

The rates of income-tax, which had been heavily increased during the war to obtain a maximum amount of revenue, were reduced at various times between 1922 and 1925 on a percentage basis. The result of these changes was that some classes of income were actually paying less tax in 1927 than before the war, and were thus not bearing any share of the war costs or the war pensions.

In accordance with the recommendation of the Taxation Commission of 1924, the rates of income-tax were restored to a proper gradation in 1927. The additional revenue incidental to this correction of the gradations was used as a basis for reductions in Customs duties when the tariff was revised during the same year. It was thus found possible to remove the duty from many articles of household use, and from certain items commonly used in building and farming.

The amazing power of recovery that this Dominion possesses was manifested as soon as the trade balance corrected itself. For the financial year 1927–28 the value of our exports recovered to the 1925 level, and there was a surplus of exports of £10,540,000.

Since then the bank rate has been reduced, prices have risen, money has become plentiful, and everything points to a continual improvement in trade, commerce, and finance. This will reflect itself in the public finances, as was forecasted in the last Budget.

To sum up—

- (1) We have in each year balanced our Budget notwithstanding adverse trade conditions and the constant increase in the cost of social services.
- (2) In each year the net increase in the public debt has been reduced without curtailing the heavy programme of public works.
- (3) If the present policy is pursued we can in a few years carry out a reasonable programme of public works without any increase in the public debt.
- (4) The gradual contraction of loan expenditure and the balancing of the Budget at a time when so many countries show an annual deficit has maintained the financial credit on a high basis, which enables us to obtain loan capital for developmental work on most favourable terms.
- (5) The public finances and credit of New Zealand are on a sound and healthy footing, and the future appears bright.

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Minister of Finance.

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