

FIRE COMPANIES AND THE PROFITS TAX.

THE CHRONICLE has no wish to indulge in any premature or captious criticism, but a consideration of the situation in regard to the fire insurance companies' contributions under the new tax on business legislation cannot but lead to the conclusion that any attempt to place the fire companies on the same basis as ordinary commercial companies for this purpose can only result in the fire companies being unfairly treated. Frankly, it is impossible to take one year's profits of a fire company, even when an allowance has been made for increase in liabilities, as a fair measure of tax-paying power. In the last 10 years (1905-14), the average losses incurred to net premiums received of all the companies transacting business in Canada under Dominion license was 52.6 per cent. In different years, this ratio fluctuated between 43.3 (1905) and 58.8 (1908). In 1904, it may be noted, the loss ratio to premium was 207.76 per cent. It is fair to say that during the last 10 years the underwriting profits in Canada of the fire companies have not averaged more than 7 1-2 per cent. on their premium income, this without providing for the conflagration hazard and the heavy depreciation of securities. The Minister of Finance stated this week that the present scheme of taxation is only temporary and will not be continued after the end of 1917 and undoubtedly the need of additional revenue is urgent in view of Canada's financial responsibilities, both present and prospective. But the fact is that if the taxation is carried through as at present proposed, it may quite easily happen that companies, after paying these taxes on profits, may have to pay out these "profits" and more in order to meet conflagration losses. The old-established and wealthy ones can take care of themselves in any event, but some recognition of the day-to-day uncertainties of the fire insurance business would seem to be desirable.

While the basis of the proposed tax on the fire companies appears somewhat unfair, it is impossible to generalise in regard to its effect. In some cases the effect may be merely a small addition to existing taxation; in other, perhaps, the new taxation will loom up as a serious new charge. Probably the experience of every company in regard to this new tax will be different from that of almost every other company, according to their different circumstances, that is assuming that the tax is collected on the basis which it appears the present intention to adopt. A great number of circumstances have to be taken into consideration in arriving at the amount of the tax on the proposed basis. The following summary of circumstances bearing upon the amount of the tax payable by each company will serve to indicate the varied character of the considerations in the calculation of the incidence of the new tax.

1. Whether a company's assets in Canada in proportion to the business transacted are large or small.
2. What its Canadian profits were last year.
3. What its whole profits were last year (British companies).
4. The relation of these profits to the profits in two pre-war years (British companies).
5. The amount paid of the so-called "war

profits tax" imposed by the British Finance Act (No. 2), 1915 (British companies).

6. The amount paid in similar taxation in any of the British Dominions or countries of the Allied powers (British and French companies).

7. Whether heavy remittances were made direct from home offices during 1915.

8. In the case of companies transacting both fire and life business in the Dominion, what proportion of the paid-up capital is to be taken for the purpose of arriving at the amount of this taxation (British companies).

This list, of course, does not profess to be exhaustive, and other points which would have a modifying influence upon the amount of the tax to be paid by individual companies will readily occur.

Probably the incidence of this particular tax will be most severely felt, relatively, on the basis at present proposed, by the American fire companies transacting business in Canada, for the reason that they will have little or no "war profits" taxes paid in Great Britain or elsewhere to deduct from the amount payable here. THE CHRONICLE believes that on the proposed basis of profits, the American fire companies transacting business in Canada will be required to pay this year as much as 5 or 6 per cent. of their Canadian income last year. Parenthetically, it may be observed that according to present indications it appears that where an American company has deposited in Canada, American bonds, the interest on those bonds is included for the purposes of this taxation as Canadian income or profits. We hope the authorities at Ottawa, in this connection, will bear in mind the possibility that owing to this taxation some of the American companies at present operating in the Dominion may feel it desirable to withdraw from this field. True, the Treasury might not be a loser through the transfer of their Canadian business to other companies, but this is not the time for discouraging capital from entering Canada and we do not think it desirable that the facilities of the insuring public should be curtailed by the withdrawal of strong companies from the Dominion.

GROCERS NOT ENGAGED IN TRANSPORTATION TRADE.

Judgment has been given by the Court of Review at Montreal in the case of S. Rosenbloom vs. M. Lavut & Sons, previously referred to in THE CHRONICLE, which raised the point whether grocers and other tradesmen who deliver merchandise to their customers are responsible under the Workmen's Compensation Act to their delivery-men in the event of the latter meeting with an accident while following their employment.

The Court of Review confirmed the judgment of the Superior Court in finding that tradesmen of this character are not liable under the Workmen's Compensation Act, the injured man's recourse lying under the common law against the author of the accident. The Court ruled that all the business of transportation is not yet included under the Workmen's Compensation law, but only the business of this character executed by contractors.