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THE NEW TAXATION.

The amended resolutions brought down by the Minister of Finance in regard to the proposed new 25 per cent. war tax on profits do little more than lay down the broad principles which will govern the levying of the tax. Many details in regard to its incidence remain obscure, and apparently they will only be cleared up in the course of actual administration. With such a far-reaching and comprehensive scheme of new taxation as that proposed, this is only to be expected, and cannot be legitimately made a matter for complaint. The general effect of Sir Thomas White's new amendments is apparently to reduce considerably the proposed tax upon old-established and wealthy corporations and to bring within the scope of the measure a batch of the companies organised in recent years, whose grossly-watered capitalisation has been one of the greatest scandals of Canadian finance during the last decade. In ascertaining the "capital" of these companies for the purpose of the tax, regard is to be had to the companies' real assets, not merely to the nominal amount paid up. In this connection, the amendments make a decided improvement in the proposed legislation. While the operating period of the new proposals has been slightly changed, so that the first accounting periods to come within the provisions are those ending after December 31, 1914, instead of after August 4, 1914, the measure applying to three accounting periods of a year each following that date, the Minister of Finance retains the retroactive feature of his taxation. The agitation against this by a Toronto financial journal does not, we believe, represent truly the view of any considerable section of the taxpayers. Frankly, this agitation merely suggests a desire to dodge legitimate taxation on large war profits.

With regard to the banks and insurance companies, an important amendment to the original proposals is that contained in the new clause that "an incorporated company may include as part of its capital, its actual unimpaired reserve or accumulated profits." It is not clear whether this definition allows the inclusion of the profit and loss balance, as well as the rest, of the banks. But even if the profit and loss balance be not included, the effect of the new amendment is to reduce substantially the proposed burden on the banks. The tabulations of banking profits given in our issue of

February 11th show that only ten of the 22 banks earned in their accounting period ending in 1915, in excess of 7 per cent. on their paid-up capital and rest. It is, of course, possible that the Finance Department may reckon "net profits" on a different basis from that used by the banks in making their declarations from which THE CHRONICLE'S statistics were compiled. But even when the utmost allowance has been made for this, the effect of the new taxation upon the banks seems not likely to be serious. The banks, of course, are already paying a war tax of one per cent. on their circulation.

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This new clause also will obviously be of considerable benefit to the fire insurance companies, although it would possibly be rather rash to particularise too closely at present the likely basis upon which their capital will be arrived at for the purposes of the tax. The British companies follow a different practise from that commonly in use on this side of the Atlantic, in setting aside specific conflagration reserves. If there is to be equality of treatment as between the British and American companies, some common denominator will have to be found as the basis of the elaborate calculation necessary in these cases to find out exactly what their paid-up capital for the purposes of this tax is. A new clause of very great importance to the British companies, and also to one or two of the Canadian companies, is that providing that any war profits taxation paid in Great Britain or in any of the countries of the Allies, or in any of their dependencies, shall be deducted from the amount of the tax that would otherwise be payable in Canada. This very rightly relieves the British companies from threatened double taxation, and will lower their Canadian payments considerably. In fact, it seems likely enough that in a number of cases the British companies will not have to pay the Canadian war profits taxation at all. Instances where the companies' payments under the 50 per cent. profits tax in Great Britain, when payable at all, will exceed the amount for which they would be liable in Canada, seem very probable, and in these cases no payment of the Canadian tax will be required. The companies, however, will apparently have to go on paying the one per cent. war tax on premiums imposed last year, payments of this being credited against payments of any war profits tax which may be due for an accounting period ending in 1915.