

against profit in another; that interest from debentures be taxed on the same basis as other income; and that super tax on land be abolished. Effect has been given to all these recommendations.

The Committee further recommended that all Government and public-body undertakings be taxed. The purely commercial Departments of State are now required to pay income-tax, but the principle has not yet been extended to local-body undertakings.

A suggestion was made that the possibilities of a sales and turnover tax should be considered in place of some of our present taxation, but I am satisfied that such a tax would not be as equitable as the present tax on income. In any case, in my opinion, such a tax being both on luxuries and necessities must hit the poor (who have a smaller margin beyond necessary expenditure) more heavily than the rich.

Another recommendation was to the effect that land-tax should be levied at a flat rate; but it is considered desirable to retain the graduated rate as being more equitable and discouraging aggregation of land.

The 1924 Commission recommended that data be obtained relative to an important change in the basis of company taxation. This information has now been obtained and examined, and it appears that a complete change would involve a loss of revenue of about £1,000,000 per annum. For fiscal reasons, therefore, apart from other considerations, the proposal cannot be entertained at present.

Our income-tax is one of the most liberal in the world in regard to the rate of tax and the exemptions granted for children, life insurance, and other deductions. But the effect of our increases during the war and various subsequent decreases since 1921 has been to upset seriously the fairness of the graduation. Some incomes are actually paying less now than they did before the war, while other classes pay considerably more than pre-war. This anomaly was pointed out by the Tax Commission of 1924, and they recommended that it should be remedied. It is obvious that before any start can be made towards reducing taxation the scale of income-tax should be restored to a proper graduation, otherwise the schedule will become still more full of anomalies. For the convenience of honourable members I have printed as an appendix (Table No. 25) a comparative table showing the scale of income-tax in various countries, which makes abundantly clear that our scale is a great deal lower than in the other states and countries shown in the list. I hope this year to effect some improvement in the graduation with a view to remedying the anomalies mentioned, so that when a reduction is feasible it can be made on an equitable and scientific basis.

1927-28.

I have now placed before honourable members the position as regards the past year's operations, and outlined the steps taken to effect economy, together with brief comments in regard to expenditure, debt, and taxation. If I hesitated last year to consider reductions in taxation, it will be admitted that the present conditions are still less favourable and do not permit of reductions in the current year. The Government have already set aside large sums to assist unemployment, which I trust will diminish to a considerable extent as the year advances. It is necessary, however, to make provision to meet a situation that may not take a favourable turn when additional seasonal work becomes available. The estimates I am giving here are based on the position as it appears at present.

I have referred to the policy of debt-reduction, and I regret, for reasons already given, that very little beyond the statutory appropriations is likely to be available for this important purpose during the current year.

I propose to ask for authority to appropriate up to £500,000 for public works should circumstances towards the end of the year permit consideration of any such transfers. As honourable members are aware, the price of local money is inclined to harden; but so long as I can do so, I will not assist that movement by raising the rate for our New Zealand issues. When we fixed the amount of our London loan I anticipated that we could rely on our local loan resources to make