CANADIAN PACIFIC RAILWAY'S GOOD REPORT

Will Company Pay the Business Profits War Tax?—Special War Work

The Canadian Pacific Railway earned 16.76 per cent. on its $260,000,000 of common stock during the company's fiscal year ended June 30th. This compares with 11.25 per cent. in the previous year, and with 19 per cent. in the record year of 1912-13. The table at the foot of the page gives the figures for the past year, as presented at the meeting of the company's directors at Montreal on Monday.

In comparing results, it must be borne in mind that since 1912 there have been large increases in common stock capitalization. That, for example, explains the fact that, despite the gain in the actual balance available for dividends, the percentage earnings of 16.76 on the common stock for the past year compare with more than 19 per cent. earned in the 1912-13 period.

Some Record Figures.

After making provision for all charges and deductions, including pension fund and preference stock dividends, the balance available from all sources for distribution on the common shares was $43,585,113 compared with a corresponding balance of $39,128,223 in the record year of 1912-13, an increase of $4,456,890, or more than 11 per cent. As compared with 1914-15, the gain is $14,325,866, or approximately 50 per cent.

The special income account last year totalled $9,940,955, or about $1,000,000 lower than in the previous year. The past year's figures, however, appear in the statement with the note "after making allowance for contingent reserves." What appropriations come under this heading and their amount are matters which will probably be revealed in the complete report for the year, which will be presented at the company's annual meeting in October.

What About War Tax on Profits?

No provision has been made in the income account for any payment under the Dominion war profits tax. The question of the company's liability under the new taxation act, has been discussed, although official statements on the matter have not been issued by either Sir Thomas White, finance minister, or by Lord Shaughnessy, president of the railroad. The appropriation for contingent reserves may possibly include contingent liabilities in regard to the tax. Supposing that the company is liable for the tax, still it cannot be stated definitely whether the company will be allowed to earn 7 per cent. on both its preference and common stocks, or only on the common before its profits are subject to the 25 per cent. tax, and, further, whether the profits of the system or only those from railway operation are to be taxed. If the extreme case is taken—namely, that a profit equal to 7 per cent. on the common stock only, is to be free of tax, and that the tax is applicable to the profits of the entire system, the position may be tabulated as follows:—

Profits	$49,225,000
Less tax-free profit of 7 per cent. on common	18,200,000
Net taxable profit	$31,025,000
Less 25 per cent. of taxable profit	7,756,250
Balance, equal to 8.94 per cent. on common stock	$23,268,750
Extra 3 per cent. on common, making total dividend of 10 per cent.	7,800,000
Balance, equal to 5.10 per cent. on common stock, after deduction of war profits tax and 10 per cent. dividend on common stock	$15,468,750

The net surplus for the year after payment of fixed charges, pension fund, etc., was $15,444,158. Putting the war tax point in another form, should the company have to pay the business profits war tax estimated above at $7,756,250, the net surplus for the year would be reduced to $7,687,908. It will not be known until the annual meeting in October, whether the allowance for contingent reserves fully covers the business profits war tax, if payable. If so, and the company pays the tax, the net surplus for the year would be brought up to $15,444,158 again.

A further point regarding the operations of the Canadian Pacific Railway last year, is the special war work the company is performing, from which a large revenue has probably been derived. No announcement has been made as to this income, but apparently it will be set aside to a special fund to be dealt with subsequently.

REVENUE ACCOUNT, WITH COMPARISONS, OF THE CANADIAN PACIFIC RAILWAY.

	1912-13.	1913-14.	1914-15.	1915-16.
Gross earnings	$139,395,699	$129,814,824	$98,865,210	$129,481,885
Working expenses	93,149,825	87,388,896	65,290,582	80,255,965
Net earnings	$ 46,245,874	$ 42,425,928	$33,574,628	$ 49,225,920
From steamer department	1,245,563	....	....	....
Total net earnings	$ 47,491,437	$ 42,425,928	$33,574,628	$ 49,225,920
Fixed charges	10,876,352	10,227,311	10,446,510	10,306,196
Surplus	$ 36,615,085	$ 32,198,617	$23,128,118	$ 38,919,724
Steamship replacement	1,000,000	....	....	....
Balance	$ 35,615,085	$ 32,198,617	$23,128,118	$ 38,919,724
Pension fund	125,000	125,000	125,000	125,000
Balance	$ 35,490,085	$ 32,073,617	$23,003,118	$ 38,794,724
To special income	....	2,115,842	1,494,152	1,923,289
Available for dividends	$ 35,490,085	$ 29,957,774	$21,508,966	$ 36,871,435
Dividends for year	17,179,828	20,259,521	21,419,051	21,427,277
Net surplus for year	$ 18,310,257	$ 9,698,254	$ 89,915	$ 15,444,158

SPECIAL INCOME ACCOUNT.

	1912-13.	1913-14.	1914-15.	1915-16.
Special income	$ 6,598,151	$ 8,587,870	$10,969,332	*$ 9,940,955
Dividends	5,850,000	7,350,000	7,800,000	7,800,000
Surplus	$ 748,151	$ 1,237,870	$ 3,169,332	$ 2,140,955
Previous surplus	1,110,790	1,858,941	3,096,812	6,266,144
Total surplus special income	$ 1,858,941	$ 3,096,812	$ 6,266,144	$ 8,407,099

*After making allowance for contingent reserves.