BONDHOLDERS PAY NO TAX

War Loan is Exempt from Dominion Taxes, Present and Future

As in the case of the other war loans, the present issue will be exempt from taxes, including any income tax imposed in pursuance of legislation enacted by the Dominion government. There is no immediate likelihood of an income tax in Canada. The impression prevails in many quarters, however, that at the expiration of the business profits war tax act at the end of the three years period, legislation may be introduced with a view to instituting a general tax on incomes. In that event, the income derived from holders of Canada's war bonds will not be taxable by the Dominion.

Government Has Considered Tax.

It is known that the government has considered the question of an income tax upon individuals. In February, 1915, Sir Thomas White, finance minister, stated that it appeared to the government that such a tax was not expedient, "at all events for the present." In order to bring into force an income tax the government would be obliged to create machinery for assessment, revision, and collection. This would involve a heavy expense as compared with the amount which would be realized. Taking the income tax of the United States as a basis, Canada could hardly expect to derive more than $2,000,000 from a similar tax, and from that would have to be deducted the expenses of its administration.

Some Objections to Tax.

Other objections mentioned by the finance minister at that time were the facts that the several provinces of Canada were also likely to be obliged to resort to measures for raising additional revenue; that a long period must elapse before a new income tax becomes productive; that while in Britain the tax is the chief source of revenue to the government and taxable incomes are derived largely from investments the position in Canada is different; and, finally, that in certain Canadian provinces income is subject to taxation by municipalities, and in two instances by the provinces themselves.

The exemption feature of the war loans, however, may prove to be a somewhat substantial attraction in the future.

PROVINCES COULD SUBSCRIBE $100,000,000

One or Two May Apply for Part of the Loan, but Assistance in Large Measure is Not Needed Yet

Some of Canada's provincial governments will probably apply for blocks of the third war loan. Two provinces were subscribers to the previous issue, Manitoba and Quebec each purchasing $500,000 bonds. There were no provincial subscriptions to the first loan, but Hon. Edward Brown, provincial treasurer of Manitoba, in a statement in March, 1916, said that he had expressed to the Dominion finance minister the willingness of that province to subscribe $5,000,000 to the Dominion war loan made in November, 1916. In this suggestion he had the full approval of his colleagues in the Manitoba cabinet. That fact raises interesting possibilities in regard to future Dominion internal loans. Mr. Brown said that when making this proposal he had at the same time an assurance from the neighboring Western provinces that a similar contribution of $5,000,000 could be made by each of them. "I feel confident in saying," said Mr. Brown, "that the four western provinces would have gladly made a joint contribution of $20,000,000 for this purpose. I feel further warranted in saying that, if it becomes necessary, the provinces of Canada can easily make a contribution of $100,000,000."

After discussing the matter fully at that time with the Dominion minister of finance, it was agreed that the time had not yet arrived when it would be advisable to make use of this suggestion. Strictly speaking, the question of furnishing ways and means for national defence is a matter for the Dominion government. *The Monetary Times* does not think the need of such assistance is likely to arise, but this general desire throughout the provinces to share in the responsibility is one of which every Canadian citizen may well feel proud. The fact, too, that the provincial governments are able and willing to subscribe $100,000,000 to a federal war loan is one which will enhance materially Canadian credit in the world's money markets, even should it be unnecessary to ask the provinces to subscribe part of any future war loans. Canada is following the best traditions of British finance and at the same time, as Mr. Brown said a year ago in the Manitoba house, "we are ready to pledge our resources to the limit for the defence of the Empire."

Manitoba Invested Trust Moneys.

In connection with the Manitoba subscription of $500,000 to the second war loan, the provincial treasurer made the following announcement: "Believing that the people of the province would heartily endorse our action, the government has, after due consideration, decided to invest a half million of trust funds of the province in the Dominion war loan. These moneys are, at the present time, on deposit with the banks, earning at the rate of 3½ per cent. on daily balances. The investment will mean that the earnings will be materially increased. Two hundred thousand dollars of the sum in question will be taken from the sinking funds of the drainage districts, and three hundred thousand from the telephone replacement moneys."

CANADIANS SHOULD BUY CANADIAN BONDS

If They Persist in Buying Government Issues Made in States, Tax Will Probaby Come

The Canadian investing public should reserve their funds for Dominion loans. This statement has been made on several occasions by Sir Thomas White, finance minister, on behalf of the government. If Canadians purchase securities in New York in sufficient volume to seriously affect the exchanges or the prospects of floating our loans in Canada, then the Dominion government will impose a tax on those securities. That was made clear by the finance minister in the House at Ottawa on February 1st last.

Great Britain borrows money in the United States, where there is a plethora of money. Great Britain uses that money to make purchases in the United States. If the Canadian public buy British securities issued in New York, Canadian money is being used for the purpose of making purchases in the United States. That in itself would not be objectionable if it were not for its possible effect upon our exchanges. International balances are settled in gold and if the Canadian public invested largely in British or French loans made in New York for the purpose of buying goods in the United States, exchange would soon become unfavorable to Canada. Apart from that, when the Dominion government makes its war loans in Canada the money which would otherwise have been available to take up those issues would have been spent in the United States.

A considerable portion of the loans which we float in Canada find their way to the United States. If we put out a loan of $100,000,000 in Canada, $15,000,000, $20,000,000, or $25,000,000 of it may be sold in the United States by those who took it. That would be a set-off against $15,000,000, $20,000,000 or $25,000,000 that might be expended by Canadian people in purchasing securities in New York. As long as exchange is not seriously affected and as long as the loan fund in Canada is not depleted so that our loans are unlikely to be subscribed, no harm will be done. But on account of the large sums that we require for our own war expenditures and to finance Great Britain in her purchase of munitions in Canada, it is exceedingly desirable that the Canadian people should conserve their resources for the purpose of buying our war loans.

Thrift for the individual is excellent, but just now that is of minor importance. Thrift for the sake of Canada, thrift for the sake of the Empire, thrift to win the war should be our cry. We shall not fail for men, difficult as enlistment may be. We shall not fail because of our inability to make or to procure war supplies. If we fail it will be because we have wasted on unnecessary things the money that would have won the war.—Sir Edmund Walker.