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TAXES OLD AND NEW.

The big task that lies before the Minister of Finance in framing his new Budget proposals will be eased to a certain extent by both the ability and the willingness of certain classes of tax-payers to bear cheerfully whatever new burdens it may be found necessary to impose upon them. Straws show the way the wind blows. Within the last few days there has been published in a Montreal journal a statement, bearing the marks of inspiration, that the companies engaged in the manufacture of munitions would not regard unfavorably a tax upon their profits, providing an equitable scheme is evolved which would distribute the burden evenly, while Western papers print statements by grain-growers' leaders recognising the justice of new war taxes upon farmers in view of the recent high prices of grain, though the imposition of these taxes through a revision upwards in the tariff would be objected to. When the opposite poles of Canadian politics, the manufacturer and the Western grain-grower, thus unite in chorus, the Minister of Finance may well feel that times of trouble have their compensations.

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At the end of November, the Dominion Government's revenue account for the fiscal year to date (eight months) showed a favorable balance of \$39 millions. This balance on revenue account is, however, much more than offset by the expenditures on capital account, which for the eight months are some \$91½ millions, of which \$66½ millions are for war. Thus at the end of November, with two-thirds of the fiscal year gone, the Dominion's deficit was about \$52 millions. At the close of the fiscal year next March, it seems not unlikely that this deficit will have reached fully \$75 millions. The expenditures unprovided for by revenue have, of course, been met in the case of the ordinary capital expenditures out of the proceeds of the Dominion's \$45 million loan in New York and in the case of war expenditures from the loans by the British Government and now from the proceeds of the Domestic War Loan.

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With war expenditures rapidly increasing month by month, it is clear that the Minister of Finance, in drawing up his Budget for the year ended March, 1917, will need to impose considerable additional taxation. That increased taxation must go hand in hand with increased expenditure is both sound theory and practice and we hope that in the present case, the Minister of Finance will not hesitate to act boldly in the imposition of new taxation. It will be better for all concerned that taxes should

have to be met now than that they should be deferred. Among the general public, the imposition of new taxes will stop a proportionate amount of useless expenditure, while in the case of certain classes, e.g., the manufacturers and farmers mentioned above, obviously it will be better to impose new taxation now than to wait until with the end of the war another industrial crisis has to be surmounted, and the price of wheat goes sliding downwards. Presumably, the existing war taxes will be maintained. Apparently, however, the new excise taxes imposed by the last Budget have not been a success as revenue producers, though possibly they have done a certain amount of good in other ways. On the other hand, the war tax on letters appears to have been a considerable success, the Post Office revenue for the eight months having increased by about 40 per cent. Possibly, the Minister of Finance, encouraged by this success, may in his coming Budget extend his stamp taxes, including, for instance, a tax on receipts above a certain amount, \$10 or \$20—a simple tax which costs little to collect. In any case, if Sir Thomas White decides to continue or extend his stamp taxes, it is to be hoped that he will make the necessary arrangements whereby cheques and other documents requiring stamps can be purchased already stamped. In the last year or so, tax-paying has been too frequently synonymous with stamp-licking.

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As regards other new taxation, apparently our fiscal machinery will have to be considerably elaborated in the next few years. At present in Canada, we lack entirely the well-organised machinery by which the 50 per cent. tax on war profits is to be collected in Great Britain. Of the absolute fairness of a tax on war profits, there can be no manner of doubt; the trouble in Canada comes in the devising of a reasonable method for its collection. In any case, necessary fiscal machinery being lacking, it will probably be impossible to reach at once every single person who could be legitimately compelled to pay taxes of this kind. It will be necessary at first to do the best we can, and we suggest that a fair and comparatively simple method of collection of a war profits tax would be to require all companies incorporated and carrying on business in Canada, registered partnerships and registered individual firms known to have done war business of one kind and another to make a return to the Dominion Government with penalties for mis-statements, of annual profits covering say, three years, the tax to be based as in Great Britain on profits during

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