

TAXATION PROPOSALS.

I propose to effect some important changes in taxation. The ordinary land-tax on mortgages will be repealed, and an income-tax substituted on the income derived from the mortgages. This change, while giving relief to the owners of small sums invested on mortgage, will impose a heavier tax on income of those having large investments.

I will ask the House to make provision for exempting from assessment of income-tax in New Zealand any income earned elsewhere and which has already been taxed in the United Kingdom or any British dominion, with the view of avoiding as far as we can the duplicate taxation of income within the Empire. There is no room to doubt that the present system is unjust, and acts as a constant barrier to the full and free development of commerce within the British Empire.

Amendments of the Land and Income Assessment Act to give effect to the foregoing alterations will be submitted for consideration.

MONEY.

During the year the financial condition of the country has been a singularly peculiar one. Money has been plentiful, but the uncertainty of the future has made the fortunate owners of sums in excess of their own requirements exceedingly cautious; the result has been a marked indisposition to invest in existing industries or in new undertakings. The fact that no one can, with any degree of accuracy, gauge what conditions will prevail after the war makes the position anything but easy to forecast. It, however, appears certain that after the war the whole world will find a new and, indeed, an unprecedented situation, and that the change in the economic, industrial, social, and financial condition must necessarily bring about changed methods of finance. All industries, whether trade or primary, to a large extent are dependent on the stability of the country's finance. I am convinced that it is a wise course to keep the year's surplus in a liquid form, and I decided some months ago not to use the surplus for ordinary governmental requirements, but to invest it in liquid securities, and part of this £2,000,000 has since the close of the financial year been invested in Imperial Treasury bills, and the remainder will be similarly invested at an early date. I have from the first recognized that it is our duty to aid the Motherland during this great war to our utmost capacity. I had previously invested a sum of £1,325,000 in Imperial Treasury bills, and with this further £2,000,000 a total of £3,325,000 will be provided as a reserve. I think this investment in Imperial Treasury bills may be regarded as a partial set-off by New Zealand against the war funds so generously advanced by the Motherland. I hope during the current year to further increase this reserve.

WAR PROFITS.

Money for the conduct of the war must be had, and there is no valid reason why those who have surplus moneys, largely due to war-conditions, should not be called upon to provide a portion of the capital required. Those who have made extra profits during the war, either from business or directly from primary products, cannot object to provide out of such profits a share of the finance necessary. I will ask the House to give authority to take by way of taxation 45 per cent. of the excess profits earned during the last year. These will be ascertained by taking the average profits realized for each of the three years previous to the war and comparing this average with the returns made since the war commenced. I estimate to receive £2,000,000 from this source. The date of payment will probably be about the end of the current financial year.

SPECIAL INCOME-TAX.

Those taxpayers who derive their incomes from other sources than war profits should likewise at this juncture be required to contribute something further than they are at present called upon to pay, and I propose to ask for authority to levy a special tax of 5 per cent. upon incomes earned last year from all sources, exclusive of war profits which have already been dealt with. This tax will be collected in March next. I calculate that £750,000 will be realized under this heading.