

(C.W.B. March 25, 1949)

the globe, left terrible problems and dangers. But the world is slowly recovering. This recovery can be wiped out, suddenly and tragically, by some rash act of aggression. The North Atlantic Treaty will both help and protect our recovery. It will help it by providing new channels for co-operation. It will protect it by demonstrating to any possible aggressor the determination of the free peoples to resist.

"For the people of the North Atlantic community, the treaty is a new beginning. It carries the promise of greater security and fuller co-operation amongst the nations. It spans an ocean to join two continents. It gives the many millions of people who live in this area a chance to develop together the principles and practices of international co-operation, under rules of law and conduct that are familiar to them. It holds out the hope of freedom, order and progress in a peaceful world."

WHOLESALE SALES: Dollar volume of wholesale sales in January was seven per cent below the December level and was less than one-half of one per cent lower than in January 1948, according to the Bureau of Statistics. The general unadjusted index of sales, on the base 1935-39=100, stood at 243.2 in January compared with 262.1 in December and 244.2 in January, 1948. Dollar sales of wholesalers in Quebec decreased seven per cent and in British Columbia three per cent. Sales in all other regions were up two per cent.

Wholesalers in the footwear, dry goods and apparel trades reported marked declines in dollar value of sales in January compared with a year earlier. Sales of footwear wholesalers were down 41 per cent, clothing 26 per cent, and dry goods 18 per cent.

Sales of grocery wholesalers were slightly lower than last year, while gains of two per cent, three per cent and four per cent were registered by wholesalers of tobacco and confectionery, hardware, and automotive equipment, respectively. Fruit and vegetable dealers recorded sales nine per cent above last year's level, while drug wholesalers' sales were up 10 per cent.

Total dollar value of stocks in the hands of wholesalers at the end of January were valued 13 per cent higher than on the corresponding date in 1948. Clothing wholesalers' stocks were six per cent lower in value and inventories of footwear wholesalers were 15 per cent lower.

All other trades registered increases in value of inventories. Grocery and drug wholesalers' inventories were five per cent higher in value, automotive equipment seven per cent, and fruit and vegetables 12 per cent. More substantial gains in value of stocks on hand were reported by wholesalers of hardware at 22 per cent, tobacco and confectionery 23 per cent, and dry goods 24 per cent.

PARKS' DEVELOPMENT: Estimates of the Lands and Development Services Branch of his Department indicate the intention of proceeding actively with the development program initiated last year, states the Minister of Mines and Resources, Mr. MacKinnon.

Additional work on park highways will include improvements to the Banff-Jasper Highway south of Jasper; to the Banff-Windermere Highway--a main tourist traffic artery from the International Boundary to the mountain national parks; to the Akamina and Pincher Creek Highway in Waterton Lakes Park, closely affiliated with Glacier Park on the American side; to the Waskesiu Highway in Prince Albert National Park; to No. 10 Highway from Clear Lake to the northern boundary of Riding Mountain National Park; to the Cabot Trail in Cape Breton Highlands National Park, and other road improvements of smaller proportion. Substantial sums have been included for the development of the new national park in New Brunswick. Some road building will be done in this park.

Funds are being asked in the Parks vote for the improvement of camp-grounds and other public facilities to guarantee accommodation for the ever-increasing number of visitors to the National Parks. Facilities for the protection of the park forests are also being improved. Additional recreational features are being provided, including a new centre in Jasper townsite.

SECURITIES TRANSACTIONS: A feature of the trade in outstanding securities between Canada and other countries in 1948 was the continuance of a small balance of purchases of \$17,900,000, a shade lower than the \$18,000,000 shown for 1947. These small out flows of capital from Canada contrasted with the inflows of capital characteristic of previous years when sales of outstanding Canadian securities to non-residents were substantial, according to the Bureau of Statistics.

The volume of transactions increased about 12 per cent in 1948, both sales and purchases rising by approximately the same amount. A change occurred in the purchase balance with different countries. Net purchases of securities from the United States of \$17,800,000, chiefly of United States securities, were higher than in 1947 when they were \$10,500,000, whereas net purchases from the United Kingdom at \$1,500,000 were much less than in preceding years.

The total of sales and purchases in 1948 stood at \$453,100,000 as compared with \$405,600,000 in the preceding year. Sales to all countries were valued at \$217,600,000 compared with \$193,800,000, and purchases from all countries at \$235,500,000 compared with \$211,800,000. Sales to the United States in 1948 totalled \$207,400,000 compared with \$182,300,000, and purchases from that country, \$225,200,000 compared with \$192,800,000.

NEW BUDGET EFFECTS SWEEPING TAXATION CUTS

INCOME TAX SLASHED: The Minister of Finance, Mr. Abbott, in the House of Commons on the evening of March 22, delivered his annual Budget Speech. He announced sweeping taxation cuts which included not only curtailment of income taxation but reductions on a large variety of consumer goods and services.

The following is a brief summary of the main features of the new Budget:

MAIN TAX CHANGES

1. Personal Income Tax

- (a) Exemptions increased, effective January 1, 1949 -

	Present Exemptions	New Exemptions
Single Status	\$ 750	\$1000
Married Status	1500	2000
Dependent child under 16 years	100	150
Other dependent	300	400

Higher exemptions will take 750,000 present taxpayers off the tax rolls.

- (b) New and lower income tax rates also to be effective January 1, 1949.
- (c) Under new rates three-quarters of taxpayers will only pay 15% on taxable income.
- (d) New tables for tax deductions at the source to be put into effect within a few weeks; anticipated in general effect by end of April.
- (e) Employers authorized to stop deductions immediately for incomes below new exemption level. Table showing these exempt amounts per pay period being released to employers. Refunds will be given to exempt taxpayers as soon as possible.

(f) Miscellaneous changes

Exemption from 4% investment income tax increased from \$1800 to \$2400. The income of a dependent need no longer include exempt income, such as a war pension, in determining eligibility as a dependent of the taxpayer. Medical expense allowance will be extended to include cost of a wheel-chair; the allowance of \$500 off income now granted a blind person will be extended to a person confined to a bed or wheel-chair. Period for which interest on unpaid taxes accrues while taxpayer waiting assessment to be reduced from 20 months to 12 months.

- (g) Annual revenue loss \$270 million or 32% average reduction.

2. Corporate Income Tax and Tax Credit for Dividends

- (a) Rate of tax on first \$10,000 of income of corporations reduced from 30% to 10% and rate on income over \$10,000 increased from 30% to 33%.
- (b) Effect will be that small corporations will pay only 10% tax; no corporation will pay a greater tax than present unless income exceeds \$77,000.
- (c) A credit of 10% of the amount of dividends received on common shares will be allowed against personal income tax of a shareholder;
- (d) Combined 10% credit for dividends and reduced rate of 10% on small corporations completely removes double taxation of corporation earnings for small corporations with income not exceeding \$10,000.
- (e) Where a large corporation distributes approximately one-half of its profits, combined incidence of corporation and individual income tax, taking account of 10% credit, is the same as at present.
- (f) Present three-year carry-forward of losses to be extended to five-year carry-forward.
- (g) Regulations on depreciation to be changed to recognize obsolescence; present straight-line method to be changed to diminishing balance principle with appropriate increase in rates of write-off; provision for adjustment of amortization taken since 1948 in the event of assets disposed of after use, to be based on written down value at the end of 1948 to ensure against taxing capital gains and to prevent retroactive application.
- (h) Allowances now granted for mining, oil and gas exploration expenses extended for three years 1950, 1951, and 1952; tax credit for deep-test wells extended for 1950.
- (i) Three year exemption for new mines extended to include mines coming into production in 1950, 1951 and 1952.
- (j) No net change in revenue -- revenue loss from reduction in rate on small businesses and 10% dividend credit offset by increased revenue from 3% income in general corporation rate.

3. Succession Duties - No changes