

Looking at the particular case under review, it may be true that the trip from Home entailed a loss, but I have no doubt whatever that the round trip brought a profit of much more than 5 per cent.; we, however, content ourselves with tax on a profit at that rate on the homeward earnings—a rate at least 50 per cent. below what it is reasonable to suppose was actually realised.

The ship enjoys the protection of the British Government on her voyages, and the protection of the Colonial Government within these waters. As well might a vessel refuse to pay pilotage, light-dues, or wharfage here because she paid for similar services at Home. The colonial ports must of necessity have revenue to provide these facilities; so, likewise, the colony seems to have a right to a share of the revenue from profits derived owing to its existence as a colony, and the earning of which is rendered possible by the protection afforded to traders and the facilities for trading.

The following extracts from the reply of the British Chancellor of the Exchequer to the memorial of the Royal Colonial Institute respecting payment of income-tax in the United Kingdom on income earned and taxed in other parts of the British Empire represent the views of the Imperial Income-tax Department on a phase of this question. These seem to place beyond doubt the right of the colony to charge tax on the profits derived within its borders, and at the same time justify the principle that the Imperial Department is entitled to levy tax on the same profits for reasons given:—

“My Lords are unable to reconcile the proposal before them with the leading principle of the income-tax legislation in this country.”

“In the United Kingdom, however, it is levied without regard to distinctions based upon either the nature or the locality of the property from which the income arises, though it has been urged that such distinctions might reasonably be held to justify a different treatment.”

“For example, a person receiving income from realised property is taxed in the same way and at the same rate as a person receiving income from the exercise of a profession. Similarly, a person receiving income from an industrial business in the colonies or abroad is taxed in the same way and at the same rate as one receiving income from a similar business in this country. In short, it is the income which is taxed, and not the property or other source from which the income is derived.”

“Nor does it appear to them (my Lords) inequitable that a person who possesses property in one country and spends the income derived from it in another should be subject to taxation in both. Owing to the circumstances of his position, he is *pro tanto* a citizen of two countries, and he requires the protection of two Governments.”

“My Lords cannot admit that such a person should be exempted from taxation in the country where he spends his income because he has already been taxed in the country whence he derives it.”

“They (my Lords) recognise with satisfaction the many ties which bind together the different portions of the Empire, but they must remind the memorialists that those ties are not fiscal ties.”

“The system of taxation, both in this country and in the self-governing colonies, has always been based on the principle of treating each area as distinct and independent for fiscal purposes; and Parliament has made no concession to the colonies in such matters which is not equally applicable to foreign countries.”

I have only to remark, in closing, that our tax is exceedingly moderate, being only  $\frac{1}{4}$  per cent. on the outward earnings.

JOHN MCGOWAN, Commissioner.

The Hon. the Colonial Treasurer, Wellington.

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No. 5.

(No. 46.)

SIR,—

Government House, Wellington, 5th August, 1897.

In reply to your circular despatch, dated the 13th April, 1897, enclosing a copy of a letter from the Board of Trade addressed to the Under-Secretary of State, Colonial Office, relative to the discharge of seamen in New Zealand, I have the honour to state that Ministers have considered the letter from the Board of Trade, and the information obtained as to the practice in force in New Zealand is as follows: That the sanction referred to in section 188 is given in cases in which a seaman is unable to proceed on the voyage, but it is withheld in cases in which a seaman is suffering from chronic disease, or is otherwise likely to become a burden on the community.

2. Sanction to discharge of crews whose agreements have terminated in a colonial port is not refused.

The only New Zealand Ordinance affecting decision as to granting or withholding sanction is that contained in section 3 of “The Shipping and Seamen’s Act Amendment Act, 1894.”

I have, &c.,

JAMES PRENDERGAST.

The Right Hon. J. Chamberlain, &c.,  
Secretary of State for the Colonies.