

The effect will be to place farmers upon the same basis as other sections of the community. It will generally be agreed that if a farmer makes a profit from his operations sufficient, after deduction of all the usual allowances, to bring his income within the scope of the taxation provisions he should pay tax on the same basis as any other taxpayer.

**Estate, succession
and gift duties.**

To obtain the £200,000 from death duties, it is proposed to increase the scales for estate, succession and gift duties by approximately 20 per cent., discontinue the present exemption of £1,000 for life-insurance moneys, and slightly reduce the present exemption for estates passing to widows.

The life-insurance exemption was introduced in 1925, but experience has shown that there is no real justification for it, and it is not granted in Great Britain or in any of the Australian States. Concerning the exemption to widows, the present allowances are £5,000 in respect of estate duty and £10,000 for succession duty. The exemptions now proposed are £3,000 plus one-third of the difference between this and the amount of her succession up to £4,500, making a limit of £3,500. In the case of succession duty the proposed exemption is £5,000 plus a third of the difference between this amount and the amount of her succession up to £10,000, making a limit of £6,666 13s. 4d. Even with all these adjustments, death duties in New Zealand on estates below £5,000 are appreciably lower than those charged in Great Britain or in the Australian States. I may add that the statistics show that the great majority of estates in New Zealand are for amounts below £3,000, and if such an estate is left to a widow no duties are payable.

Beer duty.

In regard to the proposed increase in beer duty I may mention that the rate was 1s. 6d. a gallon in 1934, but was then reduced to 1s. 3d.

**Defence
contribution.**

Most of the additional revenue required is to be obtained from income-tax on the one hand and petrol-tax on the other. The former is regarded by the Government as the appropriate field for providing for normal expansion of State activities, while the latter is considered in the light of a special contribution towards the additional heavy costs of defence. Petrol-tax has been chosen because, directly and indirectly, it reaches every section of the community, and all should share in the cost of defence. The tax has the merit of pressing much more lightly upon large families than other forms of indirect taxation and a good deal of it is in the nature of a luxury-tax. I may add that the rates of the mileage-tax imposed by section 4 of the Motor-vehicles Amendment Act, 1934–35, upon motor-vehicles using motive power other than petrol, such as Diesel oil, will be increased correspondingly.

**Estimated
revenue 1939–40.**

Allowing for the effect of the additional taxation, the estimated budgetary position for the year is as follows:—

REVENUE.					
Taxation—					£
Customs	..	..	..	..	10,000,000
Beer duty	..	..	..	..	1,300,000
Sales-tax	..	..	..	..	3,500,000
Highways	..	..	..	..	3,250,000
Stamp and death duties	..	..	..	..	3,480,000
Land-tax	..	..	..	..	1,000,000
Income-tax	..	..	..	..	9,600,000
Miscellaneous	..	..	..	..	190,000
					£
					32,320,000
Interest recoveries	..	..	..	..	2,780,000
Other receipts	..	..	..	..	3,160,000
					5,940,000
					38,260,000