

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVII. No. 31.

MONTREAL, AUGUST 3, 1917.

Single Copy 10c.
Annual Subscription \$5.00

FEDERAL INCOME TAX.

The proposals of the Minister of Finance in regard to the new Federal income tax will be generally approved as regards their broad outlines, although there may be differences of opinion in regard to details. The proposals, there is little doubt, mark the inauguration of income tax as a permanent part of the Dominion's fiscal machinery. What Canadian fiscal conditions will be like at the end of the war, no one can foresee. But at present, it certainly does not appear that the indirect taxes—customs, excise, etc.—on which, with the Post Office monopoly, and to some extent, public works, the Dominion has been accustomed to rely hitherto for its revenue, will be sufficient to meet the heavy obligations, which will then be in force. Sir Thomas White, in presenting his proposals, made the suggestion that at the end of the war or soon after, this income taxation should be "deliberately reviewed." We doubt, however, whether those who are subject to this new tax, would be wise to take too much comfort to themselves from this suggestion of the Minister. The two points that Sir Thomas made, that it is unwise to allow Canada, which will be demanding immigration and capital for development for many years to come, to be known as a country of heavy taxation on individuals, and that a higher level of income taxation in Canada than in the United States, is distinctly inadvisable, are both very important considerations. On the other hand, there is a strong tendency in all modern democracies, a tendency which has been accentuated by the war, to impose heavy direct taxation upon wealth and large incomes, and it is not likely that in Canada, that tendency will be entirely resisted. The best argument for direct taxation of this kind is that the taxpayer both feels it and knows exactly what he has to pay. Possibly, one eventual effect of the income tax will be that wealthy men, who have to pay several thousands of dollars annually, will take a more intelligent interest than have some of them hitherto, in the disbursement of taxation through the machinery of Government.

* * *

In making the income exemptions \$3,000 in the case of the married and \$2,000 in that of unmarried, the Minister of Finance has done wisely. To reduce these exemptions to \$1,000, as has been advocated in some quarters, would impose a distinct

burden upon a class of the community least able to bear it. There is probably no class that has been hit harder by the recent rise in the cost of living than the salaried classes with incomes of \$1,200 to \$2,400 a year. Salaries have not responded, as have the wages of the artisan classes, to the rise in prices, and for this class of the community, the present state of so-called "prosperity" is anything but a reality. The young farmer, too, making perhaps over \$1,000 a year but less than \$2,000 or \$3,000, has heavy obligations to meet, and it would be poor policy to discourage that section of the community. With the proposals of the Minister of Finance as they are at present, no class can complain that the income tax is a hardship. It will not hurt the unmarried man with \$4,000 a year to pay up \$80 annually in income tax, or the married man with a similar income, \$40. The \$10,000 a year man can hardly consider an income tax of about \$400 a year a burden—some people with \$10,000 a year spend possibly several times \$400 a year annually on their automobile. Nor can the wealthy man with \$100,000 a year complain if the State at this time takes \$14,000 or \$15,000 of his income. In practise, as a matter of fact, there will be a considerable reduction from these figures. The amount of the tax paid by joint stock companies and corporations will be deducted from the assessable income of their shareholders. A resident of Canada taxed in respect of his dividends in a foreign country will similarly be entitled to deduct such taxation from his income. An allowance will be made in the case of income from mining and similar ventures, and payments to Patriotic and Canadian Red Cross Funds and other patriotic and war funds approved by the Minister, will also be allowed to be deducted from assessable income. In practise, the difference in the amounts payable by unmarried and married taxpayers will be very slight, and we think that in this, there is some room for amendment in the Minister's proposals. Sir Thomas very rightly objects to making the tax upon the unmarried a thumping one in comparison with that upon the married, on the ground that the unmarried very frequently have dependents. There is the further point that the extremely wealthy in Canada who are unmarried are probably very few in number. But the fact remains that the bachelor's or spinster's dependents are usually less costly than those of the married man, and we think that for incomes between \$5,000 and \$10,000, the distinction between the two classes of taxpayers

(Continued on page 787)