

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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TAXING LIFE INSURANCE

By their decision to fight the taxation of life insurance in Ontario, the Canadian Life Insurance Officers' Association are making a stand against the penalizing by governments of thrift and foresight. The existing Ontario laws will be appealed against by the companies on constitutional grounds. Whatever may be the result of legal engagement, the moral claim is clear. The principle of taxing life insurance premiums is unjustifiable. If the companies can prove the tax is also unconstitutional, so much the better.

The opinion has been held both in high and low places, for many years past, that life insurance taxation is decidedly unfair: Daniel Webster made this statement on insurance taxation: "Because the life insurance premium is itself a tax—voluntarily paid by the insured to the end that those dependent upon him may not become a public charge after his death. Therefore the taxation of life insurance funds is in reality a tax upon a tax."

Those with sufficient prudence to insure are doubly burdened. They must pay their share of the taxation necessary to provide for the destitute (for whose care no life insurance was arranged) and they must pay a further tax for arranging that their own dependent ones do not become a public charge.

Senator Sherman of the United States Senate has said that instead of placing burdens on life insurance the government ought to exempt it and the companies writing it from taxation.

The taxation imposed upon Canada's life insurance companies has become a serious matter. The life companies' funds have been heavily taxed because they are easily reached. The question is not one only for the life companies; it is one for every man and woman who carries life insurance. The policyholder is directly affected by this taxation, which is increasing at an alarming rate. Only those who believe that their thrift and foresight in taking out life insurance should be penalized by governments will support the taxation.

CANADA AND THE LONDON MARKET

Great hopes should not be raised as to floating Canadian loans in London immediately after the war. At the same time, there are good prospects for a certain amount of financing there. While the war lasts, Canada will get what money it requires for naval and military purposes, through the Bank of England. The provincial governments are financing temporarily, municipalities are doing the same and selling a few of their permanent securities, and corporations, generally speaking, are not in need of funds for a while. Discussing the outlook, the London Financial News says that while it is true that the amount of money available for investment in Canada and elsewhere may be reduced considerably, and that Canadian municipalities and provincial governments are expected to exercise economy in budgeting for the early future, it is hardly correct to suggest, as has been done, that Canadian borrowers must needs go to the United States for future accommodation.

When the war is over there is no doubt that investors in Europe will find ample means of employment of their surplus funds and rates of interest will probably be high; but Canadian investments should find favor, inasmuch as the Dominion stands to reap many benefits from the war without having suffered so severely as European countries during the struggle. Canada will have to pay fairly high rates of interest, no doubt; but it would be a mistake to think that investors will be so entirely preoccupied with war loans that Canada will be left out of all reckoning.

Money may not be over-plentiful immediately after the war, but Canada can reasonably anticipate receiving a fair share of it, having regard to the resources of the Dominion, to say nothing of the closer bond of kinship that exists with Great Britain as an outcome of Canada's response to the Empire's call in the hour of danger.

Sir George Paish, in an interview accorded Mr. Victor Ross, of Toronto, spoke somewhat in the same strain. He thinks that the Dominion government stands a good chance of securing money for general capital expenditure in London next year, but that other borrowers will probably have to look to the United States for such funds as they require. "Britain's ability to loan," he added, "of course, depends very largely upon the ability of the rest of the world to meet their obligations to her. While she is at present spending at the rate of about one-half of her savings upon the war, she has her own capital requirements for commercial purposes to meet, and the extent to which she will measure up to her recent position as a leading country is contingent upon a number of developments in the international position."

The United States will help with Canada's financing probably as soon as that country has got over its little scare. In the meantime, Canada is doing very well and the outlook is good.

Talk confidence and act the same way.

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That Dominion cabinet chatterer would make a good toy for the top of the Christmas tree.

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The war is making us realize that the best kind of prosperity is based on production, not borrowed money.

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It might be as well to pay a little more constructive attention to the present, leaving the future to take care of itself.