

THE FARMERS' PROBLEM.

While it is not considered advisable to make an arbitrary reduction in interest charges, it is considered that the position can best be met by some extension of emergency powers.

The Government is of opinion that the provisions of the Mortgagors Relief Act should be enlarged. Justice could be more fully done by this means than by a fixed reduction in interest, which would work out inequitably, sometimes granting insufficient relief and sometimes too much. It is therefore proposed to enlarge the powers of the Court so that it may not merely postpone payment of interest for twelve months, but may make such remission, reduction, or postponement of interest on existing mortgages as seems just and equitable. Moreover, where the mortgagee is the vendor for unpaid purchase-money, the Court may make reduction or postponement of principal or interest to a mortgagor. The Court will also be empowered to authorize a fair distribution between the mortgagor, mortgagee, and the holder of the chattel securities of the proceeds of the farm, to enable the best to be done for all parties and to ensure that production will be carried on. It also appears expedient, in view of the rapidly changing circumstances, that the legislation should enable the powers of the Court to be extended by Order in Council as circumstances may render necessary.

REDUCTION IN RATES.

Apart from interest, the principal items in the farmers' fixed charges are rates and taxes. Rates, in particular, are a heavy burden under present conditions. These rates have been heavily increased by the cost of road improvements and maintenance through the use of the roads by motor traffic.

Quite recently the Main Highways Board increased the subsidy to local bodies for maintenance of highways from a basis of £2 for £1 to £3 for £1, as from 1st April last, thereby assuming a greater proportion of the burden of highways.

An examination of the finances of the Highways Revenue Fund shows that after providing for all the normal requirements for maintenance, interest, sinking fund, and the subsidies on rates to local authorities, the probable revenue receipts for the year from the existing taxes and license fees, &c., together with the balance carried forward on the 1st April last, will provide a balance at the end of the year of not less than £250,000. This balance, or the greater part of it, the Highways Board would normally have transferred to Highways Construction, but under present circumstances it is considered that it would be better to somewhat curtail construction work for this year and apply the £250,000 by way of a special subsidy to rural local authorities in relief of the existing burden of rates. The basis on which the amount will be distributed has not yet been finalized, but will be announced later when the necessary empowering legislation is brought down.

These measures will give some relief from the burden of rates. As a means of providing more permanent and far-reaching relief, the Government proposes to proceed with the inquiry by Royal Commission into the possibilities of national economy through the amalgamation of local authorities and a general overhaul and reorganization of the whole system of local government.

GRADUATED LAND-TAX.

This tax is operating with extreme harshness at present both on rural and urban lands. It is not based on any principle of ability to pay, and it has been condemned for many years.

I may quote, from among many and repeated condemnations, the report of the 1924 Royal Commission on Land and Income Tax which stated:—

“The graduated land-tax was originally designed to break up large estates. There is no evidence to show that it is required any longer for this purpose, and there was much evidence showing that it is now preventing the development of large areas of land requiring a considerable amount of capital expenditure to break in. The graduated land-tax applied to business premises is a serious handicap to trade and industrial enterprise, and serves no good purpose.”

I propose, therefore, to assist farmers, and also the recovery of trade and industry generally, by abolishing the graduated land-tax, while retaining the flat rate of 1d. in the pound of unimproved value.

The abolition of the graduated land-tax will, of course, involve the elimination of the 5-per-cent. allowance on unimproved value at present allowed in the assessment