

times in consequence of events of far less moment than those of the past three years. Panics or runs upon banks have been entirely avoided, while rates of interest throughout the country have been more moderate and uniform than ever before. The process of moving the crops, which in past years has given rise at times to serious stringency and high money rates, is now carried out without the slightest shock or interference with normal conditions. The banks, in general, enjoy a confidence they could not have acquired under any other conditions—a condition which is in itself perhaps the best contribution of the Federal reserve system to the general public welfare during the financial strain inevitably resulting from the war.

PROVISIONS OF INCOME TAX BILL

Exemptions, Methods of Appeal and System of Collection —Deduction from Incomes

Under the income tax measure of Sir Thomas White, any person making a false statement in any return required by the minister of finance will be liable on conviction to a fine not exceeding \$10,000 or six months' imprisonment, or both. For each default in complying with provisions of the act governing returns the person will be liable to a penalty of \$100 a day during the period of default. Boards of referees, consisting of not more than three members, are to be appointed by the governor-general-in-council, and will act as courts of revision and hear appeals. The boards will have power to confirm or amend an assessment. If an appeal is unsuccessful, the board may direct that the appellant shall pay the costs or part of the costs, but if the appeal is successful it may recommend that all or part of the costs be paid by the Crown. The Exchequer Court fees will apply in connection with the administration of the act.

May Make Appeals.

If a taxpayer is dissatisfied with the decision of a board of referees, he may within twenty days appeal to the finance minister. Such appeals will come under the exclusive jurisdiction of the Exchequer Court.

The bill provides that "every person liable to taxation under this act shall, on or before February 28th in each year, without any notice or demand, deliver to the minister a return in such a form as the minister may prescribe of his total income during the last preceding calendar year. In such return the taxpayer shall state an address in Canada to which all notices and other documents to be mailed or served under this act may be mailed or sent." The bill also provides that all employers shall make a return of all persons in their employ, liable to taxation under the act, and all corporations, associations and syndicates shall make a return of all dividends or bonuses paid shareholders or members, and these returns must be forwarded to the minister of finance on or before February 28th in each year. Returns in the case of corporations, associations or other bodies shall be made and signed by the president, secretary or chief agent having a personal knowledge of the business.

Incomes Exempt.

The act makes it compulsory on the part of employers to deduct from salaries of employees subject to the income tax the amount of the tax and to forward it to the finance department.

The following incomes are exempt from the operation of the tax: the income of the governor-general and of consuls and consuls-general who are citizens of the country they represent and not engaged in any other business or profession; the income of any company, commission or association of which not less than 90 per cent. of the stock is owned by a province or municipality; the income of religious, charitable, agricultural and educational institutions, boards of trade, chambers of commerce, labor organizations and benevolent and fraternal societies; the incomes of mutual corporations, not having a capital represented by shares and no part of the income of which inures to the profit of any member thereof, and of life insurance companies, except such amount as is credited to the shareholders' account; the incomes of clubs, societies and associations, organized and

operated solely for social welfare, civic improvement, pleasure, recreation or other non-profitable purposes, no part of the income of which inures to the profit of any stockholder or member; the incomes of such insurance, mortgage and loan associations operated entirely for the benefit of farmers as are approved by the minister; the incomes derived from any bonds or other securities of the Dominion of Canada, issued exempt from any income tax; the military and naval pay of persons who have been on active service overseas during the present war in any of the naval or military forces of His Majesty or any of His Majesty's Allies.

Deduction from Incomes.

From incomes the following will be deducted for the purpose of the tax: the value of property acquired by gift, bequest, devise or descent; proceeds of life insurance policies paid upon the death of the person insured; such reasonable allowance as may be allowed by the minister when determining the income derived from mining and from oil and gas wells as shall make an allowance for the exhaustion of the mines or wells; the amount subscribed and paid by a taxpayer during the year to the Patriotic and Canadian Red Cross funds and other patriotic and war funds approved by the minister. For the purpose of the normal tax the income embraced in a personal return shall be credited with the amount received as dividends upon the stock or the net earnings of any company or other person which is taxable upon its income under the bill.

NEXT DOMESTIC LOAN AND INCOME TAX

"War Loans are Free from Any Income Taxation, and They Must Be," Says Sir Thomas White

It is doubtful whether the \$100,000,000 Canadian loan floated in the United States this week, will obviate the necessity of another domestic war loan late this fall. Larger borrowing in the United States might have postponed our fourth internal war loan until January, February, or even March. As it is, the strength of the Canadian investor may have to be tested again in November.

One may almost read a plain sign in Sir Thomas White's speech on his income tax proposals, to the effect that the next domestic war loan will be exempt from the Federal income tax. He said:—

Must be Tax Free.

"The government war loans are free from any income taxation, and they must be. It is absolutely impossible for this government to issue its bonds to the amount which is and will be required for the war expenditure of the Dominion unless those bonds are income tax free, so far as Dominion legislation is concerned. The reason is that men buy securities to yield a certain interest rate. Sometimes the difference between 5.30 and 5.40 per cent. will determine whether a man will or will not buy a bond.

"The value of securities is regulated having regard to market conditions and the value of all other securities, and in offering Dominion issues, put out as we must put them out to finance a war of this kind, the uncertainty of an income tax so far as the future is concerned, or a heavy income tax so far as the present is concerned, means that people will not buy those bonds to the extent they otherwise would. And there is this further point to be considered.

Broad as it is Long.

"If you should sell your Dominion bonds without that provision that they are income tax free, it would only mean that you would have to sell them to yield a higher rate than they yield to-day. So it is as broad as it is long; you would not get as much for your issue of securities as you get for them to-day, free of income-tax. That is a question that has perplexed many chancellors of the exchequer. In the United States they have issued their loans free of income taxation for the reasons I have mentioned. Even in England, which is the home of the income tax, where they struggled to the utmost against issuing securities free of income tax, in connection with the last loan in London they gave an alternative, one free of income tax and another subject to it."