

# New Tariff Changes in Budget

## Big Increase in Income Tax Rate. Part of Customs War Tax Abolished

Sir Thomas White, Minister of Finance, presented his Budget to the House of Commons on Thursday, his proposals being awaited with more than ordinary interest.

The features of the Budget in brief were:—

Abolition of customs war tax 5 per cent on British goods.

Abolition of customs war tax 7½ per cent on foodstuffs, clothing, boots and shoes, hides, skins, leather, harness and saddlery, agricultural implements, petroleum, oils, mining machinery and bituminous coal.

Coffee duty reduced five cents per pound.

Tea from Empire reduced three cents per pound.

Free wheat and potatoes confirmed by statute.

Agricultural implements duties reduced to approximately the scale of the reciprocity pact.

Cement reduced to eight cents per 100 pounds.

Income tax increased to United States rates.

Business profits tax continued for this year.

Corporations to pay ten per cent on profits in excess of \$2,000.

### TARIFF CHANGES.

Under the Customs Tariff War Revenue Act of 1915, a British preferential tariff rate of five per cent. and an intermediate and general tariff rate of 7½ per cent were imposed upon, with certain exceptions, all imported goods. The British preferential tariff rate of five per cent is wholly repealed, and the intermediate and general tariff rate of 7½ per cent is partially repealed inasmuch as it will no longer be applicable to foodstuffs, linen and cotton clothing, woollen clothing, boots and shoes, fur caps and fur clothing, caps, hoods and bonnets, gloves and mitts, collars and cuffs, hides, skins, leather, harness and saddlery, agricultural implements, petroleum oils, mining machinery and bituminous coal.

Provision is made for the free importation into Canada of wheat, wheat flour and potatoes from countries which do not impose a customs duty on such articles grown or produced in Canada. There will also be an alteration in the rates on soda ash from five per cent under the British preferential tariff and 7½ per cent under the general tariff to one-fifth of a cent a pound under the British preferential tariff and three-tenths of a cent a pound under the general tariff, and there will be specified instead of ad valorem rates of duty upon pig lead, zinc spelter and copper ignots. On certain products made from these there will be an increase in duties.

There will be a total reduction under the general tariff from 27½ per cent to 15 per cent on cultivators, harrows, horse rakes, seed drills, manure spreaders and weeders and complete part thereof, and from 27½ per cent. to 17½ per cent on ploughs and complete parts thereof, portable engines and traction engines for farm purposes, horse power and threshing machine separators and appliances. On hay loaders, potato diggers, fodder or feed cutters, grain crushers, fanning mills, hay tedders, farm, road or field rollers, post hole diggers, snaiths and other agricultural implements there will be a total reduction in the rate from 32½ per cent to 20 per cent, and a similar reduction on farm wagons.

These reductions, the Minister of Finance stated, would not have been possible had not they been able to make arrangements with the railway companies for a decreased freight rate from eastern points west of Montreal to the prairie

provinces. In return for this lower freight rate which will meet the rates charged for the shorter mileage from Chicago to western points, the railway companies will get relief by the abolition of the 7½ per cent war duty on bituminous coal.

### INCREASED INCOME TAX.

The new income tax is considerably greater than the present tax, as the following comparative figures will show.

Income	Tax. Present.	Tax. Proposed
\$3,000	\$20	\$40
\$4,000	\$60	\$80
\$5,000	\$100	\$120
\$6,000	\$140	\$170
\$8,000	\$266	\$370
\$10,000	\$392	\$590
\$20,000	\$1,382	\$1,990
\$30,000	\$2,702	\$3,890
\$50,000	\$5,782	\$9,190
\$75,000	\$11,007	\$19,070
\$100,000	\$17,607	\$31,190
\$200,000	\$50,957	\$93,190
\$500,000	\$195,407	\$303,190

A four per cent tax will be levied upon all incomes exceeding \$1,000, but not exceeding \$6,000 in the case of unmarried persons and widows or widowers without dependent children; and upon all incomes exceeding \$2,000, but not exceeding \$6,000 in the case of all other persons. On all incomes over \$6,000 a normal tax of eight per cent will be imposed and the surtax shall commence from \$5,000 instead of \$6,000 as at present. Upon incomes in excess of \$100,000 materially increased rates are levied. All corporations shall pay 10 per cent on their net income in excess of \$2,000.

### BUSINESS PROFITS TAX.

The Business Profits Tax will be continued and applied to accounting periods ending on or before December 31, 1919. Businesses having a capital of \$25,000 and over, but less than \$50,000, profits in excess of 10 per cent will be taxed at the rate of 25 per cent thereof. Businesses having a capital of \$50,000 and over (exemption for incorporated companies, 7 per cent; other than incorporated companies, 10 per cent), profits in excess of exemption, but not exceeding 15 per cent to 20 per cent inclusive, the rate of taxation will be 50 per cent, and profits in excess of 20 per cent will be taxed at the rate of 75 per cent.

### TARIFF REVISION DELAYED.

With regard to the subject of general tariff revision, Sir Thomas White said that general revision becomes necessary in the national interest from time to time in order to adjust the tariff to the changed conditions which have arisen. In the intervals between general revisions, the policy has been to make as few changes as possible in order that the business of the country may not be disturbed by sudden and unexpected change. In 1897 there was such a revision, in 1904 there was a revision relating to a limited list of commodities, in 1907 there was a general revision, and in 1914 a partial revision. Had the war not occurred there would have been a general revision in 1916 or at the latest, 1917.

It would not be practicable at this time to make a general revision, the Minister of Finance continued. International trade was most unsettled. Prices are unstable, and labor conditions internationally speaking, are most uncertain. He expressed the hope that within a year conditions would have become so stabilised as to permit of a general revision of the tariff which was long overdue. Preceding such an enquiry there should

be a thorough enquiry affording all interests, an opportunity of expressing their views. The result of such an enquiry would be a body of information which would enable the Government to effect a general revision of tariff fair to all parts of the community. His view was that this enquiry should commence in the fall of this year.

Concluding, the Minister of Finance referred to the economic condition of the country. "An outstanding feature of the business situation," he said, is the fact that a great part of our business activity is due to the continued heavy expenditure of public money. The policy of the Government for the so-called reconstruction period of transition from war to peace basis as illustrated in its programme with respect to shipbuilding, better housing, railway betterments, and extensions, public works, and other national undertakings, together with its contribution of war gratuities to soldiers and the creation of credits for the promotion of our external trade with Great Britain and other European countries is a vital factor in maintaining our commerce, domestic and foreign, keeping the wheels of Canadian industry turning and affording employment to hundreds of thousands of our people. The funds from which these activities and credits are financed, and which aggregate many hundreds of millions of dollars are borrowed money. This being a war year, a year of dislocation and of readjustment, of business and industrial uncertainty, of general unrest and of high prices for the necessities of life, demobilization and of reabsorption into civil life and occupations of our army, the Government is undoubtedly justified in the policy which it has adopted. To have pursued a timid or hesitating course with respect to making provision so far as possible for employment and for promotion through public finance of our export trade in agricultural and manufactured products would have invited most serious conditions throughout Canada. During the unsettled period following the war Governments must do many things outside their function in ordinary times, which private enterprise, through lack of resources or from apprehension as to the risk involved, is not able or willing to undertake. It must, however, be pointed out that the continuation of such a policy is subject to strict limitation and that we must look forward for a time when the artificial support of employment and public financing of trade must be greatly reduced or discontinued, and the industry and business of the country be re-established upon the normal basis of peace conditions. The sooner this can be accomplished the better it will be for the community as a whole.

### PAPER MEN SEND ADVISER.

Ways and means of improving export business were discussed at a meeting held in Montreal last week by pulp and paper manufacturers. A long discussion took place concerning the difficulty of obtaining shipping and the excessive freight rates now in force between Canada and Great Britain, the prevailing sentiment being that Canada ought to be prepared to look after her own shipping interests at the present time without depending so much upon the Old Country. It was stated at the meeting that some ships now owned by the Canadian Government are being employed in bringing foreign products to this country from Cuba and elsewhere, which might better be employed in carrying Canadian products, such as pulp and paper for which there is a steady demand to England.

It was voted to send Mr. A. L. Dawe, secretary of the Canadian Pulp & Paper Association, to London, to act as pulp and paper advisor to the Lloyd Harris Canadian Trade Mission, the suggestion that an expert familiar with the industry be sent, coming from Mr. Harris himself.