

The bulk of the additional revenue which is to be obtained from Customs will come from the increase in the duty on many lines of foreign goods which, at the same time, will increase the margin of preference on British goods. In addition, definite increases set out in the schedules to the resolutions have been made on other goods.

Duty on tobacco.

In regard to cigarettes, the duty has been increased by 1d. per packet of 10 cigarettes, which is equal to about 3s. 3d. per pound. An equivalent increase has been made on cigarette tobacco and also on the excise duties payable on these articles. The revenue derived from tobacco has in recent years suffered greatly through the unreasonably large concession granted to local manufacturers of tobacco. To protect the revenue the duty on imported raw leaf tobacco has been reduced by 1s. per pound, and the excise duty on tobacco manufactured in New Zealand has been increased by the same amount. On this basis, if a manufacturer who now uses half local and half imported leaf were to use only New Zealand leaf, he will pay about the same duty as he does now. On the other hand, if he continues to use half local and half imported leaf the total duty payable will be increased from 2s. 8d. to 3s. 2d. per pound. Thus the change should result in the greater use of New Zealand tobacco.

Duty on spirituous liquors.

With regard to spirituous liquors, the allowance previously made for underproof spirits has been abolished and the duty on New Zealand brewed beer has been increased by  $\frac{1}{2}$ d. per gallon.

Duty on timber.

In order to afford greater assistance to the timber industry, the rates of duty on rough-sawn and sawn-dressed timber have been increased by approximately 2s. 6d. per 100 superficial feet. In addition, the duty on certain fresh fruits has been increased by 1d. per pound, while the duty on barley used as a food for stock has been abolished.

Finally, I may say that it is hoped that the extra duties which have been placed on certain foreign goods may, as a result of negotiations and subsequent reductions, be the means of obtaining better treatment for our products in other countries.

Duty on cinematograph sound-films.

In connection with the amount of additional revenue which it was deemed advisable to obtain from indirect taxation, I may say that in preference to other things it was considered that additional duty should be placed upon cinematograph sound-films. As the value of films varies a great deal, to be equitable any increased taxation should be upon an *ad valorem* and not a footage basis. The difficulty here, however, is that the value of a film is not known when it comes over the wharf. In this connection it may be explained that films are not sold, but are rented to the theatre proprietors, usually for a percentage of the gross theatre takings. Further, films are not dealt with singly, but in groups or "blocks." Under these circumstances an *ad valorem* Customs duty in the ordinary way is hardly practicable, but it is proposed to impose the equivalent of an *ad valorem* duty in the shape of a film-hire tax. Briefly, the proposal is that the film-distributing firms will be required to make returns monthly to the Commissioner of Taxes of the gross rentals received from sound-films and the administration expenses incurred in New Zealand, commencing as from the 1st July last. After deducting these expenses, and also the percentage of gross rentals upon which income-tax is levied, the residue will represent the value of the films, on which will be levied an *ad valorem* tax at the rate of 10 per cent. in the case of British films and 25 per cent. in the case of foreign films.

Land and income tax adjustments.

It is proposed to obtain part of the additional revenue required from land and income tax, but at the same time the opportunity is being taken to remove certain anomalies and place the taxes on a more equitable basis.

The information obtained from last year's income-tax returns of farming incomes showed clearly that previously many large incomes had been escaping their fair share of taxation and that the amendments made last session were in the right direction. Experience has shown, however, that the special land-tax was too rigid in its incidence and was inequitable in some instances. At the same time, information received by the Tax Department shows that the incomes derived from many farms of an unimproved value of considerably less than £14,000 (and thus not at present assessable for income-tax) are not contributing a fair share towards the expenses of the State. Accordingly, to overcome all these difficulties and inequities