

DIGEST OF THE BUSINESS PROFITS WAR TAX ACT

- (e) CAPITAL \$40,000, although less than \$50,000, if more than 20% of profits are from the manufacture of, or trading in, Munitions or War supplies, the total profits are subject to the tax. (Sec. 5(a)).

PROFITS \$10,800, or 27%

PROFITS	TAX
\$4,000, or up to 10% exempt.....
2,000, 25% on profits up to 15%.....	\$ 500
2,000, 50% on profits up to 20%.....	1,000
2,800, 75% on profits in excess of 20%..	2,100
\$10,800	Total Tax..... \$3,600

III.—The Tax on Profits under the “Business Profits War Tax Act” and the “Income War Tax Act”

NOTE—Taxpayers may deduct the Tax under the “Business Profits War Tax Act” from the Income Tax. If the Business Profits Tax is the greater, it is the only tax payable.

Examples

(a) AN INCORPORATED COMPANY

CAPITAL \$80,000, PROFITS \$9,600, or 12%
Under “Business Profits Act”

Up to 7%, or \$5,600.....	Exempt
12%, or \$4,000 at 25%.....	\$1,000*

Under “Income Tax Act”

Profits.....	\$9,600
Exempt.....	3,000
Taxable Income.....	\$6,600
Normal Tax, 4%.....	\$264

*The Business Profits Tax, being the greater, is the only tax paid. If the Business Profits Tax were less than the Income Tax, it would still be paid in full, but the amount so paid would be deducted from the tax payable under the Income Tax Act.