

TAXES PAID BY FIRE COMPANIES IN CANADA.*(Continued from p. 901)***WHERE THE RESPONSIBILITY LIES.**

As has already been indicated, the large increase in the amount of taxes paid by the fire companies last year, amounting to in round figures \$220,000—not far short of 45 per cent.—is due mainly to the Dominion war tax. Presumably, this tax is a temporary affair, though in view of the onerous character of the financial obligations now being shouldered by the Dominion Government on account of the war, it would perhaps be well not to be too optimistic in regard to its early removal. The figures, however, make it apparent that the fire companies are contributing at least their share towards war taxation. In addition to this special tax, they are of course contributing under the general war taxation of extra postage, import duties, etc.—taxes which are not included in our compilation—and possibly some of the companies will have to pay up considerable extra war taxation this year under the business profits tax. So the height of the war taxation cannot yet be seen. It is not, however, with the war taxation that the companies quarrel. Their quarrel is with the taxation by spendthrift provinces and municipalities, taxation by whom has not nearly so good a justification as the war taxation. In fact, about the only excuse for the taxation on premium income (which is much the same thing as if a wholesale merchant were taxed on his turnover) and other impositions is, that they are easy to collect. The provinces and municipalities are, of course, entitled to collect from the fire companies the local taxes which are generally imposed upon the business community. But these represent in fact a very small proportion of the total taxation paid by the companies. The bulk of their taxation by these authorities, is special taxation and for it, the insurance companies get absolutely nothing in return—the taxes are merely gross impositions. Moreover, there is no limit to the demands upon the companies except the moderation of the taxing authorities. At the last session of the provincial legislature at Quebec the City of Montreal coolly asked authority to double up the tax of 1 per cent. on Montreal premiums. It was only at the eleventh hour that this iniquitous proposal was thrown out by the Legislative Council, and undoubtedly another effort will be made next winter to secure power for this additional imposition, though the province of Quebec already holds an unenviable notoriety as perhaps the worst offender in the Dominion in this respect.

HITTING THE SMALL COMPANIES.

One result of the taxation fever on the part of the provinces and municipalities is undoubtedly to intensify the difficulties of the small company in the Canadian fire insurance field. It has already been shown that, proportionately, the Canadian

companies pay considerably more in taxation than the other classes of companies, owing, broadly speaking, to their smaller premium incomes in proportion to the extent of their organisation. The records show that last year several of the Canadian companies actually paid about 5 per cent. of their net premium incomes in taxes. It will be noted too that in 1914, before any war taxation was thought of, the Canadian companies paid in taxation 5¾ per cent. of the amount of their net premiums less losses paid. Again, the effect of this taxation is to handicap severely the entry of new companies into the Dominion, owing to the enormous proportion which these taxes bear to the premium income in early years. One French company, which entered the Canadian field just over a year ago, actually paid in taxes last year 12 per cent. of its 1915 Canadian net premium income. In more than one case, foreign companies recently entered here had to pay last year 5 per cent. of their premium income in taxation, this proportion even being recorded in one case where a premium income of \$250,000 was secured. The facts themselves condemn, as would no amount of denunciation, a system of taxation that has reached proportions little short of preposterous.

Another effect, of course, is to put a premium on unlicensed insurance. There is some hope that the Minister of Finance will sooner or later do something to redress the obvious injustice of the present condition of affairs in this connection. It is difficult for the plain man to see why, if company A is allowed to take Canadian risks without bothering about any supervising or taxing Canadian authority, Company B, in just as good and probably a better financial position, should be required to submit to all sorts of safeguards for its Canadian policyholders and pay up 4 or 5 per cent. of its premium income in taxes. It is to be hoped, at the forthcoming revision of the Insurance Act, which will possibly take place next session, that if unlicensed insurance is not done away with altogether, that at least it will be taxed as severely as the regularly licensed companies. Some of the provinces have lately adopted a system of charging taxation on policyholders in unlicensed companies, but their efforts are certainly insufficient to redress the injustice to the licensed companies.

The insuring public generally is not acquainted with the facts of taxation, nor does it appreciate that the companies are placed, against their will, in the position of tax collectors for the support of spendthrift politicians. Possibly a slip attached to all policies detailing the percentage of the premium which goes in taxation would be a useful educative influence.

A strong movement is now on foot in North Dakota for the State operation of all kinds of insurance. This notwithstanding the fact that the State hail fund has never been able to pay its losses in full, while the State bonding fund is tied up in litigation.