

The New Taxes

The Changes Now Made in the Income Tax Law Will Not Affect the Figures of 1918-19 Revenue, as the Increased Taxes are to be Applied to the Taxpayer's 1918 Incomes and Will be Payable in June, 1919.

By H. M. P. ECKARDT.

Before the war the customs collections constituted from 60 to 65 per cent. of the Dominion Government's total revenue. During the years of war the amounts derived from the various sources were as follows:

	1914-15.	1915-16.	1916-17.	*1917-18.
Customs	\$ 75,941	\$ 98,649	\$134,043	\$143,311
Excise	21,479	22,428	24,412	26,677
Post Office	13,046	18,858	20,902	20,774
Public Works	12,953	18,286	24,440	27,200
Miscellaneous	9,652	12,924	28,901	24,408
	\$133,073	\$172,147	\$232,701	\$252,372

*The figures for 1917-18 are the unrevised figures representing only the receipts and payments passed through the books of the Finance Department up to the evening of March 31st, 1918. In his budget speech, Hon. A. K. Maclean, acting Minister of Finance, stated that when all the closing entries were made, the total revenue for the fiscal year would be \$258,000,000, and that customs collections would amount to \$146,000,000.

The above figures show that the proportion of revenue contributed by the customs has remained remarkably steady. For 1914-15 the percentage is 57; for 1915-16, it is 57; for 1916-17, it is 57½; and for 1917-18, based on the figures referred to in the budget speech, it is 56½. The sharp rise in customs revenue during the fiscal year ending March, 1916, was due largely to the general increase of 7½ per cent. in customs duties instituted at the outset of the war. This was operative only for a part of the preceding fiscal year; and, also, international trade, especially that carried on with overseas countries, was badly disorganized in the earlier months of the war. Then the further large increase in 1916-17 was due to the great expansion of our import trade, which arose from the phenomenal development of war industries. Dutiable imports in 1915-16, at \$289,000,000, were only \$10,000,000 greater than in 1914-15; but in 1916-17 the total of such imports had risen to \$461,000,000. Notwithstanding that the dutiable imports in 1917-18 rose further, to \$542,000,000 (the customs revenue showing an increase of \$12,000,000) the gains were made in the early months of the year; during the later months there was a declining tendency which has led to the belief that in the current fiscal year, 1918-19, the customs revenue will not show an increase over the preceding year.

All of the other items of revenue reported in the monthly statements of the Department show substantial development. Taking the excise duties, the total has risen from \$21,000,000 to \$27,000,000. However, in view of the recent important change in the status of the liquor traffic, it is to be expected that subsequent yearly statements will show a decline in the revenue from excise. With reference to the post office, the revenue has been developed from \$13,000,000 to over \$20,000,000; but in this case the expense or cost operating has also risen, and the Treasury perhaps does not derive a very large increase of net gain. Revenue from public works has more than doubled — the total rising from about \$13,000,000 to more than \$27,000,000. Under this heading the earnings from Government railways are placed; and if the operations of the extensive properties recently acquired, represented by the National Transcontinental and the Canadian Northern, by virtue of the rate increase, result in satisfactory net profits, this item may show increases. It will be taken as a most unsatisfactory development if the huge new investments and commitments of the Government in railway property do not produce any substantial returns.

In case of the remaining item — miscellaneous revenue — we find an example of remarkable development; and it is also to be observed that the new taxation proposals, as enunciated in last week's budget address will undoubtedly produce further important increases. One may easily see that this item is destined to take a much more important place in the list of revenue sources. At the beginning of the war it was at the bottom of the list. Now it ranks

next to the customs; and in the next two years, unless new headings are raised in the statement, its position relative to the customs is likely to be considerably improved. In 1914-15 the miscellaneous revenue represented 7¼ per cent. of the total; next year the percentage was but slightly higher, 7½; in 1916-17, as a result of the first application of excess profits taxation, the percentage rose to 12½; and in the year just ended, there was a further rise — to 13½ per cent. The revenue collected under this head in 1917-18 was 250 per cent. greater than in 1914-15.

Most of this increase resulted from the excess profits tax—Hon. Mr. Maclean stated that this tax gave \$21,200,000 during the past year. It would add to the value of the monthly statements of the Finance Department, which are now closely studied in all parts of the country, if a special heading were raised for the excess profits tax. Being such an important item it would be well to have the relative figures clearly set forth. Even though the impost is regarded as a war measure, to be discarded perhaps when peace returns or shortly afterwards, the business community would like to be informed in the regular official statements as to the revenue thus collected. Doubtless the Department intends to raise a new heading, in its monthly revenue statement, for the income tax. That will probably be a permanent impost; and in view of the direct manner in which it touches the pockets of the people it is advisable that full information be given. Collections under the old income tax will presumably commence next month; and the June statement of revenue should be importantly affected by them. It is worth noting that the income tax payments in June will come in opportunely for meeting the first half yearly coupon of the Victory Loan. Allowing for the large amounts of old bonds converted, the interest payable June 1st will approximate \$15,000,000.

It is as yet not known precisely what the income tax will yield in 1918, although the Government of-

ficials, from the returns now in hand, probably know how much to expect. These tax payments, constituting an entirely new source of revenue, as already mentioned will swell the figures of the current year — probably they will be sufficient to offset or more than offset any decrease that may occur in the customs collections. The changes now made in the income tax law will not affect the figures of 1918-19 revenue; as the increased taxes are to be applied to the taxpayers' 1918 incomes, and will presumably be payable in June, 1919. The 2 per cent. tax on incomes of single persons making from \$1,000 to \$1,500 per year, and on married persons making from \$2,000 to \$3,000 per year, along with the increased tax on large incomes and the increase of the corporation income tax, will undoubtedly mean a considerable enlargement of revenue next year; but, until the returns of the newly included small incomes are filed, the Government probably cannot estimate closely the amount of prospective increase.

Considerable new revenue will also be derived from the extension of the scope of the excess profits tax. The number of tax-paying firms and corporations will be multiplied by placing the exemption limit at \$25,000 capital instead of \$50,000 as heretofore, just as the number of income tax payers will be multiplied by the lowering of the exemption limit applying to individual incomes. On the other hand some of the large corporations which contributed heavily last year may pay less this year and next, owing to decreasing profits. The other special imposts provided for in the budget will all contribute their share of revenue, and some of them will doubtless yield fairly large amounts. Among these stands out prominently the special war excise tax of 10 per cent. on automobiles, jewellery, gramophones, piano and organ players and records. No one knows as yet how much revenue will be collected by means of this impost. Also unknown is the effect that will be produced upon the spendings of the people. If this tax produces good results, perhaps the Government will be moved later to extend its scope so as to include other non-essential articles. On general principles it certainly seems wise to tax expenditures, especially unnecessary expenditures, and in that way discriminate to a certain extent in favor of the individuals who are severely curtailing their expenditures upon non-essentials and so saving more money for investment in war bonds.

AMOUNTS MARRIED PERSONS WILL BE TAXED.

The following table shows the effect of the proposed income tax amendments, payable by married persons:

Income.	Present tax.	Proposed tax.
\$ 3,000	nil	\$ 20
5,000	120	140
10,000	360	392
20,000	1,260	1,382
30,000	2,460	2,707
50,000	5,260	5,782
75,000	10,010	11,007
100,000	14,760	17,607
200,000	43,760	50,957
400,000	101,760	142,757
600,000	130,700	195,407

COMPARISON OF CANADA WITH U. S.

Income.	Canada.		United States.	
	Mar'd pers. present tax.	Mar'd pers. proposed tax.	Mar'd pers. tax.	Mar'd pers. tax.
\$ 3,000	nil	\$ 20	\$ 20	
6,000	\$ 120	140	130	
10,000	360	392	355	
20,000	1,260	1,382	1,180	
30,000	2,460	2,702	2,380	
50,000	5,260	5,782	5,180	
75,000	10,010	11,007	9,930	
100,000	14,760	17,607	16,180	
200,000	43,760	50,957	49,180	
400,000	101,760	142,757	142,680	
500,000	130,760	195,407	192,680	
600,000	159,760	248,057	246,680	
800,000	217,760	366,857	357,180	
1,000,000	275,760	499,157	475,180	
2,000,000	665,760	1,228,157	1,180,180	

HOW INCOME TAX AFFECTS THE UNMARRIED.

One phase of the new taxation proposals which caused considerable interest, especially amongst bachelors and spinsters, was as to how they would be affected. Here is a table showing the present taxation and the new taxation:

Income.	Present Tax.	New Tax.
\$ 1,000	exempt	exempt
1,100	exempt	\$ 2.00
1,200	exempt	4.00
1,300	exempt	6.00
1,400	exempt	8.00
1,500	exempt	10.00
1,600	\$ 4.00	14.00
1,700	8.00	18.00
1,800	12.00	22.00
1,900	16.00	26.00
2,000	20.00	30.00
3,000	60.00	70.00
4,000	100.00	110.00
5,000	140.00	150.00
6,000	180.00	190.00
7,000	240.00	262.50
*8,000	300.00	325.50
*9,000	360.00	388.50
*10,000	420.00	451.50

*—Including super tax.

BRITISH FIRE LOSSES.

"The cost of the principal fire losses in the United Kingdom during March," says the London Times, "may be estimated at £337,400, which compares with losses of £297,700 in February last and £354,600 in March of last year. The total losses for the last quarter amount to £1,017,600, as against £1,283,400 in the first quarter of 1917. Only fires are taken into account in which the damage amounted to £1000 or more."