

Capital set-off
against debt.

As a direct set-off against the total debt there is the Public Debt Redemption Fund which, less the amount written off in connection with the settlement of discharged soldiers, now amounts to £23,125,645, and also certain special sinking funds amounting to £2,635,766 as at 31st March last.

Apart from the investments of the special sinking funds referred to, debt securities to the value of £4,813,587 were held by Treasury accounts as at 31st March last. In the course of the year's financial transactions securities are bought and sold by Treasury accounts, and the investments held as at 31st March in each year, while forming part of the debt, do not represent amounts due directly or indirectly to the public. The £4,813,587 of investments can accordingly be directly set-off against the debt, bringing the total capital set-off as at 31st March last up to £30,574,998.

In addition, there are, of course, the assets of the Railways, Post Office, State Advances, &c., representing the investment of the productive portion of the public debt. Details of the assets are set out in Table No. 20 attached to this Statement.

TAXATION.

Taxation.

On questions of taxation and its incidence I endeavour to give careful consideration to the various views and criticisms put forward by chambers of commerce, farmers' unions, and other organizations whose members are brought into close and constant contact with the effect of taxation on business and enterprise. During the recess I discussed publicly the allegation that taxation in New Zealand is unduly heavy. I contend that, in comparison with other countries, this is not so, except in the cases I shall mention hereafter. In my opinion, it is fallacious to divide the total tax revenue by the population and draw any inference therefrom as to whether taxation per head is high or low. We have a large Customs revenue in New Zealand, but Customs taxation is not high—in fact, our rates of Customs taxation are moderate compared with most countries. The large revenue is due to large importations, and not to high rates of duty.

Direct taxation.

Turning to direct taxation, the income-tax on the individual in New Zealand is, admittedly, one of the lowest in the world. On the other hand, the company income-tax is high, and I am of opinion that when the state of national revenue warrants a general reduction in taxation this fact should not be lost sight of.

Land-tax.

The graduated land-tax is high, but that is for the express purpose of preventing aggregation and enforcing subdivision. In other respects, however, the land-tax is by no means burdensome, as is evidenced by the fact that 55,000 farmers out of 80,000 pay none at all. In one respect the graduated land-tax often operates harshly—namely, where a business has branches in many urban centres. All its sites are aggregated for land-tax, although there is no real aggregation, and in each centre that business has to compete with local rivals who pay no graduated land-tax.

But in the two chief sources of revenue, which are also the ones most frequently criticized—namely, Customs and income-tax (apart from company tax)—in my opinion, taxation in New Zealand is low compared with most countries at a similar stage of development.

Concessions in
Customs duties.

The concessions in Customs duties last year represented a very large sum, affecting items of household use, such as crockery, china, linen, linoleums, cotton goods, and other items. In addition to this, the duty on corrugated iron and British-made silks was removed. Concessions were also made on various classes of industrial machinery and appliances. From the Customs returns during the first few months of this year it would appear that the effect of these concessions in depressing the revenue has been more marked than was anticipated; in fact, there has been a heavy fall in the revenue.

It must be remembered, moreover, that, so far, not only has the revenue from Customs fallen substantially, but receipts from income-tax are estimated to show relatively little increase over last year; and, therefore, the improved conditions in trade and commerce will not reflect themselves to the extent that might be expected in this year's public finances. The liabilities on account of unemployment have also to be taken into account.