

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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The above announcement appeared in the prospectus of the Dominion loan just issued, and has evoked considerable interest. Does it mean that we are to have a federal income tax? If so, the Dominion government is changing its opinion expressed in February last. In framing the special taxes, which were presented to the house of commons at the last session, income tax upon individuals was omitted. The matter had had the consideration of the government and finance minister White stated that it appeared clear to them that such a tax was not expedient "at all events, at present." Under the British North America act, while the Dominion may impose direct or indirect taxation, the provinces are restricted to the former. At present, under legislation existing in certain of the provinces, income is subject to taxation by municipalities, in two instances by the provinces themselves. In other provinces no income tax exists, although in some of these a business tax in lieu thereof, is levied upon incorporated companies. Mr. White stated in his budget speech in February, that 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, it would appear that Canada could hardly expect to derive from a similar tax a sum in excess of \$2,000,000, from which would have to be deducted the heavy expense connected with its administration. Mr. White's chief objection to an income tax, however, at that time was the fact that the several provinces are also likely to be obliged to

resort to measures for raising additional revenue and he was of the view that the Dominion should not enter upon the domain to which they are confined to a greater degree than is necessary in the national interest.

There is another feature of income tax which makes it unsatisfactory for the purpose of Dominion finance and that is the length of period which must elapse before it becomes productive. In Britain, where the tax is the chief source of revenue to the Imperial government, there is no municipal taxation upon incomes. There is also the important difference that in Britain taxable incomes are derived largely from investments. They have, therefore, a settled and permanent character, are ascertainable with fair accuracy and are capable of being levied upon at their source. With Canada, this is not the case.

In a recent pamphlet "Federal Finance" issued by Queen's University, Kingston, Professor O. D. Skelton, analyzing the objections raised to a federal income tax here, says: "The final objection is the fact that in Britain incomes are to a greater extent than in Canada derived from investments, and are therefore more settled, more easily ascertained, and more easily taxed at the source. The statement involves the only really serious difficulty in the way of an income tax—the question of administration. As the objection is usually put, an income tax is certain to be evaded. Is this inevitable?"

It may be not inevitable, but the difficulties undoubtedly would be great. Professor Skelton suggests that the Dominion could better ascertain total income than any province. "Given this Dominion assessment," he says, "then, what is there to prevent any province co-operating and adding so many mills on that part of the Dominion assessment falling within its jurisdiction? The Dominion, for its part, would co-operate, rather than increase the subsidies it pays, and there is no question that it is better that the province which spends the money should also raise the money." But that surely is not a suggestion that incomes should be taxed first by the Dominion, and then by the provinces and municipalities if those authorities are in need of further money.

CANADA'S WAR LOAN

The Monetary Times stated recently that the Dominion war loan of \$50,000,000 was oversubscribed in eight hours. The Canadian Courier objects and says:—

"When The Monetary Times announces that Canada's war loan was 'oversubscribed in eight hours' it is toying with the truth. Hon. Mr. White, desiring of making a great success of this first domestic loan, secured subscriptions of over thirty millions before the lists opened. Of this the banks furnished twenty-five millions, and the life insurance companies seven and a half millions. These institutions virtually underwrote the loan. In addition, Mr. White took pains to find out that about ten millions could be placed in New York. To say that the loan was oversubscribed in eight hours is virtually saying that Mr. White does not know his business. He would have been very foolish to leave the subscription list to chance."

The fact remains, however, that the loan was oversubscribed in eight hours. How it was done, matters little. The oversubscription of the loan in the first eight hours and the subscription of about \$110,000,000 in the eight days show rather that Mr. White does know his business. The Monetary Times never toys with the truth, as delicately suggested by our contemporary, who, in this case, is merely toying with sweet nothings.