

in the standard rate the amounts for United Kingdom are slightly higher in some cases than is shown.

Total Income.		Effective Rate of Tax in the £.		Balance after paying Tax.	
£		New Zealand.	United Kingdom.	New Zealand.	United Kingdom.
		s. d.	s. d.	£ s. d.	£ s. d.
300	..	Nil	Nil	300 0 0	300 0 0
400	..	0 2·04	0 2·25	396 12 0	396 5 0
600	..	0 8·96	0 10·8	577 12 0	573 0 0
800	..	1 1·42	1 6·9	755 5 4	737 0 0
1,000	..	1 4·89	1 11·76	929 12 0	901 0 0
5,500	..	5 6·72	5 6·42	3,970 17 0	3,977 17 6
10,000	..	7 10·47	7 2·9	6,063 13 4	6,379 2 6

The principle guiding the Government when making its decision is that a first charge on the national income should be the care of the aged and the ailing. The alterations in pensions and the taxation systems have been made accordingly.

**Simplification
of tax
system.**

Whilst increasing the yield from income-tax, the Government intends to simplify the tax system and make it more equitable as between taxpayers. Since 1930 considerable alterations have been made in the rates of tax and of exemptions therefrom, but such alterations have generally been made on a "patchwork" basis, with the result that the system to-day is very complicated and not as equitable as it might be. Accordingly it is intended to remodel the whole system. The general exemption of £210 will be retained, and this amount—being a minimum that should be available to every one—it is proposed to deduct from all income before tax is levied. On this principle the general exemption and also the £50 exemption for a dependent husband or wife will be at a flat rate as for dependent children at present. Thus a man with a wife and two children will pay tax on his income in excess of £360. Other existing exemptions for insurance premiums, &c., will be maintained, but henceforth no exemption will be allowed for employment-tax paid.

**Rates of
income-tax.**

On the taxable balance—*i.e.*, income less exemptions—tax will be payable this year at the following rates: For earned incomes of individuals (but not companies) a basic rate of 1s. 8d. in the pound increased by 1/100th of a penny for every pound of taxable balance up to £5,500 and thereafter 1/150th of a penny for every pound up to a maximum of 8s. 2d. in the pound reached at a taxable balance of £8,950. The basic rate may seem high compared with the lowest rate charged last year but, owing to the fact that exemptions are to be allowed at a flat rate, the rates of tax on the taxable balance are not comparable with those imposed last year. What is comparable is the effective rate—*i.e.*, the tax payable per pound of total income. For instance, a man with a wife and two dependent children and a total income of £400 paid 1½ pence in the pound in income-tax last year and under the system proposed he will pay 2½ pence in the pound. The maximum effective rate in the pound will be 7s. 11¼d. on a total income of £9,160 in the case of a single man without dependents, being the lowest income at which the maximum rate is reached compared with 5s. 11¾d. paid last financial year.

On unearned income the rates as for earned income will be increased by 33½ per cent. as at present.

The considerations that warrant giving a general exemption of £210 to individuals do not apply to companies; consequently no such exemption will be allowed in assessing companies, but this is compensated for by fixing the basic rate for companies at 1s. as against 1s. 8d. for individuals. The graduations for companies will be the same as for individuals, but the maximum rate for companies will be 7s. 6d. in the pound reached at £8,950. To illustrate how the rates for individuals and for companies compare, I may mention that a single man without dependents with a total income of £1,000 will pay £91 16s. 9d. in tax while a company with the same income will pay £91 13s. 4d.