What are the objections to an income tax? Objections there are, real and weighty. They have not sufficed to prevent nearly every important country from adopting and extending it, but they certainly require careful consideration. They have been stated in brief and very forceful form by the minister of finance in the last budget debate, and we cannot do better than take his summary.

"It will be observed that I have in these special taxes omitted an income tax upon individuals, about which there has been some discussion since the outbreak of the war. The matter has had the consideration of the government, and it appears clear to us that such a tax is not expedient, at all events for the present. Under the British North America Act, while the Dominion may impose direct or indirect taxation, the provinces are restricted to the former. At present under legislation existing in certain of the provinces income is subject to taxation by municipalities, and in two instances by the provinces themselves. In other provinces no income tax exists, though in lieu thereof a business tax is levied upon incorporated companies. In order to bring into force an income tax, the government would be obliged to create machinery for assessment, revision and collection. This would involve a heavy expense as compared with the amount which would be realized. Taking the income tax of the United States as the basis, it would appear that Canada could hardly expect to derive from a similar tax a sum in excess of two million dollars, from which would have to be deducted the heavy expense connected with its administration. My chief objection, however, to an income tax is the fact that the several provinces are also likely to be obliged to resort to measures for raising greater revenue, and I am of the view that the Dominion should not enter upon the domain to which they are confined to a greater degree than is necessary in the national interest. There is another feature of the income tax which makes it unsatisfactory for the purpose of Dominion finance; I refer to the length of period which must elapse before it becomes productive. In Britain, where the tax is the chief source of revenue to the Imperial Government, there is no municipal taxation upon incomes. There is also the important difference that in Britain taxable incomes are derived largely from investments. They have, therefore, a settled and permanent character, are ascertainable with fair accuracy, and are capable of being levied upon at the source. With us this is not the case."[1]

First may be noted the objection that a long period would elapse before such a tax could become productive. In the United States, opponents of an income tax used to urge that it should not be imposed in peace, but should be reserved for great national emergencies, such as war. When war comes, we are told an income tax cannot be devised in time to be of any service. Q. E. D. So far as the immediate necessities of the first war budget were concerned, there is no question that this objection was sound. An income tax requires time, time for thorough investigation as to the best form to adopt, time for getting the machinery of assessment and collection into working order. It could not give results as immediate as a customs or excise tax. But that objection has no force for the future. The war may last a long time; in any event, there will long be need for heavy expenditure, and the sooner we begin to plan our permanent policy the better.

Next, as to smallness of yield compared with expense. Mr. White computes the yield for Canada at two million dollars a year. Evidently this result has been arrived at by taking the yield of the United States income tax on individuals for 1913-14, $28,253,534, and taking one-fourteenth of this sum,—the ratio of our population to that of the United States. (It is a useful reminder in our spread-eagle or spread-beaver moments to recall that the growth of population in the United States since the census of 1910 is equal to our whole present numbers.) This computation, however, is not a proper one. The United States returns for 1913-14, were only for ten months, and they were for the first year's working, when the machinery was not fully in force. The figure of $28,000,000 does not represent the full income tax secured; income derived by individuals from dividends, etc., is not included since by a provision of the same law corporations pay direct on their net income: the amount received from the combined tax was really $71,000,000. Further, the United States tax gives the preposterously high exemption of $3,000 to single persons and $4,000 to married couples. What the cost of collection was, has not been stated; it was not high, due in part to the fact that the burden of collection and exemption was thrown, to an undue extent, upon banks and other private corporations.

When seeking an estimate of yields and cost, why "look to Washington"? In the United States itself the well-devised income tax levied by the state of Wisconsin brought in $3,500,000 in 1912, and $4,000,000 in 1913; it cost less than three per cent. to administer, while our own customs revenue, from 1901-1913, cost 3.6 per cent. to collect. Or look to London. The British income tax, for the last year before the war, yielded $225,000,000; adopting the same population-ratio method of comparison, we should get in Canada, not two millions, but over thirty-seven millions. Cut that down as you will for this and that allowance, and a very respectable sum indeed will remain.

No, the weightiest objection to the income tax will be the opposition of those who fear it will take too much from them, not of those who fear that it will yield too little.

Mr. White's chief objection, however, is the desirability of leaving this and other direct taxes to the provinces. True, the provinces will have to spend still larger sums in the future, as the demands of good roads, public works, the better administration of justice, and education increasingly are felt. Yet in 1912-13 the total expenditure of the nine provinces was only $52,000,000, (British Columbia leading with fifteen, and Ontario following with ten), as compared with $144,000,000 by the Dominion. Considering, further, that federal subsidies provide nearly twelve millions of the provincial funds, that nearly all enjoy great national resources, capable of yielding permanent and increasing revenue, and that they nearly all utilize succession duties and taxes on financial and transportation corporations, to say nothing of the new tax on municipal assessment, it would appear that there is no need for the Dominion to refrain from direct taxes on this account. For that matter, the new Dominion taxes on banks and insurance companies are equally direct taxes.

But this is not all. One of the advantages of a federal income tax would be precisely that the provinces could use the same basis for taxation. If a tax is fair and the basis not a narrow one, what objection is there to both using it? Of course both province and Dominion could not secure all their revenue by each taxing, say, banks alone, or from an unearned increment tax on land alone, but income is not a limited basis: out of income most taxes must come, on whatever principal they may be levied. The larger the area of assessment of an income tax, the less the risk of evasion; a municipality cannot possibly collect such a tax fairly, when the sources of income, from corporations or other businesses are nation-wide or even international. That, along with the failure to provide adequate assessment machinery, is why the income tax as now levied in Ontario is and must be largely

[1] Hansard, February 11th, 1915.