

finance and trade, and particularly the foreign trade of the Empire. The change will, at all events for the present, be confined in New Zealand to the import or export of gold by the banks in terms of the legislation of 1915, which authorizes the issue of permits by the Minister of Finance.

The reversion to gold at once effected a readjustment of exchange rates to the great advantage of New Zealand producers. There was corresponding lowering of the premium enjoyed by importers during the last few years, but this may be regarded as a probable help to our secondary industries, which have been adversely affected by the favourable conditions accruing to imported goods in this respect.

#### UNAUTHORIZED EXPENDITURE.

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expenditure.

The limit of expenditure that may be charged in any one year to "Unauthorized," apart from railways, is £350,000, an amount considered to be higher than is necessary to provide for unforeseen expenditure. Now that more normal conditions are obtaining, the amount available for unauthorized expenditure should not exceed £150,000, and it is proposed to amend the Public Revenues Act in this direction.

#### LOCAL BODIES' LOAN AUTHORITIES.

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authorities.

In order that more reliable information may be available regarding the borrowing of local bodies, proposals are under consideration with a view to the cancellation of unexpired authorities in respect of works which have been completed. The borrowing of local bodies, as members are aware, has increased considerably in recent years, and the elimination of loan authorities which are no longer required will ensure a clearer view of the position. It will also, I hope, assist in directing attention to the desirability of restricting borrowing as far as possible to revenue-earning purposes in the interests of ratepayers generally.

#### TAXATION.

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The question of taxation and its equitable distribution has engaged the attention of the Government with a view to further relieving industry of the burdens imposed on it by the high taxation of war years.

While allotting a portion of our surplus to concessions in pensions and in other directions, further adjustments in the rates are desirable if individual initiative and energy in developing our resources and output are to be encouraged. Moreover, the investment of capital outside the Dominion is induced by high taxation. Taxation, which might have the appearance of falling directly on the person or concern taxed, does not wholly do so, but is largely borne by the consumer, and as a consequence we have a high price-level and increased cost of living. Reductions in taxation also assist in diverting capital investments from tax-free securities into trade and developmental purposes.

The Government has now under consideration the adoption of a new income-tax schedule following the lines discussed by the Taxation Commission. The proposed new schedule would reduce the maximum rate to 4s. 6d. from the present rate of 4s. 10½d. in the pound, and the minimum rate from 8d. to 7d. in the pound, while between these rates all incomes would receive concessions. The present schedule, which still stands in the Act at rates up to the maximum of 7s. 4d. in the pound and has been subject to percentage reductions from time to time, would be done away with by the adoption of straight-out rates. Full details will be submitted later to honourable members.

#### CAPITAL FOR RURAL DEVELOPMENT.

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development.

I have referred to the desirability of encouraging loans on mortgages, particularly to aid farmers. Investment on mortgage in recent years has suffered in comparison with investment in stocks, debentures, &c., but the indications are that the mortgage is again becoming more sought after, and, moreover, a trend in that direction is noted in Australia within the last few months.

The income-tax reductions which the Government is now considering should facilitate investment on mortgage by reducing the rate of income-tax down to a parity with debenture-tax, and, as indicated, it is proposed to repeal the mortgage duty of 5s. per cent.