

It is now our duty to endeavor to suggest a machinery for putting into operation the valuation and secret return system. To meet the rapid changes of value and of incomes it will be necessary to establish annual valuations and to require annual returns. If possible, these valuations should be made and returns required at a time when the incomes had just accrued, so that the amount could be most readily determined and easily paid. This date will be after the wool season and harvest. The valuers should be required to serve their valuations upon each person owning or occupying property, and notices on persons for returns of incomes proper. Lists of valuations should be sent by the valuator to District Officers, or Commissioners, who might be selected for this duty in some districts from the existing Government Staff.

The valuers should be paid by a poundage or commission on the total valuations, varying according to the special nature of the district assigned to each. Appeals against valuations should be allowed and be heard, as appeals in the United Kingdom are, by Commissioners specially appointed for the purpose, so as to preserve secrecy and avoid the costs and delay consequent upon referring such matters, which are mainly of account, to Courts of Law. Assessments to be levied quarterly, if over a specified limit, and paid direct by the persons taxed to the Public Account at a bank appointed to receive. The bank should be furnished with forms of receipt for payment to be exchanged for an official document showing the amount to be received from the taxpayer, which document the bank should transmit to the Treasury.

The notice of valuation should be the document to be handed to the bank with payment, and a document bearing a number (without name) as a reference to the person taxed for income, should be sent by the District Officers to each taxpayer, stating the amount payable, to accompany payment to the bank. Payment could then be made without occasioning any disclosure of the incomes of the persons taxed.

Assessments appealed against, or returns of incomes not accepted, should be payable at once and before adjustment of the values and incomes. After adjustment such allowances could be repaid or increases collected as might be determined.

This mode of collection by direct payment to the public account at a Bank by the tax-payers might be carried out so simply that the Bank employed for all purposes by the Government would transact this business of receipt without charge. By this means the cost of collection and risk of embezzlement by collectors would, by one operation, be avoided, and accounting and auditing be simplified.

The rate per centum of cost of collection can only be calculated upon an amount of taxation. In order to estimate this cost we will apply the British rates for the financial year 1860-61—the year previously adopted for reference. Those rates were:—Incomes, £150 and upwards, 10d. per pound; Incomes, £100 to £150, 7d. per pound.

For 1860-61 a total number of 278,723 persons were assessed for income under Schedule D.—that is for incomes proper—of this number 150,605 were returned for incomes less than £150 per annum. We have no similar information in reference to incomes from property. As a means of approximation that proportion may be adopted for both classes of income. As accumulation has not centered property in the hands of so limited a proportion of the people of this Colony as in the United Kingdom, the proportion for this Colony may be taken to be one-half instead of 150 to 128.

But it cannot be estimated that the full amount of Income Tax will be obtained. McCulloch estimates the loss by evasion on Schedule D. alone so highly that it may be assumed that 25 per cent. of incomes proper would not be returned. A larger proportion of taxes on property would be recovered, but it may be fairly presumed that from 5 to 10 per cent would not be collected.

These deductions would reduce the estimated amount of six millions gross income by about £1,000,000, leaving as practically taxable £5,400,000.

Calculating one-half at 10d. per pound ... ..	£	s.	d.
and the other at 7d. per pound ... ..	112,500	0	0
	78,750	0	0
Giving ... ..	£191,250	0	0

as the gross proceeds of the tax. The full cost of taxation (local and departmental) at the same rate as in the United Kingdom of £6 7s. 6d. per cent., would require a sum of £12,192 for the assessment, collection, and payment of all expenses to be occasioned in bringing the proceeds of the revenue to the public account.

The cost of valuation will vary with the character of each district: the proportion the larger towns will bear to thinly settled country districts will be low, and as the main value of property is within populous areas, we think the average cost for valuations should not exceed £3 per cent. on the yearly amount assessed for the whole Colony. This estimate, in order to make sure of including all, includes valuations of many properties affording incomes which may be excluded from taxation. Indeed, it might be well to value all properties, to prevent fraudulent favoritism, and to include many small properties in several places owned by one person. This cost might be reduced by adopting local rating where it might be found practicable to do so. If the mode of assessment adopted by any local authorities varied from that required for a property or income tax, in the proportion of value, that difference should be estimated by the Income Tax Department, in such manner as to equalize the local rating with the requirement of the law imposing the tax. If, for instance, a valuation was calculated at three-fourths of the commercial value, and the law required the full value, another fourth should be added. By this means some of the existing municipal and road district valuations might possibly be available, and, as local government extended, the cost of assessment of property for income tax would diminish.

The first attempt to gather such a tax would necessarily be in excess of the cost in after years, when all the preliminary expenditure would be saved; and experience enable the officers of Government entrusted with the management, both to increase the yield of the tax, and reduce the charges for obtaining it.