accentuated by increasing the rates under the graduated system used during the last few years, it has been decided in the case of individuals that the new rates will be on a "step" basis under which each pound of taxable income will be taxed at a rate determined by reference to the particular income-group into which it falls. The starting rate will be 2s. 6d. in the pound upon the first £100 of taxable balance; 2s. 9d. in the pound will be payable on the second £100 of taxable balance; and 3s. in the pound upon the third £100 of taxable balance; and, so on, by increase of 3d. for each £100 of taxable balance up to maximum rate of 12s. in the pound, which will be payable upon all taxable income in excess of £3,800. The advantage of this system lies in the fact that every taxpayer, no matter what his income, pays the same rate of tax upon each succeeding pound of taxable income: it is the logical counterpart to the grant of a personal exemption of £200 to every taxpayer, regardless of the size of that taxpayer's income. It is not proposed to alter the personal exemption of £200, the exemptions for wife and children, or the provision relative to adding a percentage to the tax on unearned income.

Company taxation.

In the case of companies the graduation method to be applied will be similar to that used last year, but the new rate will be 2s. 6d. in the pound rising by graduations of 1/100th of a penny to 8s. in the pound at £6,600, and rising thereafter by graduations of 1/150th of a penny to a maximum rate of 8s. 9d. in the pound on all income over £7,950.

Tax on debenture interest.

A further change proposed is the increase to the maximum company rate of the tax payable upon interest receivable in terms of debentures issued free of tax by companies. This change abolishes the advantage hitherto secured by companies in respect of this class of debenture interest.

Surtax.

As was the case last year the rates of tax for both companies and individuals will be increased by 15 per cent., this addition being credited to the War Expenses Account.

Comparison of income taxation.

As an indication of the effect on personal assessments of these new rates I would quote the following examples of the amount of tax payable last year and this year respectively upon representative taxable balances, by which is meant the taxpayer's income less the standard exemptions allowed.

Taxable Balance.	Income-tax on Earned Income.					
	Last Year.			New Proposals.		
£	£	s.	d.	£	s.	d.
100	11	19	7	14	7	6
500	69	9	7	86	5	0
1,000	162	18	4	208	8	9
2,000	421	13	4	560	12	6
5,000	1,772	18	4	2,384	16	3

This means that a single man with an income of £300 will pay £14 7s. 6d. income-tax. A married man without children with an income of £350 would pay a like amount, and a married man with a wife and one child would pay a similar sum on an income of £400.

State trading activities liable for income-tax.

It is also proposed to bring all State trading activities into line as regards income-tax. At present the Government's electric-supply undertaking, the Internal Marketing and State Coal-mines Departments, and the Commercial Broadcasting Service are exempt from such taxation. It is proposed to introduce legislation to make these activities liable for income-tax.

Excess profits.

At a later stage there will be placed before the House proposals for the establishment of the procedure necessary to transfer to the State the whole of any excess profit made during the war period.

Income-tax yield 1940–41.

With these additions to the field of taxation at the new rates, the income-tax will, it is estimated, yield £15,450,000, an increase of £2,400,000 above what would have been received on last year's basis of tax.