The result of these proposed adjustments will be that direct taxes will reach 18s. in the £1 at £2,500 in the case of unearned income and £3,700 in the case of earned income. Companies at the maximum rate will pay 14s. 0\frac{2}{3}d. in the £1, as compared with 12s. 0\frac{2}{3}d. at present. To overcome certain anomalies and difficulties in assessment that would arise on account of this increase in income-tax rates, the basis of assessment is being amended in some respects. Full details of these alterations will be given when the necessary legislation is introduced.

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Increase in family allowances.

To alleviate any hardship on the family man with a low income it is proposed to grant a bonus of 2s. per child on the existing family allowance otherwise payable. The result of this would be that a man receiving £5 per week with two dependent children would receive an additional bonus of 4s. and at the same time be subject to an additional tax of 2s. 6d. per week. I may add that in order not to cancel out the cost-of-living bonus payable to those receiving family allowances it is proposed to increase the maximum allowable income from £5 to £5 5s. The extra cost of these proposals is estimated at £370,000 per annum.

Increase in sales tax.

As in the United Kingdom and in Australia, it is proposed to turn to consumptive taxes for portion of the additional revenue required. Firstly, it is proposed to impose an additional 10 per cent. sales tax on certain classes of goods which do not directly enter into the day-to-day living-costs of the people. Consequently, in imposing this additional 10 per cent. sales tax it is proposed that the increase shall not be applied to the items the prices of which the Government have already announced are to be stabilized or to the present extensive list of free items. The additional revenue which it is estimated will be recovered under this heading for the balance of the current year is £3,700,000. Secondly, it is considered that present circumstances justify obtaining additional revenue by means of increased imposts on beer, wines, spirits, and An increase of 1s. per gallon will be made in the price of beer, the tax being imposed on a basis which will bring about an estimated reduction in the alcoholic content of 25 per cent. This increase, together with a corresponding increase in the duty on wines and spirits, will, it is estimated, produce an additional £1,000,000 this year.

Increased duty on beer, wines, spirits, and tobacco.

As regards tobacco, an additional 2d. per packet of ten in the price of cigarettes, together with an additional 5d. per oz. on tobacco, should augment the War Expenses Account revenue to the extent of approximately £1,800,000 this year.

As a well-deserved concession to those in the fighting forces the additional tax on tobacco and cigarettes will not apply to supplies purchased from the official canteens.

Loan finance. These increased taxes will, it is anticipated, yield an additional total of £14,400,000, leaving a balance of £35,600,000 to be obtained from borrowing. The existing National Savings Scheme, together with State departmental funds, will, it is estimated, provide £8,000,000 towards this objective, leaving a total of £27,600,000 to be obtained by means of war loans.

Summarized, it is proposed to meet the deficiency of £50,000,000	as follo	ows:—
Taxation—	$\pounds(m.)$	$\pounds(m.)$
Income super-tax increase from 15 per cent. to		
$33\frac{1}{3}$ per cent	$3 \cdot 0$	
National security tax, 6d. in £1	$4 \cdot 9$	
Sales tax, 10 per cent · · · · · · · · · · · · · · · · ·	$3 \cdot 7$	
Increased taxes on beer, wines, and spirits	$1 \cdot 0$	
Increased taxes on tobacco and cigarettes	1.8	14.4
Loans-	0.0	
National savings scheme and departmental investments	8.0	
War loans ·· ·· ··	$27 \cdot 6$	25.6
		$35 \cdot 6$
		£50·0