

Basis of Taxation for British Columbia

Report of Board of Taxation Shows in Its Preliminary Discussion the Basis of Taxation, Being Persons, Persons With Land and Persons with Capital—Subsequent Discussion in Future Issues.

The report of the Board of Taxation, appointed in November, 1917, under the provisions of the Board of Taxation Act, has been presented to the Provincial Legislature, together with a report on taxation by Doctor Robert M. Haig, assistant professor of economics in Columbia University. He was the Board's expert at the hearings of the Commission in the autumn of 1917 and the spring of 1918. The entire pamphlet is one of the most valuable that have been issued from the King's Printer and contains the first report of the Board under date of April 5th, 1918, and the second report of the Board under date of February 11th, 1919, with a draft of a proposed Taxation Act as recommended by the Board.

While it is much to be regretted that the chairman of the Board, the late J. B. McKiligan, died before the Board was able to digest the mass of information gathered at the hearings, the remaining members of the Board, Messrs. W. G. Cameron and Thomas Kidd are to be commended for the comprehensive presentation of the subject of taxation as applied to the province and the illuminating discussion contained therein. Although considerable dissent may be made to their conclusions the presentation of fact can hardly be gainsaid. These two reports, together with that of Professor Haig's, is worthy of the closest scrutiny of all those interested in taxation and this number is growing because of the more general application of taxes and the increasing burdens of taxation. We will in this issue, and in future issues, present some of the text of the two reports and also that of Professor Haig's, with comment thereon, as occasion will require.

In the first report of the Board of Taxation, the Board reviews the industrial situation, the economic conditions of the Province with regard to taxation both prior to and subsequent to the Royal Commission which reported on January 19th, 1912, and then with this survey of conditions as a basis, the Board proceeds to lay down the fundamentals of taxation. We quote as follows:

In addition to the knowledge brought by the members of this Board to the performance of the work imposed upon it by the "Board of Taxation Act," each member, in accordance with the directions laid down therein, has investigated and studied the reports of Tax Commissions and similar bodies in this and other Provinces of the Dominion of Canada, in other parts of the British Empire, in the United States and elsewhere, and in particular such reports from places and countries where new and approved methods of taxation have been introduced, to the extent permitted by the short time given us since our organization.

Before proceeding to review the present economic conditions of this Province, in so far as these relate to and indicate the ability of the different classes of the population to pay taxes, it will be relevant, for the purpose of comparison, to refer to the condition of the Province in 1911 as reflected by the Royal Commission on Taxation in its report dated January 19th, 1912.

On the condition of the Province at the time the Commissioners made their inquiries and took evidence on which to base their report, they were able "to point out that they found abundant proof of rapidly advancing prosperity side by side with a strong spirit of optimism on the part of the people," and "wherever complaints came to the surface it was observable that they were complaints regarding the methods rather than the amount of taxation." This opinion is emphasized in the summary of that report which

proves its deep impression. How far this seeming prosperity and expression of optimism influenced that Commission in reaching its decision is not for this Board to judge, but we wish to say that its very able report, as well as that of the Commission which sat in 1905, has been read and studied with much interest and, we hope, with some advantage to guide us in our work, and we are conscious that the high literary style of both these reports will show this one, by comparison, very defective in that respect.

Without reflecting on the prescience or perspicacity of the members of the Commission of the later date, or of the people whose evidence gave them the impression of the prosperity of the Province and the prevalent spirit of optimism, this Board, in the light of what has taken place since that time, regrets to have to say that the prosperity that seemed so certain then was not of long duration, and that the optimism expressed has been deprived of some of the foundations on which it rested. Time has shown that much of the prosperity which existed at that period did not arise from the production of wealth, which is the true basis and evidence of real prosperity, but arose from the spending of capital. Unfortunately, a very large part of such capital was misdirected or wasted by being invested on a basis of false values or in non-revenue-producing undertakings. And, to add to the misfortune, a large part of the capital so misdirected and wasted was borrowed money.

In less than a year after the date of the report of the Commission of 1911-12 the reaction had begun, as is indicated in a general way by the Royal Commission on Agriculture in 1913. From that time the exodus of the people from this Province was very large up to the time the war broke out, and many more would have gone had they had the means to do so. Luckily, a large number of those who left returned to the Prairie Provinces, whence they came, and so saved their energies, if not their money, for the development of our own country.

The intensity of the depression which followed the false prosperity of the "land boom" increased until the beginning of the war, when patriotism for the Empire, which in many cases was quickened to action by low finances, led most of the men who were physically fit to join the army, thereby, incidentally, relieving the hardships arising from non-employment. This, with the large expenditure of Federal money within the Province for war purposes, which has continued to flow into it ever since, relieved the general business depression and saved it from a probable financial collapse. Concurrently with the "land boom" in this Province there was running a "boom" in the Prairie Provinces also, but unlike ours, in that it was confined mostly to cities and towns. The building resulting from these combined "booms" gave a great impetus to our lumber industry, which reached large proportions in 1913, but which, in sympathy with the collapse of the land speculation, shrank very materially and left little to support the general business of the Province other than the shingle-mills, mining, fishing, and farming industries.

The expenditure by the Federal Government, made necessary by the war, has led to the revival of the lumber industry, which now is in an expanding and prosperous condition, and the output of the metalliferous mines has, under the stimulus of increased prices and unlimited demand, created by the war, helped very largely in improving and supporting the commercial life of the community.

How far the abnormal conditions which arose and followed each other in this Province before the war in such a short period of time were the result of the policy of the Government is not a matter for this Board to inquire into, nor to express an opinion upon, but it has evidence to show that many taxpayers are in a position to realize the truth expressed by Dr. Adam Shortt, that "their economic life