

The Chronicle

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THE GENERAL FINANCIAL SITUATION

(Continued from front Page)

of heavy liquidation of Japanese holdings of sterling. Japan has passed through a severe financial crisis, following a wave of excessive speculation, and some observers are pointing to the fact that the great panic of 1907 was preceded by severe crisis in the East. Whether precedent will be followed under the new circumstances the world over remains to be seen. But it is an undoubted fact that with the credit situation already strained in many centres at this time, international bankers are looking forward to possibilities in the fall with considerable anxiety.

One point in the British Budget statement has struck the Canadian business community forcibly, the raising of the Excess Profits Duty (which corresponds to the Canadian Business Profits War Tax) from 40% to 60%, after it had been cut in half last year. The point is made in this connection that this tax is apparently the only feasible method of meeting the "profiteer." However, that may be, with this example before it, the business community has about made up its mind that the Minister of Finance will announce a continuance in his forthcoming Budget speech, with possibly a slight decline in the scale of taxation if the exigencies of the revenue permit of it. The plain fact is, however, that at this time Sir Henry Drayton is not in a position to adjust theories of taxation nicely, and some tightening up of the Income Tax and possibly taxation from new sources may be expected in the Budget.

In connection with this subject of taxation, it is of interest to note the opinion of the Board of Inland Revenue (the body which controls Income Tax and excess profits duty in England) in regard to the imposition of a tax on "war wealth." According to this authority, it would be impossible to discriminate, for the purpose of administration, between wealth derived from war profiteering, evasion of taxation and extra effort and saving. All would have to be taxed alike. A scheme suggested to produce about three and a half billions of dollars would take the form of a capital levy

restricted to an increase of capital value during a particular period, with an exemption of wealth in aggregate below \$25,000. This opinion has been submitted to a House of Commons Committee, which is enquiring into the subject of a levy on "war wealth" to which levy apparently the Government is pledged. The opinion illustrates the difficulty of getting at "war wealth" pure and simple, the scheme put forward by the Inland Revenue as the only practical one not agreeing at all with the popular conception of such a tax. The rise in the excess profits duty referred to above is a temporary one pending the imposition of the "war wealth" tax, which, whatever scheme is eventually adopted, will obviously be a severe one.

MERCHANTS BANK'S CAPITAL TO BE INCREASED TO \$10,500,000

The announcement made this week that the Merchants Bank of Canada propose, to issue new stock to the extent of \$2,100,000 which will bring the stock of the bank issued up to \$10,500,000, draws attention to the remarkable progress being made by this popular bank under the management of Mr. D. C. Macarow.

Last year the Merchants Bank issued \$1,400,000 of stock, at the same price of \$150 per share, bringing their paid up stock to \$8,400,000. This stock was allotted to shareholders at the ratio of one new share to five held, while the new issue is at the same price, but the ratio of one to four shares held.

BANKS ANNOUNCEMENT.

"In line with a decision of the directors, arrived at some time since, the Merchants Bank of Canada announces an issue of \$2,100,000 new capital stock at \$150 per share. This is at the rate of one share of new stock for each four shares of old held, and as the allotment will be made to holders of record as at 31st May next, ample time is allowed to present shareholders to adjust their holdings to multiples of four.

"The object of the issue is to keep pace in the matter of capital with the rapidly growing business of this purely Canadian institution, and those who stop to consider will read in this announcement, an expression of confidence in the future of this country, and a forecast of continued progress and development along safe and enduring lines.

"The favourable rate at which the new stock is made available to the bank's shareholders further indicates the desire of the directors to substantially benefit those who, as owners and partners in the institution, have made its strength and growth possible, and it is fitting that, in addition to increased dividends, the holders of such solid non-speculative securities as bank shares should be permitted from time to time to reap a profit on such issues as that under consideration.