

TAX ON BUSINESS PROFITS

Amended Text of Resolution—How Government Plans to Impose and Collect proportion of Profits of Business Enterprises

The text of the amended resolution of the taxation of war profits, as submitted by Sir Thomas White, finance minister, in the house of commons, is as follows:—

1. That, in the following resolution, "minister" means the minister of finance of Canada; "non-Canadian company" means an incorporated company having its head office or principal place of business outside Canada, but having assets in, or carrying on business in Canada, either directly or through or in the name of any other company. "Person" means any individual or person and any partnership, syndicate, trust, association or other body and any body corporate, and the heirs, executors, administrators, curators, and assigns or other legal representatives of such persons, according to the law of that part of Canada to which the context extends.

2. There shall be levied and paid to His Majesty a tax of twenty-five per centum of the amount by which the profits earned in any business exceeded in the case of a business owned by an incorporated company, the rate of seven per centum per annum, and in the case of a business owned by any other person, the rate of ten per centum per annum upon the capital employed in such business. Such tax shall be levied against and paid by the person owning such business for each and every accounting period ending after December 31st, 1914.

Provided, however: (a) That the amount paid or payable by any person under the provisions of part one of the special war revenue act, 1915, shall be deducted from the amount which such person would otherwise be liable to pay, and the minister shall have power to determine any questions that may arise in consequence of any difference in the several periods for which the taxes under the said act and those proposed herein are payable; (b) that the dividends received from the stock of any incorporated company which has paid a tax upon its profits under the provisions of any act based upon these resolutions shall not be included when the profits of any business are being determined; and (c) that the amount of any tax paid by a person under the provisions of the finance act (No. 2), 1915, passed by the parliament of the United Kingdom of Great Britain and Ireland, or under any legislation for raising revenue for the present war in force in France, Russia, Italy, Belgium, Servia, Montenegro, Japan or the colonies or dependencies of any of these countries in respect of the profits of any business liable to taxation hereunder shall be deducted from the amount of the tax that would otherwise be payable by such person.

Determined by Finance Minister.

3. That the accounting period shall be taken to be the period for which the accounts of the trade or business have been made up, but where the accounts of the trade or business have not been made up for any definite period or for the period for which they have been usually made up, or, if a year or more has elapsed without the accounts being made up, the accounting period shall be taken to be such period, and ending on such a date as the minister may determine.

4. That the businesses to which the tax shall apply are all trades and businesses (including the business of transportation) of any description carried on or partly carried on, in Canada, whether continuously or not, except: (a) the business of any person the capital employed in which is less than fifty thousand dollars, other than a business which, or twenty per centum or more of which, is or has been the manufacturing or dealing in munitions of war or in material or supplies of any kind for war purposes; (b) the business of life insurance; (c) the business of farming and live stock raising; and (d) the business of any company, commission or association not less than ninety per cent. of the stock of which is owned by a province or a municipality.

Profits Shall be Net.

5. That (1) the profits shall be taken to be the net profits arising in the accounting period.

(2) That profits of a non-Canadian company shall be such proportion of the net profits as shall bear the same proportion to the total amount of its net profits as the capital

of the company, as defined herein, bears to the total amount paid up upon its capital stock.

(3) No deductions from gross profits for depreciation or for any expenditure of a capital nature for renewals, or for the development of a trade or business, or otherwise in respect of the trade or business, shall be allowed except such amount as appears to the minister to be reasonable and to be properly attributable to the accounting period; and the minister when determining the profits derived from mining may make allowance for the exhaustion of the mines.

(4) Any deductions made from the gross profits for the remuneration of directors, managers and persons concerned in the management of the trade or business shall not, unless the minister, owing to any special circumstances, otherwise directs, exceed the sums, deducted for those purposes, in the last accounting period, ending before January 1st, 1915, and no deductions shall be allowed in respect of any transaction or operation of any nature where it appears, or to the extent to which it appears, that the transaction or operation has improperly reduced the amount to be taken as the amount of the profits of the trade or business.

(5) In the case of any contract extending beyond one accounting period from the date of its commencement to the completion thereof, and only partially performed in any accounting period there shall (unless the minister, owing to any special circumstances, otherwise directs) be attributed to each of the accounting periods, in which such contract was partially performed, such proportion of the entire profits or estimated profits, in respect of the complete performance of the contract, as shall be properly attributable to such accounting periods respectively, having regard to the extent to which the contract was performed in such periods.

(6) Where an incorporated company conducts its business, whether under agreement or otherwise, in such manner as either directly or indirectly to benefit its shareholders, or any of them, or any persons directly or indirectly interested in such company by selling its product or the goods and commodities in which it deals at less than the fair price which might be obtained therefor, the minister may determine the amount which shall be deemed to be the profits of such company for any accounting period, and in determining such amount the minister shall have regard to the fair price which but for any agreement, arrangement or understanding might be or could have been obtained for such products, goods and commodities.

Capital Employed.

6. That the capital employed in the trade or business of an incorporated company having its head office or other principal place of business in Canada, shall be the amount paid up on its capital stock.

7. That the capital employed in the business of a non-Canadian company shall be such portion of the amount paid up on its capital stock as shall have the same proportion to the amount paid up on the entire capital stock as the value of its total assets.

8. That the amount paid up on the capital stock of a company shall be the amount paid up in cash. Where stock was issued before January 1st, 1915, for any consideration other than cash, the fair value of such stock on such date shall be deemed to be the amount paid up on such stock, and where stock has been issued since the said first day of January for any consideration other than cash the fair value of the stock at the date of its issue shall be deemed to be the amount paid up on the stock. In estimating the value of stock issued for any consideration other than cash regard shall be had to the value of the assets, real and personal, movable and immovable, and to the liabilities of the company at the date as of which such value is to be determined. In no case shall the value of the stock be fixed at an amount exceeding the par value of such stock.

9 (1) An incorporated company may include as part of its capital its actual unimpaired reserve, rest or accumulated profits.

New Stock Issues.

2. The minister may determine the amount of the capital of any incorporated company issuing stock after February 15th, 1916, and if, after the said February 15th, 1916, the capital stock of any incorporated company is increased or additional stock is issued, or if the stock is in any way changed or reorganized in such a manner as to increase the amount of the capital, the minister may decide whether or not it is fair and proper to include such increase or any part thereof