

has been of considerable advantage to those who have to avail themselves of the services of insurance companies. Still, I do not think any outside company should be exempt from the payment of duty, any more than is any company operating in this State. So I have no objection to the Bill.

Question put and passed.

Bill read a second time.

In Committee, etc.

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

House adjourned at 10.47 p.m.

Legislative Council.

Wednesday, 28th October, 1931.

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

QUESTION—RAILWAY EXCURSION FARES.

Hon. V. HAMERSLEY asked the Chief Secretary: 1, What was the excursion fare charged by the railways from Merredin to the Royal Show, 6th to 10th October? 2, What was the excursion fare charged by the railways from Merredin to the King's Cup meeting at Ascot on 10th October?

The CHIEF SECRETARY replied: 1, First class, 45s. 8d.; second class, 28s. 7d.; the availability being 15 days. 2, First class, 36s. 7d.; second class, 22s. 11d.; the availability being 3 days.

QUESTION—AGRICULTURAL BANK REPORTS.

Hon. H. SEDDON asked the Chief Secretary: When will the reports of (a) Agricultural Bank, and (b) the Industries Assistance Board for the year ended 30th June, 1931, be laid on the Table of the House?

The CHIEF SECRETARY replied: The reports are in course of preparation, and will be available in about a fortnight.

LEAVE OF ABSENCE.

On motion by Hon. J. Cornell, leave of absence for six consecutive sittings granted to Hon. A. Lovekin (Metropolitan) on the ground of ill-health.

BILLS (3)—THIRD READING.

1, Poor Persons Legal Assistance Act Amendment.

2, Licensing Act Amendment (No. 4).

3, Electoral Act Amendment.

Passed.

BILL—LOCAL COURTS ACT AMENDMENT.

Second Reading.

Order of the Day read for the resumption from the previous day of the debate on 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—RESERVES (No. 2).

Second Reading.

Debate resumed from the previous day.

HON. SIR WILLIAM LATHLAIN (Metropolitan-Suburban) [4.41]: I asked for the adjournment of the debate in order that I might make certain inquiries regarding the land at North Perth. I have found that everything is in order, and I support the second reading.

Question put and passed.

In Committee.

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

BILL—ROADS CLOSURE (No. 2).*Second Reading.*

Debate resumed from the previous day.

HON. G. FRASER (West) [4.43]: I secured the adjournment of the debate in order to make a few inquiries. As a result of those inquiries I desire to offer no opposition to the Bill. The roads concerned lead through land which has been found quite unsuitable for building purposes. I understand that at one period the land was privately owned and was cut up, and roads were surveyed, but the roads have never been made. Some years ago the owner transferred the land to the Fremantle City Council, who now desire to make a sports ground, and unless the Bill be passed permitting the closure of the roads, the land will be useless for sports ground purposes. I support the second reading.

HON. J. J. HOLMES (North) [4.45]: I observe that this measure deals with road closure in the municipality of York. The House is always careful in watching the closing of roads, either in a municipality or in a road district. All I desire to know is whether the closure of this road in York is approved by the local authorities of York.

THE CHIEF SECRETARY (Hon. C. F. Baxter—East—in reply [4.46]: The road in question was intended to serve a site which had been reserved for cemetery purposes in York, but was found quite unsuitable. The residents of York desire another cemetery at another end of the town. In consequence, a further piece of land has been purchased. The road, therefore, is no longer required. In any case, it is too steep to be used. The land formerly reserved for cemetery purposes can be cut up into building blocks.

Hon. J. J. Holmes: Have the local authorities been notified?

The CHIEF SECRETARY: Yes, and they desire this amendment.

Question put and passed.

Bill read a second time.

[15]

In Committee, etc.

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

BILL—STAMP ACT AMENDMENT (No. 4).

Received from the Assembly, and read a first time.

Second Reading.

THE CHIEF SECRETARY (Hon. C. F. Baxter—East) [4.50] in moving the second reading said: Periodically it becomes necessary to put forward proposals for the amendment of the Stamp Act. Such amendments are essential to overcome weaknesses in the law, and for various other reasons it is important that the revenue provisions should be abreast of advanced business methods; otherwise it would be impossible to cope with attempted fraud and questionable efforts to evade the payment of stamp duty. Therefore, besides the proposals in this Bill for additional revenue from increases in the stamp duty on cheques, on demand drafts, and on hire-purchase agreements, provision is sought to be made to safeguard the Treasury from fraud, and to prevent the evasion of stamp duty in certain other respects which are now being exploited to the detriment of the Treasury.

The first amendment deals with the cancellation of stamps affixed to documents. At present stamps are cancelled by persons authorised to do the work, and the law in that regard is complied with by the particular person writing across the stamp or initialling it, or by other effective means of cancellation. Unfortunately it now appears that those methods of cancellation have provided opportunities to certain persons to defraud the Stamp Office when alleged unused stamps have been presented for exchange purposes, and it is obvious that fraud has been indulged in to a considerable extent.

To meet the convenience of the purchasers of stamps the Government have always made exchanges in respect to stamps purchased in expectation of transactions which have become damaged or spoilt, or rendered unfit for use or unnecessary. That is a reasonable arrangement and it is appreciated by the large number of persons

doing business with the Stamp Office. The practice is also followed in the other States. Recently, in exercise of the concession in this State, one of the local banks presented a batch of duty stamps totalling £19, and later on another lot totalling £7 15s. Both lots of stamps had been received from persons in Belgium, with a request to the bank to remit the value of them. To assist the persons in Belgium the bank proposed to use the stamps locally, and with that object in view it presented the stamps to the Stamp Office for exchange into other denominations. On receipt of the stamps an alert officer in the Stamp Office impounded them, as it appeared to him that they were not as represented; and subsequently the Government Analyst reported that they were obviously stamps which had been used before, and that they had been cleansed by the removal of the ink which had been used in the cancellation. In the course of the tests made by the analyst certain experiments were carried out, and it was discovered that cancellation could be removed so successfully as to permit of the further use of the stamps. The results of the tests were very gratifying to the officers of the Stamp Office in that they justified the action taken; but then there was the disconcerting feature that it was impossible to say how far the fraud had been perpetrated previously in applications for exchanges for other stamps, or the extent to which cleansed stamps had been affixed to documents—a distinct feature to the matter of exchanges.

Coincidentally with the inquiry as to the best methods to adopt in the future, a warning was issued to all the local banks, and advice was sent to all stamp offices in the Eastern States and New Zealand. The replies were of a varying nature. Some of the States reported that frauds had not been detected; others said that they had evidence of fraud; and Victoria advised that in consequence of previous frauds the perforated stamp had been adopted, with satisfactory results; and, lastly, New Zealand told us that it had had previous experience of fraud in applications for exchanges on cleansed stamps, and that in one instance an application had been received from one of the persons in Belgium who had attempted to defraud our own Stamp Office.

It is not difficult to obtain cancelled duty stamps for use for fraudulent purposes. A large number of documents with duty stamps affixed expire on a certain happening, as in the case of shipping documents, when the documents have ceased to be of further use, and other documents become worthless in consequence of effluxion of time. When the documents are useless, the stamps can be taken off and cleansed; and that is easily possible, as we now know from our recent experiments. That aspect is more serious than the matter of exchanges. It is quite possible that such stamps have been used within the State without the local Stamp Office being aware of it. One of the reasons for bringing forward this Bill is to prevent such happenings in future. Obviously the stamps ought not to have been presented, and the Government are doing their utmost, by means of this Bill, to guard against fraud in future applications for exchanges, and to prevent the use of cleansed stamps. It was at first proposed to have all stamps over a nominal amount embossed, but that suggestion was discarded when it was realised that the presentation of documents for embossing would prove inconvenient and no doubt expensive to business people in country centres.

In searching for a way in which to block the avenues of fraud, the various States were communicated with, and finally it was decided to adopt the Victorian method of perforating the duty stamp. But even that system is not a perfect guarantee against fraud. However, the Victorian authorities have had similar experiences to our own, and they adopted the perforated system to overcome their difficulties, as they say that it is almost impossible to remove a stamp plentifully perforated, without destroying it. The change-over will be effected without any inconvenience. In future the stamped document will be presented to the cancelling officer or agent for cancellation, and the perforation will carry through the stamp and document. In the country districts and larger centres there are persons authorised to cancel stamps, and they will be authorised to cancel stamps by perforation. At present there is a loss of revenue in the cancellation of stamps with ink endorsements, and it is therefore very necessary that the steps outlined in this Bill to prevent it should be taken.

The next matter in the Bill is a proposal to alter the procedure in regard to demand drafts. Hon. members are no doubt aware that demand drafts are now subject only to a stamp duty of 1d. Under the proposed amendment they will be subject to a stamp duty of 2d. If Section 49 of the Act is amended as proposed, it will prevent the use of drafts when they are in reality not demand drafts; but if they come under that heading, then the amendment will make them subject to the correct duty. It has been found that some demand drafts are given on the understanding that the demand for payment shall not be made until some definite time has elapsed. The transactions are sometimes covered by agreements. For example, a transaction might be covered by agreement and be spread over a certain period. As collateral security a promissory note payable on demand might also be taken, on the understanding that it was not to be presented except on a certain happening. Such a demand draft would not be subject to promissory note duty if presented within six years, and a practice has consequently grown up of having an understanding in regard to demand drafts, which are treated as though they were promissory notes, and so the stamp duty is evaded.

Such transactions should take the form of fixed-period drafts or promissory notes, and carry the correct duty. A promissory note might be payable on demand or on some fixed date. If by agreement a man can arrange that a demand note is not payable until three months after date, he can call it a demand draft, and the revenue will not be contributed to as is intended. Therefore, it is proposed that in such cases a demand draft must bear the ordinary promissory note stamp. In Victoria steps have already been taken to prevent demand drafts from being treated as promissory notes and the stamp duty evaded, and the clause in the Bill in that regard has been taken from the Victorian Act.

The next question dealt with in the Bill is the rate of stamp duty on cheques and demand drafts. In respect to them it is thought that the stamp duty should be increased to 2d. and that will be brought about by the amendment of Sections 53 and 57 as proposed in Clauses 6 and 7 of the Bill. The suggested new rate of 2d. is already in force in Victoria, New South

Wales, and New Zealand, and this State can very well do with the extra revenue.

It is also proposed to amend Section 72 in order to make the duty on sales of real estate payable on the contract of sale, instead of on the transfer, as at present. In 1926 a Bill was brought down to provide that with each sale there should be additional stamp duty. In the sale of land Brown may sell to Jones for £100, the block may be passed on to Smith, and from Smith to somebody else. Under the old system which obtained up to 1926, only one set of stamps was affixed to the documents when the final transfer was registered. That was altered by the 1926 Act which directed that the payment of duty had to follow each sale, although the registration might not take place until the land had changed hands several times. The transactions may extend over several years, and cases are now occurring wherein those involved in the various dealings have neglected to pay stamp duty with the result that the final purchaser has had to pay the stamp duty on the several transactions. In one case the amount ran into a considerable sum and the unfortunate final purchaser had to pay it before he could secure possession of the land. Such cases are most unjust and a repetition of them should be guarded against.

There will be no increase in the amount of duty payable with that payable under the Act as it stands at present because both amounts are identical. The same duty will be paid, but it will be paid so soon as each transaction in the particular block takes place. In future, the contract will have to be stamped at the rate of 5s. for each £25 each time a sale is effected, and finally when registration is made there will be no additional duty payable other than the usual 2s. 6d. on the transfer. As each transaction takes place the duty will be payable and the subsequent transactions will not be affected. If a contract does not go through, the amount spent on stamping the documents will be refunded, as provided for in Subsection 6 of Section 72.

Power is also sought in the Bill to remedy a further defect in the present Act, relating to walk-in-walk-out sales. In a number of cases, sales of real estate include the sale of goods. Sales of real estate are dutiable, but sales of goods are not, and therefore the question of the value placed on each is im-

portant. There may be a sale of property. The sale may comprise the property itself, livestock, furniture and effects, and indeed anything, and the sale may be for a lump sum. In some cases it has been found that the price set against the land has been low, because it is dutiable, whereas the price set against the goods or stock has been increased accordingly.

It is now proposed that if there is any doubt as to genuineness of such values, a valuation of the land may be obtained so that the Treasury may ascertain whether the proper amount of stamp duty has been collected. As previously stated, cases have arisen where the value placed on the goods has appeared to be out of all proportion to that placed on the real estate, and the Government think that they should be empowered to obtain a valuation where it is considered necessary. No additional taxation will be imposed by the passage of the amendment and the power will be used only in cases where there are reasonable grounds for believing that the values placed on the goods are excessive with the ulterior purpose of evading duty.

As members are aware, an extensive business has grown up in regard to hire-purchase agreements and that such agreements can be registered under the Bills of Sale Act as bills of sale without the necessity of seven days' notice as in the case of bills of sale. In that way they obtain an advantage over bills of sale, and in addition the same amount of stamp duty is not payable on them as on bills of sale. Except as regards agreements relating to sewing machines and so forth, hire-purchase agreements are really bills of sale, and should be registered and stamped in the same way as bills of sale.

Hon. J. Nicholson: I did not know a hire-purchase agreement was a bill of sale.

THE CHIEF SECRETARY: At present the stamp duty on hire-purchase agreements is 2s. 6d. irrespective of value. Subject to that charge, if the amendment set forth in this Bill is carried, the stamp duty on hire-purchase agreements will be the same as on bills of sale, namely, 1s. 3d. for every £50 up to £300, and thereafter 2s. 6d. for every £100. The business done under hire-purchase agreements is very largely for the sale of motors, machinery, musical instruments, etc., and the document is really

a bill of sale with special provision for registration.

In conclusion, it is hardly necessary for me to emphasise the fact that the additional revenue it is proposed to levy will be welcome at the Treasury, and it should be very helpful in warding off the consideration of other means of raising funds to carry on essential services, and further, I trust members will heartily approve of the safeguards proposed to prevent fraud and the evasion of duty as it is urgently necessary in those respects to take action to protect the rightful revenues of the Treasury. I move—

That the Bill be now read a second time.

On motion by Hon. J. Nicholson, debate adjourned.

BILL—LAND TAX AND INCOME TAX (No. 2).

First Reading.

Received from the Assembly and read a first time.

Second Reading.

THE CHIEF SECRETARY (Hon. C. F. Baxter—East) [5.10] in moving the second reading said. This taxing Bill is similar to those submitted in previous years, except that by a proviso to Clause 2 it is provided that pastoral leases and the unimproved value of improved agricultural land used solely or principally for agricultural, horticultural, pastoral, or grazing purposes, shall be exempt from the payment of land tax, and the reduction in the rate of income tax has been altered in Subclause 3 of Clause 3 from 33½ per cent. to 20 per cent. The abolition of the land tax to the extent proposed is put forward because it is absolutely necessary to render some assistance to primary producers. Every hon. member is fully aware of the unprecedented difficulties of the primary producers in the pastoral and agricultural areas, and all will agree that the abolition of the land tax will be an opportune measure of assistance. The alteration, as compared with that of last year, is that the land tax will not be levied this year on pastoral leases or on improved land devoted to agricultural, horticultural, pastoral, or grazing pursuits.

The relief proposed will mean that the Treasury will lose approximately £37,000. Land holders are already heavily indebted to the State, because of their inability to meet their obligations owing to the fall in the prices of their commodities, and it is not desirable, in my opinion, to add to those debts, which I think it impossible for them to pay for some considerable time. Then again there are the debts owing in commercial and private circles and members are aware that the producers will find it very difficult to pay them to any marked extent in the near future.

The abolition of the land tax is really a small item in the present-day affairs of producers, but still it will assist them a little on the road to recovery inasmuch as it means a reduction in the cost of production. The success or failure of primary producers figures largely in the well-being of the community and consequently it is in the interests of all that assistance should be given to help the producers along and ultimately to improve the circumstances of all citizens. The state of primary production can be seen in the fall-away in territorial revenue. In that regard an enormous amount of money is owing to the Treasury by people on the land, and if it could be collected, the Government would be in fairly easy circumstances. To offset the relief to be given to the primary producers by the abolition of the land tax, it is proposed that the reduction of 33½ per cent. on income tax shall be reduced to 20 per cent., and that reduction, it is estimated, will yield not less than £31,000 for the year.

The Government are in sore financial straits and cannot afford the relief to the producers unless the loss is made good from income tax sources in the manner suggested, and by the additional revenue to be obtained from the amendment of the Stamp Act. Everyone knows that the strain on the Treasury will be severe when the land tax on agricultural lands is not available, but the sacrifice must be made as the people for whom the relief is intended are really hard pressed, and everything possible must be done to assist them to out-distance their troubles.

With the two exceptions referred to the Bill follows the lines of the measure submitted last year. Sub-clause 1 of Clause 2 fixes the rate of land tax at 2d. in the £

on the unimproved value of land as ascertained and assessed under the provisions of the Land and Income Tax Assessment Act, and fixes the unimproved value of pastoral leases at a sum equal to twenty times the amount of the annual rent reserved by the lease or payable or paid by the lessee. The second proviso in Clause 2 exempts pastoral leases and improved agricultural land used solely or principally for agricultural, horticultural, pastoral or grazing purposes from land tax.

Hon. J. Nicholson: It would apply only to leasehold land, not to freehold land.

The CHIEF SECRETARY: Clause 3 fixes the rate of income tax, namely—

- (a) at 2d. in the £ for the first £100 of "Income chargeable";
- (b) a graduated rate of tax commencing at 2d. in the £ and increasing at the rate of .007d. in the £ on every £1 in excess of the first £100 and up to but not exceeding £6,672.
- (c) at a flat rate of 4s. in the £ on the total amount of all incomes in excess of £6,672; that is to say, that if a taxpayer's income is £6,672 or more, he pays 4s. in the £ on the total amount of his income.

In previous years the assessments on those rates were reduced by 33½ per cent., but as that substantial reduction cannot be afforded in the current year (1931-32), it is proposed that they shall be reduced by 20 per cent. and that is provided for in Sub-clause 3 of Clause 3. That alteration will mean an increase in the amount of income tax for the current financial year of about £31,000 if the estimate is realised.

Clause 4 is self-explanatory. Clause 5 provides that where the income chargeable of a taxpayer is composite, namely, partly dividends from a company subject to duty under the Dividend Duties Act, and partly from other sources, then the taxpayer will be assessed on his aggregate net income, but a rebate of the amount of dividend duty paid on the dividends shall be allowed. In Subclause 2 of the same clause it is laid down that dividends alone are to be assessed when they are paid out of income from the profits of a company: that is, in those cases where the rate of income tax on the dividend exceeds the dividend duty rate. A taxpayer assessed under that provision will be allowed as a rebate the amount of dividend duty paid on the dividends received by him. Under the clause, dividends from

mining companies which are exempt from duty under the Dividends Duties Act, will not be brought to account and assessed for income tax. It is only when the dividends from mining companies are paid out of taxable profits under the Dividend Duties Act that they are accounted for under the clause.

Lastly, Clause 6 renders inoperative the provisions of Section 55 of the Land and Income Tax Assessment Act, which provides for the payment of land tax or income tax or both, in two equal half-yearly instalments. Both land and income tax, for many years past, have been paid in full instead of in half-yearly moieties. I move—

That the Bill be now read a second time.

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

BILL—DIVIDEND DUTIES ACT AMENDMENT.

Received from the Assembly and read a first time.

Second Reading.

THE CHIEF SECRETARY (Hon. C. F. Baxter—East) [5.20] in moving the second reading said: The Dividend Duties Act taxes all companies except insurance companies on the net profits made annually, but no provision exists, under the law as it now stands, for the exemption from taxation of dividends paid out of taxed profits and distributed to another company carrying on business in Western Australia and subject to the Dividend Duties Act. By Clause 2 of the Bill it is proposed to amend Section 6 of the Act, so that dividends paid out of taxed profits will not be subject to taxation in the hands of another company. The proposed amendment will give relief to two or three companies that receive dividends from other companies. The object of the amendment is to prevent the dual taxation of a company's profits. That can now occur in cases where a parent company declares a dividend and that dividend is paid to a subsidiary company, whereupon further dividend duty is claimed on the same money. In the case of a superphosphate company, for instance, a dividend has been declared and paid to the Westralian Farmers' Superphosphate Company, Ltd., and then distributed to the shareholders, who

were the proper persons to receive the dividend in the first place. In that particular instance of dual taxation, it has been the practice each year to pass an Executive Council Order remitting the second duty, as it would be wrong to collect twice on the same profit even though it may be permissible under the present law. The amendment, if made, will render it unnecessary for the Governor in Council to be approached each year for authority to forego the collection of the second amount of duty on the dividend paid. The other amendment—that to Section 8 of the Act—is necessary in order to tax outside insurance companies that receive money on insurance premiums, and solicit and negotiate for contracts of insurance through brokers and agents in this State. In that way a considerable amount of business is done by outside companies, and nothing is received in taxation in respect to the lucrative practice. The proposed amendment in Clause 3 will place all companies carrying on business in Western Australia and those domiciled outside on the same basis of equity. Lloyds, for instance, do a great deal of business in Western Australia and they should not escape taxation which is 2 per cent. on the amount of premium in respect of it. No doubt a considerable amount of revenue has been lost because of the failure to tax brokers or agents operating here in the name of an insurance company domiciled outside the State. At present there is no power to compel them to pay taxation under the Dividend Duties Act. They secure business here but because they are not located here they cannot be taxed under the Dividend Duties Act. Taxation should apply uniformly, and if this amendment is agreed to all those persons doing insurance business here, whether they have offices in the State or not, will be placed on the same footing as regards taxation. The amendment is only required in respect of insurance businesses because, under Sub-section 2 of Section 10 of the Act, all companies soliciting or obtaining orders for other classes of business are deemed to be carrying on business in Western Australia. I move—

That the Bill be now read a second time.

On motion by Hon. J. Nicholson, debate adjourned.

House adjourned at 5.24 p.m.