

Delay in obtaining plant and machinery from overseas, added to the fact that we cannot do everything at once even in our more fortunate circumstances, means delay in building up a flow of consumable goods sufficient to meet the tremendous demand represented by huge wartime accumulation of purchasing-power belonging to the people.

Thus in the immediate post-war years there is much greater danger of inflation than during the war. Prices soared more after than during the last war, and potentially the position could be much worse this time than in 1920. The people will want freedom from controls—which is understandable after six years of war—and will naturally feel that, having saved their money and gone without things for so long, they are entitled to spend their money freely when the war ends.

Continuation of the stabilization scheme and of price control over this critical period will be a vital necessity, but price-control procedures will be so altered and simplified as not to impede the expansion of production, which alone can provide the real solution—an adequate supply of goods and services.

To obtain the all important expansion in production it is the policy of the Government to give reasonable priority to factory buildings, to accord any necessary priority or sponsorship in the importation of essential machinery or tools, and generally to give every practicable assistance and encouragement towards the reconstruction and expansion of our industries. We will ensure that any worthwhile activity that is economically sound is not held up for lack of finance.

War taxation presses heavily upon all sections of the community, and it is recognized that it leaves little to cover the risks inseparable from undertaking new ventures. The time has not yet come for a general review of taxation, for we still have heavy costs of war and rehabilitation to meet. Nevertheless, this is the time when plans and preliminary arrangements should be made for expanding production as soon as man-power and materials are available. Those contemplating new industrial activities are naturally wondering what will be their post-war taxation position. To assist and encourage them the Government propose to make certain adjustments in the basis of taxation to first become effective in respect of the income earned during next financial year.

It is proposed to provide for a special depreciation allowance of 20 per cent. of the cost of new plant and buildings in such cases spread over a period of five years, and to allow as a deduction in assessing income-tax the cost of royalties, research, and patent rights.

In connection with the decision to grant a special rate of depreciation on buildings and plant, the following shows the effect of a special allowance of 20 per cent. spread over a period of five years:—

		£			£
Plant cost		100,000	Buildings cost		100,000
	£			£	
First year, 7½ per cent. (D.V.) ..	7,500		First year, 1 per cent. (O.C.) ..	1,000	
Plus	4,000		Plus	4,000	
	11,500			5,000	
		88,500			95,000
Second year, 7½ per cent. (D.V.)	6,638		Second year, 1 per cent. (O.C.)	1,000	
Plus	4,000		Plus	4,000	
	10,638			5,000	
		77,862			90,000
Third year, 7½ per cent. (D.V.)	5,840		Third year, 1 per cent. (O.C.)	1,000	
Plus	4,000		Plus	4,000	
	9,840			5,000	
		68,022			85,000
Fourth year, 7½ per cent. (D.V.)	5,102		Fourth year, 1 per cent. (O.C.)	1,000	
Plus	4,000		Plus	4,000	
	9,102			5,000	
		58,920			80,000
Fifth year, 7½ per cent. (D.V.) ..	4,419		Fifth year, 1 per cent. (O.C.) ..	1,000	
Plus	4,000		Plus	4,000	
	8,419			5,000	
		50,501			75,000
Residue		£50,501	Residue		£75,000

Inflation.

Taxation.

Taxation
adjustments.