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THE GENERAL FINANCIAL SITUATION

The forthcoming session of Parliament, which, it is announced will begin early in the new year, is likely to be occupied very largely with questions of finance and taxation. The Cabinet Committee which has been making a Dominion-wide tour to hear public views upon the tariff has now completed its peregrinations, and the result of that committee's conclusions will doubtless be seen in legislation by way of tariff amendments. That any proposals in this connection will give rise to long and animated discussions goes without saying. Apart from the tariff, which will be doubtless the main bone of contention during the session, a number of other questions will come up, which may possibly be considered as minor ones, but are in fact only relatively so—in themselves they are of very considerable importance. Sir Henry Drayton has used the opportunity of his tour of enquiry regarding the tariff to get into close touch with the business community, with reference to the new sales and luxury taxes. These new taxes are proving very considerable revenue producers, the present estimate of their total being \$85,000,000 and it may possibly reach \$100,000,000. The luxury tax, however, is decidedly not popular among merchants who are affected by it. Sir Henry Drayton has listened very urbanely and patiently to the various representations made in diverse centres regarding this and the sales tax, and the result of his conclusions in regard thereto will doubtless be seen in his next Budget.

While it is evident that the necessity for relatively high taxation in Canada will continue for some years, the decrease in the per capita burden being more likely to come about through growth of population than in any other way, it is also clear that with the peak of war necessities passed, there will be more scope in the future than there has been in the immediate past for consideration of principles of taxation. During the war years, Ministers of Finance the world over were in the position of having to raise money somehow or other, and we in Canada can at least congratulate ourselves that egregious economic errors, ultimately resulting in financial distress and disaster, that

were made in some other countries have not been made here. While there are naturally very strong differences of opinion in the financial and business community regarding the policies followed, it will at least, we believe, be agreed that in regard to policy and administration a sound line has been maintained. But inevitably experience in the practical working of a number of new systems of taxation is bound to show possibilities of improvement both in the administration and in the incidence of the taxes themselves. For this reason, it would not be surprising to find considerable revisions in methods of taxation for some years to come, such revisions being of course, contingent to some extent upon the revenue which it is necessary should be raised. As regards the sales tax, it may be fairly noted, we think, that its popularity as a means of raising revenue with large sections of the business community is due to the hope that its success as a revenue producer will result in the abolition next year of The Business Profits War Tax. Obviously, however, there is the possibility about the sales tax that a one per cent. rate may become a four or five per cent. by the time that a given taxable article reaches the consumer, and this is a point which deserves careful attention. The luxury tax, we believe, is vigorously and quite wrongly blamed by a large number of retailers, particularly those in the clothing trade, as the source of all present trouble in the public's existing attitude of refusing to buy excepting at price levels very much reduced from those prevailing some months ago. The reason for the "consumers strike," of course, go very much deeper than the luxury tax, but practical experience may suggest some modifications in the tax. As regards the Income Tax, the idea is already being adumbrated in Canada, as it is being adumbrated elsewhere, that a graded scale of taxation is all wrong and that a fairer method would be to impose a flat income tax whatever the size of the income. The idea will probably get a better hearing when the necessities of the national revenue are less pressing than they are at the present time, although the thesis is one of those that lead to interminable disputation—if the idea is attractive, there are a great