

ORDER OF REFERENCE No. (2):—

Whether any amendments are desirable in regard to the amount or form of taxation to which the industry is at present subject.

24. Representations were made to the Committee by the accountant for the Film Exchanges Association on the following matters:—

- (a) That section 40 of the Cinematograph Films Act, 1928, be amended by the deletion of the words “not less than” before the words “12½ per centum.” The witness pointed out that the film-renters were at a disadvantage as compared with other businesses whose income was assessed on the basis of a percentage of turnover, in that in the section referred to the percentage named was a minimum only and not a maximum as well, as in other cases.
- (b) That section 40 (1) (a) of the Finance Act, 1930, be amended to provide that the Commissioner of Taxes may include the exchange cost of remitting moneys to England as an expense paid in New Zealand, and therefore to be deducted from the gross rentals before assessment of film-hire tax. It was pointed out that the film-hire tax was imposed in lieu of an *ad valorem* Customs duty, and that Customs duty was not payable on the cost of exchange.

25. With regard to these representations, the Committee decided that the question of the amount of taxation which the Government requires from the industry is one of Government policy, but that, in the opinion of the Committee, the aggregate amount of tax received is by no means excessive. With respect to section 40 of the Cinematograph Films Act, 1928, the Committee recommends that the section of the Act be amended by the deletion of the words “not less than” before the words “12½ per centum.” With regard to the question raised regarding the effect of the present exchange-rate on the collection of film-hire tax, it is noted that the fixation of the exchange-rate at its present figure was the result of a policy decision of the Government, and the Committee has no recommendation to make in the matter.

26. Representations were also made to the Committee by a representative of Australia and New Zealand Pictures, Ltd., which is a renting company operating on local capital. It was requested that certain relief be granted from the film-hire-tax provisions of the Finance Act, 1930. After considering confidential evidence on the question given by an officer of the Land and Income Tax Department, the Committee is of opinion that the position can be adequately met under the present provisions of the Act.

27. Representations were also made by Filmcraft Ltd. and Soundfilms Productions (N.Z.), Ltd., asking that consideration be given to the reimposition of a footage duty with the object of establishing the film-printing industry in New Zealand. On this matter the Committee has no recommendation to make.

28. In view of the criticism which was levelled at the Government at the time when the film-hire tax was imposed and the retention in the American contract forms of the cancellation clause referred to in paragraph 13 above, some reference should be made to the present system of taxation in New Zealand. The question is fully dealt with in paragraphs 106 to 117 of the Appendix to this report, and during the course of the inquiry the following return showing the film-hire tax payable during the past four years was obtained from the Commissioner of Taxes:—

	Nine Months ended 31st March, 1931.		Year ended 31st March, 1932.	
	Foreign Film.	British Film.	Foreign Film.	British Film.
	£	£	£	£
Gross film rentals	322,404	26,197	273,538	47,594
12½ per cent. income-tax deduction	40,300	3,274	34,192	5,949
Operating-expenses	98,040	7,164	91,213	15,487
Balance subject to tax	184,064	15,758	148,133	26,157
Amount of film-hire tax	46,016	1,576	37,033	2,615
	Year ended 31st March, 1933.		Ten Months ended 31st January, 1934.	
	Foreign Film.	British Film.	Foreign Film.	British Film.
	£	£	£	£
Gross film rentals	209,095	73,811	163,935	64,411
12½ per cent. income-tax deduction	26,136	9,223	20,492	8,056
Operating-expenses	79,679	26,427	52,991	15,828
Balance subject to tax	103,280	38,161	90,452	40,527
Amount of film-hire tax	25,820	3,816	22,613	4,053

29. An examination of these figures shows that the estimate made by the Government of £50,000 as the probable return from the tax for the nine months ending 31st March, 1931, was fully justified in comparison with the extravagant figures (£97,406 per annum for seven renters only) then submitted