

Comprehensive Taxation in Dominion Budget

Heavy War Expenditure Involving \$250,000,000 for Next Fiscal Year Involves Scheme of Taxation to Include Profits from Practically All Businesses.

The Hon. Sir Thomas White, Minister of Finance, brought down in the House of Commons on Tuesday, February 15th, a comprehensive programme of taxation which affects practically every line of business in the Dominion. The taxes recommended to be imposed are on the basis of profits made.

Incorporated companies, including transportation companies, banks, mining, milling and other firms must pay over to the government 25 per cent. of all profits they have made since the war began, and will make until August 31, 1917, over and above a profit of seven per cent. on their capital stock.

Individuals, firms, partnerships, etc., must pay on the same basis of 25 per cent. of all profits above 10 per cent. on their capitalization. This latter will be reached by some process of assessment.

The taxation will not apply to persons, firms or corporations whose capital is less than \$50,000. This limitation will not apply to firms engaged in making war munitions or material. Banks, etc., already taxed, will be remitted the amount of such taxation.

An exception is made by the Minister of Finance in the case of life insurance companies, and those engaged in agriculture.

Insurance companies are dealt with in another way. Those not domiciled in Canada, but doing business here, will be required to invest in Dominion securities the amount of money which they require as deposits during 1916 and 1917 to secure the policy-holders of the Dominion.

In the case of the Canadian companies they will be required to invest in Dominion securities one-half of the increase in their net ledger assets during 1915 and 1916 after making provision for the increase in foreign reserve and policy loans.

The minister estimated that the amount of this investment which will be available for the uses of the Dominion will be about \$18,000,000.

The only tariff changes proposed by the Minister of Finance is an additional duty of fifty cents a barrel on apples and a duty of half a cent a gallon on refined petroleum and oils other than illuminating and lubricating. The former duty was 7 1-2 ad valorem.

From the war profit and business taxes it is expected that from twenty to thirty million dollars will be secured. From the duties on oils, it is estimated that about half a million will be secured.

Sir Thomas said the duration of the measure will be limited to August 31, 1917. Banks and companies which are already taxed under the special war revenue act of 1915 shall be exempt to the extent to which they are already taxed under the said special act. The first payment of the tax will not be called for until next November. No accurate estimate of what this measure of taxation will realize can be given out at the present time.

In regard to future loans, Sir Thomas said he was encouraged to hope that a large portion of the Dominion's requirements from this forward may be raised from our own people. To assist in war financing a legislative measure will be introduced whereby life insurance companies and associations carrying on business in Canada under Dominion license will be obliged to underwrite a certain portion of their assets during this and next year in the company bonds or debenture stocks of this Dominion. The companies who are domiciled outside of Canada shall make the deposit required of them in 1916 and 1917 as security for their policyholders in the Dominion in such securities.

Canadian companies for the same two years must invest in such securities one-half of the increase in their net assets in the years 1915 and 1916.

The aggregate amount of such investment will reap the total of at least \$15,000,000 to promote saving among the public. The Finance Minister said the government would authorize the sale from time to time in principal of \$100, and multiple thereof of debenture stock repayable in five years.

"From my statement, it will be gathered that what we propose is a very comprehensive measure of taxation, not confined to those who have since the outbreak of war made more than their usual profits, but applying to all businesses, whether in existence before the war or established after its outbreak, whose profits exceed the percentages which I have mentioned.

"No doubt in the administration of this legislation some anomalies will arise, but these are inseparable from any comprehensive scheme of taxation upon numerous classes of the community.

"I am confident that those upon whom the burden will fall will gladly make the contribution which it calls for to the cause for which we are contending."

The resolutions to be introduced giving the full details of the taxation apart from tariff changes are as follows:

"1.—That there shall be charged, levied and paid to His Majesty a tax of 25 per cent. of the amount of profits arising from any trade or business subject to the tax in every accounting period ending after the fourth day of April, 1914, exceeded, in the case of incorporated companies, seven per centum, and, in the case of all other persons, ten per centum, upon the capital employed in such trade or business.

Provided, however, that the amount paid or payable by any person under the provisions or part one of the special war revenue act of 1915, shall be deducted from the amount which such person would otherwise be liable to pay, and the minister shall have power to determine any questions that may arise in consequence of the difference of the several periods for which the taxes under the said act, and those proposed herein are payable.

"2.—That the accounting period shall be taken to be the period for which the accounts of the trade or business have not been made up for any definite period or for the period for which they have been usually made up, or if a year or more has elapsed without the accounts being made up, the accounting period shall be taken to be such period and ending on such a date as the minister may determine.

"3.—That the trades and businesses to which the tax shall apply are all trades and businesses, including the business of transportation (whether continuously carried on or not), of any description carried on, or partly carried on, in Canada, except:

(A)—Any trade or business other than a trade or business which, or any portion of which, is the manufacturing or dealing in munitions or in material or supplies of any kind for war purposes, the capital employed in which is less than fifty thousand dollars.

(B)—The business of life insurance.

(C)—The business of farming and stock raising.

(1)—That the profits shall be taken to be the net profits arising in the accounting periods.

(2)—The profits of a non-Canadian company shall be such proportion of the net profits as shall bear the same proportionate total amount of its net profits as the capital of the company as defined herein bears total amount paid up on its capital stock.

(3)—No deductions from gross profits for depreciation or for any expenditure of a capital nature for renewals, or for the development of a trade or business, or otherwise,