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Budget Proposes Many Innovations

Tax on War Profits is Chief Feature—Only Two Tariff Changes Made—Sir Thomas White Reviews the National Position and Outlook for Finances.

An English baronet, discussing war taxation with a Wall Street financier, said that Britain was determined to win the Great War. The government had inaugurated very heavy taxation but he (the baronet) expected much heavier. Indeed, he and his associates would raise no objection if the government were to take practically their all, leaving only enough for daily sustenance. That is an indication of the spirit ruling in Great Britain. That is, we think, the spirit of the people of the British Empire. Preparing, as Canada is doing, an army of 500,000 men which, when raised, will cost $500,000,000 a year, is an evidence of determination. In view of what is being done elsewhere, the sacrifices that are being made everywhere, we in this Dominion may consider the budget which was presented in the House at Ottawa on Tuesday as one which recognizes duty and determination. After all, it asks little sacrifice. It recognizes that war is our first business today, and that war and business profits are to some extent needed to provide the sinews of war. What might have been a budget of drastic measures is lightened because there is a limit of safety in what a young country can accomplish in this war. It is lightened, too, because this young country has productive powers which, if fully exercised, are able to furnish material assistance to the Allies' cause and provide a pretty fair Canadian balance sheet at the end of the war.

The budget recognizes that the farmer thoroughly earns all that he makes and that agriculture is our great basic industry. It indicates that the man in the street, the average citizen, the consumer or whatever we care to call him, has been bearing a good share in the way of increased municipal taxes, provincial war taxes, stamp taxes, patriotic contributions and whatever touches him through the tariff. Not that others have failed to carry a heavy burden, for the banks, insurance companies and others have been generous in substantial contributions, and are paying heavy taxes. The government must have considerable extra revenue, and as Sir Thomas White says, "the burden of taxation should fall upon those in the community best able to bear it. The banks particularly are shouldering such heavy tax burdens as to deserve some consideration. The position of persons and firms whose profits have been better than usual because of the war is "advantageous as compared with their less fortunate fellow citizens, and it is therefore just that a portion of their advantage should be appropriated to the benefit of the state." In past years, in normal times, such a measure would probably be considered radical. In these abnormal days, when the world's biggest war is being waged, extraordinary measures must be introduced, and caution and courage must go hand in hand to meet the situation. Judging by comments heard, our business men agree and confirm the finance minister's statement of confidence that "those upon whom the burden will fall will gladly make the contribution, which the legislation calls for, to the cause for which we are contending."

One naturally has to recognize the instinct of self-preservation, in corporations as well as in individuals. Already has been heard the remark that it is easy to provide for taxation of war profits but that it is another thing to collect the tax. We have had in this country so many demonstrations in the fine art of balance-sheet juggling, that war tax dodging has been suggested as a possibility. Not many corporations, we think, will deliberately fix their accounts so that less than the proper amount will be handed to the government for the support of the Canadian army in Europe's war trenches.

Sir Thomas White, however, has prepared for all eventualities and will make provision "to prevent evasion of taxation by further stock issues or the incorporation of companies to take over existing business and also to prevent the postponement of profit-taking on orders and contracts, wholly or partially performed. The nation seems to favor the new taxation and now wishes to know that it can and will be equitably applied. Some companies with very small capital have made very large profits and vice versâ. The relation of capital to profits and in turn to the war tax is a matter which should have the serious attention of the finance minister, so that the tax will be fair to all. And there is considerable wealth that is not taxed at all in the new budget.

The people will ask only that our governments will not collect taxes with one hand, allowing extravagance and political patronage in divers ways to take much of it from the other hand. The citizen cannot be expected to reconcile cabinet sermons on thrift and cabinet practices such as, for example, those demonstrated by the recently retired Manitoba government.

Whether or not the buyers of the so-called war stocks on the Canadian and New York exchanges have been figuring on war profit taxation cannot be known. The majority of those who have participated in war stock gambling probably did not look that far ahead. Most of them likely have been figuring on heavy profits for their favorite companies during the war, rising prices, and