

Business and economic conditions generally were better last year than in the previous one. Accordingly, apart from higher rates of tax, there would have been an increase in revenue. Allowing for this and the additional taxation imposed, I have estimated the yield from income-tax at £6,000,000, a total increase of £1,419,000 over last year's receipts.

Concerning land-tax: It is proposed to re-introduce the graduated land-tax, **Land-tax.** from which an estimated revenue of £1,300,000 is expected, or approximately three times the present revenue. The tax removed by the Coalition Government in 1931 had, for fifteen years previously, yielded revenue between £1,000,000 and £1,500,000 per annum, and sometimes slightly in excess of the latter sum.

The principle of land-tax has been the subject of debate and controversy throughout the centuries. It must be accepted that a charge on land of any kind reduces its selling-value, such selling-value being based on the net return which can be obtained from the land after all charges have been paid, which means that, given stability in prices and costs of production, a reduction in land-tax is a gift to the immediate land-owner. Conversely, an increase in the tax must be met by the immediate owner. To ensure taxation in some measure according to ability to pay, the existing flat tax will be continued at a penny in the pound of taxable balance of unimproved value up to £5,000, after the ordinary exemption or mortgage deductions have been made, which means that the farmer owning land of an unimproved value of £5,000, with mortgages of £3,000, will be assessed on £2,000, the tax payable being £8 6s. 8d. as at present. The working farmer should be the first to be helped, after which the ability to pay should be considered. When the unimproved value reaches higher levels the tax will be increased accordingly on all land, whether it be city, suburban, or rural.

The existing ordinary and mortgage exemptions will be continued.

The rates of tax to be paid on the restored procedure of graduated tax will be as follows:—

Taxable balances up to £5,000—one penny in £1, increasing by 1/8000ths of a penny for every £1 in excess of £5,000, reaching a rate of twopence in the pound at £13,000, threepence at £21,000, fourpence at £29,000, fivepence at £37,000, and sixpence at £45,000, from which point the tax continues at the flat rate of sixpence to the maximum value owned by any individual, trust estate, or company.

The purpose of land-tax is, in principle, to obtain for the community the values created by it. The principle behind the policy of the Government is to ensure to those who utilize land the maximum payment for their labour. In other words—the farmer's eyes should be on the return for his products rather than on the acquisitive possibilities of profit derived from land sales.

Applied to city, suburban, or rural land, values that accrue through public activities and increased population should automatically come to the State, and the policy of the Government will be directed to this end.

Summed up, the procedure will mean the minimum taxation on the working farmer and home-owner, with increasing rates on abnormally large holdings and other areas held in many cases for speculative profit instead of for use in production.

Concerning the Customs revenue, this is dependent upon imports, and our ability to buy goods from other countries is, of course, governed by our exports. **Customs revenue.** For the export year ended on 30th June last the value of exports in New Zealand currency was £53,660,000, compared with £42,954,000 for the previous year. Thus there is scope for a considerable expansion of imports, and the figures for recent months indicate that it is taking place. After a careful review of the position I have placed the estimate for Customs revenue for this year at £9,100,000, which is £939,000 in excess of the amount received last year.

The increasing turnover in goods will proportionately increase the yield from the sales tax, the estimate for which shows a comparative increase of £437,000. **Sales tax, &c.** Then the general improvement in economic conditions will, it is anticipated, be reflected in an increase of £55,000 in beer duty and £388,000 in highways revenue. The latter consists mainly of the proceeds from the petrol-tax and motor license fees, and, as the people generally will have more leisure and more earnings, both these items are expected to show a substantial increase.