The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881 PUBLISHED EVERY FRIDAY

Vol. XXXVI. No. 7 MONTREAL, FEBRUARY 18, 1916. Single Copy 10c
Annual Subscription $3.00

THE NEW BUDGET.

The Minister of Finance may be congratulated both upon his courage and his moderation. It is possible that, as he himself admits, certain anomalies may arise in the course of administration of the remarkable and comprehensive scheme of new taxation which he introduced on Tuesday, and it is conceivable also, certain cases of hardship. But on the whole it appears that Sir Thomas White has devised a plan for raising a very considerable amount of funds, by placing a load that is by no means excessive upon shoulders that are, generally speaking, well able to bear it. In making new demands upon business generally and not only upon those who are directly engaged in the manufacture of munitions and other military supplies, the Minister has followed the English example set in the 50 per cent. so-called war profits tax, which is applicable not only to direct war profits but is exacted upon all profits or incomes in excess of a pre-war average. Obviously, this is the only fair method of imposition of a tax of this kind. The idea of a thumping imposition upon the profits of those who are engaged directly upon the manufacture of war munitions and supplies is an exceedingly tempting one, but in fact, many lines of business benefit indirectly from war activities and a few exceptional cases of possible hardship should not and cannot be allowed to stand in the way of a scheme of necessary taxation that is equitable on the whole.

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The unprecedented character of the problem with which the Minister has had to cope, can only be realised by study of the facts and figures contained in his remarkably lucid address. For the new fiscal year beginning on April 1st the ordinary expenditure of Canada on revenue account is estimated at $135 millions, this amount including $36 millions charges upon the public debt, of which sum no less than $20 millions represents increased interest due to our war borrowings, Capital expenditure on works already in course of construction will probably absorb $30 millions against $40 millions in the current year. The war expenditure is uncertain but the Minister apparently anticipates that almost the whole of a new appropriation of $250 millions (making a total appropriation to date of $400 millions) is likely to be eaten up during the next fiscal year. The revenue for the current fiscal year is estimated at $170 millions. Assuming next year's revenue on the existing basis of taxation to be the same, and the borrowing of the $30 millions for ordinary capital expenditure, there would be only $35 millions left for war purposes—necessitating the borrowing of at least $215 millions to meet war expenditure.

As a safeguard, the Government arranged last fall with the British Government for a loan during the present calendar year of £30 millions to be availed of at a rate not exceeding £2 1-2 millions a month. It is the intention, however, to draw upon this as little as possible, the desire of the Government being to raise the utmost by further loans in Canada. Certainly, national self-respect demands that at the present time we shall supply the Government's needs from our own pockets to the limit of our capacity and we are very glad to note that the Minister of Finance is doing something at once to ensure this by making investment of life insurance funds in the Dominion Government's loans compulsory, and by the sale of debenture stock in small amounts. For the new taxation which must go hand in hand with the new borrowing, the Minister of Finance has evolved a very comprehensive scheme which he hopes will produce as much as $25 or $30 millions. In brief, all corporations engaged in trade or business in Canada and all private partnerships and individual firms are required to contribute 25 per cent. of their net profits in excess of 7 per cent. upon the paid-up capital in the case of incorporated companies and of 10 per cent. in the case of private partnerships or individuals. This taxation does not apply to life insurance companies and to those engaged in farming and stock-raising and also not in cases where the capital is less than $50,000 although the latter exemption does not cover companies or firms engaged in the manufacture of or trading in munitions and war supplies. This tax is made retroactive to August 4th, 1914, the duration of the legislation being limited to August 3rd, 1917. The contributions made by banks and insurance companies under last year's war taxes are regarded as a contribution under the present legislation.

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The series of resolutions covering these proposals indicate elaborate machinery for the collection of this new tax, which is payable in November each year. As we have said, the Minister of Finance has been both courageous and moderate in meeting an unprecedented situation. Those who have been engaged in war business might fairly have expected a heavier burden than that proposed, and a severer dealing with companies, the capital of which has been grossly watered, would, if practicable, have been welcome. A number of practical difficulties in administration suggest themselves, particularly in regard to the allocation of the tax upon foreign companies doing business in Canada. But doubtless these will be gradually straightened out.