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British Columbia Tax Commission

Report Just Submitted to Legislature Recommends Drastic Revision in Revenue System—Income Tax Should Be More Graduated—Poll Tax and Amusement Tax Unsound—Scale of Expenditure Too High For Revenue—Permanent Board Proposed

THE report of the British Columbia Taxation Commission, which was appointed in November, 1917, has just been presented to the British Columbia legislature. Mr. J. B. McKilligan, who had been appointed chairman, died during the term of its work, and the members reporting are Professor Haig, of Columbia University, Alderman Cameron and Mr. Kidd. The report is in triple form, giving the views of Professor Haig on the present system of taxation, the findings of the other two members, and a draft taxation act. Accompanying it are tables and charts illustrative of subjects dealt with, suggestions for the classification of revenues, and comparisons of the federal and provincial income taxes

The board in its first report reviews provincial conditions since the publication of the report of the commission on taxation in 1911, and especially since the collapse of the boom, and makes some general reflections in regard to the broad questions of the distribution of wealth, inequalities of taxation and "the ability to pay" as a basis of fair and equitable taxation. The board then goes on to consider the sources of revenue of the province as derived from persons having land under their control and from persons employing capital for the purpose of making profit by its employment within the community.

Taking up first the poll tax the board recommends that it be continued, and that its application be extended to all males between twenty and sixty without other exemption than military service. The board is of opinion that present conditions justify the tax, but recommends that it be discontinued whenever conditions become so changed as to permit of its abolition.

In regard to farm lands the board states that no class needs the encouragement that comes from fair treatment more than the farmers, and that as compared with farmers on the prairies their taxes are excessive. The average value of farm lands under normal conditions, the board says, is determined by their comparative natural productiveness, and that as their rental value is the measure of the income of the owner, so it should be the measure of the taxes he should pay as compared with others taxed on their incomes.

The board, therefore, recommends amendments to the Taxation Act, which it considers will result in taxing all farm holdings at the current rate on whatever value each may be assessed for up to a value of $25 per acre, and that when they get above that value whatever assessed value is placed upon them above that figure should be based on rental value. The rate at which the board would capitalize rental value for assessing purposes is ten per cent.

In respect to the assessment of small holdings of less than twenty acres the board is of opinion that this should be at their cash value as now provided in the Taxation Act. The board's view, however, is that a sub-division of land into small areas should be discouraged. Land held for building purposes the board thinks should be assessed on the same basis as city lots, at sale value. No change in the present taxation of wild land is recommended, but the board thinks it is one of the branches of land taxation that requires full investigation and consideration.

The board adds its recommendations to those of the royal commissions of 1905 and 1911 that the personal property tax be abolished except in those cases where the use of certain kinds of personal property has to be regulated, and where registration and license fees are levied for that purpose.

The board agrees that the imposition of a tax on income is the most equitable of all methods of taxation, as taking from the individual or economic unit a proportional part of the amount he draws from the fund of wealth created by the community without impairing the capital employed in the production of that wealth. The board recommends a more finely graduated scale than at present, substituting sixteen classes for the present seven, but with no changes in the rate up to $10,000.

On incomes above that sum the rates would be slightly higher, culminating in 12 per cent. on incomes over $30,000 instead of the 10 per cent. now levied. The exemptions they would grant are $1,200 on the joint income of husband and wife living together without children under 16, with $200 additional for each child under 16; $800 for single persons under 70, including widows, widowers or divorced persons without children, and $1,000 for single persons over 70.

In connection with the taxation of mines, the board reports against allowing any deduction for exhaustion of mines, finding that in England court decisions are clearly against it, and that in no country where mine taxation is levied on net income is it allowed. It remarks that it is safe to assume that before capitalists invest in the mine they will know with a great degree of certainty that there is enough ore to pay interest and create a sinking fund to replace the investment before the mine is exhausted. The board recommends the continuance of a mineral tax and refutes the argument that to levy this tax and tax the profits of the mine is dual taxation. It also reports against allowing interest on borrowed capital as a deduction of profits. It is recommended that canneries and similar fishing industries be brought under the income tax provisions of the act.

Respecting the collection of taxes the board is of opinion that the system of allowing a discount for payment before a certain date is wrong in principle, both in regard to provincial and municipal taxation. It proposes that taxes shall become due and payable on January 2nd, and that if not paid by March 31st, interest will be charged at the rate of one per cent. per month until December 31st, when they become delinquent and bear interest at the rate of eight per cent. per annum until paid or recovered.

The board finds that complaints in regard to inequality of assessments are well founded, and that the complaints about the real property tax are against inequality of assess-