of the increased license fees imposed last session, are still holding their own against the railways. The indirect gain to the State would mean more than the direct loss which would be incurred where there was no increased traffic as the result of the reduction of the railway freights. There is a danger which I have long feared, that if we exempt any section from land tax, even a small land tax, the Commonwealth may sooner or later be tempted to step in and extend their sphere of activity in this direction by taxing all land. Some people say they would not do it, but I should not be at all surprised if they did; probably not the present Federal Government, but some future Government, and in that case our last state would be worse than our first. Far better would it be for the State Government to remit the tax in all cases in which its imposition would be a hardship on those struggling to make ends meet, either in the pastoral or in the agricultural industry. The Bill is objectionable as it stands. It professes to give relief to one class who are entitled to consideration, but it is done at the direct cost of another class many of whom, though they may have had an income last year—and remember, they will be assessed on last year's income—they may have little or no income this year, and may indeed be in a very bad way. The Bill also extends its relief beyond the wheat-grower and farmer. The people engaged in that industry are undoubtedly suffering, and it seems to me the relief should be confined to them. As I have said, the measure is an invitation to the Commonwealth to take some revenue from us by extending the scope of their land tax legislation. I again contend that by reducing the land values of agricultural land and reducing the pastoral rents on a percentage basis, which would be justified by the present circumstances, we would provide genuine relief for those engaged in the industry, whereas the Bill will not.

Hon. J. J. Holmes: There is a Bill for that before another place.

Hon. J. M. DREW: Yes, I notice that. On these several grounds I regret I cannot give my endorsement to this Bill.

HON. J. CORNELL (South) [4.52]: The Bill is similar to a previous Bill of many years, with two exceptions. In Clause 2 the

first exception will be found in the second proviso. The second proviso exempts from taxation improved leasehold land, but only outside the boundaries of any municipality and used wholly or principally for agricultural, horticultural, pastoral or grazing purposes as defined in Section 9 of the Land and Income Tax Assessment Act.

Hon. J. J. Holmes: And freehold land, also.

Hon. J. CORNELL: Section 9 of the Land and Income Tax Assessment Act prescribes that land outside the boundaries of any municipality used wholly or principally for agricultural, horticultural, pastoral or grazing purposes, or for two or more such purposes, shall not be deemed improved within the meaning of this section unless—and it goes on to deal with improvements. Mr. Holmes will see that there is in that section no differentiation between leasehold and freehold lands; and the definition of "land" in the Act does not define leasehold or freehold land. The position as it appears to me is that this exemption will apply only to leasehold land; for the second proviso says the tax payable in respect of a lease imposed by subsection 1 of this section shall not apply to improved land within the meaning of Section 9 of the Land and Income Tax Assessment Act.

Hon. J. J. Holmes: But the Taxation Department, when it comes to them, will say it includes everything.

Hon. J. CORNELL: If it includes everything I should like to know why the general term "land" is used in the Land and Income Tax Assessment Act, and why the phrase "in respect of a lease" is introduced in the Bill. I should say, if it is intended to apply to all improved land used for certain purposes, it would read "in respect of land," and the words "in respect of a lease" would not be used. It may be intended to apply to all improved land used for certain purposes outside a municipality, and as Mr. Holmes suggests, when it comes to the Taxation Department freehold land will be included. Then the argument put up why this tax should be rebated in the case of land subject to lease, but not freehold land, may be that the man who has freehold land practically owes no more obligation to the Crown than the payment of the tax, whereas a man with leasehold land has two obligations to the Crown, namely, the payment of instalments

of rent and the payment of his tax. I hope the Minister, when replying, will clear up that point. If when it comes to the Committee stage there is ambiguity, no doubt the position will be made clear. Unquestionably this proposed exemption is, in a sense, class legislation. There can be no question about that, and I think the argument used for it is that the man on the land to-day is not in a position to pay land tax and therefore it should be suspended for a definite period. I have had a deal to do with the man on the land, and also with the city merchant who holds land within a municipality. There is much truth in the contention that the man on the land is not in a position to pay land tax, but it can also be said for the land owners within municipalities that in many cases they have made it possible for the man to stop on the land when he cannot pay land tax, by giving him accommodation. Many city firms have drawn on their capital to extend that privilege to men on the land. So if the land owner in the city is not to get consideration in respect of the tax, he should have some other recognition of his services in that respect. There is another phase of the Bill: Since the agreement with the Commonwealth to refund to the State a certain amount per annum, there has been a general rebate in taxation of 33½ per cent. The Government have seen fit to reduce that to 20 per cent. There again we find that the man in the city with some income is going to be penalised as against the man on the land outside a municipality. At a time like the present that exemption should be entirely done away with. There is one phase of the Bill to which I should like to draw the attention of the House. I am of opinion that the second proviso to Clause 3 is a direct evasion of Section 46 of the Constitution Act Amendment Act. That section says—

Bills imposing taxation shall deal only with the imposition of taxation, and any provision therein dealing with any other matter shall have no effect.

I was a member of the joint committee of the two Houses that was responsible for that section appearing in the Constitution Act, and if my memory serves me correctly, the intention of that committee was that Bills imposing taxation should only impose taxation and that any exemption of the taxation should be set forth in the machinery Act—

in this case, the Land and Income Tax Assessment Act. It can be argued that this Parliament made a departure from that principle on two occasions, one being that the proviso to Clause 3 relates to the rebate of 33½ per cent. of the tax imposed in previous years. Now it is proposed to rebate only 20 per cent., but there is a vast difference in the general ramifications of that exemption. Clause 3 fixes the rate of the tax and then goes on to say that all taxpayers subject to that tax—not any particular section of them—shall have their tax rebated to the extent of 20 per cent. What does the second proviso to Clause 2 say? It says holders of improved land used solely or principally for agricultural, horticultural, pastoral, or grazing purposes outside the boundaries of a municipality, in respect to a lease, shall be exempt from land tax. I submit that the proper place for such an exemption is in the Land and Income Tax Assessment Act and not in the Bill which imposes taxation. It may be contended that this to a certain extent has been allowed by this House, but this is a matter that is foreign to a taxation Bill, and is not in conformity with Section 46 of the Constitution Act. I admit it has been allowed by this House, but where are we going to stop? What is the use of amending the Constitution Act and definitely setting out in it what the procedure shall be in matters of this kind if we are going to evade the procedure in a tax Bill? I deem it part of my duty to point out what I think is an evasion of the Constitution Act and a departure that was not intended by the framers of the the Constitution. There is a right way and a wrong way of introducing legislation of this description, and I submit that the proper thing to do would be for this House to excise the second proviso and let the Government bring down the matter in a proper form. Our Constitution provides that the tax Bill shall impose the tax and the assessment measure sets out that the tax shall be collected in two moieties. This House agreed to a clause which suspended the Assessment Act and made the tax payable in one amount, not in two moieties. I did not seriously contest that point. I have heard it said that the point has been raised in certain quarters about the tax not being paid as provided by the assessment Act. I have also heard it said

that it is the intention of the Government to bring down a Bill this session to provide for an amendment of the assessment Act that will allow the payment of income tax and land tax to be made monthly. If it is the intention of the Government to provide that payments may be made monthly, why the necessity for Clause 6 which specifically says that the tax shall be paid in one amount, and sets aside the assessment Act. I have nothing more to say other than that I shall support the second reading of the Bill which we all agree is necessary and that it is not a great departure from previous Bills passed by this House in more prosperous times.

**HON. SIR EDWARD WITTENOOM** (North) [5.9]: I have given the Bill some consideration, and will offer one or two remarks on it that may be regarded as appropriate. I am glad that relief is to be given in respect of improved land, but I am of opinion that the Government have made a virtue of necessity simply for the reason that it would not be much use retaining the land tax because so very few would be able to pay it. It is well known to most of us, particularly those of us in business, that the man on the land, whether he be a pastoralist, an agriculturist, or an orchardist, is experiencing nothing but difficulty. Mr. Drew very properly said that the income tax will extend to last year's profits, but it must be remembered that even last year the position of those on the land was anything but satisfactory. Consequently the move on the part of the Government is in the right direction. The Bill proposes to increase income tax to the extent of 13½ per cent. by reducing the rebate by that figure. That is very serious. I am of opinion, however, that the Bill does not go far enough. We have the spectacle of a contemplated deficit of £1,200,000 for the current financial year, and the Treasurer has told us that he has availed himself of every possible opportunity to effect savings. Therefore we should look at every avenue from which we are likely to derive any revenue. As I have said on previous occasions, I consider that income tax exemptions should be removed with the exception, perhaps, of the allowance for children, and that should be reduced. All others should be done away with and every person made to contribute something to the

revenue. Mr. Seddon, in an able speech made not long ago, pointed out that only about 11 per cent. of the people paid income tax. Mr. Drew gave us the figures this afternoon but I am quite certain that a great number of people do not pay income tax at all. As an illustration: Under existing conditions a man with a wife and three children under 16 years of age and in receipt of £8 a week pays no income tax whatever, and if he does not own land all that he pays is rent. Everybody else has to pay some taxation. My opinion is that everyone with a vote should pay something beginning with, say, 10s. on the first £100. These people would then have some respect for their votes. At the present time many do not care anything at all about the franchise. It is unfair that such a large number should escape the liability to pay taxation. I expect it is too late to remedy that position under the Bill before us, and therefore I have no alternative but to support the second reading.

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

## BILL—DIVIDEND DUTIES ACT AMENDMENT.

### *Second Reading.*

Debate resumed from the previous day.

**HON. J. NICHOLSON** (Metropolitan) [5.16]: Although the Bill is a short one, it will probably afford hon. members an opportunity, which has been lacking for some time, to give further consideration to a measure that has been commented upon regarding its relation to the Land Tax and Income Tax Act, a Bill to amend which we have just been dealing with, and to attempt to draw some comparison between that measure and the Dividend Duties Act. The latter was passed in 1902, about five years before the first Land Tax and Income Tax Act became law. The idea of the dividend duty was merely to impose a tax on the actual dividends paid by companies. It had no relationship in its first conception to anything in the nature of taxation on profits. In the course of years a number of amendments were made to the Act, and in 1915, or thereabouts, the character of the Dividend Duties Act underwent a most marked change. It was transposed into

something resembling a tax on incomes or on profits, as distinguished from merely a tax on dividends. From that position there has gradually emerged, through amendment following upon amendment, an effort to assimilate the Dividend Duties Act with the Land Tax and Income Tax Act. Whilst there have been some efforts made to bring those two Acts more or less into harmony—I should say certainly less than more—Governments on each occasion have omitted to realise that certain exemptions permitted by way of deductions under the provisions of the Land Tax and Income Tax Act have not been included in the Dividend Duties Act. Sir Edward Wittenoom drew attention to some of the exemptions in the course of his remarks. In order to arrive at an estimate of his taxable income, a person is entitled to deduct, under the provisions of the Land Tax and Income Tax Act, certain outgoings such as rates and taxes, the latter including taxation payable either to the Federal Government or to the State Government, and so forth. Those deductions having been made, the net income is arrived at and assessed. Strange to say, no similar provision has been made in the Dividend Duties Act so as to allow companies to deduct one pennyworth of their expenditure in the directions I have indicated. In order to arrive at the taxable income, the whole of the profits are assessed. If it is desired to assimilate the two Acts, there is one way of doing it, and that is by amending the Dividend Duties Act to make it conform, as closely as possible, to the provisions of the Land Tax and Income Tax Act. On the other hand, there is another way of arriving at the same end, and that is to make all companies subject to the provisions of the Land and Income Tax Act and to abolish the Dividend Duties Act. I think that would probably be the better way. Under the Federal laws, companies are assessed under the Land Tax and Income Tax Act, and there is no Dividend Duties Act on the Federal statute-book. There is no need for such a measure. No doubt anomalies that exist have been created and perpetuated by reason of the fact that the original conception of the Dividend Duties Act was merely for the imposition of a duty payable on dividends, and not a tax on profits. That is where the trouble has arisen. Mr. Horne, of the Tax-payers' Association of Western Australia,

recently wrote an article in the Press with reference to this question. In the course of his summary, he drew attention to the various anomalies to which I have alluded. If members have not had the opportunity to read Mr. Horne's remarks, I commend them to their consideration. It will enable them to have a clearer conception of the anomalies that do exist. While one of the objects of the Bill may be to rectify some of the anomalies, Clause 2 serves to show that the Government propose to achieve one end that will meet with the approval of every hon. member. The object of the clause is to avoid the double taxation on profits where a company is associated with a number of subsidiary companies. At present, not only the principal company, but the subsidiary companies, would be taxed on their respective profits. Although the money goes to the same shareholders, the profits are subject to double taxation, which is unfair and unreasonable. The object of Clause 2 is to rectify that anomaly. In moving the second reading of the Bill, the Leader of the House explained the desire of the Government regarding Clause 3, which will remove another anomaly. Certainly something should be done to meet the position referred to by the Minister. I question very much whether Clause 3 will be adequate to achieve what the Government desire, and I think it would be advisable to give further consideration to the Bill, not only from the standpoint of Clause 3 but in respect of the other matters to which I have already alluded, particularly the desirability of making an effort to bring the Dividend Duties Act and the Land Tax and Income Tax Act more into harmony. If the Leader of the House will accept amendments in that direction, including one affecting Clause 3, it is my intention to support the Bill.

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

*House adjourned at 5.27 p.m.*

---