

TAXATION BILL PASSED BY ASSEMBLY

Another Strong Protest by Opposition

PREMIER REVEALS ACUTE TEMPORARY SHORTAGE OF FUNDS

The Taxation Bill passed through Committee in the Assembly yesterday with the addition of a few amendments proposed by the Treasurer and the rejection of some proposed by the Opposition.

The leader of the Opposition made another strong protest against the taxation proposals on the third reading of the Bill, pointing out that expenditure should be reduced.

The Premier read letters that had passed between himself and the Commonwealth Bank and the Loan Council, to show that the Government's immediate financial difficulties were acute, and that it had been necessary to appeal to the Loan Council for temporary assistance.

The third reading was passed.

On the third reading of the Bill the Treasurer made an important statement relative to the immediate financial needs of the State. He said he regretted that he had to rise at that stage to reply to statements made. He had been compelled to listen to reiteration of all that had been brought forward during the debate. He objected to the hypocrisy of the thing.

Mr. Butler—The expression "hypocrisy" is distinctly offensive to every member of the Opposition, and I ask that it be withdrawn.

Heated interjections came from all quarters of the Chamber, and the Speaker (Mr. Shepherd) warned members.

The Treasurer withdrew "hypocrisy" and Mr. Butler had to withdraw "deliberately untrue."

Attitude of Opposition

Mr. Hill said he objected to the two-faced attitude of the Opposition members. They said they wanted to co-operate with the Government and assist in balancing the Budget, and yet on the floor of the House and outside they made most damaging statements against the Government. He had before him a local paper containing the report of a Liberal social at Mount Gambier, which was attended by Mr. Butler, Mr. Reidy, and Mr. Cameron, M.H.R. The statements made by Mr. Butler's colleague at that meeting were not worthy of a public man, knowing as he did the difficulties of the Government. That member had said that he (the Treasurer) had promised the Premier's conference that if he were given £1,000,000 he would not increase taxation.

Mr. Hudd—You got the £1,000,000 because you said you could not increase taxation.

£3,000,000 Deficit

The Treasurer said that was not so. The Government was facing a deficit of £3,000,000, and it was asked to balance the Budget to save the credit of the State. It had faced the position regardless of political consequences. He had that day furnished the leader of the Opposition and Sir David Gordon with copies of confidential letters showing the financial position of the State. He would not keep them confidential any longer if the leader of the Opposition would not play the game.

Mr. Butler—Who asked you to keep them confidential? It is your responsibility. Read them out!

The Treasurer said he would read them, and let the people of South Australia know the financial position.

particularly income tax, to balance their Budgets. It is well-known that income tax is not collectable until the second half of the financial year, and, as expenditure is spread fairly evenly throughout the year, it is inevitable that a considerable lag in revenue should occur in the first six months of the financial year. As regards the situation, it may be said this is no new factor in the finances, as the following figures taken from our published records show. The excesses of expenditure over revenue in the first six months of the financial years were:—

1926,	£1,600,000;	1927,
£1,700,000;	1928,	£1,800,000;
1929,	£2,000,000.	

"A reference to the Budget I delivered on the 25th ultimo shows that the following items of revenue are being taken into account in order to secure a balanced Budget, but those items will not be receivable until the second half of the financial year:—Land tax, £540,000; income tax, £2,020,000; motor tax, £600,000; special grant from the Commonwealth, £1,000,000; a total of £4,160,000. Deducting those items from the total estimate of revenue of £12,765,000, it will be seen that the balance of the revenue receivable cannot be sufficient to finance the expenditure during the first six months of the financial year."

How to Meet Salaries Bill

The Treasurer said if the Government could not get financial assistance in the way of increasing the overdraft it would not be able to pay the salaries it ought to pay. If its banker would not extend the overdraft and Parliament would not allow it to collect taxation, where was the Government?

Mr. Butterfield—Up the spout.

The third reading was carried and the Bill passed.

COMMITTEE STAGE

When the Bill was in Committee earlier in the session the Treasurer (Mr. Hill) secured the insertion of an amendment to provide that rebates in income shall include the cost of storing, marketing, packing, or processing of commodities by a co-operative company. He said the amendment had been inserted at the request of co-operative companies in the River Murray settlements.

Mr. McIntosh thanked the Treasurer for the concession, which he said met with the approval of those concerned.

The Treasurer informed Mr. Reidy that consideration would be given to the question of allowing exemptions to breadwinners who were supporting dependents. Hard luck cases, however,

Letter from Bank

The Treasurer said the following was a copy of the letter he had received from the manager of the Commonwealth Bank on October 16:—

"With reference to your interview with me on the 14th inst., when you asked that the limit for the Government's account be increased from £620,000 to £750,000, as I advised you by telephone this morning, I have been instructed to state that the bank reluctantly agrees to this extension, but on the strict understanding that the account is brought within the former limit of £620,000 by the end of the month."

That letter, the Treasurer said, showed the struggle the Government was having to save the finances of the State, but it had been subject to petty criticism because it did not appoint a committee including members of the Opposition, as was suggested. The Government was asking for increased taxation to pick up some of the deficit of £3,000,000. The leader of the Opposition had done nothing to help the State out of its disabilities. He signed a financial agreement which he now said should be amended, and signed away South Australia's rights.

Mr. Butler—You are sticking pretty close to it, anyway.

The Treasurer said he could not do anything else. He was constitutionally bound to it. He had said two or three years ago that the State could not stand up to the financial agreement for 58 years, and already his statement was coming true. It took the State 93 years to accumulate the debt, and the agreement proposed to wipe it out in 58 years. The obligation was too great to ask the people to shoulder, especially as they were going through difficult times.

Loan Council Advised

Following the letter from the Commonwealth Bank, said Mr. Hill, the Government had found it necessary to place its position before the Loan Council, and he had addressed the following letter to the chairman of the Loan Council:—

"Following upon our wire to the Secretary of the Loan Council, I have now to set out certain facts in relation to the finances of the South Australian Government, which it is essential that the Loan Council should consider at the present time.

"As you are aware, the primary function of the Loan Council is to arrange for loans for the financing of loan works of the various Australian Governments, and also to provide for conversion loans to take up any shortages that may arise as the result of the withdrawal of securities upon their maturity."

Savings Bank to Assist

The Premier said that on the previous day he had met the chairman of the trustees, the manager, and one of the trustees of the South Australian Savings Bank, and discussed the financial relationships between the Government and the Savings Bank. The representatives of the bank said they were prepared to assist the Government in every way possible, because they had every confidence in what the Government was doing to straighten out the financial position.

Mr. Butler—They always have been reasonable.

The Treasurer said they did not quibble over the taxation question. They said the Government was doing the right thing to balance the Budget and save the credit of the State.

Credit of Australia

The Treasurer said he would continue reading the letter to the Loan Council, as follows:—

"For a considerable time past, it has been arranged that provision for overdraft accommodation shall be made through the Commonwealth Treasurer (representing the Loan Council) and not direct through the banks of the various Governments. You will also recollect at recent meetings of the Loan Council it has been laid down that at the present time the finances of the Australian Governments must be treated as a whole and not as separate units. In other words, should any particular Government default in its payments, it would affect, not only the credit of that Government, but the credit of all Australian Governments. As regards the affairs of the South Australian Government, it may be mentioned that, owing to the Customs and Excise revenue since Federation being a function of the Federal Government, it has been found necessary for the State Governments to rely more and more upon direct taxation, par-

Hard luck cases, however, could not altogether be avoided.

Federal Income Tax

The leader of the Opposition (Mr. Butler) opposed the clause abolishing the exemption from taxation of the amount paid in Federal income tax. A heavy additional burden would be placed upon companies which already found it difficult to compete with others. It would have a serious effect upon industries in the State. He would prefer a gradual increase in the rate.

Mr. Nicholls and Mr. Moseley also opposed the clause.

Mr. Dale—You need not worry. It won't go through the other House.

The Treasurer pointed out that the deductions were not allowed in any other State in the Commonwealth. He admitted that it was a burden, but not to the extent stated. The total revenue through the abolition of the deduction would amount to £50,000. He believed that those who came within the scope of the clause could afford to pay.

Mr. Reidy claimed that no other State was taxed to the extent of South Australia.

Mr. Pattinson argued that it would be better to raise the rates temporarily.

The Treasurer said that if they raised the rates they would debar capital from coming here. A company which did not make any profit would not have to pay.

Bad Debts

The leader of the Opposition did not see any reason for the insertion of the clause regarding bad debts. It was almost impossible at the present time to ascertain what were bad debts and what were doubtful debts. He asked for the withdrawal of the clause.

The Treasurer indicated that the clause had been introduced to prevent any undue reduction of income for the current year on account of doubtful debts. He declined to withdraw the clause.

The leader of the Opposition then moved that the amendment should come into operation on July 1, 1931, and should apply "in respect of the tax payable on income accruing during the period of 12 months immediately preceding the first day of July, and in respect of tax upon income accruing thereafter." Returns had already been made up, and hardship would be imposed upon those who would have to make up fresh returns.

The Treasurer said every assistance would be given to a taxpayer to avoid any hardship.

The amendment was rejected.

Deductions On Losses

The leader of the Opposition moved to insert an amendment to allow for deductions on losses on transactions outside the ordinary business of a taxpayer. He contended that if a taxpayer were compelled to pay on his profits, he should also be allowed a deduction on his losses.

Mr. Butterfield—It should not be "Heads I win, tails you lose!"

Mr. Nicholls agreed that in the circumstances losses should be an allowable deduction.

The Treasurer said that if the amendment were accepted the clause would be of no value, as no revenue would be obtained.

Subscriptions

On the clause dealing with cases in which certain subscriptions might be deducted, the leader of the Opposition contended that there should be no discrimination and that no deductions should be allowed.

Messrs. Reidy and Moseley supported the objection.

The Treasurer said that certain subscriptions had to be paid by persons in order to make their living.

Mr. Butterfield—Would union fees be deductible?

The Treasurer said he could not say He would make enquiries, and if necessary have the clause amended.

The clause was approved.

The leader of the Opposition moved that as long as property was transferred under a deed of trust properly sealed, and there was no attempt to evade taxation, it should not be subject to the clause dealing with the taxation of income in certain cases where property was disposed of.

Mr. Reidy considered that owners of property should be encouraged to distribute their property among their children, and was supported by Mr. Lyons.

The proposed amendment was rejected.

Super Tax on Land

Mr. Nicholls, dealing with the clause providing for a super tax on land, claimed that it was a mistake to increase the land tax and also impose the super tax at the present time, as

The primary producers were in a bad way.

Mr. Lyons agreed that the producers should not be called upon to pay more at this juncture.

The clause was agreed to.

Medical Expenses

Mr. Collins moved to insert a clause allowing medical and nursing expenses as deductions from income, the same as were allowed under the Federal income tax.

The Treasurer agreed that the point raised should be considered, but enquiries would have to be made as to how the amendment would operate.

Mr. Collins altered his proposal so that it should apply to the returns supplied next year.

The Treasurer said he was sympathetic towards the proposal, but did not want it put through without further consideration.

The proposal was supported by Messrs. McIntosh, Anthony, and Fedler, but was rejected.

Mr. Butler's Protest

On the motion being put for the passage of the third reading, the leader of the Opposition said that Parliament had never been faced with a graver responsibility than that associated with the passing of the measure. Additional taxation was wrong. It would imperil industries. It was quite apparent that the Treasurer had led the Premier's Conference to believe that, if the State were assisted, it would not be necessary to impose additional taxation.

The Treasurer—Do not make such a foolish statement.

Mr. Butler said that it was because the Treasurer said he could not balance the Budget that the other Treasurers made allowances. Sir Otto Niemeyer had issued the warning not to cripple industry with taxation. Surely no one could dispute the statement that an additional £600,000 in taxation would seriously affect industry. The people were looking for reduced expenditure as a solution, rather than increased taxation.

Mr. Dawes—What would you suggest?

Mr. Butler said he had suggested many things. The Treasurer would not balance the Budget. He would not get the money, and would have to reduce expenditure. He would be compelled to call a special session to make drastic cuts in expenditure.

"I believe the taxation proposals are a blunder of the greatest magnitude," said Mr. Butler, and added that he did not think the money would be collected. Men engaged in making up income tax forms had told him that they could see no possible hope of the returns anticipated in the Estimates being received. He was quite prepared to assist the Treasurer in collecting the same amount of tax as last year, but did not consider the country could be brought out of its difficulties by extra taxation. He sympathised with the Treasurer, but considered that expenditure should be restricted. Increased taxation would lead to further unemployment, and the Treasurer must realise the danger of trying to force money from people who had not any. The effect would be to increase the cost of production and the cost of living. The proposals were a step backward, and, if passed, would do incalculable harm and cause greater hardships.