I agree with those who hold that taxation-reduction is one effective method of checking inordinate demands for more expenditure by the Government; but even after the utmost curtailment of departmental estimates and refusing many urgent and reasonable public requests for further expenditure I can find no sufficient margin that would render a tax-reduction for this year either practicable or safe. **Taxation position generally.**

On a review of the whole position, I am convinced that we may look forward with confidence to increasing prosperity. That prosperity will reflect itself in the public revenues. These increased revenues should enable a reduction in taxation to be made in the near future.

Racing Taxation.

I have carefully examined the frequent statements by racing deputations that they are being crushed by heavy taxation. I am unable to find any warrant for these statements. In fact, the racing clubs do not ask that the taxation imposed on the public should be reduced, but merely that they should receive a larger share of it. While it is clear that some clubs are in financial difficulties, it is equally clear that these difficulties do not arise from Government taxation. **Racing taxation.**

The main source of the racing clubs' revenue is the totalizator-tax, a levy of 10 per cent. on the money put through the machine. The clubs take $7\frac{1}{2}$ per cent. and the Government only $2\frac{1}{2}$ per cent. This tax has not been altered since 1910, so that the frequent statement that the clubs suffer from increased war taxation has no foundation. The $2\frac{1}{2}$ per cent. which is handed over to the Government is merely collected by the racing clubs as agents for the Crown, and in no way renders them the poorer. The dividend-tax was increased in 1921 from $2\frac{1}{2}$ per cent. to 5 per cent. This is also levied on the investor's money, and the dividend-winner pays it, not the club. It is, like the totalizator-tax, collected by the racing clubs as agent for the Crown, and does not in any way tax the revenues of the club. These remarks also apply to the stakes duty and amusement-tax. **Totalizator-tax.** **Dividend-tax.** **Stakes duty and amusement-tax.**

It must not be forgotten, too, that although for a short period in 1921 the unpaid fractions of dividends were taken by the Government they were shortly afterwards again conceded to the clubs. These amount approximately to between £35,000 and £40,000 a year. **Taxation remissions and concessions to racing.**

In 1925 $1\frac{1}{4}$ per cent. of the totalizator duty on the first £20,000 (equivalent to £250) was rebated to each club for improvements effected to grounds. This meant a further concession to the clubs of £26,000 per annum of the Government's small share of the totalizator-tax. The clubs also benefited considerably from the general abolition of income-tax on income derived from the use of lands. The stakes duty was reduced from 10 per cent. to 5 per cent. in 1924, a concession valued at £30,000; and the tax of $2\frac{1}{2}$ per cent. on payments for admission to the course, valued at £6,500, was repealed last year.

To sum up, the remissions and concessions to racing in the last few years are worth over £100,000 a year.

My reason for recapitulating these facts is to show that financial difficulties of the racing clubs are due to causes which have nothing to do with taxation.

I would suggest for consideration that the most practicable way in which assistance can be given to the smaller clubs is to fix the totalizator-tax on a graduated scale, so as to practically exempt the small clubs from taxation. So far the metropolitan clubs have not received this proposal with favour. **Suggested means of assisting small clubs.**

If, however, there is any assistance within reason that can be granted to the country clubs, I feel sure that when the opportunity occurs Parliament will support it, as it is highly undesirable that all the racing facilities should be concentrated in the cities.

STATE ADVANCES.

This office continued to render substantial assistance to those in need of capital. Including £751,900 under the Rural Advances Act, the Department paid over loans amounting to £2,793,030 during the year. **State advances.**

In the last five years the Department has paid over to 26,312 applicants loans amounting in the aggregate to the large sum of £26,692,969. Of this total £11,849,676 has been lent for the erection and purchase—mostly the former—of dwellings. **Loans paid over.**