

and the Opposition have always facilitated the passage of urgent legislation. We have not been consulted in regard to this Bill, but have been thrust aside. We are not going to be treated like that. There are enough of us here to air our views and to see that the rights of the people are protected. No one suggests that there is any necessity for this Bill. If members opposite are planning and scheming because of some impending election, we know nothing about it.

The Minister for Lands: We can take 14 days now if we like.

Hon. A. McCALLUM: That is what puzzles me. What is behind the whole thing? Why this attempt to rush the Bill through? If the matter had been important why was not the Opposition consulted and asked to assist the Government to put the measure through?

The Minister for Lands: If you had asked for the adjournment you would have got it, I think.

Hon. A. McCALLUM: The member for Fremantle asked for it, and I told him he could move the motion. The Leader of the Opposition does not take all the adjournments. The attitude adopted to-night must create suspicion in our minds. The Bill appears to be simple enough, but we have had no opportunity to determine whether it is so or not. We do need at least one night in which to look into it.

Mr. H. W. Mann: Do you want to refer the Bill to a select committee?

Hon. A. McCALLUM: That may come yet. We have many ideas in our minds which will develop as we go along. The matter is one that will require time, though I promise not to delay. I think I can undertake to complete my investigations within the period of six months suggested in the amendment. Then I shall be able to arrive at the true reasons for the Bill, and to communicate them to the Chamber. At present, however, I consider hon. members justified in declining to deal with the measure.

On motion by the Minister for Lands, debate adjourned.

House adjourned at 10.12 p.m.

Legislative Council,

Thursday, 5th November, 1931.

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

BILL—LAND TAX AND INCOME TAX (No. 2).

Second Reading.

Debate resumed from the previous day.

HON. G. W. MILES (North) [4.34]: I am sorry the debate that took place yesterday did not take place to-day, which is the anniversary of Guy Fawkes Day. Yesterday's debate demonstrated the non-party character of the House, for the president of the Nationalist Association, the ex-president of that organisation and the ex-president of the Consultative Council took the Nationalist Premier to task for having carried out his election pledge to assist the man on the land by the removal of the land tax. At any future elections in this State the "Hansard" published this week will be referred to as indicating that this is really a non-party House. I wish to congratulate Mr. Williams on his speech. He took a broad view of this measure. Let me quote one remark by Mr. Fraser, who is reported in to-day's paper as follows:—

He (Mr. Fraser) was not prepared to give what the Bill offered the farmers, who were not deserving of that consideration.

Another quotation I would make is a statement by Sir Charles Nathan, who said—

Every honest worker in the community is doing just as much as the farmer for the country, no more and no less.

I say these statements are not correct. We have 50 per cent. of the State's population in the city. The country is carrying too many in the city, and 65 per cent. of the value of the last harvest was taken by the people of the city to enable them to live. Am I to be told that the shop assistant who works seven or eight hours a day, or the

railway man working 44 hours per week, does as much for the country as does the man on the land? That 65 per cent. of the harvest meant over two millions of money put into circulation. The 65 per cent. was taken by the civil service and other city people working under the artificial conditions brought about by the Arbitration Court. The producer, working from daylight till dark, got only 35 per cent. of the harvest, and it cost him 50 per cent. to produce it.

Hon. J. M. Macfarlane: Does he work that long all the year round?

Hon. G. W. MILES: During the last few years, yes. The Press referred to it as the city versus the country. The Government are to blame for the method adopted for relieving the man on the land, and there is some justification for the argument put up by my friends sitting behind me. If there is a wrong way of doing a thing, that is the way the Government choose. The Government should have brought in a short Bill to reduce the values for taxation purposes of all improved pastoral and agricultural land by 50 per cent. The land tax should be altered to what it was in the old days, that is to say, the tax should be deducted from the income tax, or vice versa, whichever be the greater. That would relieve the land owner in the city, as well as the man on the land. If the Government had adopted that method, I feel sure my three friends would not have put up any opposition to the Bill. I congratulate Mr. Seddon on his able speech. As he pointed out, we are going to be landed this year with a deficit of $1\frac{1}{2}$ millions. He rightly said it was a vicious form of inflation. That method has to be stopped, and it can be stopped if only we have the courage to act. An effort should be made to balance the Budget, instead of budgeting for a deficit of £1,200,000. A further reduction in expenditure should be made, and another 15 or 20 per cent. should come off all salaries. The emergency legislation should have been brought in during the year before last. We were told it was going to save us £800,000. But now I say a further reduction in salaries ought to be made. By that means we could save another £400,000 or £500,000. We have to go to the banks and issue Treasury bills with which to pay our way. If, as Mr. Seddon suggested, the income tax were spread over the whole of the community by means

of a stamp tax of 6d. in the pound, it would result in £480,000 being collected which, with the other savings, would mean practically a million. Then there would be no need for a super tax on the 12 per cent. of the taxpayers who pay income tax to-day. The majority of that 12 per cent. paying tax to-day could use their money to create more work and more wealth. I am sure that they could handle that money far better than could the Government. That would be a better method than that which the Government have adopted in this Bill. Sooner or later steps of this kind will have to be taken, because we cannot go on as we have gone in the past, living on borrowed money. In answer to a question by Mr. Thomson yesterday, the Minister said that on the 14th November they were going to discontinue the 10s. subsidy to farmers employing 2,500 men. That is economically unsound. Also, in answer to a question by Mr. Hall, the Minister said the Blackboy and Hovea camps were costing 18s. 7d. per man. The men at present working for the farmers are producing wealth for the whole of the community, and I hope they will be allowed to continue to work for the farmers. Instead of that the Government, without the consent of Parliament, propose to place men down at Collie for an irrigation scheme. Irrigation has proved a failure all over Australia. The scheme will raise the capital value of the land by £33 per acre. The money could be more profitably used to assist the man already on the land, and I think before that scheme is proceeded with Parliament should be given a voice. The same thing happened at Nornalup, where they started another group settlement scheme without the consent of Parliament. The dole should stop at once, and if any relief works are started the basic wage should not be paid. There should be a rate of 6s. or 7s. per day fixed for the purpose, and the men should be made to work, or alternatively starve. Families in which there are a few children are getting £2 a week. For the position of housekeeper to a farmer this week, there was one applicant. The Government Labour Bureau was written to, but no woman was offering for the position. If we are going to continue as we have been doing in the past we shall land on the rocks. The Government have not taken the opportunity which was available to bring down the cost

of production as it should have been brought down. They are drifting on in the hope that wheat and wool will recover in price, and that they will be able to go on in the old way that was followed in the past. The Government were returned to power to get rid of State trading concerns. They are still going on with these enterprises, which are losing money all over the country. If a man has a branch of his business that is being run at a loss, he cuts adrift from it and saves further loss.

Hon. C. B. Williams: I understand that private traders are running their businesses at a loss now.

Hon. G. W. MILES: This represents part of the money we have to borrow each month in order to keep the enterprises going. A private trader may be losing capital in the conduct of his business, but he immediately takes steps to cut down the overhead expenses. If the Government have a branch of their business which is not paying, they should cut it out. We have been told that one of the Singapore line of steamers that has been operating for 40 or 50 years is being taken off the coast because of the lack of support. Instead of the Government going on with their State steamers they should subsidise a line of steamers, by which they would save the loss of thousands a year. I have always maintained in these times that the Arbitration Act should be suspended. If that had been done there would not have been half the unemployment there is to-day.

Hon. C. B. Williams: Nonsense!

Hon. G. W. MILES: It is not nonsense. Instead of the Government carrying out the emergency legislation they brought before Parliament, they allowed the Leader of the Opposition to secure an amendment forcing employers to go before the Arbitration Court. They should have insisted upon a 20 per cent. reduction all round, as they did in connection with the civil service. If that legislation had been carried out mills would have started, and the employment of so many hundreds of men would have created work for others. There are thousands of men both anxious and willing to work for 10s. a day, but no one can employ them because of the law of the land.

Hon. C. B. Williams: At what work would they be employed?

Hon. G. W. MILES: Timber could be produced. The men could also be employed on the land and in the dairying industry.

Any amount of work is available if the employers are allowed to take the men on at a reasonable wage. We cannot go on in this artificial way of fixing the basic wage merely because a man has a wife and two children. What has that to do with the amount a man earns? How can industry go on under such conditions? Instead of our basic wage being the same as it is in the Eastern States, we find it is 10s. or 12s. a week higher. This House would not agree to another State monopoly being created in connection with workers' compensation. I hope before the session ends the Government will bring down an amendment to the Workers' Compensation Act, so as to give relief to the whole community and lead to the provision of more employment.

Hon. G. Fraser: You used those arguments when you asked for a reduction in the basic wage. You said it would create more employment if that was obtained, but it has led to more unemployment than ever.

Hon. G. W. MILES: Had that legislation been brought in thousands more men would be employed to-day.

Hon. C. B. Williams: There has been more unemployment since the 20 per cent. reduction than ever before.

Hon. G. W. MILES: Parliament should take the matter in hand. As Mr. Williams said yesterday, there is too much playing to the gallery, to see which way the votes are going. That is landing us on the rocks. What we want is a Government or a leader with the courage to do the right thing, and go out of office if necessary. If the Government had done the right thing when they came into power 18 months ago they would be returned at the next elections, like the Ramsay MacDonald Government, with the whole of the people behind them. The Government went to the Arbitration Court before the emergency legislation was brought down so that the railway employees might be dealt with. The court decided that the men should go back to the 48-hour week. I do not know whether the Commissioner or the Minister was responsible for the arrangement that was made. Instead of the Government accepting the decision of the court they arranged for the workers to adhere to the 44-hour week and the men agreed to a 5 per cent. reduction. Since then the emergency legislation has come in, and there has been an average of 20 per cent. reduction. The 5 per cent. has gone by the board. The

railway workers are working 44 hours a week with a 20 per cent. reduction instead of 48 hours with a 20 per cent. reduction. This means a difference of £40,000 a year to the Government. Why did not the Government take advantage of the hours fixed by the court? Instead of doing that they allowed the men to retain the 44 hours.

Hon. G. Fraser: The men lost a percentage of their pay.

Hon. G. W. MILES: They lost only the 20 per cent.

Hon. G. Fraser: You are wrong.

Hon. G. W. MILES: That is all they were reduced, and the 5 per cent. was taken into consideration. This meant a loss to the State of £40,000 a year. Who was responsible for that, the Minister or the Commissioner? Whoever was responsible should be taken to task. How can we finance the country and get on our feet when such things happen?

Hon. G. Fraser: In many instances the men lost 25 per cent.

Hon. G. W. MILES: Another step that should be taken in the interests of economy is a reduction in the number of members of both Houses of Parliament. I have advocated that before. Another place could do with 30 members and this House with 20.

Hon. C. B. Williams: Could we not abolish the Council?

Hon. G. W. MILES: No, the Council represents the taxpayers, the men who have a stake in the country. Another place represents men who can put on their hats and walk out. Although I do not agree with the method adopted by the Government in bringing down this legislation in its present form, I have no option but to vote for it. I thank God that neither the Government nor politicians can interfere with the climate as they have interfered with everything else. If they did interfere with the climate the country would soon be in a parlous state. I support the second reading of the Bill.

HON. G. A. KEMPTON (Central) [4.55]: I congratulate the Government upon having brought down this measure. The Premier promised that he would introduce a Bill for the reduction of the land tax and I am delighted he has done so.

Hon. Sir William Lathlain: He did not tell you he was going to ask other people to make it up?

Hon. G. A. KEMPTON: He has fulfilled his promise.

Hon. Sir William Lathlain: Part of it.

Hon. G. A. KEMPTON: I have listened to the different arguments that have been advanced, particularly by those in favour of the Bill. There has been a lot of argument on the other side and much talk about class legislation. Not very much was said about class legislation when there was a 22½ per cent. reduction in rent to leaseholders; neither was there much argument on that score when a 22½ per cent. reduction was made in the interest on mortgages. There was no talk of class legislation when indigent unemployed were allowed to live rent free. If this is class legislation, it is certainly the best class legislation that could be brought in. Australia relies almost entirely upon primary production. Without the two great industries, wheat and wool, it would be almost impossible for Australia to carry on. In 1928 the output of wool from the Commonwealth was worth about £75,000,000. I think the value of wool shipped in that year represented nearly half the value of the exports of all other merchandise. This shows how great a thing it is for Australia that we should have this industry. During that year there was an export of something like £32,000,000 worth of wheat. In Western Australia the value of primary production is wonderful. In 1928 our primary production was worth £25,300,000, whilst there was only a matter of £7,500,000 worth of goods manufactured by secondary industries. I have been looking up statistics showing the great progress which has been made in different districts in this State, and naturally I turned to the Victoria district, which I represent, and noted the progress made there in the 20 years ended 1928. In 1908 the area under wheat in the Victoria district, of which Geraldton is the centre, was 20,140 acres. In 1928 the area comprised 724,277 acres. The yield in 1908 was 191,058 bushels of wheat and in 1928 it was 8,381,473 bushels, representing an increase in yield in 20 years of over 8,000,000 bushels. In 1908 the district was running 680,939 sheep and in 1928 the number had increased to 1,417,399. The clip in 1908 represented 3,471,553 lbs. weight and in 1928 it represented 10,158,448 lbs. weight, an increase in 20 years of 6,686,895 lbs. weight. During the last two years there has been an even greater rate of increase.

All our districts have gone ahead in the same way. I give these figures to show the great importance of primary production to Western Australia, and how absolutely necessary it is that every facility should be given to those who engage in primary production, so that they may carry on during these bad times. A lot of people have said that during the last few years pastoralists and farmers have had a very fine time, that they have made a lot of money and everything has gone well with them, and therefore they should not be up against it now merely because they have experienced one or two bad seasons. The answer to that is, that all the money that has been made from farming and from the pastoral industry has gone back into those industries for the opening up of more country and increasing production. That opening up of the country is for the benefit of the people concerned, but at the same time it certainly will add renewed wealth to Western Australia and to Australia. There has been a tremendous drop in wool and wheat during the last few years and it has been difficult for the farmer and pastoralist to carry on. Mr. Williams was quite right when he said that we are not giving these people anything by not asking them to pay something that they are not able to pay. It is an absolute impossibility for them to pay the taxes that are put up against them.

Hon. H. Seddon: Will you apply the same principle to everyone else?

Hon. G. A. KEMPTON: The hon. member can do that if he likes. At the same time these industries are of such vital importance to Australia that it is up to us to do all we can to see them through the bad times. If they go to the wall, we shall have no chance at all. I suppose there are some who could pay the taxes, but it is impossible in a Bill of this kind to make it cover all cases. When the emergency legislation was passed providing for the 22½ per cent. reduction of rents on leases, there were many people who could have paid the ordinary rents, and there were many also who could have paid the ordinary interest on mortgages. However, it is not possible for legislation to cover every case. There was a lot of talk also about the great extravagance of the man on the land. It is necessary for the farmer to have a motor car and a motor truck. It often means a

big saving to him. It is just as important for the agriculturist to have a car and a truck as it is to have a harvester and a plough and other agricultural machinery, because it means that he can then go to town and secure spare parts that may be required for his machinery, and thus avoid the holding up of his labour for perhaps days at a time.

Hon. Sir William Lathlain. And he uses the truck also to cart the potatoes which he should grow.

Hon. G. A. KEMPTON: Perhaps so. I do not consider, however, that a farmer should go in for an over-expensive motor car. Then, provided he uses it legitimately, it will mean effecting a saving. Speaking of luxuries, I notice in going through the taxation returns that the people in the country are not those who over-indulge in entertainments. This is almost entirely confined to the cities. Time after time it is thrown up against the country people that they go in for luxuries. But looking through the Taxation Commissioner's report, it is interesting to note that as far as entertainments or luxuries are concerned, the people in the cities are more extravagant than those in the country. I should say that 90 per cent. of the Commissioner's figures apply to people in the cities. These figures, which will speak for themselves, are very interesting:—

Class of entertainment	No. of admissions.	Tax. £
Racing	205,647	3,653
Theatre	232,956	2,356
Pictures	5,073,318	37,108
Dancing and skating ...	504,045	4,877
Concerts	18,446	174
Miscellaneous	361,780	2,712
Totals	6,397,092	£50,883

Hon. G. Fraser: Of course none of the country people ever attend those entertainments!

Hon. G. A. KEMPTON: Yes, but 90 per cent., I claim, are city people. There are people in the country who never have the opportunity to attend a picture show, and time after time it is thrown up against them that they are over-indulging in luxuries.

Hon. G. Fraser: The figures you have quoted you say apply to city people when, as a matter of fact, they refer to the whole State.

Hon. G. A. KEMPTON: Yes, but, as I have already said, 90 per cent. of the people who attend the entertainments are city people. Many people in the country have opportunities only occasionally to attend entertainments and sometimes not at all. We have a very critical period before us. As has been pointed out by Mr. Hamersley, next year will be a difficult time. There is mighty little fallow and the harvest will certainly be very much lower than that of the present season. Consequently, the proposed assistance from the Government, by way of cutting off the land tax, will be a distinct help to the people on the land. In looking through the Commissioner of Taxation's account of the taxes paid by farmers and pastoralists, I find also these very interesting figures:—

No. of persons taxed.	Farmers.	Pastoralists.
1928-29 ...	4,711 ...	373
1929-30 ...	2,905 ...	285
1930-31 ...	547 ...	60

Hon. H. Seddon: You know that those returns are not complete?

Hon. G. A. KEMPTON: Some of them are not, but they are sufficiently complete to be interesting.

Hon. H. Seddon: You will find that it takes sometimes two years to complete the returns.

Hon. G. Fraser: You can make figures prove anything.

Hon. G. A. KEMPTON: Yes, but when we get figures from the Taxation Department, they are usually quite correct. This table is also taken from the Commissioner's report:—

Income Taxed—	Farmers.	Pastoralists.
	£	£
1928-29 ...	2,555,466 ...	650,803
1929-30 ...	1,242,628 ...	461,287
1930-31 ...	279,510 ...	80,623

Income Tax—	Farmers.	Pastoralists.
1928-29 ...	58,271 ...	50,829
1929-30 ...	22,871 ...	38,062
1930-31 ...	5,574 ...	6,388

These figures show what a big drop there has been as far as the farmers and pastoralists are concerned. I hope the Bill will be passed and I am sure it will be a great help to the man on the land. I am perfectly satisfied from what we have heard from hon. members that the second reading will be carried. I am sorry that the Government have seen fit to stop the subsidy of 10s. to farmers for the employ-

ment of farm hands. It is a bad move because, as Mr. Miles pointed out, those people were certainly producing something, whereas the latest scheme of sending men to irrigation works will not prove nearly so satisfactory. It is far better for those people to be on farms earning a small sum of money and producing wealth for the State, than to be employed on a scheme about which we are not certain. I support the second reading of the Bill.

HON. W. H. KITSON (West) [5.12]: One would be very foolish to suggest that the farming community are not entitled to some consideration at the present time. The real question is what form that assistance should take, in other words, how it should apply. The abolition of the land tax as far as the farmers are concerned will be a great benefit to quite a number. But, on the other hand, there are farmers who do not, or perhaps should not, require relief in this direction.

The Chief Secretary: Would you say 10 per cent.?

Hon. W. H. KITSON: I would not mention any percentage, but one could select the districts and say that practically the whole of the farmers in those districts were not in such bad straits that it was essential they should be relieved of the payment of land tax. I look upon the land tax as being one of the fairest ever introduced. We find that it is now to be removed from certain people, and, in order to make up the deficiency, another section of the community will be required to pay a higher tax. I consider that those who described this as being class taxation are perfectly correct. Many men who have gone on the land in recent years can do with much more relief than the remission of their land tax. On the other hand there are farmers who have been established for many years, who are in comfortable circumstances and who, despite the poor prices experienced for wheat last year, have not suffered to the extent some people would have us believe. I venture to assert that quite a number of them will pay income tax this year as a result of their operations.

Hon. A. Thomson: Not too many.

Hon. W. H. KITSON: But the hon. member knows quite a number.

Hon. A. Thomson: No, I do not.

Hon. W. H. KITSON: Well, I am surprised to hear that, because I do.

Hon. A. Thomson: If you were in the country districts you would know different.

Hon. W. H. KITSON: The question is what form the assistance should take. If we decide to give relief to a certain section in a given direction, let us do so, but if we have to make it good by imposing taxation in some other form we should not single out one section of the community to carry the extra burden. I am in agreement with Mr. Drew when he suggests that the fairest way would be to reduce land valuations. In recent years there has been a large increase in the valuation of farming lands and there has been a big reduction during the last 12 or 18 months in the actual values. Land taxation is not assessed on the improvements on a farming property; it is assessed on the unimproved value. In many instances those properties have been almost given to the people who possess them to-day. The improvements in value have been created by community effort and that is the capital on which the farmers are working. But for the value created by community effort, plus their capital, in some instances the land would not be worth much as security, but because of the value so created, the farmers have a substantial security, on which they are able to raise considerable sums of money. Some of them have raised more money than was justified, and they are now paying the penalty in that their overhead charges are much greater than can be met from the proceeds of their produce while giving them a reasonable living. In many such cases one cannot blame the country or the conditions; the individual is to blame. I do not subscribe to the sentiments expressed in this House by one or two members that the farming community are not entitled to the benefit of some of our modern inventions. Wireless has been a great boon to the outback centres. If it were possible, I should be pleased to see every farmer in possession of a wireless set.

Hon. G. Fraser: But let him buy it with his own money and not with money provided by the State.

Hon. W. H. KITSON: If each farmer were possessed of a wireless set much of the inconvenience suffered at present would be overcome. I do not subscribe to the idea that farmers should not avail themselves of motor traction.

Hon. G. Fraser: No one does.

Hon. W. H. KITSON: Where farmers are located many miles from a railway, a vehicle of one kind or the other is absolutely necessary, but I find fault with the use to which such vehicles are put. I could quote numerous instances of farmers whose possession of such vehicles has resulted in their being utilised to an extent that was not warranted, and consequently the farmers have found that the expense of running them has been greater than their incomes could meet.

Hon. A. Thomson: You can apply that argument to all sections of the community.

Hon. W. H. KITSON: Perhaps so; but it does apply to sections of the farming community. During recent months the people whose responsibility it has been to finance the farmers have made it a condition that they should do away with motor vehicles in order to reduce their costs. I agree with what has been said with regard to the subsidy of 10s. a week for absorbing unemployed. Originally the sum was 15s., which was small enough, but it was reduced to 10s. This I understand is to cease on the 14th November and I believe it will lead to considerable hardship. It may be contended that owing to the improved price of wheat and the prospect of a good harvest, there is no reason why a farmer should not be able to employ a man and pay him the whole of his wages, but I know of numerous farmers who will find it absolutely impossible to engage labour if this privilege is denied them. I go further and mention an instance that has come under my notice. One farmer has been employing for some months a man who has been working for his tucker only, waiting for the harvest. The farmer applied to the bank for a certain amount of money which would enable him to engage the labourer at a reasonable rate of pay. The reply he got from the bank was, "We are very sorry but we cannot do it. There are plenty of men in the district who are prepared to work for their tucker and you must get one of them." I know that has occurred in one instance and it is a wrong attitude for a bank to adopt. It gives point to the expression used from time to time in this House that there are some institutions anxious to take advantage of the present position. On that farm there is a fair area under crop and, unless the farmer can get additional finance,

it will be impossible for him to engage the labour necessary to assist in taking off the crop. It is not a fair attitude for the bank to adopt. I believe farmers are desirous of giving their employees a fair deal, but to-day many are not able to do so in the matter of wages. If the Government carry out their intention and abolish the subsidy scheme, I am afraid it will lead to much hardship, not only to the unemployed, but also to the farmers. On the general principle of increase of taxation, I think the Bill is a mistake. It is possible to tax the earnings of the community too heavily. It simply means taking from those who by personal exertion are able to place themselves in a position to carry on their business and employ further labour. The more we take from such people, the less employment will they be able to provide. In view of the fact that the amount of money to be raised is so small—I believe the total is about £28,000—the Government are making a mistake. I realise that the revenue has been falling off, but it is up to the Government to encourage the people who at present are able to carry on their business and provide some employment. I have no objection to giving the farmers, who are in need, relief equivalent to the amount set out in the Bill, but relief should not be given generally as a section of primary producers are not feeling the depression as many wheat farmers are. Some of the larger stations are experiencing a bad time, but even to them the remission of land tax will not make very much difference. The amount of tax involved is small as compared with their total indebtedness, so it is not a case of keeping men on the land by remitting the land tax. It will simply mean that the Government have carried out the behest of one section of the Coalition who promised at the elections that the land tax imposed on agriculturists would be removed. I do not propose to vote against the measure, but I do oppose the method adopted by the Government of endeavouring to give relief to the farming community in this way. I am opposed to what has been termed class taxation, namely, taking taxation off one section and placing an additional burden on another section to make good the loss.

HON. J. J. HOLMES (North) [5.27]: This Bill has my approval, especially the provision to exempt the agriculturists from the payment of land tax. In the early part

of the session I moved a motion as follows:—

That, in the opinion of this House, drastic steps should be taken to reduce the cost of primary production, affecting particularly the pastoral and wheat industries of the State, so that they may continue to exist in competition with similar industries in other parts of the world.

I begin to think now that I have probably accomplished something, that the Government have taken notice of what I said and that they have at last taken steps to ease the burdens of the man on the land. We have heard a good deal about the man on the land and about the honest worker in the town. The man on the land has to be an honest worker. He has to work seven days a week, and he has to work from daylight to dark or he cannot exist. The honest worker in the town has the Arbitration Court behind him, and that court sooner or later must go. I have said so for many years. My principal objection to the Arbitration Court, voiced many years ago, was that we had no right to establish and maintain a court that could not enforce its judgments or awards. There is now another objection to the court, namely, that the basic wage has to be paid regardless of whether industry is carried on profitably or otherwise. The only thing to be considered is on what wages can a man, his wife and three children live in reasonable comfort. Single men, of course, come under the same protection. In many cases, unfortunately, the single man gets preference in employment in the country districts where accommodation is not too plentiful. The single man's wage is fixed on the basis I have mentioned, irrespective of whether the industry can carry it or not. Before we can get out of our difficulties we shall have to return to this point, that an industry can only pay what it is able to carry. Otherwise this country's industries will go out. The man on the land, as far as I see, is the nearest approach to perpetual motion, especially the man growing wheat. An equitable taxation measure was passed years ago by this Parliament, a measure under which men on the land paid whichever was the greater—the land tax or the income tax. That was the expressed view of the House at the time the alteration was made. Managers were sent by this Chamber to a conference. As I understand the position, when managers are sent

to a conference they are supposed to represent the views of the House that sends them, and not their own ideas. However, the result was that an alteration was made by which the men on the land had this right taken from them at a time when the Legislative Council was opposed to such an alteration. All that this Bill does, so far as the agriculturist and the pastoralist are concerned, is to put them back in the position from which they should never have been removed. What has created the present financial situation as between the Motherland and Australia? Nothing but the fact that the value of our primary products in about eighteen months decreased in value, though not in quantity, to the extent of about £200,000,000. What we have to do now is to produce at a profit, so that we can put our goods on the world's markets. The Arbitration Court cannot fix the price of wheat or wool in the markets of the world. We have to reduce the cost of production. I wish to disabuse the minds of some hon. members on this point. The opinion has been expressed that we must continue to tax and tax those who have anything, in order that the country may carry on. The exact opposite is the truth. We have to reduce taxation.

Hon. G. Fraser: Then you will support this measure.

Hon. J. J. HOLMES: Undoubtedly. We have to decrease taxation, not increase it.

Hon. G. Fraser: But you are supporting a measure which does increase it.

Hon. J. J. HOLMES: I do not know what the hon. member said. In any case I do not think it was very intelligent.

Hon. G. Fraser: That depends on the intelligence of the hearer.

Hon. J. J. HOLMES: Does the hon. member want a dialogue or will he let me finish the few words I have to say? We have to reduce taxation and not increase it. The Bill goes a step in the right direction, though not so far as we should like it to go. The reference to class legislation is something new. If ever there was class legislation enacted by any Parliament it is the legislation that we passed in the early part of the session. I know of instances in this city where far-seeing men had leased vacant land in the central portion of Perth and arranged with the owner to build on the land at a low rate of interest. They were sitting on velvet. Then legislation was passed taking 22½ per cent. off what

was due to the owner. I will give another instance of class legislation in the same connection. I personally know of a widow in a suburb of Perth who had two cottages. One she lived in and one she let to a tenant. In order to secure the tenant—in these times good tenants are not too plentiful—she spent £30 on installing a septic tank, upon the condition that the tenant took a lease of the cottage at 30s. per week. A week later the Act was proclaimed, and the tenant came along, not with 30s. rent, but with 23s. 3d. Is not that class legislation?

Hon. W. H. Kitson: And that landlady would have to pay land tax.

Hon. J. J. HOLMES: There is no reduction in the landlady's land tax, or in her municipal water rate or her sewerage rate. This short cut of 22½ per cent. has created such anomalies and hardships as nothing in this Bill can equal. Yet hon. members have had the audacity to speak of class legislation!

Hon. J. Nicholson: Would you agree to the insertion of a proviso to give consideration to such cases as that?

Hon. J. J. HOLMES: Yes. The Bill is a straight-out proposal that people engaged in agricultural or pastoral pursuits shall get a certain reduction. Instead of making a general reduction, a commissioner should have been appointed to hear the appeals of those who considered they were entitled to a reduction in rent. I hope we shall pass no more legislation imposing general cuts irrespective of how they affect anybody. I support the second reading of the Bill.

HON. E. H. GRAY (West) [5.41]: I wish briefly to criticise that clause of the Bill which relates to land tax. I feel highly sympathetic towards the farmers because, having been through the mill myself, I know exactly what they are suffering. In my opinion, the suggestions made by Mr. Drew would be much fairer than the proposals of the Bill. Everyone who knows anything about the farming and pastoral industries must recognise that their position is not of the best. But that position is rapidly changing. Things are better now than they were a year ago, or a month ago, or a week ago. They will be still better a fortnight hence. The prospects of the farmer in particular are far better to-day than they were last week.

Hon. G. W. Miles: Since the British elections.

Hon. E. H. GRAY: There are evidences of further rapid rises in wheat and wool. The Bill proposes to let off a large section of farmers and pastoralists who are well able to carry the load. Everyone who can do so should carry his fair share of the burden.

Hon. Sir Edward Wittenoom: Prove that.

Hon. E. H. GRAY: It does not need proof. The markets have gone up, and good judges say prices will rise still further. That will mean a tremendous amount of money to this country. We make speeches about the causes of the depression. The big thing we have to look to is the rise in wheat and wool. Let me point out that there has never been any suggestion of remission of taxation for people who have not paid last year's income tax.

Hon. Sir Edward Wittenoom: You do not understand the subject.

Hon. E. H. GRAY: Again, what about the large number of people, young people chiefly, who were suddenly deprived of work and when their income tax assessments came along were unable to pay them? Nobody has suggested that these people should be helped by remission. They have to wait until they obtain work, and when they are in employment again they will have to pay their arrears of taxation.

Hon. A. Thomson: Some people had to borrow money to pay their tax.

Hon. E. H. GRAY: The hon. member did not have to borrow.

Hon. A. Thomson: How do you know?

Hon. E. H. GRAY: I know that the hon. member is pretty solid. When a man cries poverty, he is as a rule pretty well off. It is the man who puts on a brave face that has an empty pocket—like myself. The severest sufferers from the depression include farmers; but there are many farmers who are miles away from bankruptcy, and should not be granted remission under the Bill. The amount involved may be comparatively small, but the principle of the thing is wrong.

Hon. J. J. Holmes: Why is it wrong?

Hon. E. H. GRAY: Because this is class legislation.

Hon. J. J. Holmes: What about preference to unionists?

Hon. E. H. GRAY: The hon. member spoke about a poor widow who has to pay full taxation notwithstanding. I say she has to do nothing of the sort. If she knows her business, her taxation will be reduced under the financial emergency legislation. It is wrong for the hon. member to make such statements. If there has been a reduction in the rent payable to her, she can appeal to the local municipal council, and then her municipal rates will be reduced proportionately, and so will her water and sewerage rates. So it is not so bad after all. As to the statement made about the withdrawal of farm labour from farms under the Government scheme, it seems a pity. There are a large numbers of single men at Blackboy and Fremantle waiting to get jobs, and under this proposal they will have to stop there until the farmer can secure money with which to pay wages. Although it looks well on paper to get situations for girls and young men under this scheme, our committee found there were large numbers of employers who took advantage of it by sacking their own help and applying for this cheap labour. Many employers that applied for farm labour under the sustenance scheme could well have paid full wages out of their own resources. No doubt the Government discovered the scheme was being seriously abused. If so, I can well understand the Government being forced to take a stand. Still, there should be some way out of that. As Mr. Kitson has said, there must be large numbers of farmers who will be in serious difficulties owing to inability to find wages with which to pay men. I suggest that each case be considered on its merits. The farmers should be assisted to take off their harvest. Also I advocate that every precaution be adopted to see that the scheme is not abused by any farmers who are well able to pay considerably higher wages than they are paying to-day. The outlook for the farmer is now much brighter, and we do not want to preach depression all the time. The cloud will clear away, and I have no doubt many members will get a surprise when the January price of wheat is announced in the Press. If it be as I hope, it will do far more good than this sop given to the farmers by the Government in order to keep them quiet and on their side.

THE CHIEF SECRETARY (Hon. C. F. Baxter—East—in reply) [5.50]: Like all other members, I respect the views of Mr. Cornell on legislative rectitude in constitutional matters. He has made a deep study of the subject, to the advantage of the House. Therefore, on this occasion I listened with interest to his remarks in that connection and gathered the impression that, having mentioned his views, he did not intend to follow up the subject during the discussion on this Bill. However, if there has been any transgression, I must plead that this House has quite openly condoned similar indiscretions on numerous other occasions, and particularly when the taxing Bill has been under discussion. Going back to 1927, I find that our much missed friend Mr. Lovekin questioned the inclusion of Clauses 5 and 6, dealing with the relief to taxpayers under the Bill in respect to the rate of tax on dividends, and the payment of income tax by instalments. At that time Mr. Drew was the Leader of the House and he told members that he had consulted Mr. Sayer, who had advised as follows—

Clause 5 has been a provision of the tax Acts since the Act of 1918. In 1922 it was made a permanent provision of the assessment Act, No. 40 of 1922, Section 2. It has however, been continued annually as a provision of the tax Act, and its omission would lead to an inference that Section 2 of No. 40 of 1922 (Assessment Act Amendment) did not apply. By the tax Acts of 1920, 1921, 1922, 1923, 1924 and 1925 super tax was imposed. Therefore it was enacted in those Acts that for the purpose of Section 5 regard was not to be had to the super tax. In the tax Act for 1926, and in this Bill, super tax is not payable. Therefore the reference to super tax is omitted from clause 5. The reference to super tax relates to "income chargeable," that is to say, the taxpayer receives credit for the whole of the duty payable under the Dividend Duties Act."

That was the opinion of the Solicitor General in 1927, and I am now re-quoting it in the hope that the clauses will be retained. If members venture to remove them from the Bill I am afraid the result will be disastrous to interests they wish to assist. To be consistent, members would have to disagree with the clause dealing with the proposed relief to producers, the clause relating to a taxpayer receiving credit in respect to duty payable under the Dividend Duties Act, the clause dealing with the method of computing the tax payable on pastoral leases, and perhaps other clauses. If those provisions were re-

moved from the Bill I feel that grave criticism from taxpayers would arise, as it is apparent to me that the offending provisions—if they can be so termed—were never so badly wanted as they are at the present time. All the clauses referred to are relief provisions, and it is the earnest wish of the Government that taxpayers should have the benefit of them even though it might be argued that they could be more rightly included in the assessment Act.

With regard to Clause 6, I propose to seek its deletion when the Bill is in Committee. Mr. Drew is incorrect in his statement that the Bill will more seriously affect those persons with taxable incomes between £101 and £300 than the well-to-do taxpayer. That is not so. With a graduated rate of tax, as is in operation in this State, the lower taxable incomes do not carry nearly as high a rate as the larger incomes, consequently the burden of the tax is on the more wealthy. Owing to the low commencing rate of tax, namely, 2d. in the £ on the first £100 of taxable income and the graduated increase of .007d. in the £ on all incomes in excess of the first £100, less the 33½ per cent. rebate; and further, on account of the numerous and liberal concessional deductions enjoyed by taxpayers under the State Land and Income Tax Assessment Act, taxpayers with incomes of less than £2,500 in Western Australia, pay less income tax than in any other State of the Commonwealth, including the Commonwealth; whereas incomes over £2,500 on the average carry a higher rate of tax than is payable in most of the States of the Commonwealth, including the Commonwealth. There would be, therefore, no justification in levying a higher rate of tax on the larger incomes, and so members will see that Mr. Drew's comments in that regard are wide of the mark.

In quoting from the Commissioner of Taxation's last annual report, Mr. Drew compared an uncompleted year, namely 1929-30, with a completed year, 1927-28, and in so doing he got some of the figures of that year mixed up with the figures for the next year, 1928-29. However, 1929-30 cannot be compared with the two previous years, and the depression was not reflected in the returns for the latter year, 1929-30. The same hon. gentleman advocated a reduction in railway freights in lieu of the abolition of the land tax on improved land devoted to agriculture, etc. He

knows well that, in view of the losses on the railways, it would not be politic to reduce freights at the present juncture. Moreover our wheat rates are the lowest in Australia and the freight on wool has already been substantially reduced. In my opinion the motor competition would continue even if wool rates were further reduced, as the motor competition charges railway freight for transport and caters only for the best paying traffic, leaving such lines as wheat and super to the railways. What the farmer and station owner require to realise is that by using the motor for the carriage of higher class goods they are increasing their taxes to make good the shortage on the railways, and at the same time are leaving themselves open to be charged a higher rate for lower rated goods which the motors will not transport.

Returning to Mr. Cornell's speech, that hon. gentleman referred to the exemption from land tax applying to leases and not freehold land, and asked certain questions as to why reference is made to a lease and to other lands. The position, briefly, is that the exemption from State land tax is to apply to the unimproved value of all improved agricultural land used for agricultural, horticultural, pastoral, or grazing purposes, and whether freehold or leasehold land. It is also to apply to pastoral leases which, as members are aware, are specifically taxed under a special provision of the Land Tax and Income Tax Act. Originally pastoral leases were assessed under the provisions of the Land Tax and Income Tax Assessment Act, but many years ago that provision was struck out, and some years later the Government re-introduced the taxation of pastoral leases by making the provision in the Land Tax and Income Tax Act. Mr. Seddon's remarks were centred on the assessment Act, not the taxing Bill which is before the House. He led me to believe that he thought the time opportune to further tax the people to the extent of the estimated deficit, namely, £1,200,000, and he suggested that the ambit of taxation should be enlarged to cover wage earners who at present are not taxable owing to the concessional deductions under the assessment Act.

I cannot agree with him that we should bleed the community for an additional £1,200,000, as it seems to me better use of the money can be made by the people. In

recent months the hon. member has become a soulless taxonomist, and he has given me the impression that he sincerely believes the Government could live within their revenues despite the terrible hardships of the people in the present depression. If I have correctly interpreted his views, I think he is quite out of touch with the difficulties of governmental finance and the present experiences of the people. I agree with him that there should be a greater spread of taxation, but unlike him I think it can be achieved if the Government are able to gather in the great army of taxable people who now default in the payment of their dues to the Crown. That will be one of the objects of the amending assessment Bill which is to be discussed in the near future. Rich and poor alike receive the benefit of the deductions under the assessment Act, and the Commissioner of Taxation can only step in when there is something left to tax. Therefore if we were to eat into living costs of the worker, I think the latter could claim greater consideration in the computation of the basic wage. A Government could not tax the wage earner on or below the bread line, even though he may forget the church—it is a long way from him these days—and pinch his bodily needs for a small bet on the Melbourne Cup. The great majority of people are workers without taxable incomes or with nothing left to tax, and a Government would indeed be callous if it taxed them, for the development of the country on which they were gaining merely a bare existence. That enlightened view obtains throughout the world and even mighty Britain is able to collect taxation from only two and a quarter millions of her many millions.

The threat in the hon. member's advice to the House that this Bill should be held up pending the receipt of the assessment Bill is quite unworthy of him, and markedly opposed to his previous attitude of fairness to the Government in the difficulties with which they are faced. In fairness to the Government it should be said that they have not savagely attacked the people in the matter of taxation as has happened in every other State of the Commonwealth. The Government have never attempted to shoulder their trouble on to the people. They have sufficient of their own and in recognition of that fact the Government have been reluc-

tant to raid their already depleted resources.

Other members ignored the thoughtful aspects of the proposal to extend some consideration to producers, and carried the debate into criticism of the Government and their administration of recent months. As is usual, a few mistakes were pointed out, and not a word of praise was uttered for the good things achieved in the face of great difficulties. For a while I was under the impression that I was listening to the usual Address-in-reply debate at the commencement of a session, instead of the views of members on the imposition of the rate of tax towards the end of a session.

The unfortunate importation into the discussion of the time-worn and much to be deprecated subject of city versus country interests certainly lowered the tone of the debate, and views were expressed which could have been left unuttered. Our present troubles are in the nature of a partnership affair and there is not one person in the State outside of that partnership; and the bickerings of individuals, as displayed here last evening, will only hold up the happiness of all. The Government have introduced the Bill in the hope that it will assist producers to that stage of healthiness which we all desire. Admittedly other sections are suffering grievously, and the Government are anxious to help them to bear their ills. Unfortunately funds are very limited and consequently we can do little at the moment in the direction desired.

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.

Clause 1—agreed to.

Clause 2—Grant of land tax and income tax for the year ending 30th June, 1932:

Hon. Sir CHARLES NATHAN: I move an amendment—

That in Subclause 1 the second proviso be struck out.

I do not move this amendment with any disregard for the trials through which the farmers and producers generally are now passing. If some of us had our way, we

would bring about the introduction of a flour tax. This would provide £250,000, and relieve the farmers very much more than this proviso will do.

The CHIEF SECRETARY: I did not think Sir Charles Nathan was serious in the remarks he made on the second reading. I cannot believe he really means to strike out this proviso. If the Government could have imposed a flour tax and carried it through successfully, we would have done so. That is one of the things we cannot do under the Constitution. For 12 months we have tried to persuade the Federal authorities to impose such a tax, but have been unsuccessful. This would have to be done by the Federal Parliament before it could be successful.

Hon. J. J. HOLMES: If the amendment were carried, a difficult position would be created. We would then have to deal with the 20 per cent. increase in the income tax. If we struck out the proviso, we would be entitled to the whole of the 33-1/3rd per cent. reduction. If the man on the land has to pay both the land tax and the 20 per cent. increase on income tax, he will soon talk about walking off the land. If we want to assist the agriculturist, we must decrease taxation. We have for years been dependent on the primary producer. We have also been trying to build up secondary industries, but so far have not been able to produce anything that is worth while putting on the world's markets.

The CHIEF SECRETARY: We hear a great deal about what members wish to do for the farmers. Do they want to help them or do they want to get their last pound of flesh out of them?

Hon. Sir Charles Nathan: Do not be personal.

The CHIEF SECRETARY: The moment the Government come along with this assistance to farmers, an objection is raised. Apparently agriculturists must not have the smallest bit of assistance. If people are sincere in their protestations, why do they not agree to this measure of relief?

Hon. Sir Charles Nathan: Do it in the proper way and we will help you.

Amendment put and negatived.

Clause put and passed.

Clauses 3 to 5—agreed to.

Clause 6—Section 55 of 1907-30, No. 15 not to apply:

The CHIEF SECRETARY: I hope this clause will be struck out. The matter is dealt with in another Bill, which will come before us later.

Clause put and negatived.

Bill reported with an amendment.

Recommittal.

On motion by Chief Secretary, Bill re-committed for the purpose of further considering Clause 2.

In Committee.

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

Clause 2—Grant of land tax and income tax for the year ending 30th June, 1932:

The CHIEF SECRETARY: I move an amendment—

That in line 14 the word "the," where it first appears, be struck out and "such" inserted in lieu, and that all the words from "and" in line 14 to "section" in line 16, inclusive, be struck out.

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

Bill again reported with a further amendment, the report adopted, and a message accordingly returned to the Assembly requesting that the Council's amendments be made, leave being given to sit again on receipt of a message from the Assembly.

Sitting suspended from 6.15 to 7.30 p.m.

BILLS (2)—FIRST READING.

1, Industries Assistance Act Continuance (No. 2).

2, Licensing Act Amendment (No. 3).

Received from the Assembly.

BILL—DIVIDEND DUTIES ACT AMENDMENT.

In Committee.

Resumed from the previous day; Hon. J. Cornell in the Chair, the Minister in charge of the Bill.

Clause 2—Amendment of Section 6 (partly considered):

Hon. J. NICHOLSON: Following the suggestion made by you, Sir, when the Bill

was previously before the Committee, I have placed the amendment on the Notice Paper in the manner suggested by you. Referring to the interchange between the Chief Secretary and myself, the matter has now quite satisfactorily been adjusted between us. It has been explained how the Chief Secretary came to make the statement he did, and I quite realise the difficulty in which he was placed.

The CHAIRMAN: Seeing that this difference occurred between the hon. member and the Chief Secretary in the Legislative Council and not in Committee, the Council is the place where the explanation should be made.

Hon. J. NICHOLSON: I move an amendment—

That the following words be added to the clause:—"And the said Section 6 is also amended by adding to Subsection (2) thereof a further proviso, as follows:—

Provided further that in assessing profits made by a company on the returns forwarded to the Commissioner under the principal Act, there shall be allowed as deductions for the purpose of arriving at such profits the following:—

(a) Losses, outgoings, interest on mortgages and loans and expenses actually incurred by the company in Western Australia in connection with its business.

(b) Net trading, prospecting, or business losses incurred in any one or more years during the three years preceding the year of assessment; also net losses arising over a like period from the loss of stock-in-trade, crops and livestock due to droughts or other circumstances or conditions over which the company had no control or was unable to protect or insure against: Provided that no losses in respect to fixed capital assets shall be allowed as a deduction under this section.

(c) Depreciation of plant used in the business of the company.

(d) All rates and taxes, including State and Federal land taxes and Federal income tax, and hospital tax actually paid during the year of return.

(e) The annual sum necessary to recoup the expenditure on improvements under covenant with the lessor on land by a lessee who has no tenant rights in the improvements. The deduction under this paragraph shall be ascertained by dividing the amount expended on the improvements by the lessee by the number of years in the unexpired period of the lease at the date the improvements were effected."

The amendment is somewhat lengthy. It seeks to incorporate the deductions allowed by the Land Tax and Income Tax Assessment Act, in addition to one relating to depreciation of the plant of a company. The first amendment contained in paragraph

(a) is taken from Subsection 1 of Section 31 of the Land and Income Tax Assessment Act in order to adapt it to the Bill, and to shorten it I have framed it as it appears in paragraph (a). Ordinarily, in arriving at profits there are certain deductions, because profits mean net profits after taking into account deductions which are ordinarily allowed in connection with the making of profits. In the Land and Income Tax Assessment Act these are particularly specified, and in order to bring the one Act into line as far as possible with the other, I am seeking to incorporate that. The next deduction which ought to be allowed so as to arrive at actual profits is that relating to net trading, prospecting or business losses. That, too, is contained in the Land and Income Tax Assessment Act. To obviate the use of the words "provided that no" which appear in the Assessment Act, I propose to substitute merely the word "But." Regarding the other paragraphs, the Taxation Department has a certain scale in dealing with depreciation under the Assessment Act, and so that can easily be applied. Paragraph (e) is taken word for word from Subsection 17 of Section 31 of the Assessment Act. By submitting the amendment I am merely carrying out the view I expressed when speaking earlier, that we should bring into harmony as closely as possible the deductions which apply in the case of taxpayers under the Land and Income Tax Assessment Act, and so arrive at a reasonable basis of deduction. There are a large number of companies in this State, but, for the sake of industry, we want to see many more. I suggest to the Government that unless we can do something to induce companies to come here, we will not receive attention from them to the extent other States do because of the benefits they extend to companies. It is a good thing to have companies spending money in our midst. It is an aid to overcoming unemployment, and it means the drawing of revenue from other sources. We in this State have rather discouraged companies by some of our legislation. We have not extended to them the benefits that other States give in the matter of taxation of profits. No other State of the Commonwealth has a Dividend Duties Act in force. Under the Federal law, companies and individuals are taxed under the Income Tax Act, just as in the States, and it would be better to abolish our Divi-

dend Duties Act and bring both companies and taxpayers under the one Act. Then we would be able to treat companies on an equitable basis. Companies are placed at a great disadvantage because they are allowed only the limited deductions provided for in the Dividend Duties Act, which deductions are not as wide as those allowed to individuals. When the Dividend Duties Act was introduced in 1920, the original conception was to tax the dividends of local companies, because they alone could be taxed by the State Government. Companies domiciled outside the State are termed foreign companies, and any foreign company would declare its dividends at headquarters, the profits alone being taxable here. Since 1915 both local and foreign companies have had to pay on profits, but the deductions allowed to individuals under the Income Tax Act were not allowed to companies. The individual taxpayer would require to have a taxable income of £3,511 before reaching the stage when the flat rate applicable to companies under Dividend Duties Act would apply. This matter should be seriously considered. In addition to the flat rate of 1s. 3d. payable under the Dividend Duties Act, there is also 15 per cent. super-tax which is calculated on profits that are really not made by the company but are paid away. The flat rate plus the super-tax is calculated on the amount of Federal and State land tax and Federal income tax that the company pays, because it does not get deductions under the Dividend Duties Act. If a pastoral company suffered trading losses, unlike an individual, it would not get the deductions. For those reasons I urge the acceptance of the amendments to help the Government out of their difficulty. According to to-night's paper there is a prospect of great benefits arising from intercourse between the Mother Country and the Dominions. There is great hope that we shall receive immediate attention, but when disadvantages such as those I have indicated exist, they tend to prevent that coming about.

The CHAIRMAN: Mr. Holmes has an amendment practically similar to Mr. Nicholson's paragraph (b).

Hon. J. J. HOLMES: If Mr. Nicholson's amendment be carried, mine can be withdrawn.

The CHIEF SECRETARY: With the exception of Subsections 2, 15 and 17 of Sec-

tion 31 of the Land and Income Tax Assessment Act, all the deductions that Mr. Nicholson is moving for are allowed. There is no instance in which they have been disallowed by the department.

Hon. H. Seddon: They are allowed by the grace of the department.

Hon. J. Nicholson: Companies are not entitled to them.

The CHIEF SECRETARY: That may be so, but they are not disputed. Therefore all we have to consider are Subsections 2, 15 and 17. One is on a flat rate and the other is on a graduated scale. The Commissioner of Taxation, to whom the matter has been referred, reports—

I have to state that with the exception of Subsections 2, 15 and 17 of Section 31 of the Land and Income Tax Assessment Act, 1907-1924, there is no necessity whatever for the proposed amendments, as every company is entitled to make all the other deductions covered by the subsections mentioned by Mr. Nicholson, and in no case do I remember when any of the items incurred in the production of a company's income have been disallowed by me.

As regards Subsection 15, which refers principally to Federal income tax and land tax, I contend that, on account of the very high rate of Federal income tax now levied on incomes, the deductions claimed should not be allowed. The increased rates of Federal income tax are considerably reducing the amount of State income tax, and this matter I recently mentioned to the Premier, and suggested that Federal income tax and land tax should not be allowed in excess of the amount paid by a taxpayer for State taxes.

Subsection 17 in the case of an incorporated company is generally claimed in the profit and loss account of the company and allowed as a deduction.

I am opposed entirely to the whole of the amendments submitted by Mr. Nicholson, and if it is deemed advisable to bring incorporated companies into line with ordinary taxpayers, then the Dividend Duties Act should be repealed and its provisions, with alterations, incorporated in a composite amendment of the Land and Income Tax Assessment Act.

Hon. J. Nicholson: That is what I suggested.

The CHIEF SECRETARY: But the hon. member wishes to amend this measure. No. 17 is already allowed.

Hon. J. Nicholson: It is allowed by grace, but not by right.

The CHIEF SECRETARY: The Commissioner says the companies are entitled to it. As regards Subclause 2, members have to realise that the Dividend Duties Act is being

worked on a flat rate of 1s. 5¼d., while the Land and Income Tax Act is worked on a graduated scale—quite a different thing. The Commissioner's communication continues—

The profits of companies are assessed at a flat rate of 1s. 5¼d. in the pound, whereas taxpayers' incomes under the Land and Income Tax Assessment Act are assessed at a graduated rate of tax, commencing at 2d. in the pound and rising to a maximum of 4s. less 20 per cent. Consequently there are many individuals (taxpayers) who pay a much higher rate of tax on their profits than the dividend duty rate of 1s. 5¼d. In every other State of the Commonwealth, incorporated companies are assessed at a special rate of tax, generally a flat rate, and in no case are losses incurred in previous years allowed as a deduction.

A company may distribute its income by the appointment of a number of its shareholders as directors and officers and by the payment of salaries, fees, and bonuses to such persons, and thereby evade almost entirely payment of dividend duty, and at the same time prevent the payment of income tax at the higher rates of taxation. For instance, in past years many individuals and persons in partnerships were making large profits and paying income tax at the higher graduated rate of tax. Subsequently, however, by the formation of their businesses into incorporated companies they were able to bring in members of their family and other relatives who participated in salaries, fees and bonuses as directors and officers, with the result that the profits were considerably reduced and taxed at a much lower rate than under the Land and Income Tax Assessment Act.

As a case in point, take an individual making, say, £10,000 in 1928. He would be taxed at 4s. in the pound less 33 1/3rd per cent., or 2s. 8d. in the pound; whereas a company making the same amount of profit would pay dividend duty on such amount at 1s. 5¼d. in the pound; but in almost every case the company would reduce its taxable profits to, say, £3,000 more or less, and pay duty on this sum at the rate of 1s. 5¼d., and the balance of £7,000 would be distributed as salaries, directors' fees and bonuses to a number of persons (directors and shareholders) and would be subject to income tax at various rates of tax less, in many cases, than 1s. in the pound.

If losses are allowable as a deduction to incorporated companies, some hundreds of companies in this State would be able to arrange their accounts in such a way as to prevent the payment of duty for many years, if at all, and pay the directors and officers (so-called) amounts that would return very little income tax.

It would be possible for a company to pay salaries to a number of directors, not exceeding the statutory exemption and concessional deductions allowed under the State Land and Income Tax Assessment Act, and thereby escape the payment of any tax (income or dividend duty).

I quite agree with the Commissioner. The procedure he describes is followed in many cases. In times like these the Government cannot afford to give away anything. The services have to be carried on. If this amendment is carried, one large avenue of revenue will be destroyed. In fact, I have on the Notice Paper an amendment tightening up the Act.

Hon. J. Nicholson. I told you I thought it wanted tightening up. I spoke on the matter. That refers to Section 3.

The CHIEF SECRETARY: Yes. The amount lost under this amendment would, however, exceed anything gained from tightening up the Act.

Hon. J. NICHOLSON: The Chief Secretary overlooks the main factor—the attraction of capital instead of the driving of it away. Whilst companies would be placed on a more equitable basis by my suggestion, it would have such an influence towards attracting capital that instead of any loss there would be a considerable gain to the Taxation Department. I am anxious to help the Government, but the Government do not seem to appreciate that fact. I urge the Chief Secretary to consider the case of a company which is not allowed the deduction but is forced to pay tax on the amount of it. An individual taxpayer has to reach the stage of earning an income of £3,511 before he pays the same rate as a company is bound to pay, calculated on the basis of 1s. 3d. plus 15 per cent. The maximum to an individual taxpayer is 4s., and he is allowed certain deductions which a company is not allowed, and on which it actually pays taxation. That is wrong, and that is how capital is driven out and kept out. Other States do not do that. The Commissioner in his communication to the Chief Secretary says that some companies might pay to directors or officers certain large salaries. Mr. Drew will remember that shortly after the Dividend Duties Act was passed, there was a remarkable instance of two directors of a company, one of them a noted personage, paying themselves very high salaries as directors in order that the company might escape the necessity of paying dividends. In listening to the Commissioner's letter, it struck me that a certain section must have escaped his attention for the time being. I refer to Section 6, enacted in 1918, which provides—

The Commissioner of Taxation may disallow as expenditure any money paid by a

company as salary, fees or otherwise to any director, officer, or employee of the company in so far as in the opinion of the Commissioner such payment was not made bona fide as remuneration for services rendered but as a means of avoiding taxation.

The Act is as strong and binding in that respect as it can be. The Commissioner has full power, where he sees anything of that nature being done, to draw his pen through the expenditure immediately; and quite right, too. I have no objection to cutting down my amendment to paragraphs (b), (c) and (d), if the Chief Secretary will then accept it.

Hon. Sir WILLIAM LATHLAIN: The Chief Secretary has not exactly cleared up two points. In reading the Commissioner's letter he stated that if the amount of the Federal tax was allowed, it would considerably reduce the amount received from State taxation. That view represents a very poor way of assisting the unfortunate taxpayer. Because Federal taxation may increase, there is to be no alleviation to the taxpayer. Again, no mention is made as to the effect of the hospital tax, whether companies will be allowed to deduct that tax.

Hon. J. Nicholson: It cannot be done now.

Hon. Sir WILLIAM LATHLAIN: In the case of big firms, the hospital tax amounts to something considerable.

Hon. H. SEDDON: I can find no mention of exemptions such as have been referred to by the Minister. Although they may be allowed by the Commissioner as a matter of grace it would be safer if we arranged that the ordinary business deductions were included in the Bill.

The CHIEF SECRETARY: In view of the uncertainty in the minds of hon. members, it would be better to hold the matter over to enable further inquiries to be made.

The CHAIRMAN: Does Mr. Nicholson intend that his amendment shall stand as he has moved it or does he propose to curtail it?

Hon. J. NICHOLSON: I would be willing to cut down the amendment, relying on the statement contained in the memorandum of the Commissioner.

Hon. Sir CHARLES NATHAN: It might be desirable, when we resume the consideration of the amendments, to take each paragraph separately. Some members might

be in accord with one of the paragraphs but opposed to the others.

The CHAIRMAN: When the debate is resumed in Committee, Mr. Nicholson can ask leave of the Committee to withdraw the amendment, and then move it paragraph by paragraph.

Hon. J. J. HOLMES: I do not want anything left to an act of grace on the part of the Commissioner of Taxation. If there are concessions to be granted let us have them in the measure and the public will know where they stand. I am opposed to acts of grace on the part of anyone.

Progress reported.

House adjourned at 8.22 p.m.

Legislative Assembly,

Thursday, 5th November, 1931.

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

MOTION—URGENCY.

"West Australian" Newspaper Report.

Mr. SPEAKER: I have received the following letter from the member for Fremantle, Mr. Sleeman:—

I desire to move the adjournment of the House to deal with a matter of urgent importance, namely, an article dealing with Parliament in to-day's issue of the "West Australian."

Before the motion can be entertained, it will be necessary for seven members to rise in their places.

Seven members having risen,

MR. SLEEMAN (Fremantle) [4.34]: I move—

That the House do now adjourn.

I move this motion because a matter of urgent importance to the country at large is involved. The article, I consider, contains gross misrepresentation—it misrepresents the doings and the cost of Parliament.

Hon. S. W. Munsie: Deliberate lies as well.

Mr. Marshall: That is being done every day. That newspaper is the most unbalanced section of the community.

Mr. SLEEMAN: I am not prepared to let the paper get away with this article without registering a protest with a view to ascertaining whether the House cannot do something to stop the reckless statements and the tissue of lies issued to the public in a paper which considers itself to be the leading paper of the day. It attacks Parliament every day—

Mr. SPEAKER: Let us stick to the article in question.

Mr. SLEEMAN: The latter portion of the article states—

Members of the Government cannot be acquitted of obstinacy, but the brunt of the blame for an exhibition of futile and costly time-wasting must be borne by an Opposition which deliberately pursued this course.

Regarding that portion, I consider that we were justified in the action we took; otherwise we would not have proceeded with it. But that is not the worst part of the article. It goes on to say—

It has been computed that it costs £80 an hour to keep the House sitting, and upwards of £30 to send members home in taxi cabs after 11 o'clock.

Mr. Marshall: A confounded lie.

Mr. SLEEMAN: The article concludes—

The public finances are not so buoyant that such expenses should be incurred lightly.

The article relates to an occurrence last night over a Bill then before the House, and it would convey the impression that for every hour we sat last night the cost to the taxpayers was £80 per hour extra. That,