

they are required to make in 1916 and 1917 as security for their policyholders in the Dominion in such securities; and Canadian companies for the same two years shall invest in such securities one-half of the increase in their net ledger assets during the years 1915 and 1916, after making provision for increase in foreign reserves and in policy loans.

Provision will be made to meet the case of foreign companies which have already made their deposits for the present year. The aggregate amount of such investments had reached a total of at least 15 million. "Having regard to the rate of interest which the Dominion is now paying upon its securities, there can be no hardship in such legislation, either to the insurance companies or their policyholders, who will obtain an investment of the highest character, yielding a most attractive interest return." The finance minister stated that he had less hesitation in proposing this legislation because, unlike other financial companies, life insurance companies and associations have not been subjected to Dominion taxation. Their holdings of the Canadian war loan will be available pro tanto in discharge of their obligations under the proposed act.

WAR TAX ON BUSINESS PROFITS

Government Will appropriate Share of Earnings from All Classes of Business and Industry

The taxation of business profits in Canada is an interesting innovation introduced by Sir Thomas White, finance minister, in his budget proposals. In this connection he said: There are in time of war many businesses and industries which, for one reason or another, are able to maintain profits above the average return to capital in time of peace. There are others, whose profits arise directly from the manufacture of munitions or the furnishing of supplies, in connection with the war itself, and are in some instances of abnormal character. It has appeared to the government that there are persons, firms and corporations whose profits have been such that they might well be called upon to contribute a share to the carrying on of the war. Their position, being advantageous as compared with their less fortunate fellow-citizens, it is just that a portion of their advantage should be appropriated to the benefit of the state.

In this connection the measure would be introduced for the taxation of profits in all classes of business and industry, including railway, steamship, public utility, financial, commercial, milling, mining and industrial enterprises. It was proposed to tax net profits derived since the outbreak of the war in excess of what was regarded as a fair annual return in normal times.

Percentage on Excess Profits.

Upon all incorporated companies, excepting life insurance companies and those engaged in agriculture, the tax would be one-fourth of the net profits for every accounting period ending since the outbreak of the war in excess of seven per cent. upon paid-up capital, provision being made for determining the profits and paid-up capital in the case of non-Canadian companies carrying on business in Canada.

In cases of individuals, firms, partnerships and associations the tax would be one-fourth of the net profits in excess of ten per cent. upon the capital engaged in their business. Except in the case of those engaged in the manufacture of munitions and materials of war and supplies for war purposes the taxation would not apply to persons, firms or companies whose capital is under \$50,000. The duration of the measure would be limited to August 3rd, 1917. Banks and other companies, Sir Thomas said, would be exempt from taxation to the extent to which they were taxed under the war revenue act of last year. The yearly taxation under this measure would be payable on or before November 1st of each year.

Explaining the higher basis of taxation in the case of incorporated companies, Sir Thomas White said the capital of joint stock companies "frequently represents intangible assets or capitalized earning power or good-will."

"It is a practical impossibility to go behind the capitalization of companies and endeavor to ascertain the precise cash value of their assets, as can be done in the case of individuals or partnerships. The cases of railway, public franchise and so-called holding companies, mining and other corporations illustrate the difficulty. In addition, there

is the further fact that shareholders have purchased their shares and receive the dividends upon the basis of issued capital stock."

The finance minister added that provision would be made to prevent evasion of taxation for further stock issues or the incorporation of companies to take over existing business, and also to prevent the postponement of profit-taking on orders and contracts, wholly or partially performed.

A Substantial Revenue.

"I am unable to give the House an accurate estimate of what this measure of taxation will realize," said Sir Thomas, "but we believe its results will be very substantial—probably as much as \$25,000,000 or \$30,000,000 for the period mentioned. It is to be borne in mind, in connection with the subject of war profits, which has been much discussed, that many of our industrial companies were obliged, during the period immediately succeeding the outbreak of the war, to pass their preferred and other dividends owing to the general depression which then prevailed."

Statistics from the Budget

NATIONAL FINANCES FOR FISCAL YEAR ENDED MARCH 31, 1916.

	Amount.
Revenue estimated at	\$170,000,000
Ordinary expenditure	125,000,000
Surplus, being devoted to payment of principal of war expenditure	\$ 45,000,000

ESTIMATED NATIONAL REVENUE.

February, 1915, estimate of revenues for fiscal year ended March 31, 1916	\$150,000,000
Present estimate of revenues	170,000,000
Former estimate therefore exceeded by	20,000,000
Estimated revenue from taxation of business profits, per annum ..	25,000,000
Estimated revenue from tariff changes	500,000

ESTIMATED EXPENDITURE DURING NEXT FISCAL YEAR, 1916-17.

	*1916-17.	1915-16.
Ordinary expenditure	\$135,000,000	\$125,000,000
Capital expenditure	25,000,000	40,000,000
Total civil expenditure	\$160,000,000	\$165,000,000

*Estimated.

†Includes \$35,000,000 interest on public debt, of which \$20,000,000 is due to war loans; and includes \$2,000,000 war pensions.

TRADE POSITION.

Fiscal year.	Adverse trade balance of	Favorable trade balance of
1912-13	\$300,000,000	
1913-14	180,000,000	
1914-15	35,000,000	
1915-16		*\$200,000,000
Total trade, fiscal year, 1915-16		\$1,200,000,000
Showing a slight decrease in imports and an increase in exports of		200,000,000

*Estimated.

NATIONAL DEBT.

Estimated, March 31, 1916	\$580,000,000
March 31, 1915	440,000,000
Increase during fiscal year, 1915-16	\$140,000,000
To be raised for war purposes, 1916-17	\$215,000,000
Add proposed borrowing for capital expenditures, 1916-17	35,000,000
Total estimated increase to public debt during coming fiscal year	\$250,000,000

WAR FINANCING.

Appropriated at session,	Amount.
August, 1914	\$ 50,000,000
February, 1915	100,000,000
February, 1916	250,000,000
British loans to Canada for war purposes, to date	\$135,000,000
Arrangement made last fall for further British loans, if needed, of	150,000,000
Canada's share of war cost, August, 1914, to January, 1916	158,000,000
Estimated interest payable during fiscal year, 1916-17, on war loans	20,000,000
War pensions, 1916-17	2,000,000
Canadian indebtedness on account of war may reach ultimately, with annual interest charges of	500,000,000
War appropriation, 1916-17	\$250,000,000
On basis of present revenue, during 1916-17, there should be, for application upon war expenditures, a surplus of	\$ 35,000,000
Leaving to be raised for war purposes	215,000,000
	250,000,000