

luxuries, until the great war now raging is over. I do not wish to suggest that there should be a diminution in employment. On the contrary, both Government and private individuals can materially help the country in coming successfully through the present crisis by maintaining employment at its normal maximum and at the same time doing everything possible to prevent waste and extravagance. As a producing country we possess enormous advantages in comparison with most other countries, but we must not rely upon the present high prices for our principal products being maintained after the war is over. The huge and unequalled war expenditure of the older countries must enormously limit the purchasing-power of their peoples until sufficient time has elapsed to enable the nations to take stock of the altered conditions and to adjust their taxation and finance to meet the requirements of the new order of things. We shall require to do likewise, and it is our duty to take all reasonable precautions now to prepare for the exacting task that lies before us. If we are to recover quickly the losses we are suffering in the struggle in which we are engaged, there must be cordial co-operation and ready self-sacrifice from every one.

The future calls for self-sacrifice from every one in the Dominion, and I confidently appeal to those affected by the proposals I am now submitting to face the position with broad-minded and undaunted determination. In all probability on the conclusion of the war it will be practicable to make very considerable reductions in taxation, and it is merely necessary to say that the Government will have very great pleasure in doing so.

It would not, in my opinion, be prudent at present to base the extra amount required at a lower sum than £2,000,000 per annum, and it will depend entirely upon the duration of the war whether even this large sum will not in the future require to be increased. I am hopeful that it will not, but this cannot be definitely determined at present. We may hope that in a year from now the war will be over, and that the circumstances then will enable us to make a considerable reduction in taxation. In any event, though the burden is heavy the people can be trusted to bear with equanimity whatever is necessary as New Zealand's share in maintaining the high traditions and priceless freedom of the British Empire.

As it is essential to distribute the incidence of the increased taxation over the widest possible area in order that its direct effect may be least oppressive, I will submit a number of important alterations to the House which I hope will commend themselves to honourable members. The increased taxation is proposed chiefly on account of the war, and partly owing to the general expenditure increasing out of proportion to the increase of revenue.

LAND AND INCOME-TAX.

I estimate the receipts for 1915-16 as follows: Land-tax, £886,340; income-tax, £1,090,660.

It is proposed to increase the land-tax by the addition of 50 per cent. to the present rates of graduated tax on country lands.

The increase in the income-tax will be obtained by an extension of the existing schedule of graduated rates from 1s. 4d. to 2s. which rate will be reached at £5,600, and the imposition of a super-tax of 33½ per cent. to the schedule rates. This will give a rate varying from 8d. on the lower taxable incomes to 2s. 8d. on the higher ones.

In view of the fact that many business people whose incomes are taxed are also paying land-tax, and in many cases graduated land-tax, this is considered to be a high enough rate to impose, as in many instances the combined taxes will be equivalent to a tax of over 5s. in the £1 of income.

It is not considered advisable to attempt to obtain any increased revenue by lowering the exemption, as the extra expenditure that would be incurred would not be warranted by the result, and the class that would be affected by such a change is already paying its taxation through the Customs, and is sufficiently burdened by that and by the increased cost of living. It is not proposed to increase the tax on mortgages.