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Taxation of Luxuries Feature of Budget Speech

Heavy Excise Duties Will Be Levied on Purchases of Expensive Goods—Business Profits Tax Reduced—Higher Rates on Large Incomes—Tariff Investigation Has Already Begun --Currency Situation Now Sound, but Deflation Anticipated During Coming Year

SIR HENRY DRAYTON, minister of finance in the Dominion government, delivered his first budget speech on Tuesday afternoon. First he gave a comprehensive review of the financial and economic position of the Dominion. Conditions obtaining not only in Canada, but all over the world, he said, were very different from the conditions which prevailed while the war was in progress. Then the compelling necessity of the moment required the raising of large sums of money. It was absolutely imperative that there should be no check on production, no hindering of the war effort. To-day conditions were changed. The war was won; expenses were great; Canada, with other countries which participated in the titanic struggle, was faced with a pyramid of debt. "The duty to-day," Sir Henry declared, "is not only to carry on the government of the country without any additions to the debt, but, on the other hand, to promote measures which will reduce the nation's indebtedness."

Revenue for the fiscal year 1919-20 would reach approximately $388,000,000, the largest revenue Canada had ever collected. It was no less than $255,000,000 greater than that of the first year of the war. The chief sources of the revenue were:—

Customs	$169,000,000
Excise	43,000,000
Postoffice	22,000,000
Business profits war tax	44,000,000
Income tax	20,000,000
Other war taxation	17,000,000

Consolidated fund ordinary expenditure for 1919-20 would be approximately $349,000,000. This included $108,500,000 interest on public debt, $26,000,000 for pensions and $49,000,000 for soldiers' re-establishment. For investment and capital outlays, beyond the ordinary current expenditure of $349,000,000, an expenditure of $187,856,991 was estimated. The resultant total of $536,741,110 represented the outlay of Canada for all purposes apart from war during the past year. With a total revenue of $388,000,000, and an ordinary expenditure of $349,000,000, it would be seen that during the fiscal year the government, after meeting all ordinary expenditure, including an increased amount for interest account and pensions over the previous year totalling nearly $39,000,000, had a surplus of approximately $39,000,000 over ordinary expenditure, to apply to capital expenditure.

Demobilization expenditure for 1919-20 would amount to $350,000,000, making a total outlay for the war up to and including March 31, 1920, amounted to $1,674,000,000, apart altogether from such expenses resulting from the war as pensions, soldiers' civil re-establishment, soldiers' land settlement and interest on war debt. During the year the country paid off a floating debt of $247,000,000 out of the proceeds of the Victory Loan issue of 1919. The short-date indebtedness for the year amounted to only $88,956,000. The addition to the debt during the year amounted to $395,000,000.

Main estimates for 1920-21 totalled $537,149,428 ($328,500,000 on ordinary account), and supplementary estimates for civil servants bonus, $12,500,000. The question of main supplementary estimates was still standing. Revenue for the fiscal year 1920-21, estimated an the basis of existing fiscal legislation, and assuming that values of importations for Customs purposes should practically remain the same as for 1919-20, should amount to $381,000,000.

No More Borrowing

Including the cash on hand and outstanding accounts, including balances due from Great Britain, made a whole total of $720,441,752.88. In all probability the whole of these accounts would not be collected within the year, and $571,000,000 would more accurately represent the actual cash resources for the year. No further loan ought to be made, Sir Henry added. In addition to the commitments already mentioned, certain floating obligations matured this year, totaling $74,058,400. "The revenue of the year," declared the Minister, "should at least not only carry current expenditure but retire this debt."

Current expenditure, however, would be greater this year than that already indicated. Deficits on the railway system had been reported in the main estimates. These deficits, during the readjustment period, would be materially increased by the acquisition of the Grand Trunk. Some economies ought to be effected in the near future, but with the arbitration pending, it was improbable that full benefit of the Grand Trunk acquisition could be expected in the current year. It would be necessary to make advances to the company to cover past due operation obligations. These advances would constitute obligations of the company, and must be taken into account in the arbitration. In addition, advances of necessity would be made to provide for this year's operations. The approximate amount to cover advances for the purposes above mentioned was $28,000,000. Charges of unfairness levelled against Canada by different shareholders at Grand Trunk meetings, were unfounded. If the Grand Trunk had not been taken over, the shareholders in all human probability would have lost their whole investment.

New Taxation to be Levied

The minister described the new taxation proposals as follows:—

"Not only is more revenue necessary, but extravagant and luxurious expenditure ought to be checked. Just so long as expenditure on non-essentials and extravagant expenditure continue, just so much longer will the drop in the value of essentials be postponed. On those having income more than necessary for properly maintaining themselves and families there rests a special duty of saving whenever possible, and in this manner adding to the available financial resources for development. Extravagant buying should stop. With this end in view, as well as for necessary revenue, it is proposed to levy on certain specified articles an excise tax