

BUDGETARY POSITION FOR 1934-35.

Forecast for
1934-35.

Turning now to the position of the main Budget for the current financial year, I find my present task much more congenial than was the case last year. The public revenues are no longer going down, but are moving steadily upward, a definite indication that economic conditions are on the mend. Accordingly, it is not necessary to bring down any proposals for increasing taxation. The situation, however, does not yet warrant making any further reductions.

Customs.

Customs revenue during the closing months of last financial year and the first four months of this year has been more buoyant, and I am satisfied that we can rely upon a comparative increase of approximately £1,115,000 for the year.

Sales tax.

The returns from the sales tax are also satisfactory, and I have allowed for an increase of £300,000 under this heading.

Other taxation.

Income-tax last year exceeded expectations, and, as last year was certainly a better trading year than the previous one, it is reasonable to allow for a further substantial increase in tax for this year. In the unsettled conditions that have prevailed it is difficult to assess the amount of increase to be expected, but, after careful consideration, it has been set down at approximately £690,000. Land-tax, on the other hand, is affected by decreases in valuations, so for this item I have allowed for a fall of £20,000 in the yield. For all other items of taxation excepting beer duty I expect increases over last year's receipts as follows:—

	£
Highways revenue	156,000
Stamp and death duties	17,000
Film-hire tax	12,000
Gold-export duty	3,000

In so far as beer duty is concerned the reduction in import and excise duties already announced will more than absorb the increase that otherwise would have occurred.

The aggregate net increase for all items of taxation is estimated at £2,245,000.

Interest and
other receipts.

In regard to interest receipts and "other receipts" apart from reserves, it is anticipated the aggregate amount to come in will be £214,000 in excess of last year's receipts. Profits from the change-over to our own silver coinage account for £100,000 of this net increase.

Reserve Funds.

Last year the revenue was augmented by £2,000,000 drawn from reserves liquidated by hypothecating discharged-soldiers-settlement mortgages in which the amount was invested. It is not considered advisable, however, to anticipate further the repayment of these mortgages. There is, however, a balance in the general Reserve Fund that can be made available this year. Section 4 of the Finance Act, 1931 (No. 4), empowered the transfer to the Consolidated Fund of any balance remaining after taking into account all commitments for the purposes of the Hawke's Bay Earthquake Act, 1931. The remaining commitments can now be definitely assessed, so it is intended to exercise the authority cited and transfer £300,000 to augment the Budget revenues for this year. The use of reserves has been criticized in some quarters, but it appears to have been overlooked that they were accumulated in more prosperous times for the express purpose of easing the strain on taxation in times of stress. In other words, the reserves were intended for use in such times as we have experienced during the last four years. The reserves have been invaluable in keeping the public finances within safe limits during a most difficult period, and, carefully husbanded, they materially assisted in seeing us over the worst of our budgetary difficulties. When circumstances permit, an effort should be made to build up fresh reserves against any future period of stringency that may come along.

Summary.

The aggregate estimated increase in the items of revenue that I have reviewed is £2,460,000. Deducting the comparative decrease of £1,700,000 in the amount of reserves to be used, there remains a net increase in the total Budget receipts of £760,000.