THE NEW TAXATION.

The Minister of Finance announced on Tuesday, in connection with the new war tax of 25 per cent. on profits, that paid-up capital will he defined so as to embrace at least a portion of the reserves and accumulated profits. In the case of a company with comparatively small capitalisation which had been able over a course of years to build up large reserves, he said, a portion of such reserves would be considered as capital.

Presumably, this definition, when it is available, will straighten out the situation as it affects the banks and insurance companies concerning which at present much uncertainty exists. With regard to the fire insurance companies, there is not only the matter of their existing conflagration reserves to be taken into consideration—obviously some credit as capital should be given the companies for these—but also there is the problem of the building-up of reserves during the currency of the present taxation. This point comes home more particularly to the younger and less wealthy fire companies, which if not allowed to transfer to conflagration reserve after a year's good business a certain amount of funds before declaring their profits on which the 25 per cent. tax is to be paid, may quite possibly find the tax a somewhat severe handicap. With the old and wealthy companies, which are already equipped to take care of almost any possible contingency, this matter is not of such vital importance, although the inability to make in good years the full transfers to reserve would naturally be felt to some extent.

Settlement of these and other points, however, will come in due course. In any case the companies as a whole will pay up what is required of them in war taxation with a good grace, though we have no doubt that if it were decided that some particular point of the new taxation entailed hardship or operated with marked unfairness, that the Minister of Finance would be willing to give a sympathetic consideration to any representations it was considered advisable to make to him.

ENTHUSIASTS PRO AND CON.

One amusing result of the new Budget is the rapid development of opinion on "the street" that what Canada wants is a thumping income tax beginning at the top and not touching incomes below, say $25,000 a year! While this sudden enthusiasm for income tax need not be taken too seriously, it may be well to point out that a year ago, the Minister of Finance went thoroughly into this matter, and then decided that he could get little revenue from this tax—perhaps not more than two millions. In any case, the establishment and development of the necessary administration would take a very considerable time, and taxes in volume are wanted now.

We hope the Minister of Finance will have nothing to do with the agitation in certain quarters to do away with the retroactive feature of the new taxation. To yield this means a cutting of the estimated revenue from the new tax at last in half, and that munition manufacturers and others would get away with 18 months' war profits—some of them at least, admittedly very handsome profits—without paying a cent in taxation. It is possible that in some cases a certain amount of inconvenience will be caused by the new taxes to those who have re-invested profits in plant. But any inconvenience that is likely in this connection does not appear to be a sufficient argument for the withdrawal of the retroactive feature of the Budget.

CANADA'S FOREIGN TRADE.

December imports, as compared with those of a year ago, increased approximately $15,000,000, and according to preliminary estimates the volume during January exceeds that of the same month a year ago by approximately the same proportion, says the monthly commercial letter of the Canadian Bank of Commerce. The Department of Customs reports imports into Canada for the calendar year ending December as being valued at $450,640,000. For three years, January to December inclusive, imports and exports were as follows:

(Merchandise only).

	1913.	1914.	1915.
Imports.....	$659,064,871	$481,319,309	$450,650,000
Exports.....	460,519,246	410,993,041	†652,067,000
Balance...	$*198,545,625	*$70,326,268	**$201,417,000

* Adverse. ** Favourable. † Not including re-exports of foreign merchandise in December.

To the extraordinary favourable balance for the year just past the chief contributing factors are manufactures and agricultural products, the figures for which, during the two years ending December 31st last, were as follows:—

Argricultural	1914	% of Total Exports	1915	% of Total Exports
Manufactured..	$127,122,783	31%	$230,643,710	35%
Mnfrd Products	69,151,924	16%	151,664,113	23%