

(No. 56.)



1873.

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TASMANIA.

LEGISLATIVE COUNCIL.

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MINISTERIAL MEMORANDUM,

OF 6<sup>TH</sup> SEPTEMBER, 1866.

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## MEMORANDUM.

THE position of the Public Finances, and the recent action of the House of Assembly with regard to the proposals of the Government to deal with them in a large and comprehensive measure of fiscal and financial reform, seem to render it desirable that Ministers should submit for Your Excellency's consideration a statement of the actual and prospective condition of the Country as regards Revenue and Expenditure, together with a brief exposition of the objects aimed at by their financial proposals, and the probable consequences of their rejection.

To do this effectually and intelligibly, it becomes necessary to recall the Revenue and Expenditure of the last five years since the first serious extension of the Tariff in 1862.

In 1858 the Tariff comprised no more than 18 articles. In 1862 the Revenue obtained from Customs was found altogether insufficient for the requirements of the Public Service; and, in order to meet large deficiencies, 53 articles of ordinary consumption were added to the Tariff, and a Duty of 10 per cent. *Ad valorem* imposed upon a long list of other goods. In 1863 a Package or Measurement Duty on Imports was substituted for *Ad valorem* Duties; an additional 2s. a gallon was placed upon Rum; and the Duties on Tea and Sugar and other articles of general consumption, save only Spirits and Tobacco, were doubled. In 1864 the Tariff was still further extended by the addition of 10 other articles.

The following Table of Customs' Duties in force from 1858 to 1864 shows the alterations which have been made in the Tariff during the period under consideration:—

	1858.	1862.	1863.	1864.
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
Brandy, per gallon.....	12 0	<i>Idem.</i>	12 0	<i>Idem.</i>
Rum and other Spirits, ditto.....	10 0	..	12 0	..
Wine, ditto.....	2 0	..	2 0	..
Ditto, bottled, per dozen quarts..	6 0	..	8 0	..
Ditto, ditto, per dozen pints.....	3 0	..	4 0	..
Tobacco, per lb. ....	2 6	..	2 6	..
Cigars, ditto.....	3 0	..	4 0	..
Snuff, ditto.....	3 0	..	4 0	..
Tea, ditto.....	0 3	..	0 6	..
Sugar, Raw, per cwt.....	3 0	..	6 0	..
Molasses, ditto.....	..	..	3 6	..
Sugar, Refined, ditto.....	6 0	..	8 0	6 0
Coffee, per lb.....	0 1½	..	0 3	<i>Idem.</i>
Dried Fruits, ditto.....	0 1	..	0 1½	..
Hops, ditto.....	0 2	..	0 2	..
Malt Liquors, per gallon.....	0 3	..	0 6	..
Ditto, bottled, per dozen quartz..	1 6	..	2 0	..
Ditto, ditto, per dozen pints.....	0 9	..	1 0	..
Malt, per bushel.....	1 0	..	1 0	..
Hams, Bacon, Lard, per lb.....	..	0 1	0 2	..
Butter, Cheese, Candles, ditto.....	..	0 1	0 2	..
Nuts, Walnuts, Ginger, ditto.....	..	0 1	0 2	..
Almonds, Pepper, Pimento, ditto.....	..	0 1	0 2	..
Liquorice, Mustard, Blue, ditto.....	..	0 1	0 2	..
Arrowroot, Maccaroni, ditto.....	..	0 1	0 2	..
Vermicelli, Tapioca, ditto.....	..	0 1	0 2	..
Cocoa, Chocolate, Chicory, ditto.....	..	0 1	0 3	..
Soap, Starch, Shot, ditto.....	..	0 0½	0 1	..
Sago, ditto.....	..	0 0¼	0 2	..

	1858.	1862.	1863.	1864.
Rice, Pearl Barley, per lb. ....	..	s. d. 0 0 $\frac{1}{4}$	s. d. 0 0 $\frac{1}{2}$	s. d. ..
White Lead, Red Lead, ditto .....	..	0 0 $\frac{1}{2}$	0 0 $\frac{1}{2}$	..
Paints, ditto .....	..	0 0 $\frac{1}{4}$	0 0 $\frac{1}{2}$	0 0 $\frac{1}{4}$
Carbonate of Soda, ditto .....	..	0 0 $\frac{1}{4}$	0 0 $\frac{1}{2}$	..
Soda Crystals, ditto .....	..	0 0 $\frac{1}{4}$	0 0 $\frac{1}{2}$	0 0 $\frac{1}{4}$
Gunpowder (except blasting), ditto ..	..	0 2	0 4	<i>Idem.</i>
Tartaric Acid, Citric Acid, ditto ....	..	0 2	0 4	..
Nutmegs, Mace, Cinnamon, ditto ....	..	0 2	0 4	..
Spices, Mixed Spices, Ground Spices, ditto .....	..	0 2	0 4	..
Cassia, Cloves, ditto .....	..	0 2	0 4	..
Perry, Vinegar, per gallon .....	..	0 2	0 4	<i>Idem.</i>
Cider, ditto .....	..	0 2	omitted	..
Oil, Turpentine, Varnish, ditto .....	..	0 6	0 6	..
Pickles, per dozen quarts .....	..	1 6	3 0	..
Ditto, per dozen pints .....	..	1 0	2 0	..
Sauces, ditto .....	..	1 6	3 0	..
Ditto, per dozen half-pints .....	..	1 0	2 0	..
<i>Ad valorem</i> Duties .....	..	10 per cent.	..	..
Measurement Duty, per cubic foot ...	..	..	2 0	..
Sheepwash Tobacco, per lb. ....	..	..	0 3	<i>Idem.</i>
Glassware, Crockery, per package ..	..	..	10 0	2s. per foot under 5 cubic feet
Brushware, Cuttlery, per cwt. ....	..	..	3 0	2 6
Hardware, Holloware, ditto .....	..	..	3 0	2 6
Platedware, Ironmongery, ditto .....	..	..	3 0	2 6
Wool Bags each .....	..	..	0 2 $\frac{1}{2}$	<i>Idem.</i>
Corn Sacks, ditto .....	..	..	0 0 $\frac{1}{2}$	..
Gunny Bags, ditto .....	..	..	0 0 $\frac{1}{4}$	..
Bagging, per 1000 yards .....	..	..	8 4	..
Deals, Manufactured or Unmanu- factured, per 50 cubic feet .....	..	..	8 0	..
Tubs and Buckets, per dozen .....	..	..	2 0	..
Matches, per 50 gross .....	..	..	10 0	..
Blacking, per cask .....	..	..	5 0	..
Toys, per cubic foot .....	..	..	0 6	..
Coir Matting, ditto .....	..	..	0 6	..
Spirits of Tar, per gallon .....	..	..	..	0 6
Lamp Black, per lb. ....	..	..	..	0 0 $\frac{1}{4}$
Sulphur, ditto .....	..	..	..	0 0 $\frac{1}{4}$
Crown and Sheet Glass, at per 100 cubic feet .....	..	..	..	2 0
Retorts and rough Iron Castings, per cwt. ....	..	..	..	0 6
Room Papers, per cubic feet .....	..	..	..	0 6
Carriages, on two wheels, each .....	..	..	..	£5
Ditto, on four or more ditto, ditto	..	..	..	£10

The results of this system of persistent reliance upon the Custom House for an increase of Revenue will be at once apparent from a statement of Customs' Receipts during the last twelve years:—

## CUSTOMS REVENUE.

	£	s.	d.
1854 .....	171,226	19	7
1855 .....	150,981	11	4
1856 .....	123,199	11	7
1857 .....	121,140	12	7
1858 .....	134,591	0	3
1859 .....	123,300	19	11
1860 .....	117,540	2	1
1861 .....	111,546	9	8
1862 .....	130,835	0	9
1863 .....	135,825	14	11
1864 .....	127,099	2	1
1865 .....	119,460	17	3
1866 (estimated) .....	125,472	6	7

The relation borne by Revenue to Expenditure during the latter portion of this period may be here most conveniently stated, omitting all reference to receipts and outlay under the head of Territorial Revenue or Land Fund.

1864.		£	s.	d.
Expenditure .....		212,924	9	10
Revenue—		£	s.	d.
Customs .....	127,099		2	1
Inland Revenue .....	46,938		16	3
Home Government.....	12,850		0	0
		<hr/>	186,887	18 4
Deficiency.....		<hr/>	£26,036	11 6
		<hr/> <hr/>		
1865.		£	s.	d.
Expenditure .....		215,886	9	11
Revenue—		£	s.	d.
Customs .....	119,460		17	3
Inland Revenue .....	43,764		11	4
Home Government.....	13,150		0	0
		<hr/>	176,375	8 7
Deficiency.....		<hr/>	£39,511	1 4
		<hr/> <hr/>		
1866.		£	s.	d.
Expenditure .....		211,286	0	3
Revenue—		£	s.	d.
Customs .....	125,472		6	7
Inland Revenue .....	48,494		1	0
Home Government.....	14,520		0	0
		<hr/>	188,486	7 7
Deficiency.....		<hr/>	£22,799	12 8
		<hr/> <hr/>		

This statement of the annual receipts from Customs, and of the relation of Expenditure to Revenue for the last three years, shows conclusively the inadequacy of the present system to supply the financial necessities of the Country. It exhibits an average annual excess of expenditure over income little short of £30,000, and an actual decrease in Customs' Revenue of £10,000 since 1863. In 1863 Debentures were taken for £51,800 for deficiencies of 1862 and former years.

As regards Expenditure, there is no appreciable variation in the annual charge; certainly no tendency to an increased outlay. Expenditure, if the existing system is to be continued intact, is scarcely likely to rise above or fall below its present level. But, as regards the Revenue from Customs, it may be doubted whether under the existing Tariff any considerable improvement can be safely looked for. Nor would it be prudent, in the face of recent experience, to assume that this progressive decline of Customs' Receipts has reached its limits.

At the same time it is impossible to resist the conviction that these heavy Duties upon articles of general consumption have proved a hindrance to the trade of the country in a variety of ways, have considerably enhanced the cost of living by raising the price of the necessaries of life, and are now pressing with an almost intolerable weight upon those classes of the community which, while they contribute the larger proportion of the Public Revenue, are the least able to bear the burthen of severe fiscal exactions. To these circumstances must be attributed, in a great measure, the decline in the receipts from Customs. Under a system of high Duties and a comprehensive Tariff, trade is crippled and the consuming capacity of the tax-paying community reduced to a minimum; and, with all these disadvantages and drawbacks, the source of Revenue to which they are traceable proves confessedly insufficient for the necessities of the Country.

It is impossible to extract any further Revenue from any conceivable variation of the existing Tariff. Customs' Duties cannot, in fact, be pressed any further into the service of the Treasury. They are insufficient as they stand for the exigencies of the State; and they cannot be extended or increased with any prospect of augmented receipts.

The alternative presented to those entrusted with the administration of the Public Finances seem to lie, under these circumstances, between a complete revision of a system of Institutions and Departments that necessitates an expenditure to which the Revenue from existing sources is admittedly and hopelessly inadequate, and a resort to an entirely new scheme of Taxation.

Here it may be well to state the amount, and to analyse the details, of the Public Expenditure on the present scale. For this purpose the Estimates for 1867 afford the readiest basis. The expenditure for 1867, stated under the threefold division prescribed by Law, may be taken as follows:—

	£	s.	d.
General Revenue Estimates .....	144,466	5	2
Local .....	68,423	19	7
Land Fund .....	56,504	12	0
	<u>£269,399</u>	<u>16</u>	<u>9</u>

But, when this apparently high charge for the government of a community of no more than 95,000 souls comes to be more closely examined, it will be found that the cost of Government proper bears but an insignificant proportion to the whole sum; and that this large expenditure is occasioned by the necessity for providing for the maintenance of a variety of Institutions, of which some have been forced upon the Colony by the action of the Imperial Government, while others are not usually or properly chargeable upon the ordinary Public Revenue of any country.

This will be seen by a detailed statement of the Annual Expenditure under its several heads:—

*Expenditure, 1867.*

	£	s.	d.
Governor .....	6500	0	0
Executive Council .....	199	0	0
Legislative Council .....	1655	0	0
House of Assembly .....	2527	0	0
Postal, exclusive of Department .....	12,179	10	6
Public Buildings, Roads, Electric Telegraphs, exclusive of Director's Department .....	14,158	5	6
Education .....	14,811	5	0
Agent-General .....	200	0	0
Judicial, exclusive of Departments of Law Officers of the Crown, Sheriff, and Registrar .....	5275	0	0
Police, exclusive of Inspector's Department .....	16,054	7	3
Gaols and Houses of Correction .....	24,901	0	10
Charitable Institutions .....	36,452	0	0
Ecclesiastical .....	16,529	0	0
Interest on Debentures .....	40,943	0	0
Pensions .....	10,712	3	2
Miscellaneous .....	6755	5	0
Grants in Aid .....	2150	0	0
Inquests .....	200	0	0
Aid to Municipalities .....	14,808	0	0
Salmon Breeding .....	544	0	0
	<u>227,553</u>	<u>17</u>	<u>3</u>

	£	s.	d.
Departmental .....	41,845	19	6
Reserved by Statute .....	3900	0	0
	<u>37,945</u>	<u>19</u>	<u>6</u>
Salaries reserved by Statute .....	..	3900	0
	<u>£269,399</u>	<u>16</u>	<u>9</u>

*Departments.*

	£	s.	d.	£	s.	d.
Colonial Secretary .....	2841	0	0			
Reserved by Statute .....	900	0	0			
	<u>1941</u>	<u>0</u>	<u>0</u>			
Colonial Treasurer .....	3088	0	0			
Reserved by Statute .....	900	0	0			
	<u>2188</u>	<u>0</u>	<u>0</u>			
Succession Duties .....	..	495	0			
Audit Department .....	1870	0	0			
Reserved by Statute .....	600	0	0			
	<u>1270</u>	<u>0</u>	<u>0</u>			

	£	s.	d.	£	s.	d.
Customs .....	..	..	..	6954	0	0
Post Office .....	..	..	..	3545	4	6
Office of Stores .....	..	..	..	727	0	0
Government Printer .....	..	..	..	4899	0	0
Registrar of Births, &c. ....	..	..	..	363	10	0
Director of Roads, &c. ....	..	..	..	1316	0	0
Lands' Titles Office .....	..	..	..	2120	0	0
Survey Department .....	..	..	..	5271	0	0
Supreme Court .....	..	..	..	2070	0	0
Law Officers of the Crown .....	3493	0	0			
Reserved by Statute .....	1500	0	0			
				1993	0	0
Sheriff .....	..	..	..	1641	5	0
Inspector of Police .....	..	..	..	1152	0	0
				<hr/>		
				£37,945	19	6
				<hr/> <hr/>		

The Departmental Expenditure, or the mere cost of the collection of the Revenue and of the administration of the Government of the Country, is here seen to be reduced within very reasonable limits. It is the maintenance of a State-paid Ministry of Religion—imposed upon the Colony as the condition of its Constitutional independence; the cost of Charitable Institutions and of Convict Discipline—the burdensome legacies of Imperial injustice; and the heavy charges for Judicial and Police Establishments—mainly due to the same origin—that swell the ranks of the Civil Service, inflame the annual estimates, and necessitate the exaction of a revenue altogether disproportionate to the requirements and to the means of the community.

Other items may be instanced in the same way. Pensions which now reach £10,700 a year, equal to 4 per cent. upon the whole amount of Annual Expenditure, are a charge imposed upon the Country by the Imperial Government and the provisions of the Constitutional Act. The items of Education and of Grants in Aid to Municipalities scarcely fall within the category of expenses properly chargeable to the General Revenue. The heavy item of £40,000 for Interest upon Public Debt, a sum more than equal to the whole cost of the actual administration of Government, constitutes another charge upon the Revenue which it is equally impossible to reduce or to repudiate.

The question arises with which of these heads of Expenditure is it possible, or would it be advisable to dispense? It is possible that some items might be transferred to other shoulders. The General Revenue might be relieved if the maintenance of some of these Institutions were thrown upon Local Funds, or made a charge, as in Great Britain, upon Land and Property. But hitherto the Legislature has shown no disposition to repudiate its obligation to maintain these Institutions at the Public expense, and under the supervision of the Executive Government. So long as Parliament is of this mind, it must be obvious that, whether undertaken from necessity or choice, that obligation must be fulfilled; and it is only by the reduction of salaries, or a further consolidation of offices, that it is practicable or possible to lessen the Expenditure.

It has sometimes been proposed to reduce the rate of all Official Salaries by so much per cent.; but, to say nothing of the obvious unfairness of such a procedure, the amount thus attainable would afford no appreciable relief to the Revenue. A reduction of 5 per cent. upon the Departmental Expenditure would yield something less than £2000; a reduction of 10 per cent. would afford a saving of about £4000.

But no Legislature, probably, would consent to sanction such a direct breach of faith with the Public Officers of the Government; nor would it be possible, under any circumstances, to extend this description of retrenchment to the Constabulary and the Officers employed in Gaols and Hospitals, and as Messengers in the Public Offices.

To retrench in this way would be to sanction direct Taxation in the most objectionable shape. It would constitute an Income Tax levied upon a single helpless class,—and an Income Tax, moreover, commencing at a lower grade than theorists or financiers have ever yet proposed to touch.

But the question of retrenchment and consolidation of Departments has already been decisively settled by Parliament.

The predecessors of the present Ministry constantly maintained that retrenchment and consolidation could be carried no further with advantage to the Public Service.

A Royal Commission was appointed in 1863, at the instance of the present Government, to enquire generally into the state of the Civil Service, and the working of the Public Departments.

The Commission was unable, after a minute and careful investigation of the whole subject, to suggest any large or substantial measure of consolidation or retrenchment.

The recommendations embodied in the Report of that Commission were for the most part adopted by the Executive Government, and have since received the sanction and approval of the Legislature. The Estimates of Departmental Expenditure for the last three years have been based upon those recommendations.

The Land Fund can now no longer be deemed legitimately available for the relief of the General Revenue. At the instance of the present Ministry, Parliament has specifically appropriated the Land Revenue by statute to purposes immediately affecting the improvement of the land itself, and the permanent settlement of the Country. A special enactment now, for the first time, secures a fixed annual appropriation of a sum equal to one-fourth of the Territorial Revenue to the maintenance and extension of internal communication, and the construction of roads, bridges, jetties, and tramways under local supervision, in the several settled Districts of the Colony. A sum of £40,000 has been thus appropriated and expended during the years 1865 and 1866, with great advantage to the landed interests, and to the general satisfaction of Parliament and of the Country.

The Land Fund has also been further relieved by Parliament, at the instance of the present Ministry, of an annual charge of £15,239 transferred to the General Revenue, but previously improperly borne by the Land Fund. It is neither desirable nor expedient that this branch of the Revenue, to which the Country must always trust for the maintenance of its credit and the construction of Public Works, should for the future be held in any way responsible for the possible deficiencies of the General Revenue, and the ordinary cost and charges of the administration of Government.

It would be unwise to attempt, difficult if not impossible to effect, any disturbance of the recent legislation on this head. A proposal made last year for a mere temporary suspension of some of the provisions of "The Waste Lands Act," with a view to the immediate relief of the General Revenue, was resented with some warmth by the Legislature, which preferred a further issue of Debentures to any interference with the existing disposition of the Land Fund.

The financial situation with which Ministers were thus required to deal may be briefly indicated. The Expenditure, irrespective of the Land Fund Estimates, stood at £213,000 on the average of the last three years.

Parliament had never shown any disposition to effect material changes in the details of this expenditure, and had practically admitted that consolidation and retrenchment could be carried no further.

The Revenue to meet this expenditure yielded on the average of the last three years £183,900. Notwithstanding the extension of the Tariff and the imposition of high duties, Customs had declined £10,000 in the same period.

The annual deficiency occurring under this condition of affairs, averaging as nearly as possible £30,000 a year, had hitherto been ordinarily provided for by the issue of Debentures; and exceptionally, in a recent instance, by a transfer from the Land Fund,—a mode no longer available for any Government.

From 1857 to 1865 Debentures have been authorised by Parliament to the amount of £225,200 to cover deficiencies in the Revenue. Of this amount £27,700 have been authorised since the accession of the present Ministry to office. The balance of £197,500 was required to cover the aggregate deficiencies of 1862 and former years.

But this condition of chronic deficiency in the Revenue, as compared with the ordinary and indispensable Expenditure, was not the only or the most important consideration for Ministers at this juncture.

Coincidentally with this irresistible demonstration of the insufficiency of existing Ways and Means to meet the Supplies annually voted by Parliament, and necessitated by the number and peculiar character of our Institutions, there had sprung up in the public mind a growing demand, which no Ministry could pretend to ignore or afford to disregard, for large and costly Public Works, such as could only possibly be accomplished by a free resort to loans in the open market, and a considerable consequent augmentation of our existing Public Debt.

This state of public feeling constituted an additional inducement to bring the Revenue up to the Expenditure, since it is indispensable that a Country desirous of borrowing largely in the open market for the construction of Public Works should be able to show that its ordinary Income is at

least sufficient for its ordinary annual outlay. Before Tasmania could venture into the market with a Loan for Public Works or Railways, it was obviously necessary to show that the system of supplementing the shortcomings of the General Revenue by the issue of deficiency Debentures had been finally superseded by more effective fiscal arrangements, and the adoption of sounder principles of financial administration.

An entire change of policy seemed the only possible alternative under this condition of affairs; and Ministers, after the most careful and deliberate consideration of the state and prospects of the Country, determined to propose to Parliament to sweep away Customs' Duties upon all articles of ordinary general consumption, save only Spirits, Malt Liquors, and Tobacco; to abolish all charges upon Shipping for Light and Harbour Dues; and to institute a system of direct Taxation upon Property and Incomes realised and enjoyed within the Colony.

This radical revision of our fiscal system was designed to effect a double object,—the substitution of a certain, sufficient, and elastic Revenue for a Revenue which experience had proved to be insufficient for the necessities of the Country, and insusceptible of further extension; and to afford a relief to the tax-paying community by reducing the cost of the necessaries of life, by the remission of taxes which interfered with the springs of industry and the expansion of commerce, and pressed preponderatingly, and therefore unjustly, upon the poorer classes.

The substitution of direct for indirect Taxes was also designed to effect an equalisation of the incidence of Taxation in proportion to the means of every man to contribute to the necessities of the State—the only just measure of individual capacity for tax-paying. Nor can it be doubted that the proposed remission of Duties would constitute a boon to that numerous class of persons whose Incomes range from £100 to £400 a year, that would amply compensate them for their direct contributions to the Treasury. To men of lower Incomes still, and to the poorer or labouring classes, the relief from Customs' Duties would also prove an immediate advantage by cheapening the necessaries of life, and almost every article of which they are the principal and most numerous consumers.

It was estimated that this remission of Customs' Duties would relieve trade and the general body of consumers to the extent of about £61,000. The abolition of Light and Harbour Dues would occasion a loss to the Revenue of some £4000, relieving the shipping interests to the same extent. And a Property and Income Tax, at 5½ per cent., was estimated to yield £109,000.

Having resolved upon the adoption of this policy, Ministers lost no time in communicating their intentions to Parliament. The proposed fiscal and financial changes were indicated with sufficient plainness in Your Excellency's Speech at the opening of the present Session; and the general views and intentions of the Government were submitted almost immediately afterwards to the House of Assembly by the Treasurer, in a Financial Statement in Committee of Ways and Means.

The importance of the occasion, and the magnitude of the interests affected by these proposals, were thought sufficient to justify a departure from the ordinary course of procedure; and the House was asked to enter at once upon the discussion of the future Fiscal Policy of the Country before voting the Supplies for the ensuing year, or entertaining any other business of a public character.

The general principles of the Ministerial Policy were discussed at great length in the House of Assembly, and affirmed after a protracted debate by a majority of 17 to 11 in Committee of Ways and Means, when Resolutions were passed as follows:—

*Resolved*, That, with the view of inviting Trade, Commerce, and Population to Tasmania, after the 31st day of December, 1866, the Customs' Duties on the following goods, wares, merchandise, and articles; namely,

Tea,	Cheese,	Pearl Barley,	Turpentine,
Coffee,	Chocolate,	Pepper,	Varnish,
Sugar of all sorts,	Ginger,	Pickles,	Vinegar,
Molasses,	Gunpowder,	Perry,	Bagging,
Dried Fruits,	Hams,	Rice,	Blacking,
Hops,	Liquorice,	Sago,	Carriages,
Malt,	Mustard,	Sauces,	Coir Matting,
Almonds,	Nutmegs,	Shot,	Corn Sacks,
Arrowroot,	Nuts,	Soap,	Deals,
Bacon,	Oil,	Soda Crystals,	Earthenware,
Butter,	Paints & dry Paints	Spices,	Glass of all sorts,
Blue,	Gunny Bags,	Spirits of Tar,	Toys,
Candles,	Matches,	Starch,	Wool-packs,
Carbonate of Soda,	Room Paper,	Sulphur,	White Lead,
Chicory,	Tubs and Buckets,	Tartaric Acid,	



Manufactures of Silk, Cotton, Linen, Woollen, and all articles manufactured therefrom, Drapery, Haberdashery, Hosiery, Millinery, Furs, Hats, Boots, Shoes, Confectionery, Bottled Fruits, Preserves, Oilmen's Stores of all kinds, Glassware, Crockery, Brushware, Cutlery, Hardware, Hollow-ware, Plated Ware, Ironmongery, Retorts, and Rough Iron Castings, and all other goods not enumerated, save and except—

Brandy,  
Rum,

Gin,  
Whisky,

Perfumed Spirits, and all other Spirits, Cordials, Liqueurs, or Strong Waters, the degree of strength of which cannot be ascertained by Sykes's Hydrometer,

Malt Liquors,

Tobacco, Snuff, and Cigars,

shall be abolished; and in lieu thereof, and towards making good the Revenue, a Tax of  $5\frac{1}{2}$  per cent. be levied on the annual value of Property as shown by the Valuation Rolls, and on all Incomes of £80 per annum and upwards, within the Island of Tasmania and its Dependencies.

*And it is further resolved*, That, after the 31st day of December, 1866, all Ships and Vessels arriving at and departing from the Ports of Tasmania shall be relieved from the charges of Harbour Dues and Wharfage; and in lieu thereof a sum equivalent to the amount thus to be withdrawn from the Marine Boards, or such sum as may be required, be paid to them from the General Revenue.

And that the Colonial Treasurer be instructed to bring in Bills to give effect to these Resolutions.

And the said Resolutions, being read a Second time, were agreed to.

The estimated results of this scheme of Revenue may be stated as follows:—

*Ways and Means for 1867, calculated upon an Income and Property Tax,  $5\frac{1}{2}$  per cent.*

	£	s.	d.	£	s.	d.
Expenditure of General Revenue .....	..	..	..	212,895	4	9
Ways and Means—						
Spirits and Tobacco .....	64,000	0	0			
Malt Liquors .....	2500	0	0			
<i>Customs</i> .....	66,500	0	0			
Inland Revenue .....	50,000	0	0			
Contributions from the Home Government.....	12,800	0	0			
Property and Income Tax, $5\frac{1}{2}$ per cent. ....	109,000	0	0			
				238,300	0	0
				£25,404	15	3

From this surplus it was intended to provide for—

Estimated Deficiency, unprovided for by Debentures, 1866 .....	12,000	0	0			
Relief to Shipping—Harbour and Light Dues.....	4000	0	0			
				16,000	0	0
Estimated Surplus .....	..	..	..	£9404	15	3

It was not to be expected that so serious a change in the whole financial system of the Colony would fail to provoke objection and opposition both within and without the walls of Parliament; and, notwithstanding the apparently decisive character of the vote which endorsed the proposal of Ministers, it was found to be impossible to carry out their fiscal policy in its integrity. In deference to a very generally expressed opinion of Members, whose votes had already affirmed the principle of a substitution of direct Taxation for Customs' Duties, that the country was scarcely ripe for such a sweeping change in its fiscal relations, Ministers reluctantly consented to modify their original design by adopting 3 per cent. as the maximum of Property and Income Tax. But this concession involved a very considerable reduction of the proposed relief to consumers by the remission of Customs' Duties. With an Income Tax of 3 per cent. the relief from Customs' Duties must have been restricted to £26,000, or less than half the compensation originally designed for the consumers of dutiable goods.

The scheme of Revenue for 1867, under this modification, may be stated as follows:—

*Ways and Means for 1867, calculated upon an Income and Property Tax, of 3 per cent.*

	£	s.	d.	£	s.	d.
Expenditure of General Revenue.....	..			212,895	4	9
Ways and Means—						
Spirits and Tobacco .....	64,000	0	0			
Malt Liquors .....	2,500	0	0			
Half of the present Duty on Tea and Sugar .....	15,120	0	0			
Ditto on Coffee and Chicory.....	1,550	0	0			
Measurement Duty .....	11,070	0	0			
Wine .....	2,450	0	0			
<i>Customs</i> .....	96,690	0	0			
Inland Revenue .....	50,000	0	0			
Home Government .....	12,800	0	0			
Property and Income Tax, at 3 per cent. ....	59,450	0	0			
				218,940	0	0
Estimated Surplus .....	..			£6145	15	3

This modification would have still enabled the Government to relieve the consumers of half the duty on Tea, Sugar, Coffee, and Chicory; the whole of the duty on all articles of consumption, not enumerated above, as specified in the Resolutions submitted to the House of Assembly; and the Shipping from Light and Harbour Dues.

At this stage of the discussion, and before these modified proposals could be submitted to the Committee of Ways and Means, the principle of direct Taxation was again affirmed by a vote of the House of Assembly on the Second reading of the Property and Income Tax Bill, by a majority of 16 to 12.

It is obvious, however, that this modification of their original proposals fails to effect the primary objects contemplated by Ministers. It affords no substantial relief to the general body of consumers; and it provides a Revenue no more than barely sufficient for the requirements of the Public Service. It was reluctantly accepted as a compromise and as an instalment. But Ministers still adhered to the opinion that the adoption of direct Taxation, in conjunction with a large remission of Customs' Duties, embodies the only practicable mode of dealing with the present unsatisfactory condition of the Public Finances. By no other means is it possible equitably, in their judgment, to provide a sufficient Revenue,—a Revenue that would not only enable the Country to pay its way from year to year; but would place Tasmania in a position to enter the Market with a reasonable prospect of success, should it at any time be thought advisable to borrow largely for the construction of Railways and other Public Works of kindred magnitude and cost.

But, on further discussion in Committee on the Property and Income Tax Bill, a still more serious modification of the original measure was demanded of the Government. The rate of duty was reduced by a vote in Committee to  $2\frac{1}{2}$  per cent., involving a further loss of expected revenue of fully £10,000. Ministers were threatened at the same time with amendments that would have raised the minimum of income subject to duty from £80 to £100, and reduced the duty on incomes enjoyed as life interests below  $2\frac{1}{2}$  per cent.

These modifications would have rendered it impossible to afford any corresponding relief to consumers by the remission of Customs' Duties. It might have been possible to reduce the duties on Tea, Sugar, Coffee, and Chicory one half, and to relieve the Shipping of Light and Port Dues. But this form of combination of Customs and Income Tax involved a doubtful, if not a dangerous experiment; would have left no sufficient margin between Revenue and Expenditure; and would almost certainly have proved burdensome to the people without replenishing the Exchequer.

Ministers, under these circumstances, might have relinquished the attempt to carry the Property and Income Tax Bill under conditions so unfavourable to the complete development of their financial measures as a whole, and with so small a prospect of bringing up the Revenue, or affording substantial relief to the Taxpayers of the Country. But the Government were unwilling to forego the advantage of even this modified recognition of the principle of direct Taxation. Once introduced as an integral element of our fiscal system, time and experience, it was hoped, would demonstrate its practicability and its value; and at no distant period it might have been found possible to extend its operation so as to realise, at last, the full advantage of a complete remission of Customs Duties upon the necessaries of life and articles of ordinary general consumption.

There was, indeed, another alternative that had not escaped the notice of Ministers. A Charitable Rate on property throughout the Colony, estimated to yield at 5 per cent. about £36,000, would afford a ready relief to the General Revenue from the present heavy charges for the support of a variety of costly Charitable Institutions. The machinery for the collection of such a Rate is already in existence, and the obligation of property to the support of the poor might be fairly

maintained from the analogy of English Poor Rates. Ministers were not prepared to adopt a suggestion that would exempt so large a proportion of the community from its legitimate liability to the support of this class of Public Institutions. Many reasons may be urged why property should be taxed for the support of the poor, and the maintenance of such establishments as Hospitals and Pauper Asylums; but it would not be easy to show why, on grounds of equity or public policy, every other class should enjoy a special immunity from this description of taxes.

The Government preferred to rely upon the promise of support implied in the two divisions in the House of Assembly, which had distinctly affirmed the principal of direct Taxation, and resolved to persevere with the Property and Income Tax Bill as an instalment of their original proposals, even when it became obvious that its enactment would fail to realise all the expectations based upon the adoption of their fiscal policy in its integrity. The recognition of the principle was an important point gained. Hereafter, it might be hoped, a more complete measure would secure the sanction of the Legislature,—and thus the first step might be deemed to have been taken in the direction of a settlement of the finances of the country upon a sound and trustworthy basis. But these anticipations have been dissipated by the subsequent action of the House of Assembly, which by a majority of 12 to 11 in Committee, on Tuesday last, refused to proceed any further with the Property and Income Tax Bill.

Your Excellency's Advisers accept this vote as a decisive indication of the discrepancy between their views and those of a majority of the House of Assembly on a question so large and so important as the future Fiscal Policy of the Country.

The fiscal and financial measures which Ministers are prepared to recommend to Your Excellency, and to urge upon the adoption of Parliament, are based upon the broad general principles of direct Taxation, and a large remission of Customs' Duties upon the necessaries of life and articles of general consumption. They regard the adoption of this Policy as the most effectual mode of resuscitating the Public Finances. By these means they conceive it practicable to fulfil all the conditions of the problem of our present embarrassment. On these principles they are prepared to provide a Revenue adequate to the indispensable necessities of the State, and sufficiently certain and elastic to maintain the Public Credit.

These views are not shared by a majority of the House of Assembly, which seems desirous of continuing to rely upon Customs as the main source of Revenue, and would rather raise the present rate of Duties upon Imports than subject Property and Income to direct Taxation. Nor have there been wanting indications in the same Chamber of a tendency to relieve the propertied classes, at the expense of the bulk of the tax-paying body, by a repeal of the Succession Duties Act of last year.

It is one of the principal objections to the existing mode of raising a Revenue that, while the burden of taxation presses with undue severity on the humbler classes which constitute the bulk of our population, the possessors of landed estate and realised wealth enjoy an exemption from contributions to the public necessities, altogether disproportioned to the advantages they derive from the maintenance of our costly and complicated system of administration. The financial measures of Your Excellency's Ministers were designed to remedy the injustice occasioned by this inequality of the incidence of taxation. The other objects and tendency of their proposals have been already sufficiently indicated.

Ministers entertain a firm conviction that adherence to the existing system of Finance, or a mere extension of the present Tariff, would only serve to protract indefinitely the difficulties which have so long embarrassed the Legislature. Such a policy would certainly fail to secure the Country against the annual recurrence of deficiencies, and the annual resort to deficiency Debentures,—a condition of affairs that must add largely to the present burdens of the people, and would prove an insuperable obstacle to the contraction of any considerable loans for National Public Works.

They have thought it advisable, at such an important crisis in the financial affairs of the Colony, to place their views and intentions on record in a permanent form, convinced of the soundness of their principles, and conscious of the integrity of their motives.

Upon a general review of the whole circumstances and considerations submitted in this Memorandum, Ministers deem it advisable to appeal from the vote of the House of Assembly to the sense of the Country at large. They, therefore, now respectfully recommend Your Excellency to prorogue Parliament and dissolve the House of Assembly.

*To His Excellency the Governor,  
&c. &c. &c.*

I assent to the recommendation.

JAMES WHYTE,  
6th September, 1866.

T. GORE BROWNE,  
7th September, 1866.