

1917.
(SECOND SESSION.)

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

No. 22.

VOTES AND PROCEEDINGS

OF THE

HOUSE OF REPRESENTATIVES.

THURSDAY, 30TH AUGUST, 1917.

1. The House met at half-past two o'clock p.m., pursuant to adjournment.—Mr. Speaker took the Chair, and read Prayers.
2. GERMAN TRADE NAMES.—Mr. Kelly moved, pursuant to notice, That this House is of opinion that any step which will have the effect of popularizing trade names originally owned by German manufacturers will assist those manufacturers after the declaration of peace to dispose of their products in Australia, and that therefore the Commonwealth Government should endeavour to bring about an arrangement among the allied peoples whereby suitable synonyms for all such names be declared by law to be the only names by which the goods in question may in the future be sold in all countries now at war with Germany.
Objection having been taken to the motion being treated as unopposed—
Ordered—That the resumption of the debate be made an Order of the Day for to-morrow.
3. PAPERS.—The following Papers were presented, pursuant to Statute—
Defence Act—Regulations Amended—Statutory Rules 1917, Nos. 186-9, 201, 202, 204-6.
Invalid and Old-age Pensions Act—Statement for 1916-17.
War Precautions Act—Regulations Amended—Statutory Rules 1917, No. 200.
4. WAR-TIME PROFITS TAX ASSESSMENT BILL.—The Order of the Day having been read for the further consideration of this Bill in Committee of the whole House—Mr. Speaker left the Chair, and the House resolved itself into a Committee of the Whole.

(In the Committee.)

Clause 7—

Debate resumed on the amendment of Mr. Groom, That the following words be inserted after the word "paid" (line 14) in place of words omitted:—

"on all war-time profits from any business to which this Act applies arising after the thirtieth day of June One thousand nine hundred and fifteen a tax ^{War-time Profits Tax.} (hereinafter referred to as 'war-time profits tax') at such rate as is declared by the Parliament.

"(2.) The war-time profits arising in a financial year shall be calculated as follows:—

- (a) by ascertaining the monthly average of the profit or loss arising in the accounting period ending in the financial year and separately the monthly average of the profit or loss arising in the accounting period beginning in the financial year;
- (b) by multiplying the respective monthly averages of profit or loss (as the case may be) by the number of months of the respective accounting periods falling within the financial year;
- (c) by adding together the amounts of the profit or deducting the amount of the loss from the amount of the profit (as the case may be) and deducting from the sum so obtained the pre-war standard of profits as defined for the purposes of this Act; and
- (d) by deducting from the sum remaining in paragraph (c) hereof the deduction (if any) allowed by the next succeeding sub-section.

30th August, 1917.

“(3.) Where the sum remaining under paragraph (c) of the last preceding subsection—

- (a) does not exceed Two hundred pounds, the total sum shall be deducted;
- (b) exceeds Two hundred pounds, there shall be deducted the sum of Two hundred pounds less—
 - (i) in the financial year ending on the thirtieth day of June One thousand nine hundred and sixteen, One pound for every Two pounds by which the excess exceeds Two hundred pounds;
 - (ii) in all succeeding financial years, One pound for every Four pounds by which the excess exceeds Two hundred pounds.

“(4.) For the purposes of this Act the accounting period shall be taken to be the period of twelve months for which the accounts of the business have been made up for the purposes of the *Income Tax Assessment Act 1915-1916*, and where the accounts of any business have not been made up for any definite period, or for the period for which they have been usually made up, or a year or more has elapsed without accounts being made up, shall be taken to be such period not being less than six months or more than a year as the Commissioner determines ending on such a date as the Commissioner determines.

“(5.) Where a business has not been in existence during the whole of the financial year this section shall have effect as if there were substituted for Two hundred pounds a proportionately reduced amount.”

Mr. Boyd moved, That the proposed amendment be amended by the omission of the word “fifteen” (line 2) and the insertion of the word “sixteen” in place thereof.

Question—That the word proposed to be omitted stand part of the proposed amendment—put.

The Committee divided—

Ayes, 42.

Mr. Archibald	Mr. Mathews
Mr. Atkinson	Mr. Orchard
Mr. Bayley	Mr. Page
Sir Robert Best	Mr. Palmer
Mr. Brennan	Mr. Pigott
Mr. Joseph Cook	Mr. Poynton
Mr. Corser	Mr. Rodgers
Mr. Fenton	Mr. Sampson
Mr. Finlayson	Mr. Sinclair
Sir John Forrest	Mr. Bruce Smith
Mr. R. W. Foster	Mr. Laird Smith
Mr. Glynn	Mr. Spence
Mr. Gregory	Mr. Story
Mr. Groom	Mr. John Thomson
Mr. Higgs	Mr. Tudor
Mr. Hughes	Mr. Watt
Sir William Irvine	Mr. West
Mr. Jensen	Mr. Wise
Mr. Kelly	
Mr. Lister	<i>Tellers:</i>
Mr. Lynch	Mr. Greene
Mr. W. Maloney	Mr. Manifold

Noes, 2.

Tellers:
Mr. Boyd
Mr. Maxwell

And so it was resolved in the affirmative.

Mr Groom moved, That sub-clause (3.) of the proposed amendment be omitted with a view to the insertion of the following sub-clause in place thereof:—

“(3.) From the sum remaining under paragraph (c) of the last preceding subsection—

- (a) In the case of a business in which the pre-war standard of profits does not exceed Five hundred pounds, there shall be deducted the sum of Two hundred pounds;
- (b) In all other cases where the sum remaining under paragraph (c) of the last preceding subsection—
 - (i) does not exceed Two hundred pounds, the total sum shall be deducted;
 - (ii) exceeds Two hundred pounds, there shall be deducted the sum of Two hundred pounds less—
 - (i) in the financial year ending on the thirtieth day of June One thousand nine hundred and sixteen, One pound for every Two pounds by which the excess exceeds Two hundred pounds;
 - (ii) in all succeeding financial years One pound for every Four pounds by which the excess exceeds Two hundred pounds.”

Debate ensued.

Amendment upon proposed amendment agreed to.

Amendment, as amended, agreed to.

Clause, as amended, agreed to.

30th and 31st August, 1917.

Clause 8—

Sir John Forrest moved, That the words "carried on in" (lines 44 and 45) be omitted with a view to the insertion of the words "deriving profits from sources within" in place thereof.

Amendment agreed to.

Mr. W. Maloney moved, That all the words after the word "Australia" (line 45) be omitted from the clause with a view to the insertion of the words "without exemption" in place thereof.

Debate ensued.

Question, as amended by leave, That the words "without exemption" be inserted after the word "Australia"—put and negatived.

Mr. Groom moved, That the words "or body" be inserted after the word "institution" (line 2 of page 4).

Debate ensued.

Amendment, by leave, withdrawn.

Mr. Boyd moved, That the words "or by a religious, charitable, or public educational institution;" (lines 1 and 2 of page 4) be omitted from the clause.

Amendment debated and negatived.

Mr. Groom moved, That the words "or for the exclusive benefit of" be inserted after the word "by" (line 1).

Amendment debated and agreed to.

Mr. Poynton moved, That the word "mutual" be inserted after the word "any" (line 2).

Amendment debated and, by leave, withdrawn.

Clause, as amended, further debated.

Mr. Boyd moved, That paragraph (b) be omitted from the clause.

Debate ensued.

Question—That paragraph (b) be omitted from the clause—put.

The Committee divided—

Ayes, 6.

Noes, 34.

Mr. Finlayson
Mr. Bruce Smith
Mr. Tudor
Mr. West

Tellers:

Mr. Boyd
Mr. Fenton

Mr. Archibald	Mr. Manifold
Mr. Atkinson	Mr. Mathews
Mr. Bayley	Mr. Page
Mr. Brennan	Mr. Palmer
Mr. Joseph Cook	Mr. Pigott
Mr. Corser	Mr. Poynton
Sir John Forrest	Mr. Rodgers
Mr. R. W. Foster	Mr. Sampson
Mr. Glynn	Mr. Sinclair
Mr. Gregory	Mr. Laird Smith
Mr. Groom	Mr. Spence
Sir William Irvine	Mr. Story
Mr. Jensen	Mr. John Thomson
Mr. Kelly	Mr. Watt
Mr. Lamond	
Mr. Leckie	<i>Tellers:</i>
Mr. Lister	Mr. Greene
Mr. Lynch	Mr. Wise

And so it was negatived.

Mr. Manifold moved, That all the words after the word "and" (line 6) be omitted from paragraph (b).

Amendment debated and agreed to.

Mr. Manifold moved, That the words "or calling" be inserted after the word "profession" (line 10) in paragraph (d).

Amendment debated.

And the Committee continuing to sit till after midnight—

FRIDAY, 31st AUGUST, 1917.

Debate continued.

Amendment negatived.

Mr. R. W. Foster moved, That the words "Provided that this exception shall only apply to the profits arising in the financial years 1915-16 and 1916-17" be inserted after the word "required" (line 13) in paragraph (d).

Debate ensued.

Question—That the words proposed to be inserted be so inserted—put.

30th and 31st August, 1917.

The Committee divided—

Ayes, 9.		Noes, 19.	
Mr. Atkinson	Mr. Tudor	Mr. Archibald	Mr. Lynch
Mr. R. W. Foster		Mr. Boyd	Mr. Manifold
Mr. Lamond		Mr. Brennan	Mr. Mathews
Mr. Lister	<i>Tellers:</i>	Mr. Joseph Cook	Mr. Rodgers
Mr. Poynton	Mr. Pigott	Mr. Corser	Mr. Sampson
Mr. Sinclair	Mr. Wise	Mr. Fenton	Mr. Laird Smith
		Mr. Groom	
		Sir William Irvine	<i>Tellers:</i>
		Mr. Jensen	
		Mr. Kelly	Mr. Greene
		Mr. Leckie	Mr. Page

And so it was negatived.

Mr. Boyd moved, That the words "and coal" be inserted after the word "gold" (line 15) in paragraph (e).

Amendment negatived.

Mr. Leckie moved, That the following new paragraph be inserted in the clause:—

“(g) Businesses whose capital does not exceed Five thousand pounds.”

Debate ensued.

Question—put and negatived.

Mr. Groom moved, That the following new sub-clause be added:—

“(2.) With respect to a business which, under this section, is exempt from the provisions of this Act, the exemption shall be limited to that business and shall not extend to any business which supplies to or purchases from that business any commodities.”

Question—put and agreed to.

Mr. Boyd moved, That the following new sub-clause be added:—

“(3.) This Act shall not apply to any person who is on active service during the present war with the Military or Naval Forces of the Commonwealth or any part of the King's Dominions or of an ally of Great Britain so far as regards income derived from personal exertion and earned prior to the commencement of this Act or during the present state of war.”

Debate ensued.

Amendment, by leave, withdrawn.

Clause, as amended, agreed to.

Clause 9—

On the motion of Mr. Groom, the following amendments were made after debate:—

Line 35, omit “from the sum of the profits”, insert “proportionately from the profits of each business”.

Proviso, add at the end thereof “if either of these losses have been recouped out of the profits of a business to which this Act applies.”

After line 41, insert following proviso:—

“Provided further that the profits or losses in any business to which this Act does not apply shall be calculated in the same manner as the profits or losses in any business to which this Act applies.”

On the motion of Mr. Groom, after debate, the following sub-clauses were added:—

“(2.) The war-time profits tax payable on the profits derived by a business carried on by partners shall be payable by the partnership, but, for the purposes of this section, the tax shall be deemed to have been paid by each partner in proportion to his interest in the profits.

“(3.) A person who carries on more than one business in partnership shall be deemed to be carrying on separate businesses for the purposes of this section, and shall, if the loss on any business carried on by him either alone or in partnership is recouped by him out of the profits of any partnership business which pays tax, be entitled to a refund from his share of the tax paid by the partnership business of the difference between his share of that tax and the amount that would have been payable by him in respect of his share of the profits if the loss made by him had been deducted from his share of the profits of the partnership business paying tax in calculating the amount of tax payable by that partnership.”

Clause, as amended, agreed to.

Clause 10 debated—

On the motion of Mr. Groom, the following amendments were made after debate:—

Page 5, line 7, omit “war”, insert “fourth day of August One thousand nine hundred and fourteen”.

Page 5, lines 8 and 9, omit “the business has only commenced to be remunerative in the accounting period”, insert “owing to the recent commencement of the business there has not been one pre-war trade year”.

Page 5, line 22, omit “war”, insert “fourth day of August One thousand nine hundred and fourteen”.

Clause, as amended, agreed to.

30th and 31st August, 1917.

Clause 11—

On the motion of Mr. Groom, the following amendments were made after debate :—

Page 5, line 30, omit "capital has been increased".

Page 5, line 31, after "period" insert "increased capital has been employed in a business".

Page 5, line 43, omit "capital has been decreased by withdrawal".

Page 5, line 44, after "period" insert "decreased capital has been employed in a business owing to withdrawal of capital".

Page 6, line 22, omit "first", insert "fifth".

Page 6, line 25, after "percentage" insert "on that capital".

Clause, as amended, agreed to.

Clause 12 agreed to.

Clause 13—

On the motion of Mr. Groom, the following amendments were made :—

Line 18, after "is" insert "being".

Line 20, after "Commissioner" insert "within fourteen days after the approval of the shareholders to the winding-up has been obtained or the order for the winding-up has been made".

After sub-clause (3.) insert the following sub-clauses :—

"(4.) In the case of any business which by reason of its being unable to pay its debenture-holders or creditors is being carried on by a liquidator, receiver, or trustee under the Court, no war-time profits tax shall be levied or paid until provision has been made for the payment of the unpaid debenture-holders or creditors.

"(5.) In any case in which a business is transferred to another person after the commencement of this Act, the person to whom the business is transferred shall be personally liable to pay any war-time profits tax which may subsequently be assessed as payable by the former owner if he fails to secure the payment of that tax to the Commissioner."

Clause, as amended, agreed to.

Clause 14 debated—

Mr. Groom moved, That Parts IV., V., and VI. [Clauses 14 to 16] be postponed.

Question—put and passed.

Clause 17—

On the motion of Mr. Groom, the following amendments were made :—

Sub-clause (2.), after "ending" (wherever occurring) insert "and beginning".

Clause, as amended, agreed to.

Clause 18—

On the motion of Mr. Groom, the following amendment was made :—

Line 20, after "such" insert "return or".

Clause, as amended, agreed to.

Clauses 19 to 23 agreed to.

Clause 24—

On the motion of Mr. Groom, the following amendments were made :—

Line 15, after "production of any" insert "notice of".

Line 17, omit "an", insert "a notice of".

Line 27, after "return or" insert "notice of".

Clause, as amended, agreed to.

Clause 25—

On the motion of Mr. Groom, the following amendment was made :—

After sub-clause (2.) add the following sub-clause :—

"(3.) Where a taxpayer is liable to pay the war-time profits tax in respect of more than one business, the Commissioner may, in his discretion, issue to that taxpayer one notice of assessment showing the tax payable in respect of each of the businesses in respect of which the taxpayer is liable to pay tax."

Clause, as amended, agreed to.

Clause 26 debated—

Mr. Groom moved, That the words "and as are prescribed" be inserted after the word "Commissioner" (line 39).

Amendment debated and agreed to.

On the motion of Mr. Groom, the following further amendments were made :—

Line 42, after "necessary" insert "and such other powers as are prescribed".

Line 44, omit "war", insert "fourth day of August One thousand nine hundred and fourteen"

And the following sub-clauses were added to the clause :—

"(4.) The costs of and incidental to any proceedings before the Board of Referees shall be in the discretion of the Board, which may order by whom and to whom they are to be paid and by whom they are to be taxed.

"(5.) The Board of Referees may make rules for regulating the practice and procedure in relation to proceedings before the Board.

30th and 31st August, 1917.

“(6.) All such rules shall—

- (a) be notified in the *Gazette*;
- (b) take effect from the date of notification, or from a later date specified in the rules; and
- (c) be laid before both Houses of the Parliament within thirty days of the making thereof, or, if the Parliament is not then sitting, within thirty days after the next meeting of the Parliament.

“(7.) If either House of the Parliament passes a resolution, of which notice has been given at any time within fifteen sitting days after the rules have been laid before that House, disallowing any rule, that rule shall thereupon cease to have effect.”

Clause, as amended, agreed to.

Clause 27 debated and agreed to.

Clauses 28 and 29 agreed to.

Clause 30 debated and agreed to.

Clause 31 debated—

Mr. Corser moved, That the words “thirty days” (lines 20 and 21) be omitted, with a view to the insertion of the words “in three payments of two four and six months” in place thereof.

Debate ensued.

Amendment, by leave, withdrawn.

Further consideration of clause postponed.

Clauses 32 to 36 agreed to.

Clause 37—

On the motion of Mr. Groom, the following amendments were made:—

Page 17, line 47, omit “accounting period”, insert “financial year”.

Page 17, line 48, omit “that period”, insert “the accounting periods ending and beginning in that financial year”.

Page 18, line 1, omit “that period”, insert “those periods”.

Clause, as amended, agreed to.

Clauses 38 to 42 agreed to.

Clause 43—

On the motion of Mr. Groom, the following amendments were made:—

Line 5, omit “derived”, insert “arising from the business carried on”.

Line 30, after “money” insert “then in his possession or”.

Clause, as amended, agreed to.

Clause 44—

On the motion of Mr. Groom, the following amendment was made:—

Line 23, after “money” insert “then in his possession or”.

Clause, as amended, agreed to.

Clause 45—

On the motion of Mr. Groom, the following amendment was made:—

Line 24, omit “verbal”, insert “verbally”.

Clause, as amended, agreed to.

Clauses 46 to 49 agreed to.

Clause 50 debated and agreed to.

Clauses 51 to 54 agreed to.

Clause 55 debated.

On the motion of Mr. Groom, sub-clause (3.) was omitted.

Clause, as amended, agreed to.

Clause 56 agreed to.

New Clauses—

On the motion of Mr. Groom, the following new clauses were inserted in the Bill, to follow clause 37:—

“37A. Where a person dies after the conclusion of a financial year, and after furnishing a return of the profits of his business for the accounting periods ending and beginning in that financial year, but a notice of assessment has not prior to his death been sent to him by the Commissioner, the Commissioner may assess the executors or administrators of that deceased person in respect of those profits, and the executors or administrators shall be chargeable with and pay tax thereon.”

Taxpayer
dying after
furnishing
return.

“37B. Where a person dies during an accounting period, the executors or administrators of that person shall, in making their return of the profits of the business, include in that return the profits of the business arising during that accounting period up to the date of the death of the deceased, and shall be liable for the tax in respect of those profits.”

Profits arising
in an
accounting
period before
a taxpayer's
death.

“37C. Where a person, after lodging a return of the profits of his business, but before the tax thereon is due and payable, takes advantage of any law of a State relating to bankruptcy or insolvency, the tax, which is assessed as due and payable by that person in respect of those profits, shall, notwithstanding anything contained in any law of the State relating to bankruptcy or insolvency, be deemed to be a debt due to the Crown provable in bankruptcy or insolvency.”

Bankruptcy
of taxpayer.

30th and 31st August, 1917.

At twenty-seven minutes past six o'clock a.m. the Temporary Chairman (Mr. Atkinson) left the Chair until 11.30 a.m.

At 11.30 a.m. the Chairman took the Chair.

Ordered that postponed clauses 14-16 be considered before postponed clauses 3 and 4.

Postponed clause 14—

Clause amended, on the motion of Mr. Groom, by the insertion of the words "Subject to this Act" at the beginning of the clause.

Debate on clause, as amended, ensued.

Clause further amended, on the motion of Mr. Groom, by the omission of the words "business carried on in" (line 25) and the insertion of the words "sources within" in place thereof; by the addition of the following proviso to sub-clause (1.)—

"Provided that the profits accruing to a person not resident in Australia from the sale by an agent in Australia of the goods of that person shall not be deemed to be profits for the purposes of this Act, unless the principal has a branch and carries stock in Australia or consigns his goods to an agent for sale in Australia."

and by the omission of the words "under the *Income Tax Assessment Act 1915-1916*" (lines 30 and 31) and the insertion of the words "for the purposes, of the Commonwealth Income Tax" in place thereof.

Mr. Pigott moved, That the following new sub-clause be inserted after sub-clause (2.)—

"(2A.) Deductions for all moneys expended in the destruction of scrub, suckers and seedlings, and rabbits shall be allowed to such extent as necessary for the maintenance of an estate."

Amendment debated and negatived.

On the motion of Mr. Groom, the following sub-clause was inserted after sub-clause (2.)—

"(2A.) Deductions shall be allowed for—

- (a) all losses by fire, accident, robbery or embezzlement which are proved to the satisfaction of the Commissioner to have occurred and to be irrecoverable either directly or by way of insurance;
- (b) alterations (but not additions) to plant, machinery and premises for purposes of the business which have been charged to revenue account; and
- (c) all bad debts proved to the satisfaction of the Commissioner to have been written off in the accounting period."

On the motion of Mr. Groom, the words "in Australia, in respect of the profits" were inserted after the word "paid" (line 41).

On the motion of Mr. Groom, paragraph (b) of sub-clause (5.) was omitted, and the following paragraph was inserted in place thereof:—

"(b) In the case of a mining business, other than mining for coal, there shall be deducted, in addition to any other deductions allowed by this Act, so much of the profits of the accounting period as is appropriated for development or new plant:

Provided that any of the money so appropriated, which has not been expended for that purpose at the end of the accounting period for which it was appropriated, shall be liable to tax in the financial year following that accounting period at the rate which was applicable at the time of appropriation."

On the motion of Mr. Groom, the words "or a consideration in the form of material assets has been given" were inserted after the word "paid" (line 33 of page 8).

On the motion of Mr. Groom, the following amendments were made:—

Page 8, clause 14, lines 39 to 42, omit "sinking fund which, according to the prescribed tables, will recoup the amount so expended to the lessee in possession over the unexpired period commencing from the date of his possession of the lease", insert "amount obtained by dividing the sum so paid or to be expended or the value of the consideration so given by the number of years of the unexpired period of the lease at the date the amount was so paid or the consideration so given or, in the case of money to be expended within the meaning of paragraph (b) of this sub-section, at the date of his possession of the lease".

Page 9, clause 14, sub-clause (7.), omit proviso, insert following provisos:—

"Provided that in the case of a business owned by a company in which, owing to its recent commencement there has not been one pre-war trade year, the total deduction allowed for the remuneration of directors, for their services in every capacity, shall not, unless the Commissioner otherwise directs, exceed the sum of One thousand pounds per annum:

Provided further that in the case of a business (other than a business in which the pre-war standard of profits has been computed under paragraph (b) of sub-section (5) of section fifteen of this Act) in which the pre-war standard of profits does not exceed Five hundred pounds—

- (a) if the business is owned by an individual—a deduction of Three hundred pounds per annum, or such greater sum as the Commissioner directs, or, in the case of a business in which the pre-war standard of profits exceeds Five hundred pounds but is less than One thousand pounds, such sum as represents the difference between One thousand pounds and the pre-war standard of profits, shall be allowed, if the owner devotes the whole of his time to the business;

30th and 31st August, 1917.

- (b) If the business is owned by a partnership—a deduction of Three hundred pounds per annum, or such greater sum as the Commissioner directs, shall be allowed in respect of each partner who devotes the whole of his time to the business, or a part of that amount proportionate to the time devoted to the business where part only of his time is so devoted ;

Provided also that in the case of a business in which the pre-war standard of profits has been computed under paragraph (b) of sub-section (5.) of section fifteen of this Act—

- (a) if the business is owned by an individual—a deduction of Three hundred pounds per annum, or such greater sum as the Commissioner directs, shall be allowed, if the owner devotes the whole of his time to the business ;
- (b) if the business is owned by a partnership—a deduction of Three hundred pounds per annum, or such greater sum as the Commissioner directs, shall be allowed in respect of each partner who devotes the whole of his time to the business, or a part of that amount proportionate to the time devoted to the business where part only of his time is so devoted.”

Clause, as amended, further debated.

On the motion of Mr. Groom, the following amendments were made :—

Page 9, sub-clause (9.), add the following proviso :—

“Provided that for the purposes of this sub-section a director shall not be deemed to be an employee.”

Page 9, clause 14, line 30, after “same” insert “class of”.

Mr. Sampson moved, That the words “except a pastoral business” be inserted in page 9, line 36, after the word “business”.

Debate ensued.

Amendment, by leave, withdrawn.

On the motion of Mr. Groom, the following amendment was made :—

Page 9, clause 14, line 38, after “years” insert “(in the case of a person adopting a profits standard), or since the first one of the last three pre-war trade years (in the case of a person adopting the percentage standard)”.

Mr. Groom moved, That the following sub-clause be inserted after sub-clause (11.) :—

“(11A.) Where, in the case of a business in which the pre-war standard of profits is a percentage standard, it is shown to the satisfaction of the Commissioner that borrowed money has been used for the creation or acquisition of any of the assets employed for the purpose of gaining profits which are liable to tax under this Act, a deduction shall be allowed from the profits of the difference between the interest paid on borrowed money which has not been repaid and the statutory percentage thereon.”

Debate ensued.

Mr. Leckie moved, That the proposed amendment be amended by the omission of the words “in the case of a business in which the pre-war standard of profits is a percentage standard”.

Debate ensued.

Amendment of proposed amendment agreed to.

Debate on amendment, as amended, ensued.

Amendment, as amended, agreed to.

Clause, as amended, debated and agreed to.

Postponed clause 15—

On the motion of Mr. Groom, the clause was amended as follows :—

Page 10, sub-clause (3.), line 29, after “‘profits standard’”) insert “but shall not in any case be less than the sum of Five hundred pounds”.

Page 10, sub-clause (3.), add following proviso :—

“Provided that where there have been less than three pre-war trade years the profits standard shall be—

- (a) where there have been two pre-war trade years—the average profits of those two years, or, if there has been a loss in one year and a profit in the other, the profits of the year in which a profit was made ; and
- (b) where there has been only one pre-war trade year—the profits of that year.”

Pages 10-11, omit sub-clause (5.), insert the following sub-clauses :—

“(5.) Where owing to the recent commencement of a business there has not been one pre-war trade year the pre-war standard of profits shall be taken to be the statutory percentage on the average amount of capital employed in the business during the accounting period, or at the option of the taxpayer the greater of the following amounts :—

- (a) an amount proportionate for the period of twelve months to the actual profits during the pre-war period during which the business was carried on ; or
- (b) a profits standard computed by reference to the income arising from any trade, business, office, employment or profession of any sort, whether liable to war-time profits tax or not, carried on by the taxpayer before his new business commenced as if it were the same business but only to the extent to which the income from the former trade, business, office, employment or profession has been diminished.

“(5A.) The provisions of the last preceding sub-section shall apply to any company which has been formed by any person or persons who had formerly been in receipt of an income from any of the sources mentioned in paragraph (b) of the last preceding sub-section and who prove to

30th and 31st August, 1917.

the satisfaction of the Commissioner that they relinquished that former income on the establishment of the company and that they own individually or between them the majority of the shares of the company, and that they are devoting the whole of their time to the business of the company.

Page 11, lines 24 to 26, omit "amount of profits during the pre-war trade year selected by the taxpayer under this section was", insert "profits standard is".

Page 11, lines 44 and 45, omit "or six" (wherever occurring).

Page 12, lines 19 to 26, omit all words from and including "but where any such substitution" to the end of the sub-clause.

Clause, as amended, agreed to.

Postponed clause 16—

On the motion of Mr. Groom, the following amendments were made :—

Page 12, clause 16, lines 38 and 39, omit "cost price shall be taken to be the value of the consideration", insert "value for the purposes of this section shall be taken to be its value".

Page 12, clause 16, add the following sub-clause :—

"(4.) Where a company is reconstructed and the capital is increased, so much of the additional capital as has not been paid up in money or is not represented by new material assets shall not be deemed to be capital for the purposes of this Act."

Clause, as amended, agreed to.

Postponed clause 3 agreed to.

Postponed clause 4—

On the motion of Mr. Groom, the clause was amended as follows :—

Page 2, line 9, after "trade" insert "and any transaction not in the course of a person's business for the sale and purchase of any commodity".

Page 2, after definition of "Business" insert new definition :—

"'Capital' means the capital of a business employed in Australia".

Clause, as amended, agreed to.

Postponed clause 31 agreed to.

Title agreed to.

Bill to be reported with amendments.

The House resumed ; Mr. Atkinson reported accordingly.

Mr. Groom moved, That the Bill be now recommitted to a Committee of the whole House for the re-consideration of clauses 8, 10, 14, 15, 26, and 33.

Question—put and passed.

Mr. Speaker left the Chair, and the House again resolved itself into a Committee of the Whole.

(In the Committee.)

Recommitted clauses—

Clause 8—

On the motion of Mr. Groom, the following amendments were made.

Page 4, line 4, after "business" insert "but not excluding so much of the profits of that business as is available for distribution to the shareholders."

New sub-clause to stand as sub-clause (3.).

"(3.) When any resident of Australia, who is on active service outside Australia with the naval or military forces of any of the Allied Powers in connexion with the present war, is the owner of, or is a partner in a business to which this Act applies, and who before he went on active service devoted the whole or the greater part of his time in connexion with the management of the business, and whose military or naval duties require him to be in any part of the field of operations in connexion with the war where there is danger to life as a result of the operations of enemy forces, such person shall—

- (a) when the sole owner of a business be exempt from liability to pay the war-time profits tax ;
- (b) when a partner in a business be entitled to a refund from the Commissioner of the part of the tax payable by the partnership which bears the same proportion to the tax payable by the partnership as his interest in the profits of the partnership bears to the total profits."

Clause, as amended, agreed to.

Clause 10—

On the motion of Mr. Groom, the following amendments were made :—

Page 5, omit paragraph (f), insert the following paragraph :—

"(f) the fact that on account of the recent commencement of the business there has not been one pre-war trade year or the fact that the business has only commenced to be remunerative since the fourth day of August One thousand nine hundred and fourteen ;"

30th and 31st August, 1917.

Page 5, sub-clause 1, omit proviso, insert following proviso :—

“ Provided that where the reason for the modification is the fact that on account of the recent commencement of the business there has not been one pre-war trade year or the fact that the business has only commenced to be remunerative since the fourth day of August One thousand nine hundred and fourteen, the modification shall not be greater in extent than is sufficient to insure the financial stability of the business.”

Clause, as amended, agreed to.

Clause 14—

On the motion of Mr. Groom, the following amendments were made :—

Page 9, after sub-clause (10), insert the following sub-clause—

“(10A.) Where in the case of a pastoral business—

(a) it is shown to the satisfaction of the Commissioner that any part of the profits arising during the last three pre-war trade years have been invested in the business and have, in subsequent years, been wholly or partly lost owing to drought, adverse seasons or other adverse conditions; and

(b) any part of the profits of the current accounting period has been applied in extinction of that loss,

then in estimating the profits a deduction shall be allowed equal to the amount of profits so applied.”

Page 9, sub-clause (11.), line 36, after “ business ” insert “ except a pastoral business ”.

Clause, as amended, agreed to.

Clause 15—

On the motion of Mr. Groom, the following amendment was made :—

Page 10, after sub-clause (4.), insert the following sub-clause :—

4A. Where in the case of any business the pre-war standard of profits calculated otherwise than under this sub-section does not exceed Five hundred pounds, the taxpayer may adopt as the pre-war standard of profits of that business a profits standard computed under paragraph (b) of sub-section (5.) of this section.

Clause, as amended, agreed to.

Clause 26—

On the motion of Mr. Groom, the following amendment was made, after debate :—

Page 14, omit proviso, insert the following proviso in place thereof :—

“ Provided that where the reason for the modification is the fact that on account of the recent commencement of the business there has not been one pre-war trade year or the fact that the business has only commenced to be remunerative since the fourth day of August, One thousand nine hundred and fourteen, the modification shall not be greater in extent than is sufficient to insure the financial stability of the business.”

Clause, as amended, agreed to.

Clause 33—

On the motion of Mr. Groom, the following amendment was made after debate :—

Page 16, line 35, after “ of ” (where first occurring) insert “ thirty days after ”.

Clause, as amended, agreed to.

Bill to be reported with further amendments.

The House resumed; Mr. Atkinson reported that the Committee had re-considered the recommitted clauses of the Bill, and had agreed to the same with further amendments.

Ordered—That the consideration of the Committee's Reports be made an Order of the Day for Wednesday next.

5. ADJOURNMENT.—Mr. Groom moved, That the House do now adjourn.

Question—put and passed.

And then the House, at eighteen minutes to five o'clock p.m., adjourned until Wednesday next at three o'clock p.m.

MEMBERS PRESENT.—All Members were present (at some time during the sitting) except—Lieut.-Colonel Abbott^a, Mr. Blakeley, Mr. Burchell^a, Mr. J. H. Catts, Mr. Chapman, Mr. Charlton, Mr. Considine, Mr. Falkiner, Mr. Fleming^a, Mr. Livingston, Mr. Mackay, Mr. Mahony, Mr. McDonald^{*}, Mr. McGrath^a, Mr. McWilliams, Mr. Nicholls, Mr. Riley, Brigadier-General Ryrie^a, Mr. Salmon^{*}, Mr. Wallace, Mr. Watkins, and Mr. Webster.

^{*} On leave.

(a) Joined Australian Imperial Expeditionary Forces.

WALTER A. GALE,

Clerk of the House of Representatives.