

The Chronicle



Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVII. No. 4.

MONTREAL, JANUARY 26, 1917.

Single Copy 10c.
Annual Subscription \$5.00

THE NEXT BUDGET.

Whatever may be Sir Thomas White's intentions in regard to proposals for new taxation in the next Budget, their secret is being well kept. So far, there has been no inkling of what may be expected in the shape of new taxation, although that the Budget will include new and additional taxation appears to be generally accepted as a foregone conclusion. Revenue has been coming in very handsomely during the current fiscal year. But it has not kept pace with war expenditures, which for the nine months to the close of 1916 are double the amount expended in the corresponding months of 1915, and they are likely to increase further. Moreover, it is an essential to successful borrowing abroad—and there is an impression that at a comparatively early date the Minister of Finance will inaugurate further important loaning operations in the United States—that it should be clear that taxation is being increased in reasonable proportion to the increase in debt.

At the end of December, the Dominion had a favorable balance on revenue account for the nine months of the current fiscal year of over \$85,000,000, income for the period of \$166,856,349 comparing with an expenditure on revenue account for the same nine months of \$81,696,505. Thus there are good prospects that at the close of the fiscal year, it will be possible to meet a good slice of war expenditures out of revenue, to the extent of fifty, sixty or perhaps seventy-five million dollars. At the current rate of expenditure, however, our war expenditures for the current fiscal year will not be much under \$240,000,000. For the nine months, they were \$170,229,749. So that the amount of revenue which it will be possible to appropriate for meeting war expenditures, substantial as it is likely to be, will certainly not be an excessive proportion of our total war expenditures for the twelve months. Probably, the proportion will not be so large as in Great Britain, where it is calculated about one-third of the net war expenditure up to March 31st next will have been met by taxation.

It is notable that the large increase in revenue during the past nine months, amounting to nearly \$45,000,000 in comparison with the corresponding nine months of 1915, is mainly under two headings, customs and miscellaneous. The other departments of the Dominion's revenue—excise, post office and public works—show only slight increases. Customs show a growth of over \$28,000,000 for the nine

months from \$69,216,141 to \$97,332,210. Details of the trade returns indicate that the chief increases in imports contributing to this result are in necessary articles, but they also show that the customs returns have been swelled by the extravagant buying of many non-essentials due to the increased spending power on the part of a large section of the population at the present time and failure to realise present-day duty. The other large increase in revenue is under the heading of miscellaneous receipts, which at \$17,127,867, a growth of practically \$10,000,000 upon the figures of 1915, reflect payments under the Business Profits War Tax imposed last year.

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One of Sir Thomas White's problems is to decide whether taxation on existing lines has reached the limit of its productivity or whether any of it can be heightened without impairing its revenue-returning character. It is thought in some quarters that the Finance Minister in his forthcoming Budget may take a more decided line than hitherto regarding the importation of luxuries, and prohibit them. This course would certainly be the most efficacious method of dealing with the problem of imported luxuries, although we are a little sceptical regarding its adoption. If, however, the Minister followed this course, he would be compelled to resort to methods of direct taxation in order to secure additional revenue—and it is thought by many that in any case the tariff is at about the limit of its revenue productivity. Probably most of the concerns which have been assessed to the Business Profits War Tax could pay an additional small percentage without any great hardship. But the Minister may not feel himself free to amend an arrangement which on its first introduction, it was understood would be in force three years without amendment. There is little doubt that sooner or later we shall be faced with an income tax in Canada, but whether it will come this year is problematical, unless the Minister has changed his mind. A stamp tax on receipts, as in Great Britain, would be a productive and easily collectible tax, and we suggest to the Minister once more that he does not overlook fire and other unlicensed insurance as a source of additional revenue. A substantial revenue from that source can be had for the asking. Whatever the Minister's plans may be, it is to be hoped that he will not now hesitate to impose additional taxation, at a time when the Dominion is well able to bear it, and as a means of restricting extravagant expenditures. When the war is over, taxation will be, generally speaking, more hardly felt.