

1922: In this year the Main Highways Act was passed, and by virtue of section 14 (b) moneys derived from the tire-tax above referred to were specifically directed to the purposes of the newly formed Highways Board.

1924: In this year the Motor-vehicles Act was passed, which made provision for the annual licensing of all motor-vehicles through the Post and Telegraph Department, and by section 24 of the Act all revenue obtainable therefrom was credited to the Main Highways Fund, with the exception of fees for drivers' licenses, which were credited to the general fund of the local bodies collecting the same. In the same year an amendment of the Public Works Act was passed which provided for a uniform system of heavy-traffic fees, the administration of which was vested in the Public Works Department.

1927: In 1927 appeared the first form of motor-spirits taxation. Under the provisions of the Motor-spirits Taxation Act of that year, a tax of 4d. per gallon was imposed on all motor-spirits imported into the country.

1930: Tax on motor-spirits was increased to 6d. per gallon.

1931: Tax on motor-spirits was increased to 8d. per gallon.

1933: Tax on motor-spirits was increased to 10d. per gallon.

In order to adjust an anomaly relating to vehicles using fuels other than motor-spirits, a mileage tax was imposed in respect of such vehicles.

The tax on motor-spirits now stands at 10d. per gallon plus $\frac{1}{2}$ d. per gallon surtax.

THE PURPOSES FOR WHICH THE VARIOUS FORMS OF TAXATION HAVE BEEN IMPOSED.

8. Before proceeding to a detailed examination of the various forms of taxation referred to, it is appropriate to refer to the various purposes for which the different forms of taxation have been imposed, and the Department or Fund to which the proceeds of the different forms of taxation are directed. For this purpose, motor-taxation may be conveniently divided into three classes:—

(1) *Motor-taxation levied for General Revenue Purposes.*—Taxation under this heading is credited directly to the Consolidated Fund, and includes—

(a) Customs import duty on motor-vehicles and parts other than tires and tubes:

(b) The additional motor-spirits taxation levied in the years 1931 and 1933 amounting to 4d. per gallon plus surtax of $\frac{1}{2}$ d. per gallon.

(2) *Motor-taxation which has been levied for Special Purposes.*—Taxation under this heading is levied for the construction and maintenance of main highways, and is credited to the Main Highways Fund, and includes—

(a) Taxation on tires and tubes:

(b) Motor-spirits taxation as imposed in the years 1927 and 1930, amounting to 6d. per gallon:

(c) Registration, transfers of ownership, and annual license fees payable under the provisions of the Motor-vehicles Act of 1924.

(3) *Fees collected by Local Authorities and credited directly to their General Account.*—Under this heading falls—

(a) Drivers' license fees which are retained by the local authority collecting the same:

(b) Heavy-traffic license fees which are distributed in certain proportions among municipal authorities and County Councils:

(c) Local license fees charged by local authorities in pursuance of their by-laws.

GENERAL CONSIDERATIONS.

9. The taxation of motor-vehicles differs in one important respect from most other taxation in that certain portions of it are designated by law for specific purposes. Thus, the tire-tax, part of the petrol-tax, and the heavy-vehicle license fees are appropriated to the construction and maintenance of roads and paid to special funds for that purpose. This policy of "earmarking" taxation for special purposes, in lieu of making all taxes part of the Consolidated Fund, we believe is open to serious question; but the matter is one of policy, and outside the scope of our inquiry, and we therefore merely refer to it in passing, and venture to remark that to pay all the returns into the Consolidated Fund and make annual grants to the Highways Board and other roading authorities may be sounder finance. We point out, also, that the method of disposal of the tax has one important bearing on motor-taxation, because if it is decided that motor-taxation must bear any definite part of the expense of construction or maintenance of roads in the Dominion, there is then a definite minimum amount below which motor-taxation cannot be allowed to fall, in order to provide funds for such a purpose. If then, this is to be the policy adopted, it sets a limit to the remissions of such taxation that may at any time be otherwise possible.

10. On the other hand, we are convinced that the taxation of the motor, within proper bounds, is a fair and convenient method of spreading taxation over the community, because the use of the motor-vehicle enters so largely into our national life.

11. At present, motor-taxation serves a dual purpose. Part of it is set aside as mentioned for roading purposes, and part remains in the Consolidated Fund as ordinary revenue, while, in addition, during the recent period of financial stringency, a sum of £500,000 each year has been taken from the road fund and retained in the Consolidated Fund. It is our duty to consider the burden of motor-taxation as a whole, and not to advise as to the purposes to which it should be applied, but in view of the importance of the subject, and of the generally assumed connection between motor-taxation and expenditure on roads, we quote figures showing the relation between such taxes and the "road bill" of