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CANADA'S INTEREST IN THE BRITISH BUDGET

So variously vague have been many of the newspaper reports of the British budget and its proposals, that a short summary may be of interest to Canadian readers. In brief, the balance sheet for the fiscal year 1908-9 showed a total revenue of £151,578,000 and expenditures of £152,292,000. So that the deficit for the year was but £714,000. Of the total expenditure, be it noted, £28,000,000 was devoted to reduction of the national debt.

But when facing the current year a vastly larger deficit loomed up; old age pensions, and to a lesser extent increased naval construction, called for a heavy outgo. The year's main estimated expenditures total £164,152,000; against this, on basis of present taxation, there would be an estimated revenue of £148,390,000—leaving a gap of £15,762,000. But further supplementary estimates were calculated as bringing the deficit up to £16,712,000.

Whatever else is to be said as to Mr. Lloyd-George's methods, this much may be said: he has not sought to disguise the fact that paternalistic social schemes on the one hand, and increased naval construction on the other, have inevitably to be paid for. As *The Economist* puts it, "he has decisively interpreted natural expenditure in terms of national taxation."

In Germany not only are taxes, direct and indirect, being heavily increased, but the empire and its component states are alike piling up indebtedness upon indebtedness. Great Britain meanwhile is to continue reducing its national debt (though at a somewhat slackened rate), and seeks by extra taxation alone to meet threatening deficits. To revert to a time-worn metaphor, Germany is fiercely burning a candle at both ends, while Great Britain continues to keep to one. The contrast bodes hopefully from the British viewpoint—the taxpayer certainly is in less danger of being blinded to fiscal facts. In the course of debate this week,

Premier Asquith estimated that the average income tax in Great Britain, including the super tax, would now be 11½d, a rate which he stated to be lower than that imposed either by France or Germany.

And now as to bridging the Brobdingnagian gap between expenditure and present revenue resources. The Chancellor of the Exchequer's proposals may be summarized as involving the following tax increases:

Liquor Licences.....	£2,600,000
Motor Cars and petrol.....	600,000
Tobacco and Spirits.....	3,500,000

Increased indirect taxation.....£6,700,000

Income Tax.....	£3,500,000
Estate Duties.....	2,850,000
Stamps Duties.....	650,000
Land Taxes.....	500,000

Increased direct taxation.....£7,500,000

Total increase in taxes.....£14,200,000

Reduction of annual contribution to Sinking Fund... 3,000,000

£17,200,000

Deficit which would be incurred on present taxation basis.....

£16,712,000

Estimated surplus for 1909-10.....£ 488,000

In the past fiscal year the income tax brought a revenue of £33,930,000 upon total assessed incomes of £1,040,000,000. The additional £3,500,000 estimated for 1909-10 is to be provided for as follows:

No change is to be made in the present tax on earned incomes up to £3,000—i.e., 9d. in the pound up to £2,000 and 1s. in the pound between £2,000 and £3,000. All other incomes now liable to the 1s. rate are to pay 1s. 2d. In the case of incomes below £500, £10 will be deducted from the taxable amount for each child under sixteen. A super-tax of 6d. in the pound is imposed on incomes over £5,000, but it will only be payable on the amount by which the income exceeds £3,000.

While Canada may expect some "exiled capital" to come its way as a result of the increased income tax, it looks as though the higher stamp tax on bonds to bearers (20s. in place of 10s.) will affect Canadian municipal flotations considerably—though not Dominion bonds. And, indeed, in the House this week, Mr. Lloyd George agreed that owing to circumstances over which he had no control, the Canadian provincial governments would be in the same position respecting the tax as a Canadian municipality. He said that if any member liked at the proper time to propose an amendment he would be prepared to consider it on its merits, but he was told there were difficulties in connection with the Trustees Security Act. Which affords another reason for the move advocated in our London Letter of this week—namely that Canadian provincial securities, like those of the Dominion, should be accorded recognition as trustee investments.