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## War Tax Is Scaled Up Too Rapidly

*THAT is the Chief Objection of Our Manufacturers, Who Suggest a Revised Schedule—Government Should Curb Extravagance—Capital Regards Increased Tax as Breach of Faith.*

THAT the business profits war tax act as amended has caused the abandonment of the investment of at least \$15,000,000 in manufacturing plants, was the statement contained in the legislation committee's report presented at the annual convention of the Canadian Manufacturers' Association at Winnipeg last week. This report quoted at considerable length from a memorandum submitted to Premier Borden and Finance Minister White by certain boards of trade. The Manufacturers' Association deemed it unwise to be identified "with any opposition to the tax proposals because of the seeming certainty that its motives would be misconstrued." The board of trade memorandum, however, probably expresses the opinions of the majority of the manufacturers. Therein it is proposed that the tax be revised upon some such basis as the following:—

Profit.	Tax.
Up to 7 per cent. ....	Exempt
7 to 35 per cent. ....	25 per cent.
35 to 75 per cent. ....	50 per cent.
Over 75 per cent. ....	75 per cent.

"We would not be rash enough to suggest that by retaining in this way the incentive to effort, the aggregate profits would be increased to an extent that would compensate you for the taxes you would forego," says the report. "We do believe, however, that you would bring about a return of business confidence that would be immediately helpful to the country at large, and that would become increasingly helpful as we approach the period of uncertainty which the termination of the war will usher in. Coupled with this revision, we recommend that it be made clear and emphatic that there will be no further increases in the tax on profits.

"If the loss of prospective revenue that would be occasioned by such a revision is one you would consider it necessary to recover, and if for the present the imposition of a tax on income is out of the question, then we believe you should have recourse to taxes on luxuries and indulgences, such as the United States has resorted to. By this means we firmly believe that for a comparatively small collection cost, you could secure a revenue far in excess of anything which the present proposals could possibly yield, in addition to which such taxes would have the beneficent effect of encouraging thrift and causing our people to realize, in a way they do not realize at present, that Canada is at war."

The chief objection to the schedule at present proposed by the government is that it is scaled up much too rapidly; on profits below 15 per cent. the tax is one-quarter while on profits above 20 per cent. the tax is three-quarters. "We do not think," says the report, that under any circumstances should the tax on surplus profits exceed 50 per cent. If a tax of that amount were made applicable, for instance, to all profits exceeding 50 per cent. or even 40 per cent., such action would in all probability secure you the loyal co-operation of all concerned. So long as a business man feels that for every dollar he is making for the government he is making a dollar for himself, there is ample incentive to bring out the best that is in him, but that incentive is removed as soon as his profits have reached a point where he knows that additional effort and additional enterprise will yield him no return that he could not secure by investing his capital without risk, for that is virtually the position in which he would find himself if he had to make three dollars for the government before he made one for himself."

The memorandum states that to the principle of a tax on business profits no objection is offered but, it adds, "great care should be taken to see that it is reasonably applied, and moreover, that it is not employed to the exclusion of other legitimate means of taxation. We believe that thus far those upon whom the business profits tax has fallen have paid it cheerfully, for one reason because they were well able to pay it. So far as they were concerned, it was reasonably applied, in the sense that it left plenty of encouragement for enterprise. Theoretically, it was open to criticism on the ground that it was discriminatory, in that it taxed only the excess profits of firms employing \$50,000 of capital or upwards; those employing less than that amount escaped, as did also professional and other men in receipt of large incomes. There was a very general disposition, however, to accept the situation with good grace.

"Last year's taxation measure was essentially class taxation, but those to whom it applied responded readily, glad to be among the first to help bear the financial burden. The revenue thus collected, we are informed, considerably exceeded your expectations. The new proposals, instead of asking other elements of the community to do their share, make additional demands upon those who have already been called upon, and who, according to the returns, have done more than was expected of them.