Taxation in New Zealand

Land and Income Taxes—War Finance—Lesson to Us

By J. A. Stevenson

To make the system of taxation in New Zealand intelligible a short preliminary survey of the history of the Dominion is necessary.

New Zealand was first settled to any great extent between 1830 and 1850 by emigration from Great Britain and Ireland. The moving spirit in founding the new colony was Edward Gibbon Wakefield, whose name is imperishably associated with the history of the Australasian Dominions. Wakefield belonged to the English upper classes and held their point of view about social organization. He desired to reproduce in the new colony a state of society akin to that which existed in rural districts in the motherland and he aimed accordingly to create a class of large landed proprietors, who would hold large areas worked by managers and laborers.

In pursuance of this policy land was sold in huge blocks to men possessed of considerable means and to work these large areas laborers were given free passages from Great Britain. Sheep farming was the industry to which most of the early settlers turned. As a result, a considerable portion of the country was soon divided up into large sheep ranches which were very profitable to their owners. Simultaneously there were other settlements, especially from Scotland in the early forties, of people who took up smaller farms and devoted themselves to grain growing and cattle raising. But as the population expanded it was found that almost all the good land had been secured in private hands, and a great deal of it tied up for the benefit of a limited class of proprietors. The laboring classes who emigrated soon became in many cases dissatisfied to work for the large owners and wanted lands and farms of their own. But there was no land available except in remote corners or at very high prices.

Land Crisis in 1891

One of the early governors of New Zealand was Sir George Grey, the grandfather of the late Foreign Minister of Great Britain, who, after his official career was ended, settled permanently in the North Island. Grey attempted to introduce a land tax for national purposes but his efforts were foiled by the parliament, which was largely controlled by the large squatters. In 1878, a small land tax of ¼d. in the £ was imposed but this was superseded by the Property Tax Act of 1879 which levied a uniform tax of 1d. in the £ against all property, real and personal, above £500 ($2,400) in value. The agitation against the privileges and greed of these landed classes grew more intense but they retained political power till the year 1890, when there was a political revolution and a ministry of advanced views was returned to power under the premiership of John Ballance.

In 1891, the land situation had reached a crisis. 337 holders held 8,000,000 acres among them and 43,449 small farmers had 10,754,000 acres. The minister of public lands was one John McKenzie who at one time had been a Scotch crofter, and had very vivid memories of the landlords' oppressions in the west Highlands. The ministry at once introduced a Land and Income Assessment Act in 1891 which imposed a land tax on all land at the rate of one penny in the pound which amounts to a levy of 4-10ths of one per cent. per annum. Land under the value of £500 (equal to $2,400) paid no tax. An owner of land the value of which apart from improvements, together with mortgages owing to him, does not exceed £1,500 (after deducting mortgages owing by him) was allowed an exemption of £500 (equal $2,500) but where such value exceeded $1,500 the exemption diminished by £1 for every £2 that such value increased up that an exemption was allowable when £2,500 was reached. At first there was a deduction for improvements up to $15,000, but now all improvements are exempt and the tax is levied solely on the unimproved value. At the same time they introduced a tax of 3-10ths of one per cent. on the capital value of all mortgages. It is interesting to note that in the year 1907, 55 per cent of the mortgages in New Zealand were at the rate of five per cent.

Broke Up The Big Estates

This land tax on unimproved values did not satisfy rural reformers and the demand to break up the big estates continued. As a result, in 1907, a super tax was established. It begins with a tax of 1-16th of a penny in the pound when the unimproved value in any assessment is not less that £5,000 and is less than £7,000 and increases by 1-16ths to 13-16ths of a penny when the unimproved value is between £35,000 and £40,000. When the unimproved value is £40,000, the rate is suddenly increased to 8 pence in every £100 (.4 of one per cent.) and for every additional £1,000 of unimproved value, the rate is increased by 1-5th of a shilling in every hundred pounds. The rate reaches its maximum at £200,000 when it is two per cent. on the total unimproved value. There were further changes in 1910 when the tax on estates over £40,000 in value, was increased by 25 per cent. in the case of land other than business premises. As a result, the total ordinary and graduated super-taxes paid by large land holders are now very heavy. For example, an estate of which the unimproved value is $200,000, now pays the graduated tax of 2½ per cent. in addition to the ordinary land tax of one penny in the pound (.41 of one per cent.), making 2.91 per cent. in all. In the case of absentee owners, the graduated tax is increased by 50 per cent. so that the absentee owner of an estate whose value was £200,000 would pay an annual tax of 4.16 per cent. of its value. A person is counted an absentee "unless he has been personally present in New Zealand for at least one-half of four years immediately preceding the year for which he is assessed for graduated land tax." The object in graduating taxes was to break up the large estates and the loss of revenue which has accrued from it seems to afford proof that this end is being accomplished.

The taxation of unimproved values naturally brought up the problem of valuation. In 1896 a Valuation of Land Act was passed which, providing as it did for an appointment of a valuer-general and district valuers, secured a certain uniformity in values. There is a periodical revision of values of each piece of property and an especial valuation was completed in 1898. This method of taxation served to diminish the land monopoly, but incoming settlers still found difficulty in securing land and the government found it necessary to have recourse to other measures.

Big Land Owners Caught

In 1892 the Land-for-Settlement Act forced by McKenzie had authorized the purchase from private individuals of suitable properties for subdivision into small farms not exceeding 320 acres in extent. It was found difficult to purchase suitable estates at reasonable prices and in 1894 powers of compulsory purchase were added, the price to be decided by a Compensation Court. This system proved very unsatisfactory. There were costly and protracted legal squabbles and frequent differences of opinion between alleged experts as to the value of the land. As a result, the government hit upon a new device which disgusts the large land owners and vastly amuses the workers and small farmers. It was enacted in 1908 that the compensation payable to any owner whose property the government desired to buy, should be the unimproved value of the land as appearing in the valuation roll upon which the owner had been paying rates, plus ten per cent. of that value up to £50,000 and plus five per cent. in excess of that. Allowance was also made for improvements. To the total amount thus ascertained, another two per cent. is added by way of compensation for the com-

Continued on Page 31

Absolutely the one great convincing engine value of the day.

Fairbanks-Morse Quality at a Popular Price

That's the story in a nutshell. This new "Z" Engine puts dependable, efficient, economical "power" within the reach of every farm.

All Sizes can be Shipped Immediately from Stock

Simple—Light Weight—Substantial—Foolproof Construction—Gun Barrel Cylinder Bore—Leak-proof Compression—Complete with Built-in Magneto. Quick starting even in cold weather. Low first cost—low fuel cost—low maintenance cost. That's the "Z" Engine.

GO TO YOUR DEALER AND SEE THE "Z"

The Canadian Fairbanks-Morse Co., Limited

WINNIPEG

SASKATOON CALGARY

THE NEW "Z"

1½ H.P. $70

3 H.P. $128

6 H.P. $224

F.O.B. WINNIPEG

Important Dealer Service

When you buy an engine from your dealer you deal with a local representative of the manufacturers. He shares their responsibility. He stands behind the engine he sells. He's responsible to you. He's at your service to see that you are satisfied. And he's as near you as your telephone any time you want him.

CASH FOR CREAM

We Pay Highest Cash Prices. We Remit Promptly. We Return Empty Cans Immediately. We Solicit Your Patronage.

MANITOBA CREAMERY CO. LTD., 509 William Ave., WINNIPEG

Waterloo Boy 24-46 Separator

Feeder.—Strongly constructed with angle steel frame and body of galvanized iron, same as the rest of the separator. Carrier is made of rubber and canvas, no sprocket chains being used.

Cylinder.—Has 16 bars. Substantially built and perfectly balanced. Cylinder shaft is 2½ inches in diameter. This means large capacity and great strength.

Check Plate.—Immediately behind the grate insures greatest part of separation at this point, and the small amount of grain that gets past the separating check plate is thoroughly beaten out by the straw shaker that allows no grain to escape with the straw.

Grate.—44 inch grate surface extending high up behind the cylinder, with separating grate check plate behind.

Beater.—Spreads the straw evenly over the entire width of the deck, ensuring thorough separation of the little grain that gets past the check plate. Sheet steel deflector prevents flying grain.

Straw Decks.—Built in two sections, has four distinct motions—the straw is shaken, thrown up, struck from beneath, thinned out and driven forward. No grain can remain in the straw with this treatment. The few parts used in the construction of the decks mean lighter running and less wear and strain than in other machines means less of time and repairs.

SOLD ON VERY LIBERAL TERMS GOOD DISCOUNT FOR CASH

LET US SEND YOU DESCRIPTIVE FOLDER

Waterloo Boy Kerosene Tractor of Canada

Dept A. LIMITED Winnipeg