

PROVINCIAL TAXATION OF BANKS.

(Continued from last week.)

EFFECT OF TAXATION.

Taking the increase of bank taxes all round, the inevitable result must be, as Mr. Wilkie explained to the Imperial Bank stockholders, to discourage branch extension, to cause the banks to refrain from supplying facilities to many points which need them, and to increase the cost of banking services to the public. It would seem that the western provinces in particular are interested in keeping down the taxation of banks. The whole Dominion is interested in cheap credits; the West is vitally interested in having cheap credits. It is to be feared the efforts of western provinces to bring about reduction in discount and loan rates will be in large measure nullified if they continue to increase bank taxes as they have in the past few years. This applies particularly to British Columbia and Alberta. Saskatchewan and Manitoba are more reasonable in their application of taxation methods. When Ontario's increase goes into effect, Saskatchewan will have the lowest average tax per bank office of any of the provinces. The Saskatchewan taxes work out \$82 per bank office, whereas Alberta shows \$182 and British Columbia \$337.

FEWER BANKS.

Since 1913 the western provinces have not been getting as many new bank branches as the East. While the trade depression must be taken as the principal cause, increase of provincial taxes also had its effect. The new Ontario law is so framed as not to force the banks to close numerous small branches. The tax on individual branches in Ontario is still small (\$50), even though doubled by the new law. But in case of British Columbia there is \$250 a year to be saved in provincial taxes through closing an unprofitable branch; that is an item worth considering, and if the trade reaction lasts much longer we may expect to see a considerable number of offices closed in that province. The same applies to Alberta in slightly less degree. There the saving in provincial taxes through closing a branch would be \$125. But as regards Saskatchewan and Manitoba it can be assumed that the provincial taxes will not operate to cause closing of branch offices, at least while the present scale survives.

It should be in the interest of all these provinces to encourage the banks to put branches in small places and in that way rescue the inhabitants of the smaller villages from the private bankers who charge exorbitant rates.

POSSIBLE DOMINION TAXATION.

Mr. Wilkie brought up the point regarding the possibility of Dominion taxation of banks being added to the provincial and municipal taxation. If the Dominion does enter this field perhaps its exactions would take the form of a straight tax on earnings, or an income tax on bank dividends. Such a development would necessarily have disagreeable consequences for all who borrow from the banks and all who have occasion to use their facilities—the increasing exactions would have an irresistible tendency to push up the scale of banking charges and to induce the banks to confine their operations altogether to points whereat good profits were to be secured.

Apparently, the provincial treasurers and governments are in most cases aware that increase of bank taxes is not a good thing for the people of their provinces. Usually, when increases are decided upon, it is a case of urgent need for additional funds, and no visible means of getting them except from the corporations. So it would seem that the only hope for escaping further rapid increase in the future lies in the adoption of more conservative and careful financial policies by the various provincial governments. Increase of funded debts of the several provinces has been one of the most potent factors in causing increase of bank and other taxes. And the banks and their customers have cause to look with some apprehension on the provincial guarantees so lavishly given to railway companies in recent years. Should the provinces, or any of them, be required to implement these guarantees they would be almost compelled to mulct the corporations afresh to provide the additional funds.

PASSING ON THE TAXATION.

It may be the case that disinclination of British investors to take our provincial bonds on any large scale will operate to prevent rapid growth of provincial debts in the next two or three years. If so, the provincial governments would have to economize and they would be obliged to refrain from taking up new schemes involving large expenditures of borrowed money. Taxpayers of various classes might thus have reason to bless the British investor for his temporary obduracy in the matter of subscribing to provincial bonds. The Montreal CHRONICLE a short time ago suggested that the banks and other corporations might eventually be led to specifically designate the item of taxes when laying charges on their customers. Thus if a bank were charging a customer $7\frac{1}{2}$ per cent. discount on a loan, it might inform the customer that the deduction of $7\frac{1}{2}$ per cent. represented 7 per cent. for its own revenues and $\frac{1}{2}$ per cent. to cover taxes. This idea has its attractions when looked at from the banking point of view. If the public could be made to realize or understand just how the exactions of the provinces and municipalities tended to increase the disposition of bankers to quote higher charges for services performed, there might be a good deal of indirect pressure brought to bear on the legislatures. To carry out a plan of this kind logically or properly the banks would have to charge higher rates relatively in those cities which mulcted them most severely, and, generally, in those provinces having the relatively high scales of taxation. But, unfortunately, it would be almost impossible to put a plan of this kind into operation. The charges levied by banks on their customers are so varied and intricate that it would be impossible to say to what extent a given charge should be increased to make it cover a newly imposed tax. As a general rule, the banks will continue in the future, as in the past, endeavoring to fix their charges and rates at such levels as will give them a fair profit after providing for expenses of all kinds (taxes being included therein). Where the taxes are especially high the banking disposition will naturally be to charge rates, etc., a little higher than prevail elsewhere. Of course, it would not be possible or practical in all cases to meet excessive taxes with special rates for services. At some points, notably in the greater cities, competition is so keen as to keep bank rates and charges severely down. How-