

The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIV. No. 28

MONTREAL, JULY 10, 1914.

Single Copy 10c
Annual Subscription \$5.00

THE TAXATION PROBLEM.

One of the most sensible suggestions which has been made recently in regard to dealing with the problem of the taxation of life insurance premiums, was put forward by Colonel Macdonald, the actuary of the Confederation Life Association of Toronto. He suggested in the course of an address three methods, all of which may be used easily, and it may be said also without necessarily entailing a great deal of trouble or expense upon the companies. They are: first that the Companies should include in their published annual reports a paragraph or two pointing out to the policyholders concisely the theory and the facts of this taxation; secondly, that the various journals published by some of the companies should be regularly used for the same purpose, and thirdly that other literature on this subject, doubtless of a popular and appealing kind, should be put out from time to time and circulated among the policyholders.

It is certain that if any impression is to be made upon the various taxing authorities whose demands are year by year growing more rapacious and exorbitant, such can only be created by a long continued policy of education of the policyholder on the subject. The policyholder has a vote, and even politicians can be brought to see the force of an argument when it is backed by votes. But at present the policyholder is not aware of the entirely unfair and unjust burdens which are placed upon him. He does not know that he carries those burdens. The company pays the taxes, the details of which and even the amount sometimes of which are hidden away with other items in the balance sheet, and it is not brought home clearly to the policyholder that it is really he and not the company who pays, that by so much as the company is forced to pay these taxes, by so much less are his dividends, by so much more is the cost of his insurance.

In any literature of the kind put forward, a strong point needs to be made of the fact that the taxation of life insurance premiums is a taxation on thrift. The Provincial Governments in Canada and the various State Governments across the line are, we

believe, the only governments in civilized countries who impose unjust taxation of this kind. Elsewhere life insurance is encouraged, even to the extent in England of remitting income tax upon that portion of a man's income which is used in the payment of insurance premiums up to the extent of one-sixth of that income. It would be interesting to know what some of our Provincial politicians who pride themselves on their progressiveness and regard the country across the Atlantic as being the home of a decadent civilization think of this. Probably they don't know it.

The only merit of this taxation is that it is easy to collect, and so far it has been nearly like taking candy from a baby. It would seem that the man who stints and saves in order to provide himself with life insurance that he may leave something for his family, is hardly the kind of individual that would be singled out for additional taxation. The man who ought to be got at is he who does not take out life insurance, who spends all he gets and something over. However, it is hopeless to expect any of our "statesmen" to see this point of view unless it is backed by votes.

The companies' function, therefore, in this matter, should be to acquaint their policyholders with the real facts. A steady policy of the dissemination of information concisely and clearly expressed and with concrete examples of what exactly taxation means, would, if steadily pursued, slowly but surely produce results along the desired lines. It would create a public opinion which could be guided so as to force if necessary a reconsideration if not a repeal of some of the unjust taxation laws which now disgrace the Provincial statute books. It has been well said that there might as well be a tax imposed upon the income of hospitals or of other charities as upon life insurance premiums. The one is about as sensible as the other. Taxation of life companies on their profits *i. e.* the profits which go to stockholders, is a different matter. But it will be a long job educating our taxing authorities up to the point of seeing the difference between taxation on stockholders' profits and taxation on policyholders' premiums.