

UNBRITISH TAXATION.*

(By W. H. Somerville, A.I.A., A.A.S., Associate Secretary, Mutual Life of Canada.)

Public men are calling our attention, as a nation, and as individuals, not only to the virtues of, but to the necessity for, economy and thrift. Farmers are being urged to grow more wheat to help meet the conditions brought about by the war, while owners of vacant land are admonished to make it productive, if possible. The citizen is being appealed to for the support of various public and charitable enterprises so that he is probably with the minority who has not to consider ways and means of his own. The Dominion Government has financial problems on its hands; while the putting to an end, largely, for the time being, of the borrowing of our Provincial Governments and municipalities has directed attention to their financial position. The result is that it has been suggested that apparently the Provinces have not escaped the prevailing optimism of the past decade and have entered into enterprises upon a more extensive scale than was prudent. Undoubtedly much provincial enterprise has been directed into channels which have greatly benefitted the public; but if as a result, it is found necessary to augment the revenue we may concern ourselves with at least one source from which this increased revenue is derived.

TAXATION WITHOUT JUSTIFICATION.

The expenses of war will have to be met by increased taxation, but even before it started, the Province of Ontario made the life companies subjects of increased taxation. Money was needed for purposes of Government, and without attempt at justification, the rate of taxation on premium income was advanced from 1 p.c. to 1 3/4 p.c. While taxes are not popular, life companies do not suggest that they should be relieved of their proper share; but there is cause for alarm to them when, simply because the tax is expedient and easy to collect, the rate is increased 75 p.c. The proceeds are used for public purposes but when the money is taken from holders of insurance policies, and from them only, the tax can no longer be defended. It is not for the general public good and it is unfair as between the man who insures his life and the one who does not. If it were a direct tax, the realization of the burden would likely raise an outcry which, however, largely passes unnoticed in the present form.

AN AMPLE CONTRIBUTION.

As a business enterprise, the life company contributes its full share to the treasury of each community where it has an office. For instance, if it occupies rented offices, it not only pays in the rent, its share of tax on land and building, but in addition, a tax on its business assessment. This assessment is not merely the proportionate value put upon the premises it occupies, but that value increased by 75 p.c. This is surely sufficient compensation for the privilege of conducting a business not for making profits but for purpose of equalizing unfortunate losses, consequent upon the early termination of life. The service which that life company performs in alleviating distress ought rather to be encouraged by special inducements than to be hampered by a tax.

The Dominion Government recognizes this principle in connection with government annuities; and there is hardly as much merit in looking after one's old age by the purchase of an annuity as in providing for one's dependents by means of a life insurance policy. We therefore cannot but think that the limit of Provincial taxation should be the cost of the supervision of insurance companies, plus a nominal license fee.

A TAX ON GROSS SALES.

The premium income of a life company is analogous to the gross sales of a manufacturing establishment. Is it likely that the members of the Canadian Manufacturers' Association, for instance, would mildly submit to the imposition of a tax of 1 3/4 p.c. on their gross sales? The answer is emphatically "No"; but they should bear the imposition, if they are to stand on an equal footing with the life company.

There still seems to be much misconception as to the nature of insurance premiums. In a book on Taxation, recently issued, these sentences appear:—"Finally, earnings form the basis of taxation in other states. Gross earnings, such as gross premiums of insurance companies and gross receipts of public service companies, are frequently taxed, while the dividends of gas and electric light companies in Delaware, New Jersey and New York, are subject to taxation." It is needless to mention that, in an insurance company, gross earnings are very different from gross premiums. For instance, while in 1913 our gross premiums were upwards of \$3,000,000, our surplus earnings were something over \$800,000. A tax of 1 p.c. on our gross earnings, divided among the various provinces, would be more nearly our equitable contribution.

If insurance premiums are to be taxed when paid to the companies, the proceeds should be exempt in the hands of the beneficiary; but insurance moneys are not exempt from succession duties, when an estate is liable for them. It is to be hoped that agents and policyholders alike will take an active interest in bringing about more enlightened views upon the subject of taxation of the people's thrift.

MEDICAL EXAMINATIONS IN WORKMEN'S COMPENSATION.

An important decision under the British Workmen's Compensation Act was given in the House of Lords recently. The question^{*} raised by the appeal was whether under paragraph 4 of Schedule 1 of the Act an employer was entitled in the course of the same proceedings to require a workman to submit himself to more than one medical examination as a condition precedent to his right to compensation. The County Court Judge had held that the right conferred in the Act was not limited to a single examination; and he suspended a workman's right to compensation until he had submitted himself to a second examination. The Court of Appeal affirmed this decision and it was also upheld in the House of Lords. In delivering judgment, Lord Loreburn remarked that there was nothing either in the Act or in the good sense of the thing to warrant the idea that only one examination could be required, and that under paragraph 4 the workman must submit to examination when it was reasonably demanded by the employer. Disputes may now be expected as to the interpretation of the term "reasonable."

*In Great Britain the amount expended on life insurance up to one sixth of the taxpayer's earnings is deducted from the income in calculating the income tax.