

not only to ensure that funds are made readily available for war purposes, but also that they are raised by the most advantageous method possible. Under existing circumstances I am confident nobody will suggest that there is a shortage of money, or that there are not ample funds available for the successful flotation of a war loan of the amount sought. Not only are there large idle cash balances, in many cases not earning interest, but large sums are hoarded in various unsafe places, as recent incidents have shown. Such funds are not serving the individual, the State, or the war effort. They remain as a continual threat to economic stability and to the limited supplies of consumer goods which are available. The safest place for all these funds is in the Victory Loan.

For the ensuing year all accounts are being financed without any increases in taxation, while national-development borrowing will be limited to available departmental funds, thus enabling the market to concentrate on making the Victory Loan an outstanding success.

The system for repayment of the public debt in New Zealand automatically covers every penny raised for war as well as other purposes, and operates in respect of each loan from the day it is raised. The system, an excellent one, is embodied in the Repayment of the Public Debt Act, 1925. It operates on the ordinary table-mortgage basis or, to make it more clear, it is on exactly similar lines to the now well-known system for repaying State Advances loans. The amount provided each year out of ordinary revenue for interest and repayment of the public debt is equivalent to the fixed instalment payable on an ordinary table-mortgage loan.

**Repayment
procedure**

Thus, in addition to the amount required to pay interest on the public debt, a further amount, increasing each year, on the basis set out in the Act, is actually applied to the repayment of debt.

The amount repaid to the 31st March last was £30,250,000.

The proposed settlement in connection with Native claims has not yet been completed, but finality is anticipated at an early date and in any case whatever settlement is decided upon will be effective as from 1st April last.

**Native
claims**

In accordance with the Government's promise last year, the premium for war damage insurance was reduced from 5s. to 1s. per cent., effective as from 1st March, 1944, while at the same time the cover was extended to damage from earthquakes. As from the same date the State Fire Insurance Office revised its scale of rates for fire insurance, making an average reduction in premiums of over 20 per cent.

**War and
Earthquake
Damage
Insurance**

It is proposed to introduce a Bill this session to consolidate the existing enactments in connection with this matter.

As a result of war conditions and the consequent shortage of both labour and materials, maintenance on farms and in factories which would normally be undertaken has had to be postponed. In such cases the taxpayer has obtained no relief from such enforced saving, but arrangements have now been made whereby, commencing with the income year ended 31st March, 1944, a taxpayer (individual or company) whose deferred maintenance expenditure is not less than £100 may lodge the amount to the Public Account and, provided that the Commissioner of Taxes is satisfied as to the reasonableness of the claim, the amount so deposited will be allowed as a deduction for income-tax purposes. Such deposits are free of interest and will be refunded to the taxpayer on demand at any time after the expiration of twelve months from the date of deposit. The amounts so refunded will, of course, be subject to taxation in the year in which the refund is made, but will be offset to the extent that maintenance is actually incurred.

**Taxation
adjustment**

Before leaving the matter of income-tax, I would take this opportunity of referring to the "pay-as-you-earn" system, which has already been adopted in a number of countries overseas. The Government, realizing the convenience of such a system from the taxpayer's point of view and the protection of the revenue from the point of view of the State, has given careful consideration to the various proposals. There are, however, certain disadvantages in the introduction of such a system into New Zealand, but a report will be made to Parliament during the present session with a view to an improvement in the present procedure.

As a result of the continued withdrawal of men for the Armed Forces, the man-power problem in New Zealand has become a serious one. Having in mind the potential shortage of foodstuffs in the United Kingdom and the need for fulfilling our contracts to that country, steps have recently been taken to

**Man-power
policy**