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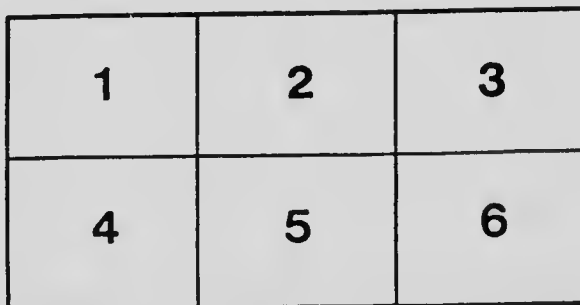
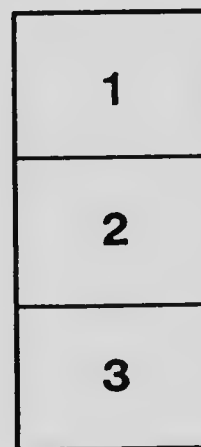
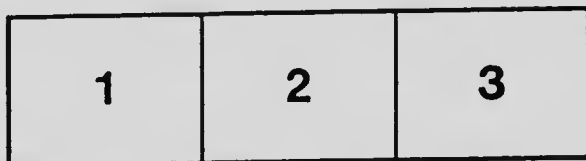
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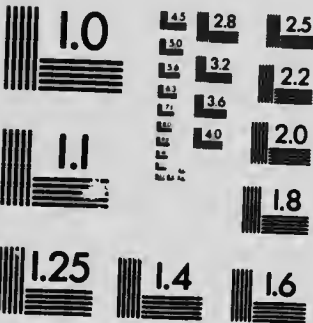
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PROVINCE OF BRITISH COLUMBIA

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REPORTS

OF

THE BOARD OF TAXATION

Appointed under the Provisions of the  
"Board of Taxation Act"

WITH A

REPORT ON TAXATION

IN THE PROVINCE OF

BRITISH COLUMBIA

BY

ROBERT MURRAY YAIG, Ph.D.



PRINTED BY  
AUTHORITY OF THE LEGISLATIVE ASSEMBLY.

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VICTORIA, B.C.:

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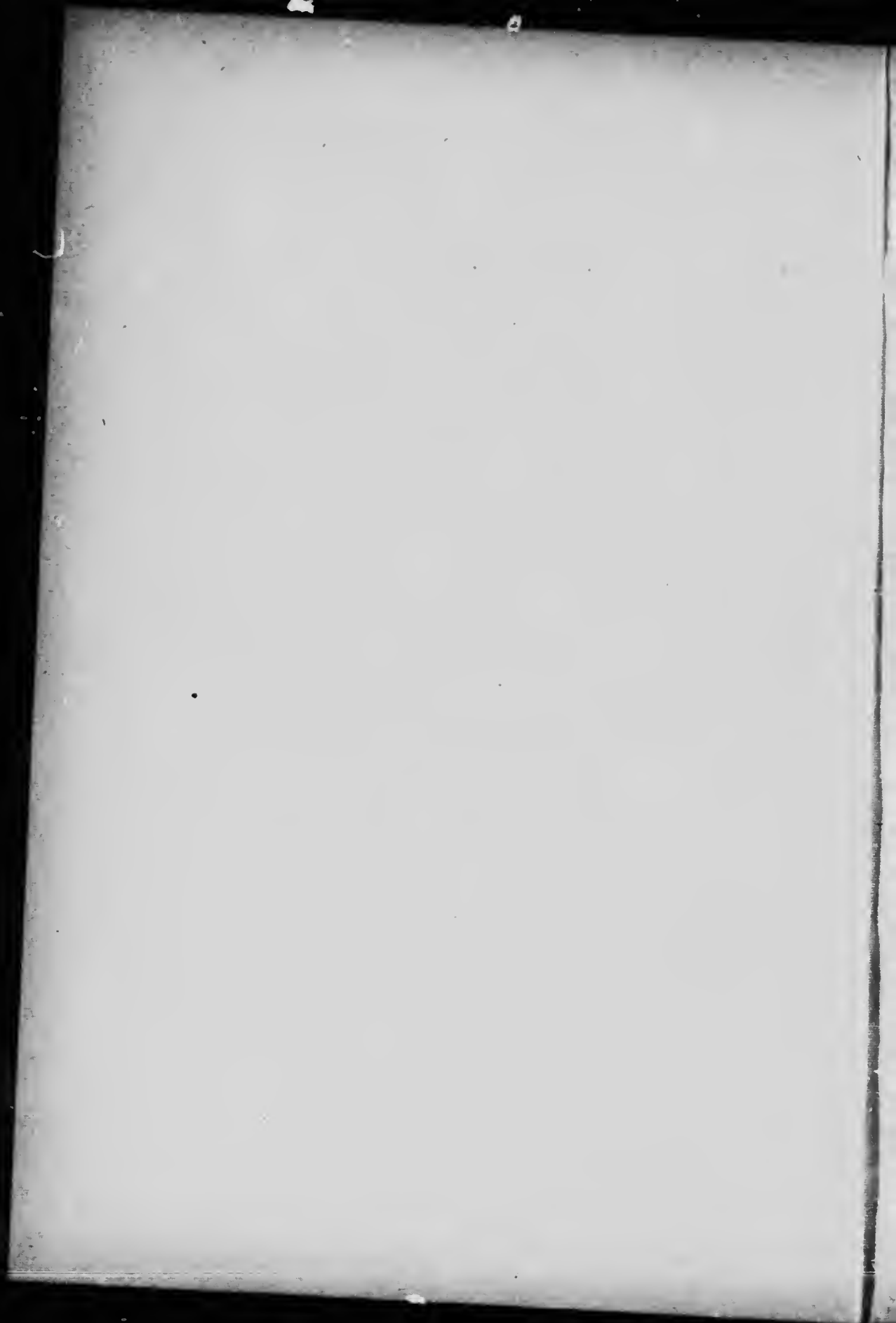


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1919.



To His Honour Sir FRANK STILLMAN BARNARD, K.C.M.G.,  
*Lieutenant-Governor of the Province of British Columbia.*

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour to present Reports of the Board of Taxation appointed under the provisions of the "Board of Taxation Act," chapter 64, Statutes of 1917.

All of which is respectfully submitted.

JOHN HART,  
*Minister of Finance.*

*Treasury Department,*  
*Victoria, March 1st, 1919.*



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**FIRST REPORT**  
**OF THE**  
**BOARD OF TAXATION.**

*To the Honourable John Hart,  
Minister of Finance.*

SIR.—We, the members of the Board of Taxation, appointed by minute of Council approved by His Honour the Lieutenant-Governor on November 2nd, 1917, under the provisions of the "Board of Taxation Act," beg to report the result of our investigations in the recommendations embodied herein.

It would not be seemly in us, and indeed would be doing a wrong to our feelings, if we did not record at the outset the deep regret we feel and our sense of the loss we suffered in the death of our able and esteemed Chairman, J. B. McKilligan, whose death has removed from the service of the Government a most capable officer, and taken from this Board an unequalled source of knowledge of the history and methods of taxation acquired by him in his many years of service as Surveyor of Taxes in this Province.

His loss made the work of this Board very difficult, the more especially that up to the time of his death the duties of his office as Surveyor of Taxes gave him little time for the work assigned to this Board, and with the exception of performing the duties of Chairman at the meetings held to hear the evidence and pleas of delegations which appeared before the Board on matters concerning them in regard to taxation, the help given us by him was very indefinite and limited in scope; and, as you are aware, no one has been appointed to take his place, and no secretarial help has been asked for by this Board.

On November 5th, 1917, the Board held its first meeting and passed a resolution to fix the time of its meetings—viz., to meet and sit from 10 o'clock a.m. to 5 o'clock p.m. on Mondays, Tuesdays, Wednesdays, Thursdays, Fridays, and from 10 o'clock a.m. to 1 o'clock p.m. on Saturdays. The terms of that resolution have been closely observed, and the transcript of the evidence herewith submitted reveals the time in hearing that evidence. Beyond the evidence therein shown and the privilege afforded us to be present at hearings given by the Executive to representatives of mining and other interests, there has been little added by written documents, as will be shown by the files thereof, herewith also submitted.

Professor Haig, who was present to hear the evidence, acting in the capacity of a special and expert adviser to your Department, worked apart from this Board, and his report, received on March 15th, after the most important conclusions of this Board herein contained had been reached, will be referred to in this report either to show our concurrence with his conclusions where we agree, or our reasons for differing from them where we do not agree therewith.

In addition to the knowledge brought by the members of this Board to the performance of the work imposed upon it by the "Board of Taxation Act," each member, in accordance with the directions laid down therein, has investigated and studied the reports of Tax Commissions and similar bodies in this and other Provinces of the Dominion of Canada, in other parts of the British Empire, in the United States and elsewhere, and in particular such reports from places and countries where new and approved methods of taxation have been introduced, to the extent permitted by the short time given us since our organization.

Before proceeding to review the present economic conditions of this Province, in so far as these relate to and indicate the ability of the different classes of the population to pay taxes, it will be relevant, for the purpose of comparison, to refer to the condition of the Province in 1911 as reflected by the Royal Commission on Taxation in its report dated January 10th, 1912.

On the condition of the Province at the time the Commissioners made their inquiries and took evidence on which to base their report, they were able "to point out that they found abundant proof of rapidly advancing prosperity side by side with a strong spirit of optimism on the part of the people," and "wherever complaints came to the surface it was observable that they were complaints regarding the methods rather than the amount of taxation." This

opinion is emphasized in the summary of that report which proves its deep impression. How far this seeming prosperity and expression of optimism influenced that Commission in reaching its decision is not for this Board to judge, but we wish to say that its very able report, as well as that of the Commission which sat in 1905, has been read and studied with much interest and, we hope, with some advantage to guide us in our work, and we are conscious that the high literary style of both these reports will show this one, by comparison, very defective in that respect.

Without reflecting on the presence or perspicacity of the members of the Commission of the later date, or of the people whose evidence gave them the impression of the prosperity of the Province and the prevalent spirit of optimism, this Board, in the light of what has taken place since that time, regrets to have to say that the prosperity that seemed so certain then was not of long duration, and that the optimism expressed has been deprived of some of the foundations on which it rested. Time has shown that much of the prosperity which existed at that period did not arise from the production of wealth, which is the true basis and evidence of real prosperity, but arose from the spending of capital. Unfortunately, a very large part of such capital was misdirected or wasted by being invested on a basis of false values or in non-revenue-producing undertakings. And, to add to the misfortune, a large part of the capital so misdirected and wasted was borrowed money.

In less than a year after the date of the report of the Commission of 1911-12 the reaction had begun, as is indicated in a general way by the Royal Commission on Agriculture in 1913. From that time the exodus of the people from this Province was very large up to the time the war broke out, and many more would have gone had they had the means to do so. Luckily, a large number of those who left returned to the Prairie Provinces, whence they came, and so saved their energies, if not their money, for the development of our own country.

The intensity of the depression which followed the false prosperity of the "land boom" increased until the beginning of the war, when patriotism for the Empire, which in many cases was quickened to action by low finances, led most of the men who were physically fit to join the army, thereby, incidentally, relieving the hardships arising from non-employment. This, with the large expenditure of Federal money within the Province for war purposes, which has continued to flow into it ever since, relieved the general business depression and saved it from a probable financial collapse. Concurrently with the "land boom" in this Province there was running a "boom" in the Prairie Provinces also, but unlike ours, in that it was confined mostly to cities and towns. The building resulting from these combined "booms" gave a great impetus to our lumber industry, which reached large proportions in 1913, but which, in sympathy with the collapse of the land speculation, shrank very materially and left little to support the general business of the Province other than the shingle-mills, mining, fishing, and farming industries.

The expenditure by the Federal Government, made necessary by the war, has led to the revival of the lumber industry, which now is in an expanding and prosperous condition, and the output of the metalliferous mines has, under the stimulus of increased prices and unlimited demand created by the war, helped very largely in improving and supporting the commercial life of the community.

How far the abnormal conditions which arose and followed each other in this Province before the war in such a short period of time were the result of the policy of the Government is not a matter for this Board to inquire into, nor to express an opinion upon, but it has evidence to show that many taxpayers are in a position to realize the truth expressed by Dr. Adam Shortt, that "their economic life is being crushed between the millstones of collapsing land-values and rising taxes." But this Board may take this opportunity to say that to it the most inexplicable part of the strange economic phenomena referred to is that no individual or body of men, no financier, no Board of Trade or other body, not even the press or any one else to whom the people might look to for guidance, raised a note of warning during that whole spasm of wild riot of borrowing and spending. On the contrary, some of our big financial institutions and public corporations "set the pace and led the race" in establishing false values.

This being the case, it is no wonder that the wage-earner, the man on the street, and even farmers, who should know better, lost all sense of proportion in respect to land-values.

It is a pity that some one with the wisdom of Dr. Adam Shortt did not have the power to stop all this wild orgy of speculation. Even now there are those amongst us who say that if capital is brought in and spent, no matter how, even if it is wasted, it is a benefit, in spite of

the teaching of our best economists, who show, as experience teaches, that capital squandered or misdirected is harmful, since it directs labour into channels of employment that cannot be permanent and are destructive rather than productive of wealth.

The conditions in the Province when the war broke out may be summarized as follows: Highly inflated real-estate values, heavy indebtedness resulting from reckless borrowing by the Government, municipalities, and private individuals, all of which led to wasteful expenditure and a misdirection of the energies of the people. It is estimated that more than two-thirds of the people were living in cities or the suburbs of cities, most of whom were depending on an increase of real-estate values to recoup their investments and to bring in a revenue to live on. The reaction came and thoroughly demoralized the community commercially and industrially, except in the lines above mentioned. The war relieved the situation, at least temporarily, but the debts remain, and the real-estate values are sought to be maintained by the owners except for purposes of taxation.

This review of the history and present condition of the Province, prompted by the remarks of the Royal Commission on Taxation in 1911 on its condition at that time, might be amplified and the facts emphasized by quotations from evidence from many sources, and is made for the purpose of showing a basis, and, in some degree, to justify some of the opinions and recommendations herein contained, especially in respect to land-values and the taxation thereof.

This Board, keeping in mind the duties prescribed for it by the "Board of Taxation Act," when investigating the present system of Provincial taxation and the taxation laws of the Province, and comparing these with the principles and methods of taxation in the other Provinces of Canada and other countries, has kept in view, also, the conditions in this Province arising from its *newness*, its resources, the stages of their development, and the distribution and character of its inhabitants. In order to realize the similarities to and differences from the conditions, resources, and population of the various countries with whose systems the taxation of this Province has been compared.

This Board recognizes the fact that comparative "ability to pay," which is the just guide in taxation, may not have the same basis for measurement as between the several classes in different communities. For instance, "ability to pay" in an old, highly organized, and densely populated country will have a different basis for measurement from that of new and sparsely populated ones. In a new country like this, where population is sparse and natural resources still open for appropriation by individuals, and where in consequence there is no circumscribed area out of which it is difficult for the wage-earning class to get, such as exists in old countries, comparative "ability to pay" may indicate the justice of levying a portion of the revenue required by the Government on a lower stratum of economic units of the population than could be justified in the older communities. For, as Adam Smith pointed out in respect to the then American Colonies, cheap land brought cheap food and high wages, and that condition should obtain in this Province under natural development.

When Adam Smith wrote, the Eastern part of this continent was being developed in what may be called the natural way—developing first the agricultural resources and slowly accumulating capital to be applied later on for industrial undertakings. In that period the farmers lived mostly on what they grew on their farms, and, indeed, produced within their own homes most of their clothing and bought very little of commercial goods. The same process of development was taking place on this Coast, as the early history of Oregon will show, when a new and disturbing factor to that process was introduced by the discovery of gold in California and by a similar event in British Columbia about ten years later. This led to a reversal of the order of development which took place on the Eastern side of the continent, for in California agricultural development followed rather than preceded other development, because gold-mining raised wages for a time far above any scale of wages that farming could afford. But this was only for a short time, as her rich lands soon attracted the less adventurous souls and those whose first attempts at mining were unsuccessful, which soon brought her agricultural production up to a point where it not only supplied her own population, but left large quantities for exportation.

In British Columbia the reversal was still more marked and still continues, for we are, up to the present, far from raising enough farm products for our own consumption, and this Province cannot hope to succeed in developing widely on the many lines of production for which she has raw material without the first pre-requisites—namely, cheap food and consequent lower wages.

In following, further, the example in the report of the Royal Commission of 1911, this Board hopes it will not appear superfluous for it to refer to some of the principles underlying taxation as set forth by students of political economy, of which science taxation is a very important branch.

Political economy is defined as that part of science which investigates the production and distribution of wealth, and wealth may be defined as those things produced by mankind that yield to individuals the support and comforts of life. Adam Smith, first eminent writer in English on political economy, in the opening sentence of his great work, discloses to us the first and most important factor in the production of wealth—*i. e.*, labour. He says: "The annual labour of every nation is the fund which originally supplies it with the necessary conveniences of life which is annually consumed, and which consists always in the immediate produce of that labour or what is purchased with it from other nations."

He shows also that the desire and ability to exchange commodities gave rise to the division of labour, and that in turn to the accumulation of the products of labour, which is called capital, and which is the great artificial factor in the production of wealth. He further traces the process of the ever-increasing growth of the power to produce wealth by the combined and organized application of labour and capital to the materials supplied by nature; all of which is by political economists included in the term "land." But in the desire and ability to exchange commodities, which has, as shown, led up to the enormous production of wealth such as we see to-day, lay also the germ of the inequality of its distribution, thereby adding to the inequalities in everything which nature produces, even in mankind, both in her kindness and in her cruelties.

The inequalities in the distribution of wealth which a nation produces, divides its people into classes by raising them into many grades above the general low level, of nearly equal conditions, that obtained among mankind in a state of barbarism. And the measure of these inequalities is determined by the difference in the ability, however got or possessed, of the individual, as compared with other individuals, to draw to himself from the fund of wealth produced by the whole people, either in the process of its production or in its distribution, or in both. This inequality in the distribution of wealth which gives rise to the accumulation of its surplus that is not needed for immediate consumption, or prevents it from being consumed, so that it can be used as capital in further production, is a matter occupying the thoughts of economists and sociologists as to whether or not social and economic progress will evolve some other method by which the surplus production, now drawn into the hands of a limited class, can be saved and accumulated more equitably and economically for the community.

This is a matter for the future to solve, and that it will be solved is the hope of many. But those who clamour for it most have shown little inclination or ability to organize to take advantage of their own power, by co-operation, to modify if not eventually break down the power of the few to draw into their own hands so large a portion of the wealth produced by the nation. Until those who are so loud in their condemnation of the present system show some evidence of that ability to organize and co-operate which implies and depends on faith in each other, it is not likely that the rest of the community will jump from the tried, notwithstanding all its evils, to the untried, but will seek rather to eliminate those evils by gradual steps. Experience has shown that great changes, to be safe and permanent, can only be brought about by slow transitions.

With the history of the production and distribution of wealth is closely interwoven the history of the methods which have been used by Government to draw from the people that portion of the nation's revenue which is needed by every Government to carry out its functions. It is not necessary here to trace closely the changes in the methods of taxation shown in history from the "first stage of rude equality in the poll-tax"; then to the tax on cattle and lands, which were the tangible evidences of the possession of wealth; then to the different forms and evidences of wealth which have developed through higher organization of labour and capital to produce wealth, up to the present time, when the last stage somewhat resembles the first, in that Governments are looking to the individuals of the community to pay taxes in accordance with each one's "ability to pay," with that "ability to pay" measured by the amount each individual draws from the fund of wealth produced by the whole community—namely, net income.

This principle was laid down by Adam Smith when he said: "The subjects of every State ought to contribute to the support of the Government, as nearly as possible, in proportion to the revenue which they respectively enjoy under the protection of the State. In the observation

or neglect of this maxim consists the equality or inequality of taxation." This maxim has been approved by most of the writers on taxation, though some writers on political economy have tried to qualify it in one way or another; but as the power of legislation and taxation has been largely controlled by those whose revenue "which they respectively enjoy under the protection of the State" would have been materially lessened by its strict application, it has been slow in finding expression in law, and even when so expressed has been more or less evaded because of that lack of social conscience which John Stuart Mill so deeply deplored, in his time, in England, and it is an open secret that, until recently, the wealthy classes in the United States made their success in escaping taxation, a subject for cynical jest.

But in recent years a closer analysis of taxation has been made by the public in nearly all countries, and especially in the United States, where a great change seems to have come "over the spirit of the dream" of the wealthy; whether from a dread of something worse happening than their having to pay a fair share of the cost of Government, or for some other reason more creditable to themselves, is a matter for conjecture. However, one of the leading economists of that country, Professor Seligman, speaks out, apparently with some hope of being heard, in these words: "And the clashing of divergent interests and the endeavour of each social class to roll off the burden of taxation on some other class, we discern the slow and laborious growth of standards of justice in taxation and the attempt on the part of the community as a whole to realize this justice. The history of finance, in other words, shows the evolution of the principle of faculty or ability in taxation—the principle that each individual should be held to help the State in proportion to his ability to help himself." And he says further: "To arrange a system of taxation which shall, on the whole, correspond as closely as possible to net revenue of individuals and social classes, and which shall take into account the variations in the taxpaying ability, has thus become the demand of modern civilization."

This is the demand which a majority of the people of this Province is making, and one which its Government is anxious to satisfy. The people of this Province must realize, however, that there is no source from which a nation's revenue can be produced other than by the application of labour to land (that is land in its widest meaning), except by robbery through war on other nations or by cheating them in trade, and these have always reacted in the long run against the nation which used such methods.

Another fact which should be kept in mind is that the person who cannot or will not help himself can pay no tax, and it is idle for any one to plead, whether he be wage-earner, farmer, manufacturer, merchant, or capitalist, that because his energies or his capital seem to be an important factor in the production of wealth he has good grounds to ask exemption or relief from taxation.

Yet one will often hear the plea: "I should not be penalized by being taxed for improving my land, or for building my house, or for bringing in and employing my capital." The absurdity of such a plea will appear when it is realized that the tramp can pay no taxes, nor the invalid, nor the imbecile, nor could the idle rich if they did not inherit stored-up labour from some one else.

Therefore, out of the product of the people's labour must be paid the cost of government, and that cost should bear some reasonable proportion to the amount of the wealth produced by the people. If a Government is extravagant or wasteful, it is drawing from its people capital which should be left in their hands to be employed in the production of more wealth. In every country this is an important matter, and is especially so in a new one. We take the liberty of referring to this matter because there was some very pointed criticism relating thereto made by some of those who appeared before this Board on matters affecting taxation, which indicates that the cost of government is being considered seriously by the taxpayers.

The sources of revenue in this Province seem many and various, but, with the exception of that part of it received from the Federal Government, it must all come through the economic units of the community, and these units are divided into classes by the nature of their economic activities as applied within the opportunities the community affords them for the exercise of those activities. These economic units may be classified as follows:—

- (1.) Persons:
- (2.) Persons having land under their control given them by the community; and
- (3.) Persons employing capital for the purpose of making profit by its employment within the community.

In any one person may be combined any two or all of the above characteristics of these units, and, if so, then he may be taxed under any or all of those qualifications which he possesses.

(1.) TAX ON PERSONS.

At the present time there is a tax on some persons under the provisions of the "Poll-tax Act." This Board is aware of the fact that in nearly all civilized countries economic organizations have reached a point of development where, in the distribution of the wealth produced, the channels through which other classes can draw from the wage-earners nearly all but a bare living have been made so numerous and perfect that their Governments refrain from levying a direct personal tax upon those who work for wages, and it is only on such grounds as these that the exemption of any class of residents of a country from taxation can be justified.

This Board does not think that this condition has been reached in this Province, and surely there is no able-bodied man who will plead this as an inability to pay a poll-tax. We therefore recommend that the poll-tax be continued, and that its application be extended to all male residents between the ages of twenty and sixty years, without exception other than those who are exempt under subsections (a), (b), (c), and (e) of section 4 of the present Act. The Board is of opinion that the condition of this Province is such, in respect to the ability of all classes to pay and in respect to the need of revenue by the Government, as to justify and demand this. As soon, however, as the conditions above referred to become so changed as to permit of this tax being abolished, we recommend that it be discontinued.

(2.) TAXES ON PERSONS (INCLUDING CORPORATE BODIES) WHO HOLD LAND.

This Board would discuss under the heads of those who hold land (a) for use, and (b) for speculation.

Lands held for use may be divided into the following classes:—

- (1.) Lands held for agricultural and horticultural purposes: . . .
- (2.) Lands held for mining purposes:
- (3.) Lands held for and as timber lands:
- (4.) Lands held for building purposes:
- (5.) Lands held for an increase in value to come from the increase of population and the wealth created by that factor.

In dealing with Class (1) as a source of revenue, we submit the following as an analysis of the factors and conditions which should determine the valuation of agricultural and horticultural lands for the purpose of taxation:—

When a person gets control of a piece of land, as nature presents it, for agricultural use, he directs his energies to making whatever improvements may lead to that end, by putting up buildings, clearing, draining, etc., and the undertaking presupposes he has enough capital to maintain him and pay taxes until he gets it to a stage of development to do so.

He has a double object in view: First, to get a living therefrom; and, second, to store up a certain amount of capital—surplus labour—in the land until it reaches the normal limit of its productiveness. The capital value being so stored up at any stage of the process of development will be measured by the difference between what it costs him to grow and take his produce to market and the price he gets for it. If the last is greater than the first, the difference will be the interest he is getting on his stored-up capital, and will express the rental value of his property at that stage.

There are other factors generally acting to add to the value created by himself, and these in new countries are usually very material—namely, the roads and other improvements made by the community and the growth of the community itself.

Between the time he begins upon his land and the time he has brought it up to a point of productiveness at which it will support him and pay taxes, the difference between his expenses and his income must be paid out of capital drawn from some other source than this land, and this capital is invested in it on the faith of its prospective value. This indicates that the amount of taxes levied by the Government on this land at any point in the initial stage of its development must be levied not on its value at that point, but on its prospective value, and can find justification only on the grounds that the general development of the country by public improvement and the growth of the community is a material factor in giving value to his holding and adding to his "power to pay." Until the time his holding reaches a stage of productiveness which affords

him a living and pays taxes the valuation for taxation must be arbitrary and speculative, but when it does reach that stage, then the true basis for taxation has been established—namely, its rental value.

There is in the mind of some people the idea that there is no limit to the increase of the value of farm lands; that their value keeps on increasing in the way in which city property increases, and that there is a sort of alchemy about farm production; but this is easily dissipated by experience, and to some it is a very costly experience. In human affairs it is necessary to bring in the law of average to arrive at some values, and this applies very fittingly to the valuation of farm lands.

The average value of farm lands under normal conditions, and when prices are normal, is determined by the comparative natural productiveness of the soil to grow those crops which form the staple foods of the community, such as wheat, oats, vegetables, and meats. This criterion may seem disturbed by special circumstances or conditions over certain areas or for short periods of time, but taking any country as a whole and over a long period of time the average will be found. Some parcels of land will be above or below the average, partly because of their soil being rich or poor, or being near to or far from market, or other factors bearing unequally upon them; but the comparative value of each will be its rental value, and that, capitalized, will determine its sale value.

Its rental value is, therefore, the measure of the income of its owner from it, or the measure of the rate of interest he is getting on his investment, as well as the measure of the taxes he should pay as compared with others whose taxes are based on the volume of their income.

After giving considerable thought to this question of taxation of agricultural lands, this Board herewith submits the proposed amendments to be made to the "Taxation Act," which will result (if they accomplish what they are intended to do) in taxing all farm holdings at the current rate on whatever value each may be assessed for up to a value of \$25 per acre, which is equal to a tax at the present rate of 25 cents per acre on lands that reach that value, and when they get above that value, then whatever assessed value is made above that amount should be based on rental value.

This Board knows these recommendations constitute a wide departure from old methods of taxation, but the justice on which these recommendations are based is supported by the fact that there is no class in this Province which needs the encouragement that comes from fair treatment more than the farmers do, and that as compared with farmers in the Prairie Provinces their taxes are excessive.

#### PROPOSED AMENDMENTS TO "TAXATION ACT."

Amend section 52 of Act by striking out, and substituting the following:—

"Where the assessed value of any piece, lot, or subdivision of land, according to the assessment roll, is so small that the amount of tax imposed under the rate fixed by law will not subject such piece, lot, or subdivision to the payment of one dollar, then the said sum of one dollar shall be placed on the assessment roll as the tax against such piece, lot, or subdivision, and the Assessor shall value and assess each piece, lot, or subdivision separately, and shall enter the same on the assessment roll as a separate item."

Repeal section 86, and substitute the following:—

"The Lieutenant-Governor in Council may from time to time appoint persons, who are residents of the assessment district for which they are appointed, to be a Court of Revision and Appeal in respect of the assessment of property and income as aforesaid for such district, and such persons shall record the proceedings of the said Court and deposit such records with the Assessor."

Amend section 91 by adding the following:—

"Provided, however, that where any owner of real property held and used for agricultural or horticultural purposes, of not less than twenty acres in area, and which is assessed at a value over twenty-five dollars per acre, makes an appeal against the assessment made by the Assessor, and makes a sworn statement as to its value based on its rental value, inclusive of buildings, the Court of Revision may fix the assessment at any value over twenty-five dollars per acre which is based on its rental value capitalized at ten per cent."



The Board submits also an amendment to the Act providing that increment tax be collected through the Registry Office on that portion of the price paid for land which appears above its assessed value.

Add a new section as 113A:—

"Where land or real property, or any portion thereof, is sold for a price in excess of a value equal to one-half of the sum of its assessed value for the two years next preceding such sale, there shall be payable upon the registration of the deed of transfer of such land a tax of five per centum on the increase of the value of said land over and above the value so determined, excluding in all cases the cost of improvement or development work done upon or in connection with such lands between the time of the last assessment and the time of sale."

In respect to the method suggested for arriving at the true basis for assessment of farm lands, it may appear that we have placed the percentage, at which rental value should be capitalized, too high, but in this Province, where leases are generally for short terms, the owner nearly always, and wisely too, undertakes to pay taxes and keep buildings insured, and beyond ordinary repairs he has to provide material for any important changes, and both material and work to build new or rebuild old buildings.

We would add, too, our reasons for not recommending the exemption of improvements on farm lands from taxation, which was recommended by both the Royal Commission on Taxation of 1911 and the Royal Commission on Agriculture of 1913. We think the proposal is based on a wrong principle, and its inconsistency will be easily seen, at least in respect to farm lands, if the rental value is considered.

For the purpose of production the improvements merge into that value and become inseparable from the land. Who can tell, from time to time, apart from the visible improvements, the cost of improving certain lands—clearing, dyking, draining, etc.—some of which disappear in the doing and some of which must be constantly repaired? Only the men who have borne the cost, a cost in some cases far beyond the price for which the land could be sold. And who can tell what a piece of land now improved would be worth in its natural state? There is no system of taxation can equalize the inequalities of good or ill in nature. It is only results, and not the energy and labour spent to produce them, that can be taxed.

The exemption of improvements from taxation, like some other expedients, has been suggested as a means of relieving a class from unequal and excessive taxation, brought about by a false system of estimating farm values, exaggerated in periods of speculation or gambling on future values, and which can only be corrected by taking rental value as a basis for taxation and taxing farmers in accordance with their "ability to pay" as compared with other taxpayers.

It is not our purpose to enter into any of those intricate questions of "payment for service rendered" or "benefit theory" of taxation with which economists deal, but it will be observed that we have recognized the right of the Government to levy on the landholder, without any regard to these principles, a basic tax or royalty on the land for the security of tenure given him as against any one else, and to pay for road-building and other public improvements to the extent of 25 cents per acre or whatever lesser sum the assessed value may indicate, together with whatever income-tax he may be found liable, to help to pay for general administration of Government.

In formulating the above suggested changes in respect to the taxation of farm lands, we have had in view, and had hoped to be able to submit in this respect, a recommendation to establish "road districts" in this Province similar to those which have been established in New Zealand and Australia, or to the "local improvement districts" established in Alberta and Saskatchewan outside of municipalities, but we regret to say that the time we have had to give to this matter has been too short for us to formulate a system which we could submit with confidence that it would prove suitable to the conditions in this Province. We think this can and should be done, in order that opportunity for and responsibility of increasing taxation on land may be put in the hands of the owners thereof, who may then fix the measure of the help they are able and willing to give to whatever amounts the Provincial Government may deem advisable to spend on such work out of general revenue, and which may in time reduce the amount of taxes levied by the Government on this class of property.

## SMALL HOLDINGS.

In respect to the assessment of lands held in areas of less than 20 acres, we are of the opinion that any lands divided into small holdings are put into a class different from that of farm lands. Where land is subdivided it is given somewhat of an urban character, and "site" value will enter into its assessable and sale value. Inasmuch as such subdivision makes more roads necessary, a heavier taxation is justifiable, and a rental value for agricultural purposes would be an unfair guide for such taxation. We must therefore recommend that such lands be assessed at their cash value, as is now provided for in the "Taxation Act."

We would add, further, that the subdivision of land into small areas should be discouraged, as we have evidence to lead us to believe that a great deal of harm has resulted from this being done in several parts of the Province. Indeed, British Columbia has prepared, in this respect, for an urban and suburban population that would accommodate half of the whole population of Canada.

The conditions that have been brought about in this Province through "high commercialism," where middlemen in cities, aided by cold-storage facilities, have been taking from the community, between the producers and consumers, from 10 to 100 per cent. on the price the producers get for their produce, led some individuals, encouraged by real-estate agents, to think that by filling the place both of producer and middleman they could from a few acres of land make not only a living, but a competence in a few years. It is known, however, that experience has taught many this is not so easy to be done; indeed, the disappointment of some who have tried is painful history.

Although there are no landlords here to prevent land from being subdivided, as under the metayer system, to a point where there would be no margin for rent between a living for a family and the produce of the holding, or to use similar means to that used by one of the great Scotch landlords who deported some of his crofters to Canada for fear that the subdivisions would get so small as to leave no margin for rent, it will be found that the middlemen's profits here will prove quite as great a check against close division as the landlord's rent in Europe.

## (2.) TAXATION OF LAND FOR MINING PURPOSES.

We have no good grounds for thinking that the present principle, as set forth in Part V. of the "Taxation Act," for the taxation of land from which ore or mineral-bearing substances are taken should be changed; nor can we recommend at the present time any change in Part I. of the "Taxation Act" providing for the taxation of coal, and of lands from which coal is being mined, and of coal lands assessed under Class B; but we think that further time for inquiry might have led us to recommend that the income of persons and companies carrying on coal-mining should be brought under the income-tax part of the "Taxation Act," from which they are specifically exempt. To do this no doubt would necessitate some reduction of the tax on the coal produced from the mines as now provided.

## (3.) TIMBER LANDS.

In respect to the taxation of timber lands, we have some very strong evidence to show that the increase of the rate from 2 to 3 per cent. on the assessed value of Crown-granted timber land has resulted in placing the owners thereof under unequally heavy burden as compared with those holding licences for timber land, but we have not had the opportunity to investigate this and other matters connected with taxation of timber land closely enough to recommend any change in this branch of taxation.

## (4.) LAND HELD FOR BUILDING PURPOSES.

This class of land consists mostly of land subdivided into small lots, and should be assessed on the same basis as lots in city municipalities—that is, at sale value.

## (5.) WILD-LAND TAX.

We cannot recommend any change in the present taxation of wild land, though we do think it is one of the branches of land taxation that requires full investigation and consideration.

## PERSONAL-PROPERTY TAX.

Personal property exists in many forms, as is shown by its definition in the "Taxation Act," but they may be divided into two classes:—

(1.) Machinery, implements, live stock, and other movable property, including liquid or circulating capital used in the production of fixed capital and goods for consumption:

(2.) Consumable goods in the hands of producers and of merchants for sale.

The inequality in the value of the personal property used in the different lines of production to produce equal values is too well known to need pointing out, and as it is the value of the things produced and not the value of the means used in their production that gives the "ability to pay," it is the former and not the latter should be the basis of taxation in order to make it equitable.

And it is equally well known that the movement of goods from the producers or manufacturers to the merchants and traders, and through them to the consumers, is so different as between one kind of goods and another that to tax the producer or manufacturer and the merchant or trader on the value of the goods the Assessor may happen to find in his possession at one period in each year is so manifestly unfair that to pursue it is an offence to all sense of justice, and points to the taxation of profits made by those engaged in the production and distribution of goods as the most equitable system of taxation.

From time to time changes have been made in the law to reduce the glaring inequalities of the burdens imposed under this branch of taxation, such as exemption of some of the implements and other means used in production, which reveal the untenable ground on which it is based, until it has now become a mending of shreds and patches."

This Board has therefore to add its recommendations to those of the Royal Commissions on Taxation of 1905 and 1911, that this tax be abolished except in those cases where the use of certain kinds of personal property has to be regulated, and registration and licence fees are levied for that purpose.

## INCOME-TAX.

Under the provisions of the "Taxation Act" which provide for the levy of a tax on income are included all those of the classes of persons above named who have incomes large enough to be taxed thereunder.

The definition of "Income" in the "Taxation Act" is clear and exhaustive, but the following is quoted as a brief summary of what it is from another point of view:—

"Income is the returns which come into the individual as the result of his own economic activities or from the control of the economic activities of others."

For the purpose of taxation net income only is assessed; that is, the gross income less the amount expended in producing it, and the tax is levied without any consideration as to the amount of capital or other factor employed in getting or acquiring the income. It may come from profits on invested capital alone, or from the applied ability of the individual alone, or from both these or any other factor or factors combined.

Economists are almost unanimous in opinion that the imposition of a tax on income is the most equitable of all methods of taxation, because it takes from the individual or economic unit in a progressive ratio a part of the amount he draws from the fund of wealth created by the community, without impairing the capital or any factor employed in the production of that wealth; whereas, in taxing improved lands producing food, or personal property or persons, there is a danger that the very sources of the production of wealth may be weakened or destroyed.

The great industrial and commercial development that has taken place in modern nations, generally carried on by bodies made corporate by law, which have drawn capital together under the joint-stock system aided and co-ordinated by banking institutions and supported, directly or indirectly, by other financial corporations, including life insurance and other similar companies, has called into existence new economic units which draw, first under their control and gradually into their possession, nearly all of the surplus earnings of the old economic units, and in consequence have weakened or destroyed the "ability" of the latter "to pay" the amount of revenue needed to meet the ever-increasing expenditure of modern Governments.

With the development that has given rise to these new and great economic units, and contributing largely to their growth, came an increase in international commerce that made it

impossible to readjust on the old forms of property, either real or personal, or by way of tax on licences or franchises, or to trust to a "diffusion" of the burden as between the economic units within the nation, such as could have been made and done if no such international commercial exchanges had taken place. These factors and resulting conditions have appeared in most countries; hence the need to find new sources of revenue has been forced on nearly every Government, and "income-tax has come to the forefront of public discussion with comparative rapidity."

Under the pressure of this need most Legislatures are declaring in favour of imposing a tax on incomes as well as a tax on inheritance, and in doing so have consciously or unconsciously declared once more the sovereignty of the community over the individual, a sovereignty that seemed to be eclipsed by the strong "individualism" which grew up during the last century in modern democratic nations; a declaration emphasizing the fact that the individual owes his personality to the community, and that the wealth he draws from it must be under the control of the State.

How far this "individualism" behind capital has led to the lack of unity in this country may not be within the scope of our work to discuss, but we venture to say we think it beyond question that it has not hesitated to use any means that it could control to make dividends on capital invested as large as possible, even to the extent of introducing labour of a race ethnologically so far apart from the parent race of the community as to cause immediate irritation, and, no doubt, disturbances in the future.

A lack of social and political morality in some of the classes whose incomes are large enough to make them liable for income tax has been pointed to as a reason that it should not be imposed, because the honest will pay and the dishonest will escape; but we wish to join with the Royal Commission on Taxation of 1911-12 in saying "we have too firm a faith in the integrity of our fellow-citizens to suppose that any such low standard of probity exists in this Province as would deter them from following out the natural evolution of fiscal policy." And we have no doubt but that with the aid of a careful Assessor each taxpayer will be able to estimate the amount of income he is drawing from the community.

We submit the following as changes which should be made to the "Taxation Act" in respect to exemption from and the rates of taxation on income as being more equitable than the present ones:—

**INCOME-TAX EXEMPTIONS.**

*Proposed Amendment to Section 8, Subsection (18).—Strike out subsection (18) of section 8, and substitute the following:—*

- The income of single persons, including widows, widowers, or divorced persons without children, under seventy years of age ..... \$ 800
- The joint income of husband and wife living together without children under sixteen years of age ..... 1,200
- The joint income of husband and wife living together or either as a parent with children under sixteen years of age ..... 1,200 and \$200 for each child under sixteen years of age.
- The income of single persons over seventy years of age ..... 1,000

**NOTE 1.**—The reason for the proposed change is obvious. No encouragement should be given to expensive living in a country so much in need of capital as this is, and those who can and will live luxuriously will not suffer by the change.

**NOTE 2.**—This Board thinks it is inconsistent with the principle on which a portion of the income of an individual is exempted—viz., a reasonable amount to live on—to allow any exemption to a body made corporate by law.

That the part of section 9 fixing the rates for taxation on income be struck out, and the following be substituted therefor:—

	Per Cent.
Class A. On any sum not more than ..... \$ 2,000..	1
" B. On any sum not less than \$ 2,000 and not more than 2,500..	1½
" C. " " 2,500 " 3,000..	1½
" D. " " 3,000 " 3,500..	1½
" E. " " 3,500 " 4,000..	2
" F. " " 4,000 " 5,000..	2½

Class G. On any sum not less than \$ 5,000 and not more than \$ 6,000..	Per Cent.
" H. " " " 6,000 " 7,000..	3
" I. " " " 7,000 " 8,000..	3½
" J. " " " 8,000 " 9,000..	4
" K. " " " 9,000 " 10,000..	4½
" L. " " " 10,000 " 12,500..	5
" M. " " " 12,500 " 15,000..	6¼
" N. " " " 15,000 " 17,500..	7½
" O. " " " 17,500 " 20,000..	8¼
On all sums over .....	10
	20,000.. 12

## PROPOSED NEW FORM No. 7.

*Deductions allowed.*

- No. 1. Amount deducted, exempted under the Statute but only to natural persons, and not to include bodies made corporate by law.
- No. 2. Outgoing or necessary expenses actually incurred and paid out in the production of the income by the taxpayer, other than expenditures on capital account or on reinvestment account.
- No. 3. An allowance of a sum for annual depreciation by ordinary wear and tear of the plant, machinery, equipment, and buildings, such sum to be based upon the probable annual average cost of repairs and renewals necessary to maintain the same in a condition of efficiency, and in no case to exceed for any year ten per centum per annum of the value at the commencement of such year, such value to be appraised by the Assessor.
- No. 4. Losses and bad debts arising out of the business from which an income is derived, irrecoverable and actually written off during the year, but not otherwise.
- No. 5. For municipal taxes and rates paid on real property from which an income is derived, but not otherwise.
- No. 6. For all income derived from shares or dividends from companies or corporations (not being companies or corporations taxed under Part II. or under Part V. of the "Taxation Act") where such companies or corporations are assessed direct upon the real and personal property and income of such companies, but not otherwise.
- No. 7. Money or capital received during the year as the price of any property sold, or any money paid back which was lent out on mortgage or other security, or payment of insurance due the taxpayer, or any capital paid to the taxpayer to which he is entitled from any investment whatever.

NOTES.—When the taxpayer keeps regular books showing his annual business, the figures given in the above returns must be correctly stated in accordance with such books, and such books shall be open to the inspection of the Assessor to enable him to verify the same. Stock-in-trade must be entered in the above return at the inventory value given in said books.

Deductions not allowed from gross income: (1) Any debts or liabilities paid out of income in any one year, where such debts or liabilities were not actually incurred in producing the income of that year; (2) any expenses or charges which ought, in the opinion of the Assessor, to be chargeable against the capital of the taxpayer and not against revenue; (3) any loss or expense not incurred by the taxpayer in the effort to produce the income; (4) the cost and maintenance of the taxpayer and his family, or establishment, or rent of house occupied by him; (5) domestic or private personal expenses; (6) taxes on real property, or on personal property, or on income, or any rate levy, tax, or assessment whatsoever, whether imposed or made or levied by or pursuant to any Act of the Parliament of Canada or of the Legislature of British Columbia, except the municipal taxes and rates allowed to be deducted under the said Form No. 7; (7) any loss or expense recoverable under any insurance policy or contract of indemnity, or not proved to the satisfaction of the Assessor, or which in the opinion of the Assessor ought not to be considered a loss, outgoing, or expense incurred by the taxpayer in the production of the income; (8) any income transferred from the gross income of the taxpayer to a sinking fund, contingent fund, reserve fund, or undivided profits; (9) income derived from any source outside this Province, if such income is brought into or used in this Province; (10)

any interest on borrowed capital from which an income is derived; (11) capital spent on improvements or betterments, or on account of interest which such capital would have brought if invested; (12) for any expenditure of a capital nature or for renewals or extensions; (13) for directors' fees, and for salaries of persons holding office as directors, and for the salary paid the president, vice-president, and general manager of any company or body corporate.

(New.) Provided, however, if a general manager is residing in this Province and is employed in the actual work of carrying on the business of the company, a deduction for his salary not exceeding \$5,000 per year may be made. The following items to be filled up by the Assessor only:

1. The tax on personal property is ..... \$ .
2. The tax on income is ..... \$ .
3. The greater tax, or if 1 and 2 are equal, then the tax on income (2), as the case may be, is ..... \$ .

If the recommendation of this Board to discontinue "personal-property" tax be adopted, items 1 and 3 must be struck out.

The amount of No. 3 being the only tax payable by the taxpayer for personal property and income.

**REASONS FOR CHANGES.**

The reasons for recommending the changes to be made in Form 7 as submitted are as follows:—

This Board is of the opinion that it is inconsistent with the principle on which a portion of the income of an individual is exempted from taxation—viz., a reasonable allowance for cost of living—to allow any exemption for that purpose to a body made corporate by law.

The amendment made to No. 2, by striking out the words at the end thereof, "or to replace or provide against depreciation," is explained and provided for by No. 3 in form submitted.

The reason for recommending the striking-out of No. 3 of old form is that it must be assumed that capital invested in any undertaking is so invested with a fair certainty that sufficient profits will come from the investment to pay interest and any taxes imposed by the Government of the country in which it is made; and even if the principle were admitted, there being so much difference in the profits arising from the same amount of capital in different ventures even of a similar nature and investments of capital in ventures of a different nature, the amount of capital invested would be no guide by which to make exemption or deduction that would be fair to the owners of capital in the different ventures. Therefore this Board recommends that no interest be allowed to be deducted from profits before income-tax is levied thereon.

No. 3 of form submitted provides for allowance for depreciation, and is virtually a copy of the Ontario "Mining Tax Act."

No. 4 is a copy of No. 4 in Form 7 of present Schedule. The Board shows No. 5 of the present Form 7 eliminated for the reason that any one paying premium for life insurance is storing up capital in that way for future use or profit, and is the same in result as when a wage-earner stores up capital in buying a house by paying for it in instalments, or a farmer stores up capital in improving his farm. The Board is aware that this deduction is allowed in England, but, notwithstanding this, thinks it is wrong in principle.

No. 5 in the form submitted is a copy of No. 6 in Form 7 of the present Schedule, and No. 6 is No. 7 in the said form.

No. 7 in the form submitted is self-explanatory and only gives expression to a principle implied in the Statute.

**MINING TAXATION.**

*Re Allowing for Exhaustion of Mines.*

This Board, after hearing the evidence submitted and the pleas made to support the proposal that such an allowance be made, cannot recommend that any such allowance should be made before income-tax is levied on net profits; for these reasons:—

There is no law we have found providing for such in any country whose laws we have inquired into where the taxation on mines is a tax levied on the net income therefrom, and in England the decisions of the Courts are clearly against it. It is safe to assume that before capitalists invest money in a mine they will know with a great degree of certainty the value of the ore-deposit therein, or, rather, they will have some proof that there is enough ore to

justify the venture, and will believe that in the operation of producing and selling the product of the mine they will be able to make enough profits to pay interest on the capital invested and create a sinking fund to replace the capital invested before the mine is exhausted.

They will be guided by the same principle by which a teamster is guided when he buys a horse, who expects to make enough profits from its use as will pay for feeding it and pay for another to take its place when it dies or is no longer able to do its work.

*Re the Mineral-tax on the Value of the Ore, 2 per Cent.*

The Board recommends the continuance of this tax, as it is levied in substitution for all taxes which might be levied upon the land from which the ore or mineral is taken, a tax on the estimated value of the ore in the ground, and for the personal property used in the working of such mines.

The great efforts that have been made to show that to levy this tax and to tax the profits made in the undertaking is dual taxation must fall under a proper analysis of their relation.

The mineral-tax is imposed on the party who is given possession of the mine, by licence or otherwise, and because he has been given control of it as against any one else in the community and secured by law in that control, and has no relation whatever to the principle or the basis of a tax on net income.

It is levied on the same principle on which a farmer is taxed for the privilege given him by the community for the exclusive use of his farm, and for the benefits that he receives from the community in the enjoyment of that use, and has no connection whatever with the tax levied on the profits he makes out of the community by the exercise of his energies applied to that farm. And the tax that is levied on farmers' profits is no greater in proportion than the tax levied on other taxpayers who have no privilege or licence to use any part of the domain of the country.

**RE ALLOWING INTEREST ON CAPITAL INVESTED BY A COMPANY IN A VENTURE TO BE DEDUCTED FROM PROFITS BEFORE INCOME-TAX IS LEVIED THEREON.**

This Board submits such should not be allowed. First, it is the amount of the net profits made by a company or individual which is the measure of the value of the opportunity given by the community to make such profits. This is the basis for and, indeed, proof of the fairness of a tax on net income.

And seeing that there is no fixed relation between the amount of capital invested and the amount of profit derived from the investment, it would work out unfairly to allow such deduction. It may happen—and, in fact, very often does happen—that a company investing half the amount of capital that another company invests will make as much profits from their venture as the other does.

In support of this recommendation, that interest should not be allowed on capital invested by a corporation, we quote the following from Professor Sellman. He says:—

"In England the income-tax payable on annual profits or gains, according to Schedule D of the income-tax, is advanced by the corporation, and is deducted by it from the dividends on interest due the security-holders, who are then to that extent exempt from the income-tax."

He says further: "Taxation of interest on corporate debt is not double taxation, because the coupons, like the dividends, are integral parts of the income; because both bonds and stock together form what is really the working capital from which the income is derived."

There is therefore the best authority for not allowing the deduction of interest on borrowed capital before income-tax is levied, and this principle will hold, with equal force, against allowing any rate of interest on invested capital being set aside before income-tax is levied on net profits.

**PART II.**

We recommend that persons taxed under Part II. of the "Taxation Act" be brought under the income provisions thereof, and that the Act be amended for that purpose.

**RE COLLECTION OF TAXES.**

This Board is of the opinion that the system of allowing a discount or rebate for the pay. of taxes is wrong in principle and cannot be justified.

When taxes are levied it may be assumed that they are levied to raise a certain amount of revenue, and that the levy is made on the basis of "ability to pay" of each taxpayer, as evidenced by the assessed value of his property or power to pay, and to make that levy less on any class of the taxpayers for any reason whatever is doing a wrong to the other classes of the taxpayers, whose burden is increased in consequence.

That some may not be able to pay on the date taxes become due and payable is no reason that they should be made to pay more than their share of the required revenue. If justice is desired to be done, the amount of taxes levied against each taxpayer should be collected in full, and if any fail to pay at the date fixed for payment they may in fairness be asked to pay interest at a rate which it will cost the authority levying the taxes to borrow the money needed until the taxes falling in arrears are paid or collected.

To allow a fair bank discount on taxes paid on any date after the date at which they become due to the end of the period within which they may be paid would be fair, if practicable.

We regret that such an unjust system has found a place in the taxation laws of our Province, and express a hope that it will be abolished both in our Provincial and municipal systems, in the latter of which it has reached an inexcusable extreme. With this in view, so far as Provincial taxation is concerned, we submit proposed amendments to the "Taxation Act" in respect to the collection of taxes, as follows:—

(a.) Amend section 8, subsection (23), by striking out all the words after "municipality" in the second line thereof.

(b.) Repeal section 10, and substitute the following therefor:

"10. The aforesaid taxes shall be due and payable on the second day of January of the year for which said taxes are levied, and may be paid without interest at any time from such date up to and including the thirty-first day of March of said year, but if such taxes are not paid on or before the last-named date interest shall be charged thereon as provided in sections 211 and 212 of this Act."

(c.) Repeal section 112, and substitute the following:—

"112. In case there should be arrears of real-property tax, personal-property tax, or income-tax due by a taxpayer, and he should desire to pay off a portion of the said arrears before proceedings are taken for recovery thereof, the Collector may accept the amount tendered; but the amount so tendered shall in no case be less than one full year's taxes with interest thereon at the rate of six per centum per annum on all taxes so tendered in arrears for any year up to and including the year 1917, and with interest at the rate of eight per centum per annum for all taxes in arrears after that date to the date of payment; and the Collector shall apply the said amount to clear off the farthest back year or years in arrears (as the case may be) and grant a receipt therefor, and he shall state upon such receipt what amount is still due and owing by such taxpayer for real-property tax, personal-property tax, or income-tax."

(d.) Repeal section 148, and substitute the following:—

"148. The taxes imposed upon corporations, including banks, under this Part of this Act shall become due and payable on the second day of January of the year for which such taxes are levied, and may be paid without interest at any time from such date up to and including the thirty-first day of March of said year, but if such taxes are not paid on or before the last-named date they shall bear interest at the rate of one per centum per month from such last-named date until paid, provided payment of such taxes with interest aforesaid is made on or before the thirty-first day of December of such year; and if such taxes with interest as aforesaid are not paid on or before the said thirty-first day of December, the said taxes and interest thereon, which interest is hereby declared to be an addition to and a part of such taxes, shall be deemed to be delinquent on the said thirty-first day of December."

(e.) Repeal section 149, and substitute the following:—

"149. All taxes, including interest thereon, which became delinquent on the day last mentioned in the last preceding section shall thereupon bear interest at the rate of eight per centum per annum from such date until paid or recovered. Such added interest provided for in the last preceding section and in this section shall be deemed a charge upon the property of the person whose taxes are delinquent. In all respects as if said interest had originally formed part of the taxes assessed and levied thereon, and may be recovered as a part of the delinquent taxes."



(f.) Repeal section 211, and substitute the following therefor :—

"211. All taxes on real property, personal property, and income unpaid on the thirty-first day of March of the year in which such taxes become due shall bear interest at the rate of one per centum per month from the last-named date until paid, provided payment of such taxes and interest is made on or before the thirty-first day of December of such year; and if such taxes with interest as aforesaid are not paid on or before the said thirty-first day of December, the said taxes and interest, which interest is hereby declared to be an addition to and a part of such taxes, shall be deemed to be delinquent on the said thirty-first day of December."

(g.) Repeal section 212, and substitute the following therefor :—

212. All taxes, including interest thereon, which became delinquent on the day last mentioned in the last preceding section shall thereupon bear interest at the rate of eight per centum per annum from such date until paid or recovered. Such added interest provided for in the last preceding section and in this section shall be deemed a charge upon the property of the person whose taxes are delinquent, in all respects as if said interest had originally formed part of the taxes assessed and levied thereon, and may be recovered as a part of the delinquent taxes."

#### ASSESSMENTS AND ASSESSMENT DISTRICTS.

Serious complaints have been made in regard to the inequality of assessments, which this Board believes to be well founded. In fact, the strongest complaints are because of the inequality of assessment rather than in regard to the rate levied on the valuation of real property. It is evident from the information given to this Board that assessments have not been carefully made under the present arrangement. This would appear to arise from the assessment districts being too large or from there being an 'insufficient staff to do the work.

In view of the unsatisfactory condition indicated, we recommend that under the provisions of sections 14 and 15 of the "Taxation Act" the work of a new assessment of the whole Province should be undertaken as soon as possible, and that the Province should be redivided into smaller assessment districts, so that it will be practicable for the Assessor to do the work in the district for which he is appointed in the manner contemplated by the "Taxation Act"; that is, to know the nature and condition of the property on which he places a valuation.

#### RE PERMANENT BOARD.

This Board, supported by the recommendation of Professor Halg, is of the opinion that a permanent Board of Taxation should be created on the lines indicated in his report, and that the Board should be cut clear as far as is possible from all political and special interests.

With the little time at its disposal to gather information, this Board submits it would be unwise for it, without further research, to attempt to draft a measure for the establishment of such a Board and to define its powers and duties in the directions pointed out by Professor Halg; therefore this Board recommends that advantage be taken of his offer to draft a constitution for such a Board. It is evident he is fully conversant with the work the Taxation Commissions in the several States in the Union have accomplished and what has been learned from their experience. In addition to this, he has intimate knowledge of the systems of taxation in the different Provinces of our Dominion, as shown by his able report thereon, prepared for the Committee on Taxation of New York, dated March 23rd, 1915, and we have evidence that since that time he has kept in close touch with taxation matters in the whole of Canada.

#### "SCHOOL ACT" AND SCHOOL TAXES.

This Board, under the instructions contained in section 9 of the "Board of Taxation Act," after hearing the evidence of several witnesses in respect to the present system of rural school taxation in this Province, as well as reading the evidence submitted to the Royal Commission on Taxation in 1911, and having had the privilege of being present at a meeting of the Executive Council which was held to discuss this question with Dr. Robinson, Superintendent of Education, has concluded that the inequality of taxation complained of arising under the present system can only be removed by changing the present system to one similar to that which was in force prior to 1906.

We think that the change made at that time to apply to school districts outside of municipalities was a retrograde one, unsuitable to this Province, and not in accord with the wish of a majority of its people. We think the people of this Province regard the children within its borders as their wards in respect to giving them at least a common-school education, and that the wealth or poverty of a parent should not be a measure of the opportunity his children should have in that respect. We therefore think that the ratepayers of one school district should not have to pay more, relatively, than those of another district, and in order to prevent this we recommend that the "School Act" be changed so that the whole of the taxable lands outside of municipalities, in proportion to their assessed value, should bear that portion of the cost of education which is now being levied on the several rural school districts.

#### PROFESSOR HAIG'S REPORT.

The Board transmits herewith the report received by it from Professor Haig. As already stated, this Board had reached conclusions on all the important matters relating to taxation and the sources from which Provincial revenues are drawn, as set forth in the foregoing report, before Professor Haig's report came to hand. In its perusal of the latter the members of the Board found a number of matters examined in detail with which it intended to deal, but which he has presented in a clearer manner, both in arrangement and expression, than it could hope to equal; and, indeed, he has covered a wider field, and with greater freedom of criticism, in the history of the finances of this Province than it, for obvious reasons, would have wished to do.

With the general tenor of his report, both in the preface and summary, this Board is in full accord, but there are some parts with which it does not agree, and therefore a short survey of his recommendations is necessary to show wherein the Board agrees and also where it does not agree, and the reasons for such difference of opinion.

His clear and full analysis of the amount and sources of revenue shows the changes that took place in these in the period of years his survey covers, and his review of the financial history of that period from 1905 to 1917 is one for serious thought. This, coming from one looking at it from an outside point of view, clear from any local or political bias, makes it all the more worthy of consideration.

Referring to the rapid rise in revenue from 1908 until it reached its highest point in 1912-13, and of its equally rapid decline to 1916-17, leads him to speak of the other part of the process in these words: "The spending proceeded with blissful confidence . . . Equipment and governmental services have been supplied with a lavishness that consumed the very unusual revenues of the prosperous years, and which has, in addition, strained the credit of the Province."

In view of the shrinkage of the revenue and the improbability of its expansion, he points to the situation as one that gives cause for great concern, if not alarm, and says: "Unless some unforeseen event should suddenly restore the demand for real estate, the people of British Columbia must face painful economy and burdensome taxation"; and "if the Province is not relieved of the menace of the Canadian Northern guarantee the situation will be very desperate."

This review leads him to point to and emphasize the need of the Government of this Province keeping expenditure in close balance with revenue raised from the ordinary sources, and not to rely on "land-sales" and other variable sources of revenue.

This Board is of the opinion that Professor Haig is entirely wrong in thinking that the war had anything to do in causing the shrinkage of revenue, and more especially in the cessation of land-sales; for these had practically stopped before August, 1914, and, in fact, there is every reason for believing that the war has had an opposite effect, in that it has helped to make many able to pay their taxes.

This Board is pleased that he anticipated it by his recommendation that a permanent Taxation Board be created with power to co-ordinate all the different branches of the work connected with assessments for and collections of taxes. We will refer more fully to this matter before concluding our report.

We will now deal with the matters on which we cannot agree with Professor Haig in addition to that already referred to—namely, the influence of the war upon the shrinkage of revenue.

It is our opinion that he has failed to grasp the situation in regard to the taxation of farm lands. If he had examined the assessment rolls of some of the assessment districts for the

years from 1905 to 1908, and compared the then assessed values with the assessed values of the same properties for the years from 1910 to 1914-15, and then with the values from the latter year to 1917, and tried to have discovered the causes for the rise in the values in the first period and the causes for their shrinkage in the latter period, we think he would have hesitated to say that 1 per cent. on farm land as now assessed is "not inordinately high," even in view of the "services rendered."

We believe there is no sound reason for this class of lands to be assessed higher in 1913-14 than they were in 1907-8, except where improvement made them more productive, and instead of values being lowered since 1914 they should be increased if the price of farm produce were taken as a basis for valuation. For this Assessors are not to blame, because under the provisions of the "Taxation Act" they cannot ignore the effect on prices of land that come from any wave of insanity of speculation to inflate land-values.

One per cent. might not be "inordinately high" if assessed values were on a sound basis, but there is hardly a district in British Columbia where inflation of values did not take place. If there is going to be any scientific system of taxation established in this Province, it cannot be based on this unsound and unscientific principle, for scientific taxation must mean equality of burden based on "ability to pay," and they who can readjust our taxation to reach that position or approach it most nearly are the best experts.

Professor Haig refers to the result of the imposition of the "wild-land" tax leading to "confiscation." This is a harsh word to use in this connection and hardly justifiable.

That it may lead to some having to sell land for less than they paid for it, or give up their venture, may be true, but the speculators who buy from the Government and lose are in no worse position than those who buy from private owners and lose. If they who buy from private parties fail to make good their payments, the property reverts to the original owners, and it is difficult to see why the same law should not apply to those who purchase public lands. Parties who have bought from the Government cannot say they have been wronged by the imposition of a new tax, for a "wild-land tax" has been a part of the taxation policy of this Province for a long time.

It is held by some that there is an implied contract on the part of the Government to make certain improvements out of the money received from these investors; but, if so, is there no implied responsibility on the part of these investors? Does not the imposition of a wild-land tax imply this? In so far as it is held to be a penalty for non-use of land it certainly does. Where men who have control of capital—the accumulated labour of the community and of which they are trustees from a community point of view—and invest that capital in land with the hope that the work and growth of the community will enhance its value to make such investment profitable, and the community fails to do so, it is a misfortune both to the investors and the community itself; for the value received on one side of the bargain—that is, by the investor—has not been realized, and is therefore a loss as compared with transactions where value received on both sides is made productive.

The whole situation is a matter for regret, and in the opinion of this Board is one that points to the need of making occupation and use part of the consideration to be given by those who are seeking to get control of any part of the public domain of this Province.

There is no need for us to make special reference, by way of comparison, to Professor Haig's opinion in regard to the taxation of mining and other companies and on income-tax, but will leave his opinions and our views to stand for your consideration.

In closing its report, this Board desires to express the belief that any diminution in revenue that may follow the abolition of the personal-property tax and the suggested changes in respect to farm lands will be more than compensated by a close assessment for and collection of the other taxes, as recommended, especially that of income-tax.

In a new country like this, where economic conditions should change more rapidly than in an old one, it gives ground for hope that the present sources of revenue will expand and that new ones will be created; but we fully recognize that all modern communities are bringing pressure to bear to force taxation to be derived from two main sources—taxation on land (i.e., on "land" in its widest meaning) and taxation on income.

And in regard to taxation on land, in so far as it is used for agricultural purposes, the tendency is to make the tax levied thereon bear some close relation to the "benefit received."

As we believe the latter can be done better by local bodies under proper Government control than by the Central Government, we have based some of our recommendations on that belief.

The great desire expressed on all sides for agricultural expansion, and the efforts being made by the Government of this Province to induce agricultural settlement, both point to the need of making taxation on farm land correspond as near as possible with the farmer's ability to pay. When most farmers are so much in need of capital as to have to borrow for purposes of developing their holdings, it is proof of the need of an endeavour to see that taxes on farm property be not excessive.

All of which, together with Professor Haig's report, communications, and transcript of evidence presented to this Board is respectfully submitted.

Dated at Victoria, B.C., the 5th day of April, 1918.

W. G. CAMERON,  
THOMAS KIDD,  
*Board of Taxation.*

#### INDIVIDUAL REPORT BY W. G. CAMERON.

##### MOTOR-VEHICLE TAX.

I recommend that the "Motor-traffic Regulation Act, 1911," section 14, be amended as follows:—

"The annual licence fee to be two per centum on the fair market value of all motors. Present annual licence fee and personal-property tax on motors to be cancelled."

##### AMUSEMENT-TAX.

I do not recommend any charge in regard to this tax, but think it should remain as at present.

##### TAXATION OF IMPROVEMENTS.

If the plan as outlined by this Board for assessment and taxation of farm lands is not adopted, I am in favour of the exemption from taxation, and recommend:—

(1.) That improvements be clearly defined in much the same way as in the "Municipal Act," section 2, with regard to district municipalities.

(2.) That land and improvements be assessed separately.

W. G. CAMERON.

#### INDIVIDUAL REPORT BY THOMAS KIDD.

##### TAXATION OF BANKS.

If that justice in taxation referred to herein is to be realized, there will have to be some change brought about in the attitude of the banks doing business in this Province.

It is an anomalous condition, which will not likely be much longer allowed to exist in Canada, that these institutions can refuse to give the information required to make each one bear its fair share of the burden of taxation imposed by the laws of this Province on income, an income which they draw from the community with exceptional powers and advantages granted them, and which would appear from known results far in excess of the value of the services they give the community.

The education of the public on matters of finance is advancing very rapidly, and the same intelligence and sense of justice that have pressed for and brought about the taxation of net income will not likely stop until these institutions are subjected to the same law as all other individuals and corporations.

##### MOTOR-VEHICLES TAX.

I recommend that the following fees be collected from the owners of motor-vehicles, to be in substitution for all taxes and rates that might be collected on the said vehicles under the present personal-property tax and the "Motor-traffic Regulation Act":—

One per centum on the purchase price of each vehicle in this Province when new, added to \$10 fee per annum. Motor-cycles on same basis and \$5 per annum, the registration fee to remain as now.

This will lessen the Assessor's work in assessing personal property and make the collection more simple by putting it in the hands of the Superintendent of Provincial Police. It probably will involve amending the provisions of the Act in respect to the assessment of personal property; this could be done by adding to section 64 of the "Taxation Act" the following:—

"Provided, however, that when any assessment is made of personal property it shall not include any motor-vehicle or motor-cycle."

#### AMUSEMENT-TAX.

I recommend the following Schedule to be substituted for the one in the present Act:—

	Cents.
Where the price of admission is not more than 5 cents .....	5
Where the price of admission is more than 5 cents and not more than 15 cents .....	10
Where the price of admission is more than 15 cents and not more than 25 cents .....	15
Where the price of admission is more than 25 cents and not more than 50 cents .....	20
Where the price of admission is more than 50 cents and not more than \$1..	25
Where the price of admission is more than \$1 and not more than \$2.....	30
Where the price of admission is more than \$2 .....	50

In recommending the increase of this tax to a scale that may seem excessive, I do so on the grounds that a tax of this kind may discourage the spending of money to excess on amusements that should not be indulged in overmuch when every one should be saving capital for more needful purposes. I would recommend further that whatever is collected from this source should go to support the different public hospitals in the Province, many of which are in great need of assistance.

On this subject I venture the following remarks on Professor Haig's reference to this tax, wherein he says: "It might possibly be justified as a war measure, designed to discourage a non-essential enterprise." And further on he says: "It is a tax that produces irritation out of proportion to its yield, and which distributes the burden with no defensible principle of taxation."

The last statement raises a point which I think is still under debate by economists; that is, whether "taxes levied on wealth in the using" can be defended on principle. It is certainly not more inequitable in distributing the burden than the tax on alcoholic liquors and tobacco, and, like the tax on these, by placing its collection on those who run the places of amusements it may be made to assume the character of an indirect tax.

This tax is not arbitrary, and as it is a tax on the consumption of a non-essential it may be looked upon as "voluntary"; indeed, the amount consumed may be taken as a measure as well as proof of "ability to pay." Like the tax on income, it may cause irritation; but as that will be largely confined to those in cities who can afford to pay for amusements of this kind, the irritation will not be serious.

I am therefore unable to see the reason for Professor Haig's opinion unless he bases it on the "subjective" aspect of the incidence of taxation, but I fear the majority of the people of British Columbia have not reached that stage of development which would enable them to appreciate the decisions of the psychological court that could determine whether the boy and girl whose opportunities to attend picture-shows have been cut in two suffer more or less mental anguish than the boy and girl who see a pet colt or a favourite brood of chickens sold by their father to pay his taxes.

But there is another aspect of this matter which Professor Haig may not have considered—namely, the effect of the thing consumed on the consumer. It has been suggested, with some strong circumstantial evidence to support it, that overindulgence in picture-shows by the pupils of public schools is distracting their minds from the more prosaic work of studying their lessons. If increasing the tax for admission to these places of amusement will have the result of lessening the attendance of that class its enforcement will be justified.

If one may judge from the great wave which has swept, with apparent success, both Canada and the United States recently in opposition to the sale of liquor under the licensing system, it is safe to conclude that there is something more than mere revenue being considered by the whole of the people in determining what shall be the principles of taxation and sources of revenue.

#### BOARD OF TAXATION.

In addition to the unanimous recommendation as above submitted in regard to the creation of a permanent Board of Taxation, I venture to submit the following, to which my colleague, Mr. Cameron, would not subscribe for the reason that in his opinion it was dealing with matters beyond the scope of the work assigned to this Board:—

In view of the recent proofs of lack of wisdom in the carrying-out of municipal government in this Province, I venture to suggest that the powers and duties of a Board of Taxation be extended to include the supervision of municipal borrowing and expending of borrowed money, on somewhat similar lines to that which the Local Government Board in Great Britain possess and exercise.

A prominent economist (Professor Bastable) says on this subject: "The necessity of some method of the kind is obvious; without it the numerical majority of the inhabitants of a district possessing little monetary interest in its future condition could burden all the holders of property and future residents with a load of debt." And he adds: "This power of regulation and its efficient exercise show the real unity of all public utilities."

The Royal Commission on Municipal Government had this matter under consideration, but seemed to think, as expressed in their report, that it was not advisable to establish such a system in this Province, but that "the Government should have full information as to what the municipalities are doing."

There is probably no country in the world where local bodies have had such unrestricted power as they have had in British Columbia, with results, in many cases, too well known to need to be recited, and which point to the need of steps being taken to prevent their recurrence.

THOMAS KIDD.



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## SECOND REPORT

OF THE

# BOARD OF TAXATION.

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To Honourable John Hart,  
Minister of Finance.

Sir,—We, the members of the Board of Taxation, beg to submit this as our second report, to which is attached a draft "Taxation Act." In the latter we have attempted to embody the provisions which we recommended in our first report to be made a part of the "Taxation Act," and have added others, all of which we believe are based on principles that will make taxation more equitable in this Province than it has been in the past; or, perhaps we should say, to change our system of taxation to correspond more nearly with changing economic conditions, in order that the burden of taxation may be more equitably distributed.

The taxation of land, which is the basic source of taxes, especially in a new country, is so important a part of our system that every effort should be made to adjust it fairly, and particularly in respect to farm lands. In this Province rental values, which should be taken as a basis for valuation of all classes of land, are not, even in our oldest settlements, very definitely fixed, but placing the responsibility for fixing the value of real estate on its owner, and providing that in case of sale a certain percentage of the amount he receives over the assessed value be taken as an unearned-increment tax, will have a tendency to get and keep real-estate values to a proper level and so prevent such violent fluctuations in prices as have taken place in the past.

In our former report we recommended an amendment be made to the "Taxation Act" to levy a tax on unearned increment as above indicated, but on further reflection we have not embodied that provision in the draft Act herewith submitted, having decided to recommend that the "Land Registry Act" be amended to carry out that purpose. We would suggest that such a tax be levied at a progressive rate, such rate to be the same percentage as the excess the vendor received over his equity in the property bears to that equity; such equity to be known as the "vendor's equity," and to be determined as follows:—

One-half of the sum of the assessed value of such property for the two years next preceding the date of sale plus 10 per cent. thereof, plus the value of any improvements made on or to the property between the time of the last assessment and the date of sale thereof: Provided, however, that no tax levied hereunder shall exceed 50 per cent. of the excess received by the vendor over his equity in the property.

In our former report we suggested that the rate placed on the increment be 5 per cent., but fuller consideration has led us to make the rate progressive, as above indicated.

In respect to the taxation of wild land and timber land from which timber has been cut and removed, or timber land whereon the timber has been destroyed by fire, we have made no change, but would recommend that the Assessor be careful in the valuation of such land, for if such lands have little value for agricultural purposes they should not be made to bear a tax above that value.

As indicated in our former report, we have made no provision for the taxation of personal property. In our investigations of taxation in other countries we find strong support for taking this course. In the United States, where the constitution of most of the States provides that real estate and personal property, usually known as "general property," shall be taxed at their full value and at the same rate, there is a strong effort being made in many States to have the tax on personal property abolished because, as we have pointed out, it imposes an unequal burden on the taxpayers, an inequality so extreme in many cases that it has led to all kinds of efforts being made to evade it, so much so that one writer has said that it had made nearly every man in his State a liar.



There is no part of our taxation system which works out so badly as this, and the provision in the present Act that gives the Government the alternative of taking the tax on the taxpayer's personal property or the tax on his income, whichever is the greater, only aggravates the injustice.

It may happen—in fact, we have evidence of such happenings—that persons doing business find at the end of the year their profit and loss account shows a loss, yet the tax on personal property calls for a large sum to be paid. This must be paid out of capital, a result that no system of taxation should bring about.

In the draft Act submitted herewith we have provided that the taxation of coal-mines be changed to bring the owners thereof under the income-tax provisions of the Act. We have done this for the reason, as we believe, that the present system is most unfair as between the owners of the different mines in that it takes, like the old tithe system, a fixed portion of the product without any consideration of the relative cost of production as between one taxpayer and another. The measure of this injustice will be found by comparing the cost per ton of getting coal to the point of delivery for sale from the mine from which coal can be produced the cheapest, with the cost per ton of getting the coal to market from other mines whose output is produced under less favourable circumstances. The inequality in the incidence of taxation under the present Act no doubt discourages the working of mines that afford but a small margin of profit, and militates against the opening of new mines, which in the early days of development are unduly burdened by this method of taxation.

We have placed the value of coal lands, as such, for assessment at the price at which they can be bought from the Government—namely, \$15 per acre. There is no practicable way by which an Assessor can determine the value of coal land as such, nor does the value of the surface give any index to that value. Therefore, to place these lands at an equal value for coal-mining purposes is probably as fair a way as can be followed for the assessment of such properties, the relative values of which can only be discovered by mining the coal. Although the relative value arising from difference of location might be considered as a reason for differentiation in assessed value, yet as this will be reflected in income and compensated for in the equalizing result of net income-tax, it need not be considered as important.

In providing for the taxation of mines other than coal-mines, we have followed the lines indicated in our former report; that is, to place in addition to a tax on the net income from the mine an initial tax on the net value of the ore in substitution for all the other taxes that might be levied—namely, a tax on the value of the surface of the land for the purpose for which it is used, a tax on the estimated value of the ore in the mine, and a tax on all the buildings, plant, and machinery used in or about the mine in connection with its operation. We have left out the alternative given to the Government by the present Act, to take a tax on the product of the mine or a tax on the income from it, whichever is found to be the greater. We submit that this method is wrong in principle and that it should not be followed, as it places an unequal burden on mine-owners in the comparative advantage to the mine with the richest ore and other favourable conditions as compared with other mines not equally favoured.

To put a fixed percentage tax on the net value of ore which costs 20 per cent. of its value to get it, and the same fixed percentage on the net value of ore that costs 80 per cent. of its value to get it, is so clearly inequitable that it has only to be stated to be condemned. Although the principle so condemned is applied in the draft Act submitted, its application to the extent provided finds justification in the fact that the tax so levied by it is in substitution for all the other taxes that might be levied, as above stated, as a real-property tax, and for the further reason that in the case of a struggling mine during the early stages of development it may be much less than those taxes would be for which it is substituted.

In the United States there is probably no subject of taxation which has aroused so much difference of opinion and controversy as the taxation of mines. This has arisen largely from the rigidity of the constitution of nearly all the different States, constitutions which crystallized into law the experience of a period when tangible property was taken as the sole evidence of the ability to pay taxes. The economic changes that have taken place since that time have created new conditions in which tangible property is not only incomplete evidence, but very misleading evidence as to where the "power to pay" is to be found. There is, therefore, in that country great effort being made to change this principle in taxation, and in many of the States some modifications have been made in that basic law. Yet few of them have got quite

free from that die-hard notion that all things having a sale value should be taxed on that value irrespective of their nature or use—not yet realizing that it is not the thing or means used in the production of wealth that should be taxed, but that it is the wealth produced that should be made bear the burden of taxation, as that is the only thing that gives the "power to pay."

Hence we find two impossible things attempted by Assessors there—one to value ore in the ground, the other to find out the amount of capital invested in some undertakings. The latter impossibility is stranger than the first, which arises from two causes—one of which is its amazing shrinkage if it is to be made the base of taxation, the other being its wonderful expansion if the interest thereon is allowed to be deducted before the income arising therefrom is charged with income-tax. The members of this Board have reason to think that no country in the world gives mine-owners a safer method of taxation than the one submitted herewith, for it practically imposes no taxes on them until their mines reach a productive stage.

The draft Act submitted provides for some changes in respect of the taxation of "certain corporations," all of which we believe to be in the direction of making the taxes on such more equitable, not only as between such bodies, but also in relation to other taxpayers. We cannot see how the present system, which provides for a tax on gross revenue of such dissimilar organizations as insurance companies and telegraph, telephone, and other public service corporations, can be reconciled on any common principle, the first drawing its revenue at a rate which by experience has been so fixed as to eliminate almost every chance of loss, and the second group using means of an ever-diminishing value and whose revenue must vary with the cost of material and labour. We have, therefore, for the above reasons, divided them in the Act on the lines indicated.

By bringing the fire insurance companies under its general provisions it will necessitate amending the "Fire Insurance Act," and so make all taxes that are not fees come through the taxing department of the Government. This Act will bring banks also under the income-tax provisions of the law. The provision in the present Act for taxing these institutions, which makes the levy upon them more in the nature of a licence than a tax, works out very unfairly as between bank and bank, and gives no certainty that they are paying less or more in proportion than other institutions which are deriving an income from the public. If more bank amalgamations take place, it will under the present system result in a shrinkage of the revenue from this source, and will likely render the inequality of the burden which now exists between bank and bank still more extreme. The revenue they would have to pay would likely be no more, as a whole, than they pay now. This may be assumed for the reason that the whole of the net profits of these institutions as shown by the latest statements is a profit of about \$2.30 *per capita* for the whole population of Canada, which would give this Province about \$1,000,000 as its share for taxation.

In regard to the taxation of railways, we have made no change in the provisions of the present Act. An examination of the data in the Canada Year Book showing earnings and expenses of the several systems in the Province—except that of the Canadian Pacific Railway Company, whose earnings in the Province are not separated from its total earnings—is not at all encouraging for an attempt to be made to get any revenue from a tax on their incomes. The Canadian Pacific Railway Company may be making considerable profit out of its operating in this Province, but we have no data to show how much. Even if that were known, any attempt to put an additional tax burden on that company, which holds a monopolistic position, might lead to increased rates being levied for their services that would be more loss than gain to the taxpayers of this Province.

In respect to the provisions recommended for the taxation of incomes, we wish to emphasize what we said in our former report in respect to deductions allowed and those that should not be allowed before income is charged with the tax. We submit that no deduction should be allowed for interest on borrowed money before the income is taxed, as it is contrary to the principle underlying the imposition of a tax on income.

Income-tax is a tax on the amount of wealth that the individual or economic unit draws out of the community, and the taxing power need not—should not—concern itself about the relative value of the means employed to get it, other than to allow that portion of such income needed to keep unimpaired the means used in the process of getting or earning it to remain free from taxation. Thus to the individual whose personal powers are his means for getting wealth there is enough of his income left untaxed to feed, clothe, house, and reproduce his kind; to

him and to all other units using additional means is allowed enough to make good the waste—diminishing value—of those additional means to be retained free of tax. But money has the unique quality or characteristic, unlike all other means that can be used, of not being subject to waste—not diminishing in value by its use; therefore nothing is needed to make good for waste by "wear and tear."

The above analysis shows that as to the wages paid to a man, or for the hire of a horse or a machine or for anything of diminishing value, which means are consumed in the using, there is the need of leaving that portion of the income of the economic unit employing them which is needed to reproduce them free from taxation, but that reason cannot be used to justify interest paid for the use of money, which is not consumed by its use, being allowed to escape taxation in the hands of the borrower before income-tax is levied on his income.

Until recently the English law did not provide for such allowance, but now it is allowed, provided the borrowing is for less than a year and from a bank doing business in the United Kingdom. The reason for the latter limitation is probably founded on expediency rather than justice. It is safe to infer that the decisions of the highest Courts in the Empire are what led up to the English law being amended. These decisions were based on the supposed fact that interest paid for the use of money in a business is similar in its effects in the economic process to money paid for the use of a machine, which, we submit, is not supported by a strict analysis of the fact. The fact that the law there provides for a higher rate of tax on unearned income points backward to support our conclusions, and a fuller analysis would show that to allow interest on borrowed money to be deducted from income before the tax is charged thereon is doing an injustice to the economic units which furnish their own capital.

As time goes on a closer analysis is being made of the relation of the economic units of a community to one another and to the community as a whole, which will lead to a more equitable distribution of the burden of the cost of government.

From the trend of thought as disclosed by leading writers on taxation, it must be inferred that net income is going to be made the measure of the ability of the economic unit to pay taxes, and before the application of this principle will vanish the claim for secrecy on the part of the individual as to the amount of the portion of the wealth created by the community he is drawing from them by his activities and power. The world is growing less and less inclined to look with patience on the claim of any one that this amount should be kept a secret from the other members of the community, a claim that his possessions are so sacred that no inquiry should be made to discover their value—an impatience that seems to grow in intensity in proportion with this growth; nor is the average citizen inclined to learn to appreciate the growth in the sensibility of the individual which, it is claimed by some, grows with his increasing wealth, and which makes him feel with increasing intensity the sacrifice he has to make in paying taxes in accordance with his power to pay them.

The intuitive recognition of the right of the community to take a portion of that which the individual has drawn from it, for the support of the Government, has found expression in many ways, and among the oldest of these is to put a tax on inheritance, which has been done by most nations. In the principle underlying the imposition of a tax on inheritance we find support and example for a tax on income. The tax on inheritance is a very crude and inequitable way to accomplish this purpose, but no doubt was applied in this way in the past because conditions were such as to make it very difficult to find out what the income of the individual was from year to year, but when death made it impossible for him longer to conceal the amount of his accumulations it was made easy for a tax of this kind to be levied.

The recognition of this social justice is now finding expression in most countries by the imposition of a yearly tax on incomes, and in following the example of the tax on inheritance is found justification for a tax at a progressive rate.

We do not recommend a higher rate to be levied on unearned income, because it leads up to a discrimination in respect of the means used to produce incomes, a discrimination that in many cases must be difficult to follow to a satisfactory conclusion, especially in a new country, and further because it is contrary to the true principle underlying the taxation of incomes.

Further, to levy a higher rate on the unearned income must lead up to a higher rate of interest being charged for the use of money in business, and thus give strength to the plea, otherwise unfounded, that interest on borrowed money should be deducted before income-tax is charged on profits.

The object this Board has had in view in drafting the Act submitted has been to provide that the revenue of the Province shall be drawn from two main sources—namely, a tax on land-values and a tax on income; and that the tax on the first shall correspond as closely as possible to the benefit such land receives from the work and presence of the community, including the owner, a benefit that should be measured by the increase in value given to such land as a means to produce wealth, the only true value land can possess. All other means used in the production of wealth we have intended to leave ntaxed, leaving the tax on income to equalize the burdens of taxation among the taxpayers, which it will do if properly enforced.

In the draft Act submitted we have attempted to provide that all taxes levied on property values and income for the preceding year will become due and payable on May 1st of each year, that no rebate will be allowed on payment of any tax, and that interest will be charged on any tax not paid before the 1st day of July of the same year. This is in accordance with the recommendations set forth in our former report, and we think can be conformed to in practice. We have endeavoured to make simpler provisions in regard to the sale of land for taxes, and to make the tax-sale deed absolute and free from attack when it has been issued, after giving ample time for redemption and for attack of any defect in the tax-sale proceedings.

The members of this Board, after giving careful thought to the matter of submitting "a draft of proper provisions for the constitution of a permanent Board of Taxation," deem it inadvisable, with the limited knowledge they possess at present, to formulate such a constitution, but would submit as their opinion that if section 15 of the present "Taxation Act" be amended by striking out the word "Assessors" in the fourth line thereof, and substituting therefor the word "Taxation," it is all that is required in the circumstances; thus leaving with the Minister the power to determine from time to time, as occasion may require, the duties of such Board, which in the opinion of this Board should be advisory in respect of the Minister and supervisory in regard to the work of the Assessors and Collectors in the several districts of the Province.

All of which, together with the draft "Taxation Act" herein referred to, is respectfully submitted.

Dated at Victoria, B.C., the 11th day of February, 1919.

W. G. CAMERON,  
THOMAS KIDD,  
*Board of Taxation.*

## DRAFT OF PROPOSED "TAXATION ACT."

### An Act to assess, levy, and collect Taxes on Property and Income.

**HIS MAJESTY**, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:—

*Short Title.*

1. This Act may be cited as the "Taxation Act."

*Interpretation.*

2. In this Act, unless the context otherwise requires:—

"Minister" means the Minister of Finance:

"Registrar of Titles," wherever used in this Act, shall include the Registrar-General and District Registrars of Titles; and registration, wherever herein in this Act required, is to be effected in the District Registry Office where the property is situated:

"Assessor" and "Collector" shall include Deputy Assessor or Deputy Collector for the district for which he is appointed:

"District" shall mean assessment district:

"Person" shall mean and include persons male and persons female, and also any and all companies, bodies corporate, corporations, firms, partnerships, general, special, and limited, syndicates, brokers, factors, associations, trustees, executors, administrators, guardians, agents, and receivers:

"Bank" shall include banking company, banking corporation, banking association, and savings-bank:

"Trustee" shall include executor, administrator, or guardian, committee, or receiver, the Official Administrator, and any person having or taking upon himself the possession, administration, or control of land or income affected by any express trust or having by law the possession, control, or management of the property or income of a person under any legal disability:

"Owner" means a person who holds a registered title of land in fee-simple or a tenancy for life, or being the holder of a registered agreement of purchase, and shall include the person through whom real property assessed and taxed is held liable for the payment of taxes levied against it:

"Taxpayer" means the person by whom or through whom taxes on real property or income or any other taxes levied by this Act are payable:

"Owner," in respect to a mine or mines, means the person owning, managing, leasing, or working the mine:

"Tax" and "taxes" shall extend to and include taxes on real property, wild land, coal land, timber land, income, and all other the several classes of property mentioned or referred to in and made liable to taxation by this Act:

"Land," "real property," and "real estate," respectively, means and shall include the land itself, and all buildings, structures, and permanent improvements or other permanent fixtures, machinery, or things erected upon or affixed to the land or to any building thereon, and all trees or underwood growing upon the land, land covered with water, and all quarries and substances, other than mines and minerals as hereinafter defined, in and under the land:

"Wild land" means all land, other than coal land and timber land, claimed by any person on whom there shall not be existing improvements to the value, when assessed, of two dollars and fifty cents per acre, in addition to the cash value of the land itself, on land situate west of the Cascade Mountains, and of one dollar and twenty-five cents per acre on land situated east of said Cascade Mountains; but improvements upon any part of the land owned or claimed by any person shall be deemed to be improvements upon the

Immediately adjoining land of such person to the extent of one hundred and sixty acres on land situate west of the said Cascade Mountains, and of three hundred and twenty acres on land situate east of the said Cascade Mountains, in like manner as if such improvements had been equally distributed over the whole one hundred and sixty acres or three hundred and twenty acres respectively, except where the land of such person adjoining such improved lands are suitable only for pastoral purposes, and where the business of farming and stock-raising is jointly operated by him, in which case the value of the improvements shall apply towards exempting from the wild-land tax such adjoining pastoral lands: Provided, however, that where wild lands are situate within a radius of five miles from the boundary of an incorporated town or city which has a population of not less than five thousand persons, the quantity of wild land to be exempted from the wild-land tax shall be limited to forty acres to the assessed owner or occupier thereof. Lands subdivided as townsites into lots of two acres or less in extent, regularly surveyed and shown upon a plan thereof, duly registered, shall not be assessed as wild land:

"Coal land" means land owned, leased, held under licence, claimed, or occupied by any person for the sole purpose of mining coal therefrom, and which is not held or used for any other purpose:

"Timber land" means any holding of the land which in the opinion of the Minister of Lands is held in sufficient areas for the purpose of forestry within the provisions of the "Forest Act," which is owned or occupied under any Crown grant of the Province or is held under lease or licence from the Crown within the purview of the "Forest Act" by any person for the specific purpose of cutting or removing timber therefrom, or as an investment for the accruing value of the timber thereon, and for no other purpose, which contains milling or merchantable timber to the average extent of eight thousand feet to the acre west of the Cascade range of mountains and of five thousand feet to the acre east of said range to each one hundred and sixty acres, and which has been classified as timber land for taxation purposes under the provisions of this Act by the Assessor after he has received from the owner or occupier thereof the return and certificate of the Minister of Lands provided for in section — of this Act; and also all timber land held under lease or licence from the Crown not requiring classification for taxation purposes under this Act, but which the Minister of Lands considers to be timber land within the provisions of the "Forest Act." Timber land from which timber has been cut or removed shall be classed as wild land, unless and until improved as provided for herelu in the definition of "wild land": Provided, however, that where land is being cleared of timber and underbrush for the purpose of making it fit for agricultural, pastoral, or commercial purposes by a bona-fide settler it shall not be classified as timber land:

"Mine" means and shall include any land in which any vein or lode, ore-body, or rock in place shall be mined for gold or other minerals, precious or base, except coal, and any natural stratum or bed of earth, gravel, or cement mined for gold or precious minerals, or stones, including all placer mines, creek, bar, dry, bench, hill, and precious-stone diggings from which gold and other precious minerals or precious stones or base minerals are dug, dredged, mined, or won:

"Mineral" or "mineral-bearing substance" means and shall include all valuable deposits of gold, silver, platinum, iridium, or any of the platinum group of metals, mercury, lead, copper, iron, tin, zinc, nickel, aluminium, antimony, arsenic, barium, bismuth, boron, bromine, cadmium, chromium, cobalt, k'nne, magnesium, manganese, molybdenum, phosphorus, plumbago, potassium, sodium, strontium, sulphur (or any combination of the aforementioned elements), asbestos, emery, mica, and all mineral pigments:

"Ton" shall mean two thousand pounds avoirdupois, except in respect of coal:

"Cattle" shall include polled and horned cattle, horses, and mules:

"Income" means and shall include the amount earned, derived, accrued, or received from any source whatsoever, the product of capital, labour, industry, or skill, during the twelve months ending the thirty-first day of December immediately preceding the date of assessment, or during any portion of the said period, and shall include, without being specially defined or enumerated, all wages, salaries, emoluments, and annuities accrued or due for any purpose whatsoever, and all income, revenue, rent, or interest accrued

or due from bonds, notes, stock, shares of stock, debentures (including interest or dividends from the stock, bonds, or debentures of the Dominion of Canada, and of this Province, and of any municipality of this Province), and from real and personal property, and from interest on money lent, deposited, or invested, and from all indebtedness secured by deed, mortgage, contract, agreement, or account, and from all ventures, businesses, professions, offices, avocations, or employments of any kind whatsoever; and means and shall include all the rents, incomes, and profits of every business and every corporate undertaking, and every industrial, manufacturing, and business undertaking of every nature and kind whatsoever, however arising, received, gained, or acquired, subject nevertheless to the exemptions hereinafter in this Act defined: Provided that where any person has a method of accounting fixing a fiscal or business year ending on any other day than the thirty-first day of December, the Minister may, in his discretion, adopt such other day as the day from which to compute the income of such person for the preceding twelve months.

*Division of Act.*

3. This Act is divided into three parts, relating to the following subjects:—

**PART.**

- I.—General Taxation of Property and Income:
- II.—Taxation of Railways and Railway Subsidy Lands:
- III.—Miscellaneous Matters.

**PART I.**

**GENERAL TAXATION OF PROPERTY AND INCOME.**

4. All real property and income within the Province shall be liable to taxation, and every person shall be assessed and taxed on his real property and income in accordance with the provisions of this Act, subject to the exemptions and provisions hereinafter mentioned and contained.

5. Lands in respect of which no Crown grant has issued, but which are held from the Crown by pre-emption or lease, or under agreement by the Crown to sell, grant, or convey, or are simply occupied, shall be liable (while so held or occupied or during the existence of such agreement) to taxation from the date of pre-emption record, lease, or agreement to sell, grant, or convey, or date of occupation (as the case may be), and the person holding a pre-emption record, lease or agreement of purchase from the Crown or otherwise in occupation of such land shall be held liable to pay taxes assessed and levied on such land and improvements thereon, but such taxation shall not in any way affect the rights of His Majesty in such lands.

6. The following persons and property shall be assessed and taxed specifically pursuant to the several parts of this Act governing the subject:—

- (a.) Certain corporations:
- (b.) Persons canning and curing salmon or other fish and by-products thereof, and persons manufacturing whale-oil or other by-products of whales or other sea animals:
- (c.) Mines and minerals other than coal and coke:
- (d.) Mining property held by Crown grant and not worked:
- (e.) Railways and railway subsidy lands.

*Exemptions.*

7. The following property shall be exempt from assessment and taxation, that is to say:—

- (1.) All property now vested, or hereafter to be vested, or held in trust for His Majesty, or now held, or hereafter to be held, as Dominion railway lands, and all lands to be conveyed to the Dominion Government under the eleventh section of the "Terms of Union," or otherwise, or held by His Majesty, or vested in any public body or body corporate, officer or person, in trust for His Majesty or for the public uses of the

Province; and also all property vested in or held by His Majesty, or any other person or body corporate, in trust or for the use of any tribe or body of Indians, and either unoccupied or occupied by some person in an official capacity:

- (2.) When any property mentioned in the last preceding subsection is occupied by any person otherwise than in an official capacity, the occupant shall be assessed in respect thereof but the property itself shall not be liable:
- (3.) All lands used exclusively for public burying-grounds or cemeteries, not exceeding five acres, and the personal property and income derived from public burying-grounds and cemeteries, when such personal property and income are used wholly for burial purposes, but not otherwise:
- (4.) Every public library, society, mechanics' institute, and other public literary, or scientific institution, and every public mining institute or society, with the land owned by and attached thereto, not exceeding one acre, and the personal property and income thereof, when such land, personal property, and income are used wholly and exclusively for the purposes and benefit of such public institutions, but not otherwise:
- (5.) Every agricultural or horticultural society, with the land owned and attached thereto, not exceeding twenty acres, and the personal property and income thereof, when such land, personal property, and income are used wholly and exclusively for the purposes of horticulture and agriculture:
- (6.) Every public university, normal school, manual-training school, school-house, Court-house, gaol, industrial school, industrial farm, lunatic asylum, house of correction, house of reformation, orphanage, orphan asylum, asylum for the blind, asylum for the deaf and dumb, institution for the reformation of fallen women, homes for the aged and infirm, public hospitals for the care of the sick, and isolation hospitals, when such institutions are supported in whole or in part by public donations, private charity, or by grants from the Province, and the land, personal property, and income of such institutions when such land, personal property, and income are used and devoted, after paying the necessary expenses thereof, wholly and exclusively to the benefit and purposes of such institutions, but not otherwise:
- (7.) The property, real and personal, and income of fire companies used and applied for the prevention and extinguishment of fires when so used and applied, but not otherwise:
- (8.) The personal property and income of the Governor-General of the Dominion, and the personal property and income of the Lieutenant-Governor of the Province:
- (9.) The full or half pay of any one in His Majesty's Regular Army and Navy in actual service; any pension, salary, gratuity, or stipend derived by any person from His Majesty's Imperial Treasury, and all the personal property and income of any person in such Military or Naval services on full pay, or otherwise in actual service:
- (10.) All pensions payable out of the public moneys of His Majesty's Imperial Treasury, or out of the public moneys of the Dominion, or of any Province thereof:
- (11.) All property, real and personal, which is situate without the Province:
- (12.) Land within the limits of any municipality:
- (13.) Every public road, way, highway, and public square or park used exclusively for public purposes, but not otherwise:
- (14.) So much of the income of persons as is provided for in this Act:
- (15.) Homesteads under the Dominion "Land Act" and pre-emption under the Provincial "Land Act" for two years from the date of entry or record and to the extent of five hundred dollars of the value thereof for a period of four years thereafter: Provided, however, that if a Crown grant is issued sooner than the expiration of such periods this exemption shall cease:
- (16.) Timber and coal lands held under lease or licence from the Crown, in virtue of the "Land Act" or "Coal and Petroleum Act" of this Province, under which a royalty and rental is reserved, or under which a licence fee is reserved for the use of His Majesty, while so held, but not otherwise:
- (17.) All property, real and personal, of a city or district municipality:
- (18.) The ordinary income of local benevolent societies raised by means of dues and assessments from its members:



*Division of the Province into Assessment Districts.*

8. For the purposes of this Act, the Lieutenant-Governor in Council shall have power to divide the Province into assessment and collecting districts and to define the boundaries thereof, and from time to time to alter the boundaries of any district and create new districts.

*Assessors and Collectors—Appointments and Duties.*

9. It shall be lawful for the Lieutenant-Governor in Council from time to time to appoint such person as he shall think proper as Surveyor of Taxes and Inspector of Revenue, and in like manner to appoint a person as Deputy Surveyor of Taxes and Inspector of Revenue; also to create a Board of Assessors for the purpose of consulting and deciding upon the best methods to obtain correct and equitable assessments throughout the Province, and for any other business connected with the discharge of their duties; and to appoint Assessors and Deputy Assessors, Collectors and Deputy Collectors for the districts created; also to prescribe regulations for governing them respectively in the performance of their respective duties.

10. Every Assessor and Collector, before entering on the duties of his office, shall enter into a bond for the faithful performance of his duties.

11. Such bonds shall be given by the said Assessor or Collector in such sum and such manner as the Lieutenant-Governor in Council shall require in that behalf.

12. The Collector shall pay over monthly to the Deputy Minister of Finance all moneys received by him, and the Collector shall prepare and forward, on or before the first day of February of each year, to the Surveyor of Taxes and Inspector of Revenue a detailed statement of all arrears of taxes due at the thirty-first day of December immediately preceding the said first day of February, showing the land upon which arrears are due, the names of the persons assessed therefor, the amounts in arrear for income, and the names of the persons assessed therefor; and in each statement he shall show, in separate columns, the arrears due for each year.

13. The Assessor shall, on or before the fifteenth day of May in each year, prepare and forward to the Surveyor of Taxes and Inspector of Revenue a certified copy of his assessment rolls as finally revised at the Court of Revision.

14. The Assessors and Collectors shall obey all departmental rules and regulations which may from time to time be issued under this Act.

15. If an Assessor neglects or omits to perform his duties, the other Assessor, or other Assessors (if there be more than one for the same district), or any Assessor or Assessors appointed temporarily for the purpose, shall, until a new appointment, perform the duties, and certify upon his or their assessment roll the name of the delinquent Assessor, and also, if he or they know it, the cause of the delinquency.

16. If any Assessor or Collector, acting under this Act, makes any unjust or fraudulent assessment or collection, or wilfully and fraudulently inserts the name of any person who should not be entered, or fraudulently omits the name of any person who should be entered, or wilfully omits any duty required of him by this Act, he shall, upon summary conviction before any Stipendiary or Police Magistrate, be liable to a fine not exceeding five hundred dollars, and imprisonment until the fine be paid, or to imprisonment for a period not exceeding six months, or to both such fine and imprisonment, in the discretion of the Court.

17. If any Assessor or Collector wilfully omits to perform any duty required of him by this Act, and no other penalty is hereby imposed for the omission, he shall be liable to a penalty of five hundred dollars, to be recovered from him in any Court of competent jurisdiction at the suit of the Minister.

18. (1.) Every person liable to be assessed and taxed under the provisions of this Act shall make a return or returns to the Assessor as provided in the several parts of this Act. In each such return the person shall state an address to which all notices and other documents to be mailed or served under this Act may be mailed or sent. Printed forms for the purpose of this section shall be supplied by the Assessor to any person on request.

(2.) If a person liable to taxation hereunder is unable for any reason to make the return required by this section, such return shall be made by the guardian, committee, curator, tutor, or other legal representative of such person, or if there is no such legal representative, by some one acting as agent for such person, and in the case of the estate of any deceased person, by

the executor, administrator, or heir of such deceased person, and if there is no person to make a return under the provisions of this subsection, then by such person as may be required by the Minister to make such return.

(3.) The Lieutenant-Governor in Council may from time to time alter, amend, or vary the said form, and may demand such other information from the taxpayer as to the nature and value of the property and income liable to assessment, and the taxpayer shall supply the information required by the said form and demand. The Assessor shall not be bound to accept as correct any of the returns so made to him, but shall, in any case if he thinks it necessary or expedient, or if he suspects that any person who has not made a return is liable to taxation, make independent investigation as to the property and income of the taxpayer or person, and he shall make his own valuation and assessment of the taxable amount. If the Assessor requires further details and more explicit particulars and returns from any person or taxpayer, he may demand the same by notice in writing stating his requirements in general terms, and every person or taxpayer receiving such a notice shall be bound to comply with the terms thereof fully and completely and within fourteen days after receipt by him of such notice. The Assessor may personally or through an officer appointed by the Minister examine the books and accounts, and any documents or vouchers relating thereto, of the person or taxpayer.

(4.) The Minister may at any time enlarge the time for making any return.

(5.) No person employed in the public service of the Province shall communicate or allow to be communicated to any person not legally entitled thereto any information obtained under the provisions of this Act, except such information as is required by law to be shown on the assessment rolls, or allow any person not legally entitled thereto to inspect or have access to any written statement furnished under the provisions of this Act. Any person violating the provisions of this subsection shall be liable, on summary conviction, to a fine not exceeding two hundred dollars.

19. The returns shall be made and signed by the taxpayer or his accredited agent, and in the case of a corporation, association, or partnership, by the president, secretary, treasurer, member, or chief agent having a personal knowledge of the affairs of such corporation, association, or partnership; or, in any case, by such other person employed in the business liable or bound to be liable to taxation as the Minister may require. The Assessor may in any case require the correctness of such return to be verified by the statutory declaration of the person who made the same.

20. It shall be the duty of every person assessable for property or income in any assessment district to give all necessary information to the Assessor in respect thereof.

21. The Deputy Minister of Lands and the Commissioner of Lands in each land district shall, on or before the first days of January, April, July, and October in each and every year, transmit, or cause to be transmitted, to the Assessor of each assessment district a correct list of all land within his assessment district which may have been recorded, pre-empted, leased, granted, or sold, or agreed to be leased or sold by the Crown, including Crown grants issued for mineral or placer claims, or leases thereof, which may have been issued during the last preceding three months. They shall also in addition thereto, on or before the first day of January in each year, furnish the Assessor with a complete list of all pre-emptions abandoned within his assessment district during the year previous thereto.

22. All Commissioners and other officers, clerks, and sub-agents of the Department of Lands throughout the Province, the Registrar-General, the District Registrars of Titles, Government Agents, Mining Recorders, Gold Commissioners, and other officers or agents of the Government of this Province shall, on the written request of the Assessor, furnish him, without any charge therefor, with such information as he may consider necessary for compiling and completing his assessment roll.

23. Every Registrar of Titles shall, on or before the first days of January, April, July, and October in each and every year, transmit to the Assessor in each assessment district a correct list of all transfers of land during the previous three months within the Assessor's assessment district, giving the date of transfer, the description of the land, the owner's name and address, and the value upon which the registration fees of the transfer is based.

24. In the event of any returns required under this Act to be made by the taxpayer containing any wilfully false or deceptive statement, or fraudulently omitting to give a full, true, and complete statement of the property and income of the taxpayer, the taxpayer making such

wilfully false or deceptive statement, or fraudulently omitting to give a full, true, and complete statement of his property and of his income, shall, in addition to the penalties hereinafter provided, pay to the Assessor the ascertained adjusted amount of the tax for the period covered by the said return, with one hundred per cent. added thereto, which added percentage shall be deemed a portion of the tax for the said period; and all the provisions of this Act shall, as far as applicable, apply to the said added percentage.

25. In every case where the taxpayer knowingly and wilfully makes any false or deceptive statement in any of the returns required by the Assessor under this Act, such person shall, on complaint of the Assessor, and upon conviction before any Stipendiary or Police Magistrate or Justice of the Peace, be liable to forfeit and pay a fine not less than one hundred dollars and not more than five hundred dollars, or to imprisonment for a term not exceeding six months, or to both fine and imprisonment.

26. Every person who, without reasonable excuse, fails, refuses, or neglects to comply with any of the requirements of this Act in respect of returns or lists to be made under this Act, or who withholds any information necessary for ascertaining the true taxable amount of any mine, mineral, property, or income, shall, on summary conviction, be liable to a penalty not exceeding five hundred dollars for every such offence.

27. In every case in which any person makes default in furnishing any return required under this Act, or if the Assessor is not satisfied with the return furnished by the taxpayer, the Assessor may make an assessment in such sum as in the Assessor's judgment ought to have been charged under this Act, and the Assessor shall have power, at any time after the yearly closing of his assessment roll, to make a supplementary assessment roll, and to add to the assessed value of the property and income of any person in any year any property or income that may have been omitted from returns made to him, or that may have come to his knowledge as having been omitted from any return, or may not have been assessed; and thereupon the Assessor shall give notice thereof to the person assessed, and such person shall pay the tax upon the same, subject, however, to the taxpayer's right of appeal to the special Court of Revision and Appeal provided for in this Act.

#### ASSESSMENT OF REAL PROPERTY, COAL LANDS, AND TIMBER LANDS.

##### *Returns to be made to the Assessor.*

28. Every person being the owner of real property, including wild land, shall, for the purpose of aiding the Assessor to fully and correctly ascertain the value of such property, make, or or before the first day of September of each year, a return to the Assessor of the assessment district wherein such property is situated, on forms to be supplied by the Assessor on request by such owner and such return shall contain a full, true, and correct statement of the value of the land or real property owned by him within the said assessment district at the date of such return.

29. Where the owner, lessee, or licensee of any coal land is mining coal therefrom and is using any part of the surface of such land in connection with the operation of such mines and the transportation of coal therefrom or for any other purpose, he shall furnish the Assessor with a return giving the value of all buildings, structures, improvements, fixtures, and machinery, and all other things attached to the land necessarily and actually used for the purpose of operating such coal-mine and coke-ovens (if any) thereon, or for any other purpose, and in such return he shall give the full value of the surface of such land for the purpose for which it is used: Provided, however, that railways used exclusively for the carriage of coal from the mines or material and workmen to and from the mines, if such carriage is free of charge, shall not be taxed.

30. Every owner, lessee, or licensee of coal lands from which coal is being mined shall, between the first day of July and the first day of September of each year, furnish the Assessor a return showing the number of tons of coal mined and taken from such land during the twelve months ending the thirtieth day of June preceding the date of such return, and in such return he shall designate and describe by the legal or other well-defined description an area consisting of a number of acres of such coal land, or coal land adjoining such coal land, equal to one-fifth of the number of tons of coal so mined and gotten from such land. The area so designated and described shall be classed as Class A coal land. All other coal land shall be classed as Class B coal land.

31. (1.) In addition to the return referred to in subsection (4) of this section which has to be made to the Assessor on or before the first day of June in each year, every owner of timber land shall furnish to the Assessor a certificate from the Minister of Lands, to be obtained on application by the owner from the Minister of Lands, showing that the regulations of the Department of Lands under the "Forest Act" concerning the prevention of fire and the scaling and marking of timber cut from said land have been complied with, and showing also that payment has been made to the Land Department of all charges authorized that year on that behalf, and that all royalties, taxes, and charges imposed under Parts VII. and XI. of the "Forest Act" have been duly paid by the owner to the Land Department.

(2.) Notwithstanding anything to the contrary in this Act, the assessed value of timber land for taxation purposes shall include in one item upon the roll the value of the growing timber thereon, as well as the value of the soil or land, and upon which values the tax shall be levied.

(3.) Where the growing timber upon timber land has been accidentally destroyed by fire and is usually known as "burned-over land," the land shall be assessed as "wild land," unless and until improved, as provided herein in the Interpretation of "wild land," to take it out of that class.

(4.) Every owner of timber land shall furnish to the Assessor, on or before the first day of June in each year, a return of his timber land, giving in detail the legal or other well-defined description of each parcel, the acreage thereof, the average number of feet of merchantable timber to the acre thereof, and the cash value per acre of each parcel, together with a plan showing the exact acreage, locality, and description of the portion of such land from which timber has been cut or removed, and the value of the land from which the timber has been so cut and removed; and in the event of such return not being furnished the Assessor may assess the whole of such timber land as wild land.

#### *Preparation of Assessment Roll.*

32. The Assessor of each assessment district shall, between the first day of September and the thirtieth day of November of each year, prepare an annual assessment roll for the assessment and taxation of land and real property within his district, into which, after careful examination of the returns made to him by the owners thereof as hereinbefore provided, and from such other information as he may deem reliable, he shall set down the following particulars: The name and last-known address of every person having taxable property within the district, and shall set down opposite the name of each such person a description of the property assessable to such person and the class to which it belongs, whether "real property," "wild land," "coal land, Class A," or "coal land, Class B," or "timber land," and the assessed value of each such property and the amount of taxes levied against such property; and any other information that may be considered necessary by the Minister. Where any alterations of the completed roll are made at the Court of Revision and Appeal, such alterations shall be shown in red ink, and such roll, as revised at such Court of Revision and Appeal, shall be the completed roll for the recovery of the taxes shown thereon.

33. Any error, omission, or invalidity made or arising in the preparation of the assessment roll, or in any notice of assessment, may be corrected by the Assessor at any time before the sitting of the Court of Revision; and it shall be the duty of every person receiving a notice of assessment to advise the Assessor of any error, omission, or invalidity he may have observed in the assessment of his property, in order that the Assessor may correct the same. It shall also be the duty of every person, when requested by the Assessor, to furnish him with a correct legal description, for the purpose of assessment, of each parcel of land owned or occupied by him in the Assessor's assessment district.

34. Where any land has for the first time become liable to taxation by reason of its having been recorded, pre-empted, leased, or sold, or agreed to be leased or sold by the Crown, or by any railway company, between the first day of October and the thirty-first day of December in any year, the Assessor shall add such land upon a supplementary roll and assess the same for the year immediately following the said thirty-first day of December.

35. All the duties imposed upon the Assessor with respect to his assessment roll, and all the provisions of this Act relating to the assessment roll, shall, where applicable, apply to the separate or supplementary rolls.

36. (1.) Real property shall be assessed at its actual cash value in money. In determining the actual cash value of real property in money, the Assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall he adopt as a criterion of value the price for which the said property would sell at a auction, or at a forced sale, or in the aggregate, with all the property in the assessment district, but he shall value the property by itself, and at such sum or price as he believes the same to be fairly worth in money at the time of assessment. The true cash value of property shall be that value at which the property would generally be taken in payment of a just debt from a solvent debtor.

(2.) Where real property is held and used for agricultural, horticultural, or pastoral purposes, and is by the return made to the Assessor by the owner thereof shown to be of less value than is indicated by the average amount of income for the three years immediately preceding the date of such return, then the Assessor may increase the assessed value of such property to a value based on such income capitalized at eight per cent., or to a higher value if the Assessor has reason to believe the property has a higher value for the purpose for which it is used.

(3.) Where real property is being used for business or industrial purposes, and the land apart from the improvements thereon has a special value arising from its location or other natural advantages, making it favourable for the purpose for which it is being used, the rental value of which cannot be clearly separated from the rental value of the whole real and personal property employed in the business or industry, and the return made by the owner to the Assessor does not in the opinion of the Assessor place the true value on such real property, the Assessor may revalue the same, and shall take into consideration the location or value of such land in determining the value of the real property for the purpose for which it is used, and shall add thereto the full value of the improvements thereon at the time the assessment is made to make up the full assessed value of such real property. Where land is being used in connection with residence premises for pleasure-grounds or park purposes and the return of the owner to the Assessor does not in the opinion of the Assessor show the true value thereof, the Assessor shall assess such real property at its full value, based on the full value of the land and the full value of the improvements thereon at the time the assessment is made, to make up the full assessed value of such real property.

37. All coal land shall be assessed, as such, at the rate of fifteen dollars per acre: Provided always that where the surface of any land within an area owned or held as coal land is used for any purpose, named and set forth in section 29 of this Act, it shall be treated as real property, and shall be assessed and taxed as such in addition to the tax imposed on the land as coal land.

38. All real property lying or being within an assessment district shall be assessed and taxed in the assessment district in which the same is situated, subject to the exemptions in this Act.

39. Land and real property shall be assessed to the owner thereof: Provided, however, that when a person is assessed as trustee, agent, guardian, receiver, executor, or administrator, he shall be assessed as such, with the addition to his name of his representative character, and such assessment shall be carried out in a separate line from his individual assessment, and he shall be assessed for the value of the real and personal estate held by him, whether in his individual name, or in conjunction with others in such representative character, at the full value thereof, determined as in the last preceding section.

40. (1.) Where any real property is registered in the name of any person as the owner of an undivided interest in a parcel, the said owner shall be assessed for the undivided interest in such parcel belonging to him in the proportion which such undivided interest bears to the assessed value of the whole of said parcel. No separate assessment and no entry upon the assessment roll shall be made against undivided interests in a parcel of land where the undivided interests are in less proportion than one-eighth of the whole, and in the event of the undivided interests being in less proportions than one-eighth of the whole, the parcel of land shall be assessed in the names of the last registered owners of undivided interests in proportions of not less than one-eighth, and the taxes due thereon shall be payable by them, saving their right to recover from owners of undivided interests in less proportions than one-eighth.

(2.) Where the title to any land has become vested in His Majesty in right of the Province, subject to any estate or interest therein of any person, or where the title to any lands is vested in His Majesty and it appears that any person had, prior to the vesting of such title in His Majesty, acquired or had such a right, whether legal or equitable, to an interest in such lands as would be enforceable against a private individual if such title were vested in a private

individual, and that such person has such right though he may not have actually acquired such interest, it shall be lawful for the Assessor to assess the interest of such person or the right of such person to an interest in such lands by estimating the value of the whole of said lands at their cash value per acre, and the proportion thereof representing the value of the interest or of the right to an interest of such person shall be set down by the Assessor upon his roll.

(3.) No appeal shall lie to any Court whatsoever from the assessment by the Assessor of the interest or the right to an interest in such lands, except on one or both of the following grounds:—

(a.) That the assessment is excessive; or

(b.) That the person assessed has no interest in the lands assessed or in any part thereof.

(4.) The appellant shall, before his appeal is or can be heard, file with the Court or the Registrar of the Court appealed to an affidavit setting forth the interest which the appellant claims in the lands involved in the appeal.

(5.) If there be no appeal or if the appellant's appeal be dismissed, the assessment as made by the Assessor shall be binding on the person assessed and upon every person claiming by, through, or under him.

(6.) No Crown grant shall issue in respect of any such interest unless and until all the taxes appearing on the assessment roll as chargeable against such interest have been paid.

41. Land within any assessment district and lying outside the boundaries of any municipality which is divided into villa or suburban lots, or other subdivisions, shall, if a plan thereof is duly registered in the Land Registry Office or District Land Registry Office, be assessed and taxed to the individual owner of each subdivision or lot, and if a plan thereof be not so registered, the whole of the said lots or subdivisions shall be assessed and taxed as so many lots to the last registered owner of the land before it was so subdivided. The owner of the land so subdivided according to the registered plan thereof shall furnish the Assessor, when requested by him so to do, with a list of all lots sold by him, giving the name of the purchaser, the date of the purchase, and the price paid, or agreed to be paid, for the same, and the Assessor shall thereupon assess to each individual owner the lots so purchased, or agreed to be purchased, and the balance remaining unsold to the owner of such unsold portion of the said subdivision.

42. Where the assessed value of any piece, lot, or subdivision of land according to the assessment roll is so small that the amount of tax imposed under the rate fixed by law will not subject such piece, lot, or subdivision to the payment of a tax as high as one dollar, then the sum of one dollar shall be placed on the assessment roll as the tax against such piece, lot, or subdivision, and the Assessor shall value and assess each such piece, lot, or subdivision separately, and shall enter the same on the assessment roll as a separate item.

43. When any owner of a townsite or other subdivision of land assessed within any assessment district files and registers a plan thereof in the Land Registry Office, he shall immediately thereafter furnish to the Assessor of the assessment district in which the land is situate a copy, tracing, or blue-print thereof, for the information and guidance of the Assessor.

44. The provisions of this Act as regards the tax on real estate shall not apply to, nor shall taxes on real estate be assessed, levied, or collected on, real estate which is situated within the boundaries of any municipality.

#### *Mode of assessing Incomes.*

45. All income derived from real and personal property in the Province, and all income derived from any other source whatsoever or wheresoever brought into, received, earned, or got by any person, body corporate, trustee, agent, receiver, guardian, executor, or administrator in the Province, shall be assessed and taxed subject to the exemptions in this Act, and not otherwise specially assessed and taxed under this Act.

46. Every person having income in the Province, other than railway companies assessed and taxed under Part II. of this Act, shall, without any notice or demand, and on or before the first day of February of each year, make a return to the Assessor of the district, wherein such income is liable to be assessed and taxed, on the Form No. — of this Act, and such return shall contain a full, true, and correct statement of the income of the person making such return for the calendar year ending the thirty-first day of December preceding the said first day of February.

47. Every person receiving income from more than one assessment district shall make a return showing the full amount of his taxable income from all sources, and shall state therein the assessment district in this Province in which he elects to be assessed and taxed on such income, and shall forward, on or before the first day of February of each year, such return to the Assessor of the district so elected by him: Provided, however, that the certain corporations assessed under sections 53, 54, and 55 hereof for income shall make their returns to the Assessor of the Victoria Assessment District. Any person making a return required by this section shall not thereby be relieved from making the return required to be made to the Assessor of each district from which a part of the whole amount of the income of such person is received.

48. Every person when making a return of his income to the Assessor of the district in which the income is acquired shall furnish the Assessor with a correct list of those employees of the said person, each of whose income is at a rate that will exceed for the year the exemption for the class in which each such employee is placed by the provisions of this Act, and in the said list he shall state the amount paid by him to each employee within and for the year ending the thirty-first day of December preceding the date of such return.

49. The Assessors shall, from the returns so made or from such other information as they may be able to obtain, fix and determine the assessable and taxable income of every person in the Province.

*Preparation of Assessment Roll for Income.*

50. The Assessor of each assessment district shall, between the first day of February and the first day of April in each year, prepare an annual assessment roll for the assessment and taxation of income, into which, after careful examination of the returns made by those having income within the district and after careful inquiry from such sources as he may deem reliable, he shall set down the following particulars: The name and last-known address of every person having taxable income within the district, and set down opposite the name of each such person:—

- (1.) The gross amount of income of such person for the calendar year preceding the date of assessment:
- (2.) The amount of exemption allowed therefrom:
- (3.) The net amount and class of such income:
- (4.) The rate thereon:
- (5.) The amount of the tax charged:
- (6.) Any other information that may be required by the Minister.

51. For the purpose of ascertaining the amount of taxable income of every person, the Assessor shall allow as deductions from the income of such person the deductions specified in the Form No. — in the Schedule to this Act as they shall respectively apply to such person: Provided, however, that the deduction to be made under item 1 shall be determined as follows:—

- (a.) From income of single persons, including widows, widowers, or divorced persons under seventy years of age without dependent children or other dependents incapable of self-support, eight hundred dollars:
- (b.) From the joint income of husband and wife living together, or either, as a parent, with children under sixteen years of age, twelve hundred dollars; and an additional amount for each child under sixteen years of age and for each dependent incapable of self-support, two hundred dollars:
- (c.) From the income of a single person over seventy years of age, one thousand dollars:
- (d.) Where any person is using land for agricultural, horticultural, or pastoral purposes and his gross income derived from the use of such land is not less than two thousand five hundred dollars, the amount of the above-specified deductions, except under subsection (c) hereof, shall be reduced by forty per cent. thereof; and where the gross income of such person from such land is not less than one thousand five hundred dollars, the amount of the above-specified deduction, except under subsection (c) hereof, shall be reduced twenty per cent. thereof:
- (e.) Where a person employs labour in the production of his income and finds board for his employees, he may add to the wages paid to such employees a sum equal to one-third of the amount so paid for wages, provided such one-third does not exceed one dollar per day for each such employee, and enter such increased amount as wages paid in the production of his income:

(f.) Where the reduced deductions as specified in subsection (c) of this section are made from the gross income of any person described therein, the reductions so made shall be in substitution for the value of all the food consumed by such person which he has produced on such land, or exchanged for other articles of food consumed by him.

52. No other deductions from the income, in order to arrive at the taxable income, shall be allowed to any person or taxpayer than those set forth in the said Form No. 7, and none of such deductions shall include any of the following items:—

- (1.) Any debts or liabilities paid out of income in any one year, where such debts or liabilities were not actually incurred in producing the income of that year;
- (2.) Any expenses or charges which ought, in the opinion of the Assessor, to be chargeable against the capital of the taxpayer and not against revenue;
- (3.) Any loss or expense not incurred by the taxpayer in the effort to produce the income;
- (4.) The cost and maintenance of the taxpayer and his family or establishment, or rent of house occupied by him;
- (5.) Domestic or private personal expenses;
- (6.) Taxes on real property, or on personal property, or on income, or any rate, levy, tax, or assessment whatsoever, whether imposed or made or levied by or pursuant to any Act of the Parliament of Canada or of the Legislature of British Columbia, except the municipal taxes and rates allowed to be deducted under the said Form No. —;
- (7.) Any loss or expense recoverable under any insurance policy or contract of indemnity, or not proved to the satisfaction of the Assessor, or which in the opinion of the Assessor ought not to be considered a loss, outgoing, or expense incurred by the taxpayer in the production of the income;
- (8.) Any income transferred from the gross income of the taxpayer to a sinking fund, contingent fund, reserve fund, or undivided profits;
- (9.) Income derived from any source without the Province, if such income is brought into or used within the Province;
- (10.) Any interest on borrowed capital from which an income is derived;
- (11.) Capital spent on improvements or betterments, or on account of interest which such capital would have brought if invested;
- (12.) For any expenditure of a capital nature;
- (13.) For directors' fees, and for salaries of partners and of persons holding offices as directors, and for the salary paid the president, vice-president, and general manager of any company or body corporate: Provided, however, if a general manager is residing in this Province and is actually employed in carrying on the business of the company, a deduction for his salary not exceeding five thousand dollars per year may be made;
- (14.) Any allowance for depreciation, except such amount for depreciation of vehicles, machinery, plant, and buildings used in the production of the income as may be allowed at the discretion of the Minister, not to exceed for any one year fifteen per centum of the actual and original cost of such vehicles, machinery, plant, or buildings.

#### *Taxation of Certain Corporations.*

53. All returns to be made by corporations named in sections 54 and 55 hereof shall be for the whole business carried on by them within the Province, including all their branches and agencies throughout the Province.

54. The following corporations, namely: Every telegraph company, every telephone company, every express company, every gas company, every waterworks company, every electric lighting company, every electric power company, every street-railway company, every trust company, every loan company, and every bank, shall, in addition to making a return in respect of any real property each such company may own to the Assessor of the district in which such real property is situated as required by this Act, make, without any notice or demand, a return to the Assessor of the Victoria Assessment District, on or before the first day of February in each year, showing the amount of revenue or income received by such company from all sources within the Province for the year ending the thirty-first day of December preceding the said first day of February, and such returns shall be accompanied by a certified copy of its "balance-sheet" and "profit and loss account" for the said year; and every corporation named in this section shall be assessed and taxed on its income from all sources under the same classification



and at the same rates as are other persons assessed and taxed on income under the provisions of this Act.

55. The following corporations, namely: Every life insurance company, corporation, and association, every insurance company other than a life insurance company, and every guarantee company transacting business in the Province, shall, in addition to making a return of any real property each such corporation may own to the Assessor of the district in which such real property is situated as required by this Act, make, without any notice or demand, a return to the Assessor of the Victoria Assessment District, on or before the first day of February of each year, showing the amount of revenue received for premiums for insurance and guarantees by each company within the year ending the thirty-first day of December preceding the said first day of February; also a return showing the amount of revenue received from all sources other than that from premiums above mentioned for the year ending the thirty-first day of December preceding the said first day of February, and such returns shall be accompanied by a certified copy of the "balance-sheet" and "profit and loss account" of such corporation in respect of the income derived from all sources, except premiums aforesaid, within the Province by such company for the said year; and every corporation assessed and taxed under this section shall be assessed and taxed on its income from all sources, other than that received for premiums as aforesaid, at the same rates and under the same classification as are other persons assessed and taxed on income under this Act, and shall be taxed on all revenue from premiums at the rate of two per cent.

*Taxation of Canneries and Whaleries.*

56. Every person carrying on the business of canning, curing, dry-salting, or preserving in ice salmon and other fish, in addition to making a return in respect of his real property to the Assessor of the district in which such real property is situate, shall, not later than the first day of February of each year, furnish to the Assessor of the Victoria Assessment District, on a form to be supplied by the Assessor, a return showing the number of pounds of salmon and other fish canned, cured, dry-salted, and preserved in ice, respectively, by such person during the year ending the thirty-first day of December immediately preceding the date of such return.

57. Every person carrying on the business of manufacturing oil from fish, whales, and other sea animals, in addition to making a return in respect of his real property to the Assessor of the district in which such real property is situate, shall, not later than the first day of February in each year, furnish to the Assessor of the Victoria Assessment District, on a form to be supplied by the Assessor, a return showing the number of gallons of fish-oil and whale-oil and the number of pounds of fertilizer, whalebone, bone-meal, and other products and by-products, respectively, manufactured and produced by such person during the year ending the thirty-first day of December preceding the date of such return.

58. All returns required to be made by the persons described in the foregoing sections 56 and 57 shall be for and include the whole business carried on by each such person in the Province, including all branches and agencies thereof, during the year, and each such person shall accompany each such return with a full, true, and correct statement of the income derived from all the business carried on during the year by such person, together with a certified copy of his "balance-sheet" and "profit and loss account" for the year ending the thirty-first day of December preceding the date of such return.

59. Under the heading of "Certain Corporations," such being named and defined in sections 54 and 55 of this Act, and under the heading of "Canneries, Fish-curing Establishments, and Whaleries," the Assessor of Victoria Assessment District, between the first day of February and the first day of April in each year, shall, for the purpose of assessing and taxing such corporations and persons defined in sections 56 and 57 of this Act for the calendar year preceding the said first day of February, prepare assessment rolls, in which he shall, from the information contained in the returns furnished by such corporations and persons, and from such other information as he may obtain from any other source, set down:—

- (a.) The name and address of each such corporation:
- (b.) The gross amount of income received during the year by such corporation for premiums and guarantees, less the amounts paid for reinsurance (if any) on business done within the Province during the year by such corporation:
- (c.) The gross amount of income received during the year by such corporation from all sources other than premiums as aforesaid:

- (d.) The name and address of every person above defined in sections 56 and 57 of this Act;
- (e.) The number of pounds of fish of all kinds canned, cured, dry-salted, and preserved in ice by such person during the year;
- (f.) The number of gallons of fish-oil and whale-oil produced and manufactured by such person during the year;
- (g.) The number of pounds of fertilizer, whalebone, bone-meal, and other products and by-products manufactured from fish, whales, and other sea animals during the year.

#### TAXATION OF MINES AND MINERALS OTHER THAN COAL AND COKE.

##### *Mode and Rate of Taxation.*

60. Mines and minerals shall, for the purposes of taxation, be regarded as a separate class of property, and the assessment and taxation thereof shall be regulated by the provisions of this Act relating thereto.

61. It shall be the duty of the owner or manager of every mine, whether the same be a mineral claim, placer claim, mining leasehold, or other mining property from which ore, minerals, or mineral-bearing substances are being raised, gotten, gained, extracted, or produced, forthwith to notify the Assessor of the district of the fact that any such mine mentioned above is in active production, and from time to time to furnish the name and address of the manager or person to whom notices hereunder may be addressed, and thereafter all notices required hereby may be given by letter directed to such address; and the Assessor shall forthwith, from information received therefrom or from other sources, prepare a list or roll showing all producing mines in his district.

62. It shall be unlawful for any person to ship, send, take, or carry away, or permit so to be shipped, sent, taken, or carried away, from the mining premises wherefrom the same may have been raised, gotten, or gained, any ore, minerals, or mineral-bearing substances raised, gotten, or gained until the last preceding section has been complied with.

63. Every owner of a mine other than a coal-mine, shall be assessed and taxed on his income as provided for in this Act for the taxation of incomes, and shall, in addition to the return or returns to be made by him for that purpose, make, on or before the first day of February in each year, to the Assessor of the district in which such mine is situated a return showing:—

- (1.) The amount of ore, minerals, or mineral-bearing substances shipped or sent from or treated on the mining premises during the calendar year preceding the date of such return;
- (2.) The amount of ore, minerals, or mineral-bearing substances shipped or sent from the mine during the calendar year preceding the date of such return;
- (3.) The name of the smelter or mill and locality to which the same are sent;
- (4.) The cost per ton for transportation to smelter or mill;
- (5.) The cost per ton for smelter or mill charges;
- (6.) The amount of ore, minerals, or mineral-bearing substances treated on the mining premises during the calendar year preceding the date of such returns;
- (7.) The value of the ore shipped, exclusive of the charges for freight or treatment and cost of mining;
- (8.) The value of the ore treated on the mining premises, exclusive of the charges for treatment and cost of mining.

64. The assessable value of ore and mineral-bearing substances, for the purposes of this Act, shall be the gross value thereof after deducting from such gross value the cost of transporting the said ore and mineral substances to the smelter or mill, and the cost of treating the same at such smelter or mill or on the mining premises, together with the cost of mining the same.

65. Every owner of an iron-mine shall, on or before the first day of February in each year, make to the Assessor of the district in which such mine is situated a return showing:—

- (1.) The amount in tons of iron ore produced from such mine during the calendar year immediately preceding the date of such return;
- (2.) The market value of such ore at the mine.

66. At any time after making an assessment, or accepting taxes, based upon a return or returns furnished pursuant to section 64 hereof, should the Assessor ascertain that the said

return is, or the said returns are, misleading, incorrect, or did not furnish sufficient information upon which to arrive at the correct amount at which the output of the mine in question should have been assessed for the period covered by said return or returns, the Assessor may, from such information as he may be able to obtain, notify the manager, or other person to whom notices may be addressed, of the additional amount payable in respect of the output of the mine for the said period, and require payment thereof, and such notice shall state the date of a special meeting of the Court of Revision and Appeal to be held not less than fourteen days after the date of said notice.

*Appeal.*

67. Any person who is dissatisfied with the amount claimed by the Assessor, acting under the last preceding section, may appeal to the Court of Revision and Appeal against the said assessment, and he shall be entitled to have the objection heard by such Court. The Court of Revision and Appeal shall have power to sit from time to time specially to hear and determine such appeals. The notice of appeal shall state the grounds of the objections in detail, and must be given by the person making the same within ten days from the date of the Assessor's notice.

*Powers of Assessor to enter Premises.*

68. (1.) For the purpose of determining the quantity and value of ore, minerals, or mineral-bearing substances for which any person is assessable, and either before the receipt of a return or after such receipt, it shall be lawful for the Assessor to enter upon any mining premises from time to time for the purpose of ascertaining the quantity of ore, minerals, or mineral-bearing substances raised, gotten, or gained from the said premises; and for this purpose the Assessor may descend all pits and shafts and use all tackle, machinery, appliances, and things belonging to the mine as he shall deem necessary or expedient, and he shall have free ingress and egress to, out, and over all buildings, erections, and vessels used in connection with the workings; and he shall from time to time be allowed to take from the said mining premises such samples or specimens as he may desire for the purpose of determining, by assay or otherwise, the value of the ore, minerals, or mineral-bearing substances being raised, gotten, or gained therefrom.

(2.) Every person liable to pay the tax imposed hereby shall keep upon the mining premises proper books of account of the ore, minerals, or mineral-bearing substances raised, gotten, or gained from the said mining premises, containing all particulars of weight and value, showing the smelter or reduction-work or other returns, or the amounts derived from the sale of such ore, minerals, or mineral-bearing substances, and other facts and circumstances necessary or proper for ascertaining the amount of the tax payable hereunder.

(3.) And no ore, minerals, or mineral-bearing substances raised, gotten, or gained out of any mining premises shall be removed therefrom until the weight and value thereof shall have been correctly ascertained and entered in the said books of account, to which books of account and to the returns above mentioned the Assessor shall have full and complete access for the purpose of examining the same, and taking copies thereof or extracts therefrom.

*Penalties.*

69. Any owner or manager of a mine making any wilfully false or deceptive statement in the return required by sections 63 and 65 of this Act shall be liable, on summary proceedings before a Stipendiary or Police Magistrate, or two Justices of the Peace, to a fine of one thousand dollars, and, in default of payment thereof, to imprisonment for a term not exceeding six months.

70. In the event of any return mentioned in the last preceding section containing any wilfully false or deceptive statement, the owner of the said mine, in addition to the penalty provided by the said section, shall pay to the Assessor the ascertained adjusted amount of the tax for the period covered by the said return, with one hundred per cent. thereof added thereto, which said added percentage shall be deemed a portion of the tax for the said period; and all the provisions of this Act with regard to the said tax shall, as far as applicable, apply to the said added percentage.

71. Any person failing to transmit the returns as provided in sections 63 and 65 of this Act or to furnish the information required by the Assessor shall be liable to the penalties imposed by sections 66 and 70 of this Act.

72. Every owner of a mine, other than a coal-mine, being the owner or lessee of the surface rights of the mineral claim or claims in which such mine is situate, and who is using or leasing for use for any other purpose than for buildings, structures, fixtures, and machinery and all improvements and things attached to the land necessarily and actually used for the purpose of operating such mine, shall, on or before the first day of September in each year, make a return to the Assessor of the district showing the value of the surface of such mineral claim or claims and the improvements thereon for the purpose for which the same are used, and the Assessor shall assess and tax such lands and improvements as real property.

73. The Assessor of every district in which a mine or mines other than coal is being worked shall prepare a separate roll, under the heading of "Assessment Roll," for the assessment and taxation of mines and minerals other than coal, and shall, on or before the first day of April of each year, from the returns made to him as herein provided, and from such other information as he may obtain from any other reliable source, set down:—

- (1.) The name of each mine and name and address of the owner thereof;
- (2.) The amount of ore or mineral-bearing substances extracted from such mine during the calendar year immediately preceding the date of assessment;
- (3.) The gross value of such ore as shown by the smelter returns;
- (4.) The net value of the ore shown after deducting cost of extracting or mining the ore from the ground, the cost of transportation of the ore to the mill or smelter, and the cost of smelting or treatment of same;
- (5.) The amount in tons of iron ore produced from each iron-mine during the calendar year immediately preceding the date of assessment;
- (6.) The market value of such ore at the mine;
- (7.) And any other information the Minister may require.

74. There shall be levied and collected a tax of one per cent. on the net value of all ore as shown on the assessment roll for each year, except on iron ore, and there shall be levied and collected a tax of thirty-seven and one-half cents on each ton of iron ore as shown on the assessment roll for each year, and such taxes shall be due and payable on the first day of May in each year.

75. The tax levied by the last preceding section shall be in lieu of and in substitution for all taxes that might be levied under the provisions of this Act on the real property, buildings, machinery, and fixtures used in the operation of the mine, and for any railway or other means of transporting ore or material from and to the mine, provided such railway or other means of transportation is used exclusively for the carriage of ore, material, and workmen from and to the mine.

#### *Taxation of Unworked Crown-granted Mineral Claims.*

76. The Assessor of every district in which there is situate any Crown-granted mineral claim not producing ore shall prepare a separate roll for the assessment and taxation of the owners of such claims, in which he shall set down:—

- (1.) The name and address of the owner of each such claim and the name of such claim;
- (2.) The acreage thereof and the amount levied thereon;
- (3.) And any other information required by the Minister.

77. There shall be levied and collected by every Collector appointed under this Act from the owner or occupier of every mineral or placer claim situate within his collecting district, of which a Crown grant shall have been issued, including Crown grants issued under the authority of an Act made and passed in the thirty-sixth year of Her late Majesty's reign, intitled "An Act to amend the 'Gold Mining Ordinance, 1867,' and the 'Gold Mining Amendment Act, 1872,'" a tax of twenty-five cents for every acre, and fractional part of an acre, of land conveyed by the grant, which tax shall be payable on the second thirtieth day of June immediately after the date of the Crown grant, and thereafter on the thirtieth day of June in each year: Provided, however, that if the owner of any such claim shall establish, to the satisfaction of the Collector, that the sum of two hundred dollars has been expended upon such claim in mining-development work during the year preceding the date when the tax becomes payable, then the said tax shall not be levied in respect thereof; and in order to entitle the owner to benefit by this provision

he must produce to the Collector a detailed statement showing the nature of the work performed and the amount expended upon the said claim, duly sworn to as true and correct before the Collector or a Justice of the Peace, and this statement must be filed with the Collector on or before the thirty-first day of August in each and every year in which he claims exemption from the said tax.

78. The tax imposed by the last preceding section shall apply to all mineral or placer claims held by grant from the Crown in any part of the Province, whether the same be situated within or without the boundaries of any municipality; and in all cases where the said tax has been heretofore imposed, or collected, the taxation and collection thereof, and any proceeding taken for sale or forfeiture of the claim or claims for non-payment of the tax, are hereby ratified and confirmed, and the exemption specified in subsection (12) of section 7 of this Act shall not apply to the land included in the Crown grants of mineral and placer claims.

79. Any owner of adjoining Crown-granted mineral or placer claims, not exceeding eight in number of such claims, shall be allowed to perform in mining-development work during the year preceding the date when the tax becomes payable, upon any one or more of such adjoining claims, the full value, at the rate of two hundred dollars per claim, to entitle all of such claims to exemption in lieu of the tax; but subject, however, to the said owner producing to the Collector a detailed statement showing the nature of the work performed and the amount expended, duly sworn to as true and correct before the Collector or a Justice of the Peace, which statement shall be filed with the Collector on or before the thirty-first day of August in each and every year.

80. If the tax imposed by section 77 of this Act shall remain unpaid on and after the thirtieth day of June in any year, the same shall bear interest at the rate of nine per cent. per annum until paid, and the Collector shall, on or before the first day of August thereafter, mail to the last-known address of the owner and registered chargee of such mineral or placer claim a notice stating that the taxes on such claim have become delinquent, and that if not paid within sixty days from the date of such notice the said claim will be advertised and offered for sale at public auction on the first Monday in the following November, of which sale the Collector shall give a notice, in terms hereinafter mentioned, by inserting the same in one issue of the Gazette, and also four consecutive issues of a weekly newspaper, or in one issue a week for four consecutive weeks of a daily newspaper, if there be a newspaper published in his collecting district, or if there be no newspaper published in his district, then in a newspaper published in the next nearest collecting district; and the several publications of such notice shall be before the day of sale. No such notice shall be inserted in the weekly edition of a newspaper if the newspaper has a daily edition.

81. In the notice to be published by the Collector as aforesaid, he shall state the name of the registered owner (or if the Crown grant has not been registered, the name of the Crown grantee), the name and description of the claim, the amount of the unpaid taxes and interest thereon, the costs of advertising and other expenses, and the total amount due, and he shall state that if the total amount due is not paid before the day of sale the claim will be offered for sale by public auction.

82. The tax imposed by section 77 of this Act shall be payable to the Collector of the assessment district in which the claim is situated, and shall be payable in one sum upon the total acreage of the claim, and the Collector shall not receive any proportion of the said tax from any person on account of alleged divided or undivided interests or shares in the said claim, and unless the full amount of the said tax on the total acreage of the claim is tendered no receipt therefor shall be issued.

83. Upon the failure of any one of several co-owners of a mineral claim to contribute his proportion of the tax imposed thereon by section 77 of this Act, any other co-owner may pay the same, and shall thereupon have a right of action against such defaulting co-owner for the proportion of the tax payable by him; and any judgment recovered in any such action shall be deemed to be a judgment within the meaning of section 26 of the "Execution Act," notwithstanding the fact that the sum payable thereby is less than the sum of one hundred dollars.

84. The tax imposed by section 77 of this Act shall form a charge upon the said claim, and the person liable to pay the tax shall be personally liable for the amount thereof, and the Collector may, before offering the claim for sale, in the event of the tax being unpaid in any one year on the first day of October, proceed against the said person in a summary manner

before any Stipendiary Magistrate, Police Magistrate, or Justice of the Peace, who may adjudge the same to be paid; and in default of payment of the amount due, it may, together with costs of distress, be recovered by distress of the goods and chattels of the said person.

85. Any land included within the area of a mineral or placer claim which has been Crown-granted and which is not exempted from the payment of the tax imposed by section 77 of this Act, and which shall be used in whole or in part for any purpose other than for the purpose of mining, shall be treated as real property and be assessed as such in addition to the tax imposed by the said section 77.

86. Where the owner of an unworked Crown-granted mineral claim is also the owner of the surface rights thereof, such surface rights shall be assessed and taxed as real property, and not as wild land, and the tax thereby imposed shall be in addition to the tax imposed by section 77 of this Act, and all taxes heretofore imposed and collected upon unworked Crown-granted mineral claims, either under the said section 77, or upon the surface rights thereof, as wild land or as real property, shall be held to have been legally imposed and collected.

#### *Sale for Delinquent Taxes.*

87. (1.) On the day appointed for the public auction of the claim the Collector shall offer the same for sale at the upset price of the total amount due, and he shall sell the claim to the highest bidder.

(2.) If the purchase price shall exceed the upset price, the surplus shall be paid into the Provincial Treasury by the Collector, in trust for the owner of the claim.

(3.) In the event of there being no bidder, or if the price offered shall not be sufficient to pay the amount then due, the claim shall become absolutely forfeited to and vested in the Crown for the use of the Province at the expiration of twelve months from the date of such auction, unless the owner whose name or names appeared, or ought to have appeared, upon the advertised list at the date of such public auction, or his heirs, executors, administrators, successors, or assigns, or any one on his or their behalf and in his or their name, shall pay to the Collector, on or before the expiration of the said twelve months, the taxes, costs, and interest due upon the said claim at the date on which payment thereof is tendered to the Collector.

(4.) The said claim shall not be located under the provisions of the "Mineral Act" or the "Placer-mining Act," and shall not, for the said period of twelve months, be open for pre-emption under the provisions of the "Land Act."

(5.) If the taxes, costs, and interest due upon such claim have not been paid at the expiry of the said twelve months, it shall be absolutely forfeited to and vested in the Crown for the use of the Province, and the Collector shall forthwith issue a certificate in quadruplicate stating that the claim therein specified is absolutely forfeited to the Crown for unpaid taxes, and that the Crown grant thereof is thereby cancelled and void; and the Collector shall retain in his office one of the said quadruplicates and forward one of the said quadruplicates to the Registrar of the land registry district in which the claim is situate, one to the Deputy Minister of Lands, and one to the Surveyor of Taxes and Inspector of Revenue, and they shall each duly register the same in their respective records.

88. On the day of sale the Collector shall issue to the purchaser of any claim sold an interim receipt for the purchase money, in which he shall state that he has sold the claim to the purchaser at the amount declared at such sale, and that if the claim is not redeemed on or before the expiration of twelve months from the day of sale, as before provided, he will execute a deed of conveyance thereof to the purchaser, his heirs or assigns, immediately after the expiration of the said period for redemption, and for which deed the purchaser shall pay to the Collector a fee of ten dollars, which fee shall be paid into the Provincial Treasury.

89. When a claim has been sold at public auction for unpaid taxes and costs, it shall continue to be subject to the tax imposed by section 78 of this Act.

#### *Redemption.*

90. (1.) The owner of any claim which may be sold at the said public auction shall have the right to redeem the same, at any time on or before the expiration of twelve months from the day of sale, by tendering to the Collector the full amount due for which the said claim was sold, together with interest at the rate of twelve per centum per annum from the date of sale until the date of tendering payment thereof to the Collector, and the said owner shall also at the same time pay to the Collector any taxes which may have accrued due subsequent to the

date of such sale and interest thereon; and on such tender and payment being made, the Collector shall issue to such owner a certificate that the claim has been redeemed.

(2.) During the said period allowed for redemption, the said owner shall have the right of possession of the said claim as fully as before the said sale, subject, however, to the purchaser at the said sale having the right to protect the same from spoliation and waste during the said period.

91. The Collector, on receiving the tender for redemption, shall at once notify the purchaser that he has received such tender, and request him to return the interim receipt issued to him on the day of sale, and on receipt thereof the Collector shall pay to the said purchaser the amount of the purchase money and interest at twelve per centum per annum so received from the person redeeming. On receiving the said notice from the Collector that the claim has been redeemed, the purchaser shall have no further rights in the claim.

*Notice of Forfeiture.*

92. When any mineral or placer claim becomes subject to forfeiture to the Crown as hereinbefore provided, the Collector shall forthwith after the date of the public auction give notice to the owner of such claim whose name appeared upon the advertised list, and to all persons who at the date of such public auction appeared on the Land Registry Office records of the land registry district in which the claim is situate as the owners or holders of a registered charge upon the claim, stating that the claim will be absolutely forfeited to the Crown at the expiration of twelve months from the day of the public auction, unless the amounts due as aforesaid are sooner paid; and such notice shall be deemed to have been properly given if mailed to the address of such persons last known to the Collector.

*Arrears to be kept distinct from other Taxes.*

93. The Collector, when he makes up his assessment roll of assessed taxes each year, and on the certified copy thereof to be forwarded to the Surveyor of Taxes and Inspector of Revenue, shall attach to the said roll a complete list of all the unworked Crown-granted mineral or placer claims in his assessment district, and shall show thereon the amount of taxes due at the thirtieth day of June in each year upon each claim; but the said amounts shall be kept separate and distinct from assessed taxes, and the amounts that may be collected from time to time by the Collector for taxes on such unworked Crown-granted mineral or placer claims shall be accounted for separately in his monthly returns to the Treasury Department, and shall by the Auditor-General be shown as a separate source of revenue in the Public Accounts.

*Respecting Surface Rights.*

94. Where the surface right of any mineral claim is divided into townsite lots by a plan duly deposited in the Land Registry Office, or where the surface rights are owned or assessed separately from the mineral rights, the Collector may at the sale offer only the mineral under-rights in the Crown-granted mineral claim for sale; and in the event of a new Crown grant being issued to a tax purchaser, the title conveyed shall be limited to the mineral rights only, without any right to the surface.

95. Where any mineral claim situate in a municipality has, as aforesaid, been divided into townsite lots, and the mineral under-rights only have been sold and Crown-granted anew to the purchaser for taxes, it shall be lawful for the Lieutenant-Governor in Council to vest in such municipality any surface rights as to streets, lanes, and highways as shown on such townsite plan that previously appertained to such mineral claim, and which belong to the Crown.

*Disposal of Forfeited Mineral Claims.*

96. (1.) When a Crown-granted mineral claim has been absolutely forfeited to and vested in the Crown under the provisions of this Act, it shall be lawful for the Gold Commissioner for the mining division in which the claim is situated to grant a lease thereof to any person for the term of one year upon payment of the sum of twenty-five dollars, and, upon payment of a further sum of twenty-five dollars, to grant a renewal of the lease for a further term of one year commencing on the expiration of the former lease, but for no longer period.

(2.) There shall not be granted to any person a lease or any interest in a lease of more than two claims in the same mining division, and a grant of a lease or an interest in a lease in excess of the said number shall be void.

(3.) Such lease shall not be transferable.

(4.) Subject to the rights of any person to the surface or a portion of the surface of such mineral claim, the lessee shall, during the continuance of his lease, but not longer, have the right to enter, prospect, and mine upon such claim for all minerals, precious and base, save coal and petroleum, and for that purpose shall have all the rights of a free miner under the "Mineral Act."

(5.) When the Gold Commissioner has granted a lease to any such person, he shall forthwith notify the Surveyor of Taxes and Inspector of Revenue, giving the name of the claim, the name of the lessee, and the date of the lease, and the Surveyor of Taxes and Inspector of Revenue shall enter the particulars furnished him by the Gold Commissioner in a proper book to be kept by him for that purpose.

(6.) The lessee may, at any time before the expiration of his lease, apply for and obtain a Crown grant of such mineral claim upon payment of all taxes, costs, and interest which remained due and unpaid on such claim on the date of its forfeiture to the Crown, together with all taxes and interest payable in respect thereof from the date of the lease to the date of the application for a Crown grant, but without the payment of any fee for the Crown grant: Provided, however, that if the lessee shall establish to the satisfaction of the Gold Commissioner that he has expended upon such claim in mining development work a sum of not less than two hundred dollars a year during the continuance of the lease, then the tax from the date of the lease to the date of application for a Crown grant shall not be levied or collected.

(7.) The lessee shall be entitled to a Crown grant according to the acreage and description of the claim specified in the original Crown grant thereof under which the claim was held prior to the date of forfeiture, but subject to the prior rights of any other person.

*What Taxes are to be assessed, levied, and collected, and Rates of Taxation.*

97. There shall be assessed, levied, and collected from every person and paid to His Majesty, His heirs and successors, the sums following, that is to say:—

*(1.) On Real Property.*

One per cent. upon the assessed value of real property, other than wild land, coal or timber land:

*(2.) On Wild Land.*

Five per cent. upon the assessed value thereof:

*(3.) On Coal Land.*

One per cent. upon the assessed value under Class A coal land; four per cent. upon the assessed value under Class B coal land:

*(4.) On Timber Land.*

Three per cent. upon the assessed value thereof:

*(5.) On Income.*

On the taxable income of each person, when the amount thereof is ascertained under any of the following classes, the rates shall be as set forth in the respective classes, namely:—

CLASS A.—When the taxable amount of income of each person does not exceed two thousand dollars, upon all taxable income up to and including two thousand dollars, one per cent.:

CLASS B.—When the taxable amount of income of each person exceeds two thousand dollars and does not exceed three thousand dollars, upon all taxable income up to and including three thousand dollars, one and one-half of one per cent.:

CLASS C.—When the taxable amount of income of each person exceeds three thousand dollars and does not exceed four thousand dollars, upon all taxable income up to and including four thousand dollars, two per cent.:

CLASS D.—When the taxable income of each person exceeds four thousand dollars and does not exceed five thousand dollars, upon all taxable income up to and including five thousand dollars, three per cent.:



CLASS E.—When the taxable amount of income of each person exceeds five thousand dollars and does not exceed seven thousand five hundred dollars, upon all taxable income up to and including seven thousand five hundred dollars, four per cent.:

CLASS F.—When the taxable amount of income of each person exceeds seven thousand five hundred dollars and does not exceed ten thousand dollars, upon all taxable income up to and including ten thousand dollars, five per cent.:

CLASS G.—When the taxable amount of income of each person exceeds ten thousand dollars and does not exceed fifteen thousand dollars, upon all taxable income up to and including fifteen thousand dollars, six and one-half of one per cent.:

CLASS H.—When the taxable amount of income of each person exceeds fifteen thousand dollars and does not exceed twenty thousand dollars, upon all taxable income up to and including twenty thousand dollars, eight per cent.:

CLASS I.—When the taxable amount of income of each person exceeds twenty thousand dollars and does not exceed twenty-five thousand dollars, upon all taxable income up to and including twenty-five thousand dollars, ten per cent.:

CLASS J.—When the taxable amount of income of each person exceeds twenty-five thousand dollars, upon all taxable income, twelve and one-half of one per cent.:

- (6.) Every person causing, curling, dry-salting, and preserving salmon and other fish shall pay an annual tax of ten cents on every one hundred pounds of such salmon or other fish canned, cured, dry-salted, and preserved in ice during each calendar year; and every person carrying on the business of manufacturing oil from fish, whales, and other sea animals and other products and by-products therefrom shall pay an annual tax of twenty cents on every one hundred gallons of fish and whale oil manufactured, and twenty cents on every ton of fertilizer, whalebone, and bone-meal manufactured by him during each calendar year.

*Taxation of Cattle and Sheep depasturing on Crown Lands.*

98. The owner or person in charge of any cattle or sheep which are brought into the Province from any place without the Province, and which are depastured on Crown lands, shall pay to the Collector in whose district they are found a tax of seventy-five cents per head on all cattle and a tax of twenty-five cents per head on all sheep so depastured, which tax shall become due and payable forthwith upon such cattle and sheep being depastured, and upon payment of the said tax the owner or person in charge of such cattle or sheep shall be entitled to depasture the same for a period of six months, but no longer.

99. Such tax, if not paid at the office of the Collector in whose district the cattle or sheep are found, shall be payable to the Collector on demand; and if then not forthwith paid, the Collector may, in addition to the powers conferred by section 146 of this Act, levy such tax by distress and sale of a sufficient number of such cattle or sheep to meet the tax and expenses.

*Completion of Assessment Rolls.*

100. The Assessor of each district, before the completion of each of the several rolls which he is by the provisions of this Act directed and instructed to prepare, shall transmit by post to or leave at the residence or place of business of every person whose address is known to him a notice of the sum or sums for which each such person is assessed and taxed on his "real property," "wild land," "coal land," and "timber land" in the Form No.      in the Schedule to this Act, and the Assessor shall transmit by post or leave at the place of residence or business a notice to every person, whose name appears on any of the several rolls, of the sum or sums for which each such person is assessed and taxed on his income, and a notice of any other sum or sums for which he is assessed and taxed generally or specifically under the provisions of this Act in the Form No.      in the Schedule to this Act or otherwise as the Minister may direct; and the Assessor shall enter on the roll, opposite the name of the person, the date of delivering or transmitting each such notice, which entry shall be prima facie evidence of such transmission or delivery, and on the back of such notice of assessment there shall be printed a brief summary, for the information of the taxpayer, of the dates when taxes are payable, delinquent, subject to sale or forfeiture, penalties, and any other particulars deemed necessary by the Minister.

101. The insertion by the Assessor of the letters "N.R." in the proper column of the roll opposite the number on the roll of land assessed to "non-residents," or as "unknown," and the roll being open for inspection of taxpayers at the office of the Assessor for a reasonable time during office hours, shall be deemed to be legal and sufficient notice of assessment and of the amount due therefor to any non-resident whose address is unknown to the Assessor, or to any owner of land assessed as "unknown."

102. Every Assessor shall complete his roll for the assessment and taxation of "real property," "wild land," "coal land," and "timber land" in each year on or before the thirtieth day of November, and shall attach thereto a declaration signed by him, and verified upon affirmation in the form following:—

I, \_\_\_\_\_, of \_\_\_\_\_, Assessor of \_\_\_\_\_ Assessment District, do solemnly declare:—

(1.) That I have, according to the best of my information and belief, set down upon the assessment roll all the real property, wild land, coal land, and timber land liable to taxation situate in the Assessment District of \_\_\_\_\_, and I have justly and truly assessed each of the parcels so set down at its actual cash value, as it would be appraised in payment of a just debt from a solvent debtor, as prescribed by law.

(2.) That I have set out the real property, wild land, coal land, and timber land in separate parcels upon separate lines of the said roll, as near as may be, and the nature of the tenure thereof.

(4.) I have entered thereon the names of all the owners of "real property," "wild land," "coal land," and "timber land," and of all other persons who have required their names to be entered therein, with the true amount of property occupied or owned by each, and I have not entered the name of any person whom I do not truly believe ought to be entered thereon; nor have I omitted the name or the property of any one whom I knew or had good reason to believe to be entitled to be entered therein, under any Act of the Province.

(5.) The date of delivery or transmitting of the notice required by section 100 of the "Taxation Act" is in every case truly and correctly stated in the said roll, and the amount for which each such person is assessed upon the said roll duly and correctly appears in the said notice delivered or transmitted to him as aforesaid.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the "Canada Evidence Act."

Declared before me at \_\_\_\_\_, on }  
the \_\_\_\_\_ day of \_\_\_\_\_, 19 . }

103 Every Assessor shall, on or before the first day of April in each year, complete his roll for the assessment and taxation of income, his roll for the taxation of mines and minerals other than coal, and shall attach thereto a declaration signed by him, and verified upon affirmation in the form following:—

I, \_\_\_\_\_, of \_\_\_\_\_, Assessor of \_\_\_\_\_ Assessment District, do solemnly declare:—

(1.) That I have, according to the best of my information and belief, set down upon the assessment roll for the assessment and taxation of income in this district the names of all persons who have income liable to taxation in this district.

(2.) That the said assessment roll contains a true statement of the aggregate amounts of the taxable income of every person named in the said roll, and I have estimated and set down the same according to the best of my information and belief.

(3.) That I have, according to the best of my information and belief, set down upon the rolls for the assessment and taxation of mines and minerals, other than coal, the names of all persons liable for the payment of taxes on ore extracted and taken from the mines within this district, and the said assessment roll contains a true statement of the aggregate amount of the tax levied against every person named upon the roll.

(4.) That I have, according to the best of my information and belief, set down on the assessment roll for the taxation of unworked Crown-granted mineral claims the names of the owners of such claims within this district, and that the said roll contains a true statement of the aggregate amount of the tax levied against every person named upon the roll.

(5.) The date of delivery or transmitting of the notice required by section 100 of the "Taxation Act" is in every case truly and correctly stated in the said roll, and the amount for which each such person is assessed upon the said roll duly and correctly appears in the said notice delivered or transmitted to him as aforesaid.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the "Canada Evidence Act."

Declared before me at \_\_\_\_\_, on }  
the \_\_\_\_\_ day of \_\_\_\_\_, 19 . }

104. The Assessor of the Victoria Assessment District, before the completion of his roll which he is by the provisions of section 50 of this Act directed and instructed to prepare for the assessment and taxation of certain corporations, and for assessing and taxing persons carrying on the business of canning, dry-salting, and preserving salmon and other fish, and of persons carrying on the business of manufacturing oil from fish and whales and other sea animals and the products and by-products therefrom, shall transmit by post to or leave at the residence or place of business of every person, at his address last given by each such person, a notice of the sum or sums for which each such person is assessed and taxed as shown by and on said roll; and the Assessor shall enter on the roll opposite the name of such person the date of transmission or delivery of each such notice, which entry shall be prima facie evidence of such transmission and delivery; and on the back of such notice of assessment there shall be printed a brief summary for the information of the taxpayer of the dates when taxes are payable, delinquent, subject to sale or forfeiture, penalties, and any other particulars deemed necessary by the Minister.

105. The said Assessor of Victoria Assessment District shall, on or before the first day of April in each year, complete his roll named and described in section 50 of this Act, and shall attach thereto a declaration signed by him, and verified upon affirmation in the form following:—

I, \_\_\_\_\_, Assessor of the Victoria Assessment District, do solemnly declare:—

(1.) That I have, according to the best of my information and belief, set down upon the assessment roll for the assessment and taxation of certain corporations, and for the assessing and taxing of persons carrying on the business of canning, curing, dry-salting, and preserving salmon and other fish, and of persons carrying on the business of manufacturing oil from fish and whales and other sea animals and the products and by-products therefrom, the names of all corporations and persons who are liable to taxation under the provisions of sections 54, 55, 56, and 57 of this Act.

(2.) That the said assessment roll contains a true statement of the aggregate amount of the taxable income of every corporation and person named in the said roll, and I have estimated and set down the same and the amount of tax thereon according to the best of my information and belief.

(3.) That I have set down on the said roll, according to the best of my information and belief, the names of all corporations receiving income from premiums for insurance and guarantees, the gross amount of such income (less the amount, if any, paid for reinsurance by each such company), and the amount of tax thereon.

(4.) That I have set down the name of every person carrying on the business of canning, curing, dry-salting, and preserving in ice salmon and other fish, the number of pounds of fish so canned, cured, dry-salted, and preserved in ice by such person, and the amount of taxes thereon.

(5.) Also the name of every person carrying on the business of manufacturing oil from fish and whales, the number of gallons of oil so manufactured by him, and the tax thereon.

(6.) Also the name of every person manufacturing fertilizer, whalebone, bone-meal, or other product or by-product of fish, whales, and other sea animals, the number of pounds of each such product, respectively, and the amount of tax thereon.

(7.) The date of delivery or transmitting of the notice required by section \_\_\_\_\_ of the "Taxation Act" is in every case truly and correctly stated in the said roll, and the amount for which each such person is assessed upon the said roll truly and correctly appears in the said notice delivered or transmitted to him aforesaid.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the "Canada Evidence Act."

Declared before me at \_\_\_\_\_, on }  
 the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ }

106. Any person liable to pay income-tax and any person whose returns have to be made to the Assessor of the Victoria Assessment District under the provisions of sections 54, 55, 56, and 57 of this Act, whose fiscal year is not the calendar year, may with the permission of the Minister make his return or returns to have the taxes payable by such person computed upon the basis of his income and products for the twelve months ending with the last fiscal year of such person preceding the date of assessment, and the Assessor shall govern himself accordingly.

*Additional Powers.*

107. Where necessary, under the provisions of this Act, for the Assessor to make a supplementary roll to any annual roll, he shall prepare such supplementary roll in accordance with the form of the annual roll to which it is a supplement, and shall add in a conspicuous place thereon the word "supplementary."

108. The Assessor may from time to time, either before or after a revision of the roll, or of any separate or supplementary roll in respect of any assessment or tax,—

- (a.) Correct any clerical error;
- (b.) Place thereon the name of any person of whose liability to taxation he is satisfied;
- (c.) Add to any roll the value of any property or the amount of any income omitted to be assessed against or returned by any person at the time and in the manner required by law;
- (d.) Place thereon the value of any property or the amount of any income owned, held, or received or receivable by any person or company which he is satisfied is liable to be assessed for taxation;
- (e.) Place thereon the amount, or balance of any amount, of tax for which any person is liable, which has not been entered in any previous roll or which has not been previously demanded.

109. The Assessor shall, within ten days from the date of such amended assessment, give notice thereof to the person affected thereby; and every such person shall be entitled to object, and to have the objection heard before the Court of Revision and Appeal, which Court shall have the power to sit from time to time to hear and determine such objections and to deal with the amount of such assessment. Notice in writing of any such objection must be given by the person making the same to the Assessor within fourteen days from the date of the Assessor's notice, and in any action thereon or procedure thereto the provisions of section 94 of this Act shall apply.

110. Any additions, alterations, or changes, as provided in section 108 hereof, shall be reported by the Assessor to the Surveyor of Taxes and Inspector of Revenue, provided such additions, changes, or alterations have not been inserted in the roll before the final revision of the roll.

111. The assessment roll, completed and added up, with the Assessor's declaration and the certificate of the Judge of the Court of Revision and Appeal and of the Assessor attached, shall be deposited in the office of the Collector, and in such other places as the Lieutenant-Governor in Council shall in that behalf from time to time appoint, and at all convenient office hours, for a reasonable time, shall be open to the inspection of all the taxpayers resident, owning, or in possession of property in the assessment district.

#### *Courts of Revision and Appeal.*

112. The Lieutenant-Governor in Council may from time to time appoint three persons, who are residents of the assessment district for which they are appointed, to be a Court of Revision and Appeal in respect of the assessment of land and real property as aforesaid for such district, and such persons shall record the proceedings of the said Court and deposit such records with the Assessor. The person first named in such appointment shall be Senior Judge of such Court unless or until ordered otherwise by the Lieutenant-Governor in Council.

113. The Lieutenant-Governor in Council may from time to time appoint one or more persons in any assessment district to be a Court of Revision and Appeal in respect of the assessment of income and property other than land and real property as provided for in this Act, and such person or persons shall record the proceedings of the said Court and deposit such records with the Assessor.

114. Any Court so appointed may sit and adjourn from time to time at pleasure.

115. The said Court or some member thereof shall administer an oath or affirmation to every person or witness before his evidence can be taken, and may issue a summons to any witness to attend such Court.

116. If any witness so summoned fails to attend, he shall incur a penalty not exceeding twenty-five dollars, to be recoverable, with costs, before one or more Justices of the Peace in a summary way.

117. At the time or times appointed the said Court shall meet and try all complaints in regard to persons wrongly placed upon or omitted from the roll, or assessed at too high or at too low a sum, and in regard to any error, omission, or invalidity made or arising in the assessment roll or in any of the proceedings leading up to or subsequent to the preparation of the roll.

118. Upon an appeal upon any ground against an assessment, the Court of Revision may reopen the whole question of the assessment, so that omissions from and errors and invalidities in the assessment roll, or in any of the proceedings leading up to or subsequent to the preparation of the roll, may be corrected, and the accurate amount for which the assessment should be made may be determined, and the person or persons who should be assessed therefor may be placed upon the roll by the said Court.

119. Provided always that when any owner of real property held and used for agricultural, horticultural, or pastoral purposes of not less than twenty acres in area, and which is assessed at a value of more than twenty-five dollars per acre, makes an appeal against the assessment made by the Assessor, and makes a sworn statement as to the value of the said real property based on its rental value, the Court of Revision may fix the assessment at any value over twenty-five dollars per acre which is based on its rental value capitalized at eight per cent.

120. When it shall appear to the Court of Revision that there are omissions from or errors or invalidities in the rolls or in any of the proceedings leading up to or subsequent to the preparation of the roll, and there is no appeal before such Court against the assessment in question, the said Court may extend the time for making complaints fourteen days further, and may then meet and determine the matter, and the Assessor may for such purpose be the complainant.

121. All the duties of the Court of Revision which relate to the assessment of real property shall be completed and the assessment rolls (except supplementary assessment rolls) finally revised by such Court on or before the twenty-first day of December in each year, or on or before such other day in every year as the Lieutenant-Governor in Council may from time to time appoint.

122. All the duties of the Court of Revision which relate to all assessment rolls, except that in relation to the assessment of land and real property, and except supplementary rolls, shall be completed and such assessment rolls finally revised by such Court on or before the first day of April in each year, or on or before such other day in every year as the Lieutenant-Governor in Council may from time to time appoint.

123. The proceedings for trial of complaints shall be as follows:—

- (1.) Any person complaining of an error or omission in regard to himself, as having been wrongfully inserted on or omitted from the roll, or as having been undercharged or overcharged by the Assessor in the roll, may, personally or by his agent, within fourteen days after the date of mailing or delivery (if the notice has not been mailed) of the Assessor's notice of assessment as provided in this Act, give notice in writing to the Assessor that he considers himself aggrieved for any or all of the causes aforesaid, otherwise such person's right to appeal shall cease and the assessment made shall stand:
- (2.) If any person who is assessed in or for the assessment district thinks that any other person has been assessed too low or too high, or has been wrongfully inserted on or omitted from the roll, the Assessor shall, on request of such first-mentioned person in writing, delivered to the Assessor within fourteen days before the date of holding the Court of Revision, give notice to such other person of the time when the matter will be tried by the said Court; and the matter shall be decided in the same manner as complaints by a person assessed:
- (3.) The Assessor shall post up in some convenient and public place within the district a list of all the complainants, on their own behalf, against his return, and of all complainants on account of the assessment of other persons, stating the names of each, with a concise description of the matter complained against, together with an announcement of the time when the said Court will be held to hear the complaints, or to which it may be adjourned from time to time for that purpose; but no alteration shall be made in the roll unless under a complaint formally made according to the above provisions:
- (4.) When it shall appear that there are palpable errors which need correction, the said Court may extend the time for making complaints fourteen days further, and may then meet and determine the additional matter complained of, and the Assessor may, for such purpose, be the complainant:

(5.) Such lists may be in the following form:—

Appeals to be heard at the Court of Revision at \_\_\_\_\_, on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Appellant.	Respecting whom.	Matter complained of.
A. B. ....	Self .....	Overcharged on land.
C. D. ....	E. F. ....	Name omitted.
G. H. ....	J. K. ....	Not bona-fide owner or occupant.
L. M. ....	N. O. ....	Property undercharged.
etc. ....	etc. ....	etc.

(6.) The said Court shall also advertise in the Gazette and in some newspaper published in the district, and if there be no such paper, then in some newspaper published in the nearest district in which one is published, or by posting notice in some conspicuous place within the district, the time at which the Court will hold its sitting for the year, and the advertisement shall be published at least ten days before the time of such sitting:

(7.) The said Court shall prepare a notice in the form following for each person with respect to whom a complaint has been made:—

To J. K.:

Take notice that you are required to attend the Court of Revision at \_\_\_\_\_, on the \_\_\_\_\_ day of \_\_\_\_\_, in the matter of the following appeal:—

H. G.,  
Appellant.

Subject.—That you are not a bona-fide owner or occupant [or as the case may be].  
Dated the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

(Signed.) X. Y.,  
Judge of the Court of Revision.

(8.) Such notice shall be mailed to such address of the person as was last known to the said Court:

(9.) Every notice hereby required, whether by publication, advertisement, letter, or otherwise, shall be made at least ten days before the sittings of the said Court:

(10.) If the party assessed complains of an overcharge on his personal property or income, he or his agent may appear before the said Court and make a declaration, in case the complainant appears in person, in the Forms Nos. 10, 11, and 12 in the Schedule to this Act, according to the fact; and if the complainant appears by agent, such agent may make the declaration in the Forms Nos. 13 and 14 in the said Schedule, as the case may be; and no abatement shall be made from the value of personal property or income unless in accordance with the exemptions or deductions allowed by this Act; and the said Court shall thereupon enter the person assessed at such amount of personal property or income as is specified in such declaration, unless such Court shall be dissatisfied with the declaration, in which case the party making the declaration, and any witnesses whom it may be desirable to examine, may be examined on oath by such Court respecting the correctness of such declaration; and such Court shall confirm, alter, or amend the roll as the evidence shall seem to warrant:

(11.) In other cases the said Court, after hearing upon oath the complainant and the Assessor or Assessors, and any witness adduced, and if deemed desirable, the party complained against shall determine the matter, and confirm or amend the roll accordingly; and in all cases before the said Court it may increase the assessment or change it by assessing the right person, the Court giving the latter or his agent fourteen days' notice of such assessment, within which time he must appeal to the said Court if he objects to such assessment:

(12.) If either party fails to appear, either in person or by an agent, the Court may proceed ex parte.

124. The said Court shall also, during its sitting, with or without notice, receive and decide upon the petition from any person assessed who declares himself, from sickness or extreme poverty, unable to pay the taxes for the then current year, or who, by reason of any gross or manifest error in the roll, as finally passed by the said Court, has been overcharged more than twenty-five per cent. on the sum he ought to have been charged for the previous year only. The said Court may remit or reduce the taxes due for such periods by any such person, or reject the petition.

125. All moneys to be assessed, levied, or collected under this Act for the public use of the Province shall, if not otherwise provided by any Act now or hereafter to be passed, be calculated, assessed, levied, and collected upon the assessments as shown on the several rolls prepared in accordance with the provisions of this Act, and as finally revised, and the Judge or Judges of each Court of Revision and Appeal and the Assessor of each assessment district shall, under their hands, certify to the correctness of the rolls for each such district.

126. Every roll, as finally passed and certified to by the said Judge or Judges of the said Court and the said Assessor, shall, except in so far as the same may be further amended on appeal to the Court of Appeal, be valid and bind all parties concerned, notwithstanding any defect, error, omission, or invalidity committed or existing in or with regard to such roll, or in or with regard to any of the proceedings leading up to or subsequent to the preparation of the roll.

127. When an assessment roll has been finally revised, the Assessor shall forthwith transmit to the Surveyor of Taxes and Inspector of Revenue a certified copy thereof, and in no case shall this transmission be later than sixty days after such final revision of the roll without the special consent of the Minister.

#### *Special Courts of Revision and Appeal.*

128. The person or persons appointed by the Lieutenant-Governor in Council under sections 112 and 113 of this Act may, on the request of the Assessor, hold special Courts of Revision and Appeal to hear and determine all appeals arising out of the assessment made by him under this Act, or out of any special, separate, or supplementary assessment rolls made by him in virtue of this Act; and notice of the holding of such special Courts of Revision and Appeal shall be given by the Assessor in one issue of the Gazette and in a newspaper published in the assessment district (if any) at least fourteen days before the holding of such Court; and the Assessor shall also give notice to the appellant at least fourteen days before the holding of such Court, of the time and place when and where the Court is to be held.

#### *Appeal to Court of Appeal.*

129. Notwithstanding anything contained in this Act, an appeal from the Court of Revision and Appeal shall lie to the Court of Appeal against any action or decision of the said Court of Revision, and also against any omission, neglect, or refusal of the said Court of Revision to hear or decide any matter. The notice of such appeal to the Court of Appeal, the time for bringing the same on and the procedure generally, and the powers of the Court of Appeal in respect of such appeal shall be the same as in the case of an ordinary appeal to the Court of Appeal from any judgment of a Judge of the Supreme Court. In addition to the powers above mentioned, the Court of Appeal shall have all the powers by this Act conferred upon the Court of Revision and Appeal.

#### *Defects and Omissions.*

130. If from any default or neglect an assessment roll for any year is incomplete, for the purpose of being finally revised by the Court of Revision and Appeal, it shall be lawful for the Lieutenant-Governor in Council to direct that the assessment roll for the year previous shall be taken and adopted in lieu of such incomplete roll.

131. If it appears to the Assessor that any land liable to assessment has not been assessed for all the year for which it was liable to assessment, he shall enter such lands upon the roll for the current year, or upon a supplementary roll for the current year, and assess such land for the year for which it is liable for assessment, but for which it had not theretofore been assessed, and at an assessed value equal to the average assessed value of the three previous years of land of similar nature and quality in his assessment district; and the taxes payable thereon shall be calculated for the whole period for which the land was liable to assessment, at the rate of taxes current for the year of assessment, and the said taxes shall be entered upon the roll in one amount, and which amount shall be considered as the tax due for the current year; and the Assessor shall mark upon the roll, and upon the assessment notice, immediately after the description of the land, that the tax shown due includes the taxes for the years omitted.

132. If, after the final revision of the current year's roll, the Assessor should discover that any person has escaped taxation (other than upon land), for which such person would have

been liable had he been assessed and taxed, he shall, upon a supplementary roll for the current year assess and tax such person for the amounts omitted, according to the information then had and obtained, but for a period limited to ten years preceding the date of such supplementary roll; and due notice of such assessment shall be given to such person, who shall have the right to appeal to the special Court of Revision at its next or some subsequent meeting after said notice of assessment has been given, and such appeal shall be lodged with the Assessor within fourteen days after the date of the notice of assessment. Before making such assessment, the Assessor shall have the right to examine the taxpayer on oath or otherwise, and to demand and obtain production of the taxpayer's books, papers, and accounts, and to examine the same. If after such examination it is proved that the taxpayer has wilfully evaded just taxation, or withheld correct information for the due assessment for which he would have been liable during any portion of the said period, the taxpayers shall be liable in the penalties mentioned in sections 24, 25, and 26 of this Act; but if the omission has been caused unintentionally by the taxpayer, he shall be liable for the correct taxes only, and he shall have no right to claim that all the taxes for which he had been assessed had been paid in full by any official receipts which he may produce, if the omitted amounts, or any balance thereof, are not included therein.

#### *Payment and Collection.*

133. All taxes assessed and levied under the provisions of this Act, except such taxes the date for the payment of which is otherwise specifically fixed and provided for herein, shall be due and payable on the first day of May in each year immediately following the year for which the assessment was made, and if not paid on or before the thirtieth day of June next following the said first day of May shall bear interest at the rate of nine per centum per annum until paid or received.

134. The person liable to pay the taxes imposed by this Act shall be personally liable for the amount thereof.

135. The taxes due upon any land, with costs and interest, may be recovered from the owner originally assessed therefor, and shall be a special charge on the land, having preference over every claim, privilege, charge, or encumbrance of every person except the Crown, and the charge and its priority shall not be lost or impaired by any neglect, omission, or error of the Assessor, or of any agent or officer, or by want of registration. Payment of taxes may be enforced against the person liable therefor by distress, as provided by section 146 of this Act, by action, as provided by section 191 of this Act, or by both distress and action.

136. Where any land upon which taxes are due to the Province has been included within the boundaries of any municipality heretofore created, or which may hereafter be created, or within any extension thereof, the Collector shall have the same powers for the recovery of such taxes, by public sale, by distress, or by action, conferred by this Act, as if the said lands had not been so included within such boundaries.

137. All taxes payable under this Act shall be payable at the office of the Collector appointed for the collecting district in which the same are due, and may be paid to the Collector either in gold coin, silver (to the extent only of twenty dollars by one person at one time), bank-notes issued by any chartered bank in Canada, marked bank-cheques, post-office money-orders, postal notes, or express orders; and where payment is tendered by cheque or orders, they shall be made payable to the Collector of the collecting district free of exchange, cost of remittance, or other charges; and the tax shall not be deemed paid, notwithstanding any receipt given therefor, until the amount of such cheque or order shall have been collected by the Collector.

138. In the month of May in each year the Collector shall, by advertisement or notice published in the Gazette and a newspaper, if there be a paper published in his district, and posted on the outer door of his office, give notice that the taxes are due and payable at his office. The publication of such notice in the Gazette shall be deemed to be equivalent to a personal demand by the Collector of all taxes due or payable by persons liable to pay the same.

139. The Collector of every district shall keep a triplicate blank receipt-book, and on receipt of any sum of money for taxes shall deliver to the party making payment one of such receipts, and shall transmit to the officer in charge of the Treasury the second of the set, with the corresponding number, retaining the third of the set in the book; the transmission of such



receipts shall be made to the officer in charge of the Treasury at least every month; and the officer in charge of the Treasury shall file such receipts.

140. In case there should be arrears of real-property tax, personal-property tax, or income-tax due by a taxpayer, and he should desire to pay off a portion of the said arrears before proceedings are taken for recovery thereof, the Collector may accept any amount tendered, but the amount so tendered shall in no case be less than one full year's tax, with interest thereon at the rate of nine per centum per annum to the date of payment; and the Collector shall apply the said amount to clear off the furthest back year or years in arrears (as the case may be), and grant receipts therefor, and he shall state upon such receipt what amount is still due and owing by such taxpayer for real-property, personal-property, or income tax. If satisfactory proof is obtained by the Collector that any parcel of land on which taxes are due has been subdivided, and the plan of such subdivision duly registered in the Land Registry Office, he may receive the full amount of tax chargeable upon any of the subdivisions, and leave the other subdivisions, so far as the remainder, and the Collector may, in his books, divide any parcel of land which may have been returned to him in arrear for taxes into as many parcels as the necessities of the case may require.

141. The Collector shall, on demand, give to the owner of any land charged with arrears of taxes, or to any other person making application therefor, a written statement of the arrears, or that there are no arrears (as the case may be), at that date, and he may charge twenty-five cents for the search on each separate lot or parcel not exceeding four, and for every additional ten lots a further fee of twenty-five cents; but the said Assessor shall not make any charge for search to any person who forthwith pays the taxes.

#### POWERS AND PROCEDURE FOR ENFORCING PAYMENT OF TAXES.

##### *Delinquent Taxes.*

142. All taxes on real property, personal property, and income which became due on the first day of May in each year, remaining unpaid on the following thirty-first day of December, shall be deemed to be delinquent on the said thirty-first day of December.

143. All taxes which became delinquent at the date mentioned in the last preceding section shall thereupon bear interest at the rate of nine per centum per annum from such date until paid or recovered; such added interest shall be deemed a charge upon the property of the person whose taxes are delinquent, in all respects as if the said interest had originally formed part of the taxes assessed thereon, and may be recovered as a part of the delinquent taxes.

144. All taxes unpaid on the thirty-first day of December are hereby declared delinquent and shall bear interest at the rate of nine per centum per annum from that date until paid or recovered, and such added interest shall form a charge upon the property of the person whose taxes are delinquent, in all respects as if the said interest had originally formed part of the taxes assessed thereon, and may be recovered as a part of the said delinquent taxes; and any proceedings which may have been taken for recovery thereof under any Act of this Province heretofore in force, by public sale or otherwise, are hereby declared to be valid and of full force and effect.

145. The Collector, or any other person authorized by the Lieutenant-Governor in Council, is hereby fully authorized and empowered to sell property by public auction for taxes.

##### *By Distress.*

146. In case any person neglects to pay his taxes or any part thereof after demand or publication of notice as aforesaid, the Collector may, by himself or by his agent, levy the same with costs, by distress of the goods and chattels of the person who ought to pay the same, or of any goods and chattels in his possession, wherever the same may be found within the Province.

147. The Collector shall, by advertisement posted up in at least three public places in the district wherein the sale of the goods and chattels distrained is to be made, give at least ten days' public notice of the time and place of such sale, and of the name of the person whose property is to be sold; and at the time named in the notice the Collector or his agent shall sell at public auction the goods and chattels distrained, or so much thereof as may be necessary.

148. If the goods and chattels seized have been sold for more than the amount of the

taxes and costs, and if no claim to the surplus be made by any other person, on the ground that he was entitled by lien or other right to the property, such surplus shall be returned to the person in whose possession the property was when the distress was made and his receipt taken therefor.

140. If any such claim be made by the person for whose taxes the property was distrained, and the claim is admitted, the surplus shall be paid to the claimant and his receipt taken therefor.

150. If the claim is contested, such surplus money shall be retained by the Collector until the respective rights of the parties have been determined by action at law or otherwise.

151. (1.) If the Collector has not deemed it advisable to exercise the right of distress conferred upon him by section 146 of this Act, or in default of sufficient distress for the recovery of delinquent taxes, he shall, on a day to be fixed by the Minister between the fifteenth day of July and the fifteenth day of October in any year, levy all or any part of such delinquent taxes as the Minister may by any writing under his hand direct, together with all costs, interest, and charges, by sale of the lands in his collecting district of the persons liable for the said taxes.

(2.) To cover the costs of advertising and other expenses connected with the sale of Crown-granted mineral or placer claims or of lands for unpaid taxes, the Assessor shall charge each parcel of land advertised for sale with the sum of two dollars, and no more, and this sum shall be included in the column of the advertisement set apart for costs and expenses.

(3.) Where land has been subdivided into lots such as town lots, villa lots, and other small subdivisions, and where the same are advertised for sale for unpaid taxes, the charge of two dollars for advertising and costs mentioned in the last preceding section shall not be charged and added, but in lieu thereof the sum of one dollar shall be charged against each parcel as advertised to cover the costs of advertising and sale, and the Collector may in such advertisement include all the lots owned by one person in a particular subdivision in one parcel in such advertised list and offer the same for sale in one parcel.

152. In the case of lots in townsites, villas, or other small subdivisions of property, where taxes thereon are delinquent, they may, at the discretion of the Minister, be withheld from tax sale.

153. (1.) Subject to subsection (3), the lands of any member of the Allied Forces, as defined in section 2 of the "Allied Forces Exemption Act, 1918," shall be withheld from tax sale.

(2.) The lands of the father, mother, wife, or children of any such member of the Allied Forces, if dependent on him, may, at the discretion of the Minister, be withheld from tax sale.

(3.) This section shall not be deemed to in any way affect the power to assess or tax the property of any person under this Act; nor shall this section invalidate the sale of any land for taxes, or prevent the giving of a deed thereunder for any land sold where neither the Minister, nor the Assessor, nor the Collector has actual notice that any person having an interest in the land sold is entitled to the benefit of this section. In all notices of sale for taxes the Collector shall express his readiness to receive notice from any source of the interests of those entitled to the benefit of this section. Where, either by inadvertence or ignorance of the facts, lands of a person entitled to the benefits of this section are sold, the Minister may at any time prior to the delivery of the tax-sale deed cancel the sale in so far as it affects such lands, and refund to the purchaser the amount paid by him, with interest at six per centum per annum from the date of the payment; and thereon the amount for which such lands were sold, together with interest from the date of sale, shall be and continue to be a lien upon the lands as if the tax sale had not taken place, and shall thereafter be deemed to be delinquent taxes within the meaning of this Act.

*Procedure and Duties of Collector before and at the Sale.*

154. (1.) The Collector shall cause to be published a notice of such tax sale as follows: By inserting in one issue of the Gazette and also in four consecutive issues of a weekly newspaper, or in one issue a week for four consecutive weeks (the same day in each week) of a daily newspaper, if there be a newspaper published in his collecting district, or if there be no newspaper published in his district, then in a newspaper published in the next nearest collecting district; and the several publications of such notices shall be before the day of sale.

(2.) In such notice the Collector shall state in several columns:—

(a.) The names of the assessed persons

(b.) A short description of the properties of the assessed persons upon which the taxes are levied (which description shall be given as the lot, portion of lot, section, portion of section, block, township, range, group, or other division by which the land is commonly known):

(c.) The amounts of the delinquent taxes and interest to the date of sale:

(d.) The costs and expenses of such sale, including the costs of advertising:

(e.) The total amounts due; and

shall, subject to the provisions of subsection (3), further state that if the total amount due in any case be not sooner paid he will on a certain named date offer the property upon which the taxes are levied for sale at public auction.

(3.) In any case, if so directed by the Minister, the Collector shall also state in such notice that upon payment before the time of sale of such part of the delinquent taxes as may be directed by the Minister, together with interest thereon and the costs and expenses, the property upon which such taxes are levied may be withdrawn from sale.

(4.) In case any property is withdrawn from sale under subsection (3), such withdrawal shall not, nor shall any levy or any proceedings had for the sale of such property, affect or in any way prejudice the recovery of the part of such delinquent taxes remaining unpaid by any means or proceedings provided in this Act for the recovery of delinquent taxes.

155. It shall not be necessary for the Collector, when giving notice of the sale of land for unpaid taxes by advertisement or otherwise, to give in the said notice the full legal description of the land to be exposed for sale, but it shall be sufficient for the purposes of this Act for him to give in such notice a short description of such land; such short description shall be made so as to make the location of the land clear to the taxpayer and to the general public, and he shall not be required to state in such notice that the land is improved or unimproved.

156. It shall not be the duty of the Collector of any district to make inquiry before effecting a sale of lands for taxes to ascertain whether or not there is any distress upon the land, nor shall he be bound to inquire into or form any opinion of the value of the land; and if any tax in respect of the lands sold by the Collector in pursuance and under the authority of this Act shall have been due, and the land shall not be redeemed within the period herein allowed for redemption, such sale and the official deed to the purchaser of any such lands shall be final and binding upon the former owners of the said lands, and upon all persons claiming by, through, or under them, it being intended by this Act that all owners of land shall be required to pay the delinquent taxes and interest, costs, commissions, and all expenses due thereon within the time herein mentioned, or redeem the land within the period herein provided for.

157. (1.) If the taxes, interest, costs, and expenses have not been previously paid, or if no person appear to pay the same at the time and place appointed for the sale, the Collector may, at the place, day, and hour appointed sell the land of the assessed person as described in the said notice to the highest bidder.

(2.) The Collector shall offer each parcel of land as described in the said notice separately at an upset price, which upset price shall be the total amount due as set out in the third column of the said notice. In the event of there being no bid over the upset price, the person bidding the upset price shall be declared the purchaser.

158. If at any time appointed for the sale of lands the Collector should find it impracticable to finish the sale on the day appointed, he may adjourn the same from day to day until finished, but he shall not adjourn the same for a longer period than two days at one adjournment.

159. If the purchaser of any parcel of land fails immediately to pay the Collector the amount of the purchase money, the Collector shall forthwith again put up the property for sale.

160. Every purchaser, at the time of the sale and before he is given the certificate of sale, shall sign the tax-sale list, setting out his full name, occupation, and post-office address, and such list shall be preserved by the Collector with all the other books, documents, and papers connected with such sale.

*Occupied Crown Lands not to be sold.*

161. The Collector shall not sell any land the fee of which is in the Crown, but where taxes are delinquent thereon a final demand shall be made giving the pre-emptor, lessee, licensee, locator, or other person in whose favour a pre-emption, lease, licence, or location has been issued six months from the date when the said taxes have become delinquent, together with

the then current year's taxes, in which to pay such delinquent taxes and interest, together with the then current year's taxes, and notice that if not paid the pre-emption record, licence, lease, or location shall be cancelled; such final demand shall be made by the Collector on or before the first day of June in each year after the taxes become delinquent.

162. Failing payment of the delinquent taxes and interest, together with the then current year's taxes, by the pre-emptor, lessor, licensee, or locator within the said six months, the Collector shall forward to the Minister of Lands a detailed list of all defaulting pre-emptors, lessors, licensees, or locators, and the said Minister shall at once cancel the said pre-emptions, leases, licences, or locations: Provided, however, that if good reasons can be adduced to the satisfaction of the Minister of Lands that the defaulting person from poverty, sickness, or other cause has been unable to pay the amount due within the time limited, he may extend the time within which payment shall be made for a further period of six months before cancellation takes effect.

163. (1.) Until the Minister of Lands has notified the Collector that cancellation has taken place, the Collector shall not cancel the amount due upon his assessment roll or arrears-book, and he shall continue to assess the lands upon his roll until such notice of cancellation has been given.

(2.) The Minister of Lands shall, as soon as cancellation is made, notify the Collector of the fact, and the Collector shall then cancel the amount due, and leave off the assessment roll the property which has been so cancelled.

(3.) The Collector shall, within thirty days from the date of the notification of cancellation by the Minister of Lands, forward a detailed list of the lauds and taxes cancelled on the Collector's rolls and books to the Surveyor of Taxes and Inspector of Revenue.

*Procedure after Sale and Rights of Purchasers.*

164. (1.) When a sale of land is made for unpaid taxes, the Collector shall give a statement in detail with each certificate of sale, showing the amount of taxes, interest, and costs included in the purchase price thereof, and if there is a surplus over the upset price realized he shall state the amount of such surplus thereon, and forward a copy of the certificate and statement to the Deputy Minister of Finance.

(2.) The Deputy Minister of Finance, on receiving such statement, shall place the said surplus to the credit of the person whose land was sold, and hold the same in trust for him until he redeems the land as hereinafter provided, or if he does not redeem the land within the period limited for such redemption, then such surplus shall be paid over to the said person, or his legal representatives, without interest.

165. When the Collector sells land for taxes, he shall within thirty days thereafter mail a letter, addressed to the person assessed on the roll, informing him of the name of the purchaser, the amount for which the land was sold, and the date on which the period allowed for redemption will expire, and the Collector shall also within six months after the sale of land for taxes give notice by letter, to any person or persons who at the time of the sale appeared on the Land Registry Office records as the owner or holder of a registered charge on or owning an equity in the land so sold, of the sale of the land and of the date on which the period allowed for redemption will expire; and such notice shall be deemed to be properly given if mailed to the last-known address of the person or persons above described to be notified by the Collector.

166. The Collector, after selling any land at public auction as aforesaid, shall give a certificate under his hand to the purchaser, describing the land sold as advertised, the sum for which it was sold, the costs and expenses, and the surplus (if any), and further stating that a deed conveying the same to the purchaser or his assigns will be executed by him, on the demand of the purchaser, at any time after the expiration of two years from the date of sale, if the land be not previously redeemed, upon payment of the fee hereinafter provided.

167. The purchaser at such tax sale shall, where the land is not in occupation by the owner, his tenant, or any one entitled to redeem, on receipt of the Collector's certificate of sale, have all necessary rights of action and powers for protecting the same from spoliation and waste until the expiration of the term during which the land may be redeemed, but he shall not knowingly permit any person to cut timber growing upon the land or otherwise injure the land, nor shall he do so himself: Provided that the purchaser shall not be liable for damage done without his knowledge to the property during the time that the certificate of sale is in force.

*Disposition of Surplus Proceeds of Sale.*

168. In the event of there having been a surplus over the upset price at the time of the said sale paid by the purchaser, and which surplus stands to the credit of the person entitled to redeem upon the books of the Provincial Treasury, the Collector shall deduct the said amount so standing to the credit of the said person from the amount required by him for redemption, but without allowing interest thereon; and from the person so entitled to redeem the Collector shall accept the amount of the upset price, together with any taxes that may have been advanced by the purchaser during the period allowed for redemption, and together with interest at the rate of twelve per centum per annum on the said upset price, on the money advanced for taxes, and also upon the said surplus (which sums together represent the actual moneys paid by the purchaser).

169. In the event of there being no redemption, the said surplus shall be paid to the person entitled to redeem, or his legal representatives, without interest, on written application therefor to the Deputy Minister of Finance.

*Result of no Sale being made.*

170. (1.) If the Collector fails to sell any assessed property at such public auction or adjournment thereof at the upset price, or at a sum greater than the upset price, the assessed property shall become absolutely forfeited to and vested in the Crown for the use of the Province, free from all encumbrances, at the expiration of twelve months from the date of such public auction or adjournment thereof, unless the owner whose name appears on the advertised list at the date of such public auction, or a chargee, or the heirs, executors, administrators, successors, or assigns or either of them, or any one on his or their behalf, and in his or their name, shall pay to the Collector, on or before the expiration of the said twelve months, the following amounts, namely: the taxes, interest, and costs shown due upon the said advertised list on the said assessed property at the date of such public auction, with interest thereon to the date when payment is tendered, together with all taxes and interest accrued due subsequent to the date of such public auction, up to and including the date upon which payment is tendered.

(2.) During the said period of twelve months the said assessed property shall be assessed and taxed in the name of the person appearing on the said advertised list, and if payment of the amounts above set forth is not made to the Collector on or before the expiration of the said twelve months, he shall within one month from the expiry of the said twelve months issue a certificate under his hand, in quadruplicate, setting out that the assessed property mentioned therein had been publicly exposed for sale for delinquent taxes, and that no sale having been effected, and the amounts due being still unpaid, the assessed property is thereby absolutely forfeited to and vested in the Crown for the use of the Province, free from all encumbrances; and the Collector shall retain in his office one of such quadruplicates and he shall forward one of the remaining quadruplicates to the Registrar-General, or District Registrar of Titles of the land registry district in which the assessed property is situate, one to the Deputy Minister of Lands, and one to the Surveyor of Taxes and Inspector of Revenue, and they shall register the same in their respective records.

(3.) When the Collector has issued the said certificates he shall cancel upon his books the amount due upon such assessed property, marking thereon that the assessed property has been forfeited to the Crown.

(4.) Assessed property which has become subject to forfeiture as above provided shall not, during the said period of twelve months, be again advertised for sale for unpaid taxes.

171. In the case of lands where no sale has been effected at the public auction, and thereby becoming subject to forfeiture to the Crown as hereinbefore provided, the Collector shall, within one month after the date of the public auction, give notice in writing to the assessed person whose name appeared on the advertised list, and to each person who at the date of such public auction appeared on the Land Registry Office records of the land registry district in which the land is situated as the owner or holder of a registered charge upon the land, that the land will be absolutely forfeited to the Crown at the expiration of the said twelve months, unless the amounts due to the Province for taxes, interest, and costs on said land, as hereinbefore provided, are sooner paid; and such notice shall be deemed to have been properly given if mailed to the address of such persons last known to the Collector.

Lands which have been forfeited to and vested in the Crown under the provisions of this Act shall not be open for pre-emption under the "Laud Act," nor for location under the "Mineral Act" or "Placer-mining Act," and such lauds may be sold or leased by the Minister of Lands to any person at a price or rental not less than the price or rental of lauds of similar nature and quality under the "Land Act," and upon such terms and conditions and subject to such reservations as he may consider right in the interest of the Province.

173. (1.) In the event of any land having been erroneously forfeited to the Crown, the Minister of Lands is hereby authorized and empowered to reinstate the assessed person, his heirs, executors, administrators, successors, or assigns, in the title under which the land was held at the date of forfeiture, free of all costs, but subject, however, to the payment by him or them to the Collector of all taxes and interest due upon the land at the date of forfeiture, and of a sum equal to the taxes which would have accrued due up to the time of reinstatement had the said land been regularly assessed at the same annual value as it appeared upon the assessment roll for the year previous to the date of forfeiture.

(2.) On production to the Minister of Lands of the Collector's receipts showing that the full amount required to be paid has been paid, the Minister of Lands shall cause the entry of forfeiture upon his records to be cancelled, and notify the said Registrar of Titles and Surveyor of Taxes and Inspector of Revenue to cancel upon their respective records the entry of forfeiture thereon.

#### *Redemption.*

174. The owner of any land which shall be sold for unpaid taxes, or his heirs, executors, administrators, or assigns, or any other person in his or their behalf, may, at any time within two years from the day of sale, redeem the land sold, by paying or tendering to the Collector, for the use and benefit of the purchaser or his legal representatives, the sum paid by him, including any taxes thereon advanced by the said purchaser since the day of sale, together with interest at twelve per centum per annum thereon; and the Assessor shall give to the party paying such redemption money a receipt, stating the sum paid and the object of the payment, and such receipt shall be evidence of the redemption.

175. Upon payment or tender being made for redemption of any land sold at public sale, it shall be the duty of the Collector to forward by registered letter to the last-known post-office address of the purchaser thereof at the said public sale a notice in writing stating that such property has been so redeemed, and that the amount to which he may be entitled out of the amount so paid in redemption shall be paid to him on production and delivery of the certificate of sale.

176. From the time of a tender to the Collector of the full amount of redemption money required by this Act, the said purchaser shall cease to have any further right in or to the land in question.

#### *Pending Redemption.*

177. During the period allowed for redemption, or until redeemed, the land shall continue to be assessed and taxed to the owner at the time the land was advertised for sale, and he shall be liable for the taxes thereon, and the same shall form a charge upon the land, and if he redeems the land the taxes accrued during said period of redemption shall be paid along with and at the same time as the amount required for redemption; and if the purchaser at the tax sale shall deem it expedient to pay the taxes which become due during the period of redemption upon the said land, he may do so, and in that event the amount so paid by him shall be added to the amount required to redeem the land.

178. In the event of any land being sold at a tax sale and not having been redeemed, the taxes accrued due during the period allowed for redemption shall, if unpaid at the time of the delivery of the deed to the purchaser, be paid by the said purchaser.

179. A purchaser at a tax sale shall have right to appeal from the assessment of the property purchased by him and to appear before the Court of Revision in support thereof, as if he were the owner of the property as recorded on the assessment roll.

#### *Tax-sale Deeds.*

180. At any time within the period allowed for redemption of land sold for taxes, the owner or any person holding a registered charge on or any one having an equity in such land may take

action by proceedings in the Supreme Court of this Province to have the sale of such land set aside upon any of the following grounds and no other:—

- (a.) That the sale was not conducted in a fair or open manner; or
- (b.) That the taxes for the year or years for which the land was sold had been paid; or
- (c.) That the land was not liable to taxation for the year or years for which it was sold.

181. If any such sale be set aside or be declared invalid or any of the grounds set forth in the last preceding section, the Collector shall, within sixty days after the decision of the Supreme Court setting aside or declaring invalid such sale has been given, pay over to the purchaser of the land sold to him at such sale the full amount paid by such purchaser, with interest at the rate of nine per cent. per annum from the date of such sale to the date of such payment by the Collector; and if any such sale be set aside or declared invalid on the ground that such sale was not openly or fairly conducted, then and in such event the amount of the taxes and interest thereon for which such land was sold, together with interest on such taxes at the rate of nine per cent. per annum from the date of such sale, shall nevertheless be and continue to be a lien upon the land and shall be deemed to be delinquent taxes.

182. If the sale of land for taxes be not set aside or declared invalid for the reason:—

- (a.) That the taxes for the year or years for which the land was sold had been paid; or
- (b.) That the land was not liable to taxation for the year or years for which it was sold; or if
- (c.) The land be not redeemed within the period so allowed for its redemption as aforesaid,—

then, on the demand of the purchaser, or his assigns, or other legal representative, at any time afterwards, and on payment of ten dollars, the Collector shall prepare, execute, and deliver to him or them a deed of the land sold, in which deed any number of lots in any one district may be included at the request of the purchaser or any assignee of the purchaser.

183. Such deed shall be in the Form No. 16 in the Schedule to this Act, or to the same effect, and shall state the date and cause of the sale and the price, and shall describe the land as herein provided, and shall vest in the purchaser all rights of property, in fee-simple or otherwise, which the person assessed, or those claiming under him, had in such land, and shall also purge and disencumber such land from all payments, charges, liens, mortgages, and encumbrances of whatever nature and kind other than existing liens for taxes, and other than the reservations and exceptions subject to which the person assessed, or those claiming under him, held the said land, and the Registrar-General or District Registrar of Titles, upon production of the deed and application in the usual form, and payment of the usual fees, shall register or record the same in the usual manner.

184. (1.) In any proceedings in any Court in this Province a deed purporting to be issued for a sale of lands for arrears of taxes, and purporting to be executed in the manner provided by this Act, shall be prima facie evidence that such deed is the tax-sale deed which it purports to be, and that the sale alleged in the said deed was conducted in a fair and open manner, and that there were taxes due and in arrear upon the land described in the said deed at the time of the sale for which the same could be sold.

(2.) In case any tax-sale deed is lost or destroyed, if the Collector of the assessment district in which the deed was prepared and executed is satisfied by affidavit or otherwise of the facts of the loss or destruction of the deed, the Collector may prepare, execute, and deliver to the purchaser at the tax sale, or his assigns or other legal representative, a confirmation tax-sale deed in lieu of the missing deed. The confirmation deed shall be a duplicate of the original tax-sale deed, with a recital added of the fact of the loss or destruction of the original tax-sale deed, and such confirmation deed when executed and delivered under this section shall in all proceedings in any Court in the Province and for all purposes of the "Land Registry Act" be of the same force and effect as if it were the original tax-sale deed. A fee of ten dollars shall be paid by the applicant to the Collector for a confirmation tax-sale deed.

185. A tax-sale deed shall, in any proceedings in any Court in this Province, and for the purposes of the "Land Registry Act." be conclusive evidence of the validity of the assessment of the land and levy of the rate, the sale of the land for taxes, and all other proceedings leading up to the execution of such deed; and notwithstanding any defect in such assessment, levy, sale, or other proceedings, no such tax deed shall be annulled or set aside.

186. The Collector shall, in all certificates and deeds given for land sold at a tax sale, give, as far as possible, a description of the part or proportion sold, with sufficient certainty, and if less than a whole lot or section, then by such a general description, as far as possible, as may enable a surveyor to lay off the piece sold on the ground; and he may search, if necessary, in the Land Registry Office to ascertain the description and boundaries of the whole parcel, and he may also obtain a surveyor's description of such lots, to be taken from the Land Registry Office or the Government maps where a full description cannot otherwise be obtained, such surveyor's fee not to exceed five dollars; and the charges so incurred shall be included in the account and paid by the purchaser of the land sold, or the party redeeming the same.

187. The Collector of each district shall enter in a book a full description of every parcel of land conveyed by him to purchasers for delinquent taxes, with an index thereto, and shall keep the same amongst the records of his office.

188. In any action brought by the Minister under this Act, it shall be sufficient if the action is brought by the Minister as plaintiff, and it shall not be necessary to name the said Minister, and the action shall not abate by reason of a change in the person of the said Minister, but the action may proceed as though no change had been made. In any such action the said Minister shall have the same right, either before or after the trial, to require the production of documents, to examine parties or witnesses, or to take such other proceedings in aid of the action as a plaintiff has or may take in an ordinary action.

189. In case of liquidation or insolvency of any person upon which a tax is levied under this Act, the amount unpaid of such tax shall be a first lien or charge upon the estate of such person in favour of the Crown for the benefit of the Province, subject to the provisions of any Statute of the Dominion and to the charges of liquidation and insolvency proceedings.

190. The taxes imposed by this Act upon every owner of a mine, both in respect to his income and in respect to the tax imposed on the product of his mine, shall constitute a lien in favour of the Crown, not only upon the output of the mine, but also upon the mine and mining premises wherefrom the same was extracted, and upon all ore, minerals, or mineral-producing substances extracted therefrom which may be on the premises. The Collector shall have all the like powers for collection by distress or by sale of the mining premises as are conferred by this Act for the recovery of taxes either upon real or personal property, and such powers may be exercised cumulatively.

*General Powers applicable to all Cases.*

191. If the taxes, or any part thereof, payable by any person cannot be recovered in any special manner provided by this Act, they may be recovered with interest and costs, as a debt due to the Crown, for the use of the Province, in which case the production of a copy of so much of the Collector's roll as relates to the taxes payable by such person, purporting to be certified as a true copy by the Assessor, shall be prima facie evidence of the debt.

PART II.

TAXATION OF RAILWAYS AND RAILWAY SUBSIDY LANDS.

*Interpretation.*

192. Where the words following occur in this Part of this Act they shall be construed as follows unless from the context a contrary intention appears:—

"Company" means a railway company, and includes any person having authority to construct and operate a railway:

"Railway" means any railway which the company has authority to construct or operate, and includes all branches, sidings, spurs, and switches, stations, depots, wharves, rolling-stock, equipment, stores, property, real or personal, and works connected therewith, and also any railway bridge, tunnel, or other structure which the company is authorized to construct:

"Rolling-stock" means and shall include any locomotive, engine, motor-car, tender, snow-plough, flanger, and every description of car or of railway equipment designed for movement on its wheels over or upon the rails or tracks of the company.



*Application of this Part.*

193. This Part of this Act shall not apply to any real property of a railway company which is situate within the limits of any municipality in the Province.

194. This Part of this Act shall not apply to street railways operated by electricity within municipalities.

195. This Part of this Act shall not apply to railways used exclusively for the carriage or transportation of logs, ores, or coal, or of workmen employed by the owner of such logs, ores, or coal to and from their place of work, if they are carried free of charge.

*Returns to be made by Companies.*

196. Every company shall annually transmit, on or before the fifteenth day of October in every year, to the Surveyor of Taxes and Inspector of Revenue a return on forms to be supplied by him, showing:—

- (1.) Under what Acts of the Province the company claims exemption from taxation upon its real and personal property and income, the date of the completion of the railway, the date of selection of the lands granted under any Acts of the Province, the dates of such grants and the acreage included therein;
- (2.) The total number of miles of track of main line and branches, including sidings, spurs, and switches, of the railway company situated within the Province, and specifying the mileage claimed to be exempt from taxation under any Act of the Province and the mileage within the limits of any municipality in the Province;
- (3.) Any other real property of the company liable to taxation other than that occupied by the company for its right-of-way or buildings connected with the actual operation of the railway.

197. (1.) Every company shall annually transmit, on or before the respective days hereinafter in this section specified, to the Surveyor of Taxes and Inspector of Revenue, returns on forms to be supplied by him, as follows, namely:—

- (a.) On or before the fifteenth day of January in each year, a return showing all lands sold, agreed to be sold, pre-empted, or leased within the limits of the grants that are held by the company under any land grant or subsidy Act of the Province during the period of three months preceding the date of the return, namely, from the first day of October to thirty-first day of December;
- (b.) On or before the fifteenth day of October in each year, a return showing all lands sold, agreed to be sold, pre-empted, or leased within the limits of the said grants during the period of nine months preceding the date of the return, namely, from the first day of January to thirtieth day of September.

(2.) Each of such returns shall show in detail and in tabulated form the legal description of the land, number of acres sold or agreed to be sold, pre-empted, or leased, name of person to whom sold or agreed to be sold or leased, or by whom pre-empted, date of deed, agreement, pre-emption, or lease, and the consideration mentioned therein.

(3.) The lands mentioned in subparagraphs (a) and (b) of subsection (1) of this section shall be assessed and taxed as real property, or as wild land, coal land, or timber land, as the case may be, in accordance with the provisions of Part I. of this Act.

*Penalty for failing to make Returns.*

198. Every company failing to transmit the returns required by this Part of this Act shall be liable to a penalty of fifty dollars for each day during which failure, neglect, refusal, or delay in transmitting the said returns continues, to be recovered in a summary way by proceedings at the instance of the Minister before any Stipendiary Magistrate, Police Magistrate, or Justice of the Peace; and, in addition to such penalty, to the payment of all taxes which would have been payable under this Act had such returns been duly transmitted.

*Rate of Taxation.*

199. (1.) The land occupied and claimed as the right-of-way by any company and the railway with the personal property and income of the company derived from its railway, and its rolling-stock, shall be assessed and taxed as a whole as real property, the rate of taxation

to be two per cent. of the assessed value, and the assessed value shall be at the sum of ten thousand dollars per mile and fractions thereof of the track of the main line and branches of the company.

(2.) The measurement of the track of the main line and branches shall not include sidings, spurs, and switches, but all sidings, spurs, and switches of the railway shall be assessed and taxed as real property, and the assessed value thereof shall be at the sum of three thousand dollars per mile and fractions thereof.

(3.) In the event of the company erecting or having erected within or upon the land occupied and claimed as the right-of-way any building, structure, or portion of same, or other improvement which is used for other than railway purposes, such building, structure, or portion of same, or improvements, shall be separately assessed and taxed as real property, under the provisions of Part I. of this Act.

#### *Liability of Companies.*

200. Every such company shall be liable for the taxes levied under Part I. of this Act upon all the lands mentioned in section 197 of this Act, so long as the company is the owner of such lands, if such lands are not otherwise exempt from taxation under any Act of this Province, and the lands pre-empted, agreed to be sold or leased, mentioned in the said section 197, shall be assessed and taxed to the company as owner, and to the person named in the returns furnished by the company under the said section as occupant, jointly, under the provisions of the said Part I. of this Act.

201. Save as in this Part of this Act provided, the provisions of the other Parts of this Act governing the assessment, levy, due date, and proceedings for recovery of taxes on land and real property shall apply to the recovery of the taxes imposed by this Part of this Act.

202. The Lieutenant-Governor in Council is hereby empowered to grant to any railway company an exemption from the assessment and tax imposed by section 199 of this Act for a period not exceeding ten years from the date of completion of any railway which may be completed after the first day of January, 1908, and the date of such completion shall mean the date of the certificate of the Engineer of the Department of Public Works that the railway is open for traffic and passengers. A detailed statement of all such exemptions shall be submitted to the Legislative Assembly within the first fifteen days of each ensuing session thereof: Provided that such exemption shall only be granted on the express conditions—

- (1.) That no aliens shall be employed on the railway during construction, unless it is demonstrated to the satisfaction of the Lieutenant-Governor in Council that the work cannot be proceeded with without the employment of such aliens:
- (2.) That every exemption from taxation granted under this Act shall be subject to the conditions that the workmen, labourers, or servants employed in or about the construction and operation of the railway in aid of which such exemption from taxation is granted shall be paid such rate of wages as may be currently payable to white workmen, labourers, and servants engaged in similar occupations in the district in which such railway is constructed and operated.

### PART III.

#### MISCELLANEOUS MATTERS.

##### *Duties and Liabilities of Agents and Trustees.*

203. Every agent for every person permanently or temporarily absent from or not resident in the Province, and every trustee:—

- (1.) Shall be answerable for the doing of all such acts, matters, or things as are required to be done by virtue of this Act for the assessment of the property or income which he represents, or which is the subject of his trust, or which is received by him or comes to his hand, and for paying the tax in respect thereof:
- (2.) Is hereby authorized to recover from any person in whose behalf he is compelled to pay any tax the amount so paid by him:
- (3.) Is hereby authorized and required to retain, from time to time, in each year, out of any money which shall come to him in his representative character, so much as shall

be sufficient to pay the tax for the then current year when assessed therefor, and any arrears of taxes in respect of any property or income subject to such tax whilst acting as agent therefor, and is hereby indemnified for all payments which he shall make in pursuance of this Act:

- (4.) Is hereby made personally liable for the tax payable in respect of any property or income if, while such tax remains unpaid,—
- (a.) He shall alienate, charge, or dispose of such property; or
  - (b.) Dispose of any fund or money which shall come to him in his representative character;
- and shall not be otherwise personally liable for any tax imposed upon him under this section.

204. The Collector, or any other person or authority empowered under this Act, shall have such and the like remedies against all land or other property of any kind vested in or under the control or management of any agent or trustee as he would have against the land or property of an individual, and in as full and ample a manner.

*Failure and Inability to collect Taxes.*

205. In case the Collector fails or omits to collect the taxes or any portion thereof, the Lieutenant-Governor in Council may authorize the Collector, or some other person in his stead, to continue the levy and collection of the unpaid taxes, in the manner and with the powers provided by law for the general levy and collection of taxes; but no such authority shall alter or affect the duty of the Assessor or Collector to return his roll, or shall in any manner whatsoever invalidate or otherwise affect the liability of the Collector or his sureties.

206. If any personal-property tax or income-tax shall become delinquent, and there is not any real property of the person owing such delinquent taxes upon which the same may be levied, or if there is no personal property belonging to such person which can be distrained therefor, or in default of sufficient distress, the Collector shall, within three months after the tax shall have become delinquent, forward to the Surveyor of Taxes and Inspector of Revenue a statement showing that every effort has been made to recover the tax, that there is no property or effects, or insufficient property or effects, or that the person assessed has left the country, and giving a detailed list of such irrecoverable taxes; and the Surveyor of Taxes and Inspector of Revenue shall, if he is so instructed by the Minister, cause the said taxes to be cancelled upon the books of the Collector.

207. Where taxes on land owned by the Crown, held under pre-emption or agreement, have become irrecoverable from the persons liable therefor, the Surveyor of Taxes and Inspector of Revenue may authorize the Collector to cancel on his books the amounts due therefor.

*The Surveyor of Taxes and Inspector of Revenue.*

208. It shall be the duty of the Surveyor of Taxes and Inspector of Revenue, and his deputy, under the direction of the Minister, to see that the provisions of this Act are carried out by the Assessors, Collectors, and taxpayers, and to prepare all rules, regulations, and forms necessary for that purpose, and the Surveyor of Taxes and Inspector of Revenue and his deputy shall have all the powers conferred upon Assessors under this Act.

*Powers of the Lieutenant-Governor in Council.*

209. It shall be lawful for the Lieutenant-Governor in Council from year to year to cause to be paid to every person appointed under this Act such sums as he shall think fit for the purpose of carrying out the provisions of this Act.

210. In order to promote and facilitate the collection and recovery of taxes, and to give full and due effect to the meaning and intent of this Act or any amendment thereof, and of the Schedule of Forms to this Act, the Lieutenant-Governor in Council may from time to time make and discharge such rules and regulations as may, in his opinion, be necessary or desirable for carrying out the spirit, intent, and meaning of this Act in relation to matters for which no express provision has been made, or for or in respect of which only partial or imperfect provision has been made; or when the time limited for any act or step is insufficient, or where, by accident or otherwise, such act or step has not been taken, or it shall appear to the Lieutenant-Governor in Council that an alteration in dates is necessary or desirable, or where any proceeding under

this Act, or intended so to be, has been taken and failed, or if, in the opinion of the Lieutenant-Governor in Council, any ambiguity or difficulty shall arise in the construction of or in applying this Act, or if any change of practice, procedure, or method may be deemed desirable, the Lieutenant-Governor in Council may, by rules or regulations, from time to time make and promulgate such enlargement, extension, or alteration in times or dates as he may see fit; and any such rules or regulations shall be published in at least one issue of the Gazette, and shall have the force of law.

211. (1.) If any act, matter, or thing required by this Act to be made, performed, or done by the Assessor, Collector, or other officer appointed to carry out the provisions of this Act at or within a fixed time cannot be or is not so made, performed, or done, the Lieutenant-Governor in Council may, by Order, appoint a further or other time for making, performing, or doing the same, whether the time within which the same ought to have been done has or has not elapsed or expired.

(2.) Any act, matter, or thing made, performed, or done within the time prescribed by such Order in Council shall be as valid as if it had been made, performed, or done within the time fixed by or under this Act.

212. The Lieutenant-Governor in Council may make new forms or vary or alter any of the forms to this Act as the exigencies of the public service may render necessary.

*Respecting Certificates of Improvements and Crown Grants.*

213. The Minister of Lands shall not complete nor deliver, or cause to be delivered, any certificate of improvements or Crown grant under the "Land Act" until the person entitled thereto shall lodge with him a certificate from the Collector that all taxes due upon the land mentioned in the said certificate of improvements or Crown grant have been fully paid up to the end of the previous year.

214. The Collector shall, upon request of the person entitled to such certificate or Crown grant, furnish him, free of charge, with such certificate, stating that the taxes (if paid) have been paid.

*General Provisions.*

215. The forms of returns in the Schedule of Forms to this Act, when filled up by taxpayers, shall not be open for inspection by any person, except the Lieutenant-Governor in Council and the officers duly appointed under this Act, and by the Legislative Assembly of the Province.

216. Every roll shall be the property of the Province, and every Collector shall, upon application, deliver up the same to the Provincial Secretary, or some person authorized by him to receive the same.

217. If any person wilfully tears down, injures, or defaces any advertisement, notice, or other document which is required by this Act to be posted in a public place for the information of persons interested, he shall, on conviction thereof in a summary way before a Justice of the Peace having jurisdiction in the district, city, or town, be liable to a fine not exceeding fifty dollars, to be recovered in a summary manner.

218. All penalties recovered under this Act shall be paid to the Minister and shall form part of the Consolidated Revenue Fund.



A BRIEF ACCOUNT OF THE REVENUE SITUATION IN THE  
PROVINCE OF BRITISH COLUMBIA, WITH SOME  
COMMENTS AND SUGGESTIONS

■

A PRELIMINARY REPORT

TO

THE TAXATION BOARD

OF THE PROVINCE OF

BRITISH COLUMBIA

*By*

ROBERT MURRAY HAIG, Ph.D.

*Assistant Professor of Economics, Columbia University.*

**TAXATION BOARD.**

(Appointed under authority of Chapter 64, Laws of 1917.)

**J. B. McKILLIGAN, *Chairman.***

**W. G. CAMERON.**

**THOMAS KIDD.**

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## LETTER OF TRANSMITTAL

COLUMBIA UNIVERSITY, IN THE CITY OF NEW YORK,

December 31st, 1917.

*J. B. McKilligan, Esq.,*

*Chairman, Taxation Board, Parliament Buildings, Victoria, B.C.*

SIR,—I have the honour to submit to you for the consideration of the Taxation Board and the Government a report entitled "A Brief Account of the Revenue Situation in the Province of British Columbia, with some Comments and Suggestions," which was prepared from material gathered during my recent visit to the Province.

Very truly yours,

ROBERT MURRAY HAIG.

## PREFACE.

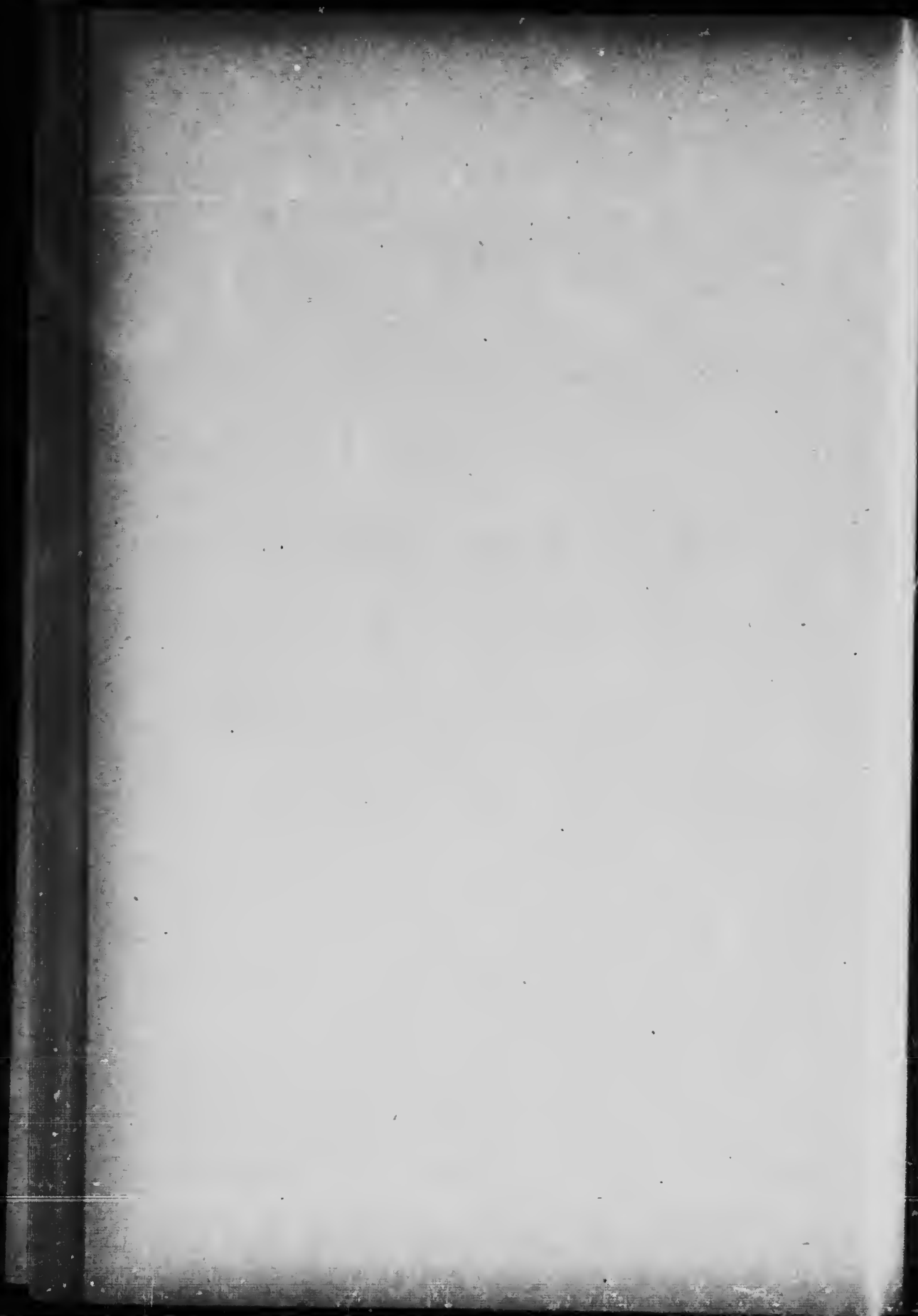
During the summer of 1917 the writer received a communication from the Honourable H. C. Brewster, Premier of the Province of British Columbia, stating that he was about to appoint a Taxation Board which would attempt to place the revenue system of the Province upon a more satisfactory basis. Correspondence followed, which resulted in an invitation extended through the Honourable John Hart, Minister of Finance, to act as adviser to the Taxation Board and to the Government in connection with the proposed changes in the tax law.

The situation was felt to be so acute as to make an immediate investigation imperative. Through the kindness of President Nicholas Murray Butler and Professor J. C. Egbert, Director of the School of Business, the writer secured a brief leave of absence from duties at Columbia University and arrived at Victoria on November 6th, remaining three weeks, until November 27th. A cursory examination revealed a situation so full of difficulties and complications as to preclude the possibility of accomplishing in the time available more than a preliminary survey. It was decided, however, that the work should proceed, even though it was hopeless to expect that it would be carried to the point where a definite and comprehensive set of conclusions and recommendations could be formulated. This explains why this report is more a fragmentary outline than a definite statement giving the results of an exhaustive survey.

The pressure of time made it impossible to travel about the Province investigating first-hand the conditions of administration and the effects of the present distribution of the tax burden. Much valuable information, however, was presented at the hearings held at the Parliament Buildings in Victoria on November 21st, 22nd, and 23rd, which the writer had the privilege of attending. Except for these three days, the period was consumed in the study of documentary material and in conferences with the members of the Taxation Board, members of the Government, and various Provincial officials.

To Mr. John B. McKilligan, who for so many years has guided the development of taxation in the Province and who was honoured by being made Chairman of the Taxation Board, the writer desires to acknowledge a debt of gratitude. In spite of the heavy pressure of duties in his office, he gave with great generosity his time and effort to this investigation; without the aid of his exhaustive and accurate knowledge of the history and the application of the tax law, it may be frankly stated that progress with this study would have been most discouragingly slow. To the Minister of Finance, to the members of the Taxation Board, and to the many persons in the various departments who kindly assisted him in gathering material, the writer extends his hearty thanks. Finally, he would express his appreciation of the generous interest taken in the problem by Professor Edwin R. A. Seligman, of Columbia University, with whom the writer has had the great privilege of conferring.

---



# A BRIEF ACCOUNT OF THE REVENUE SITUATION IN THE PROVINCE OF BRITISH COLUMBIA.

## SOME ASPECTS OF THE GENERAL FINANCIAL SITUATION IN THE PROVINCE.

### THE DESIRABILITY OF A DEFINITE FORMULATION OF FINANCIAL NEEDS.

Little progress can be made in the direction of a satisfactory solution of the taxation problem of British Columbia until knowledge has been secured of the fiscal needs of the Province and a definite financial plan adopted. This is because the size of the sum which must be raised by levying taxes has a profound effect upon the type of taxation which is best suited to the circumstances. It happens that in British Columbia at the present time the exact determination of the amount to be raised by taxation is an unusually difficult and delicate task. Not only are conditions so uncertain as to make estimates of ordinary incomes subject to a wide margin of error, but on the expenditure side, also, uncertainty is present to an unusual degree. The Government is apparently making strenuous efforts to reduce expenditure, but how material will be the results upon the financial problem cannot at this time be definitely foretold.\* Finally, the important contingent liabilities which may soon become actual and pressing financial demands upon the Provincial Treasury are uncertain in amount. In view of these circumstances it will be readily understood why there was reluctance to furnish a definite statement of the amount which must be raised by taxation.

It is very important that this amount be made definite at as early a date as possible not only because the tax programme can then be more exactly formulated, but also because the uncertainty is doubtless responsible for much of the present dissatisfaction with the tax system. Rates have been increased to the point where tax-paying is a very appreciable burden, and in some cases the yields apparently promise to be substantially greater than the estimates.† This naturally gives rise to a feeling on the part of the taxpayers that they are being taxed in a sweeping and unjust fashion without reference to needs for revenue.‡ Until it is possible to speak with some degree of certainty regarding financial necessities, this element of dissatisfaction cannot be eliminated. When it is possible to lay down a definite financial programme, the Government can demand, and will doubtless receive, more willing assistance from the taxpayers in carrying it out.

### THE SHRINKAGE IN REVENUES.

That the present financial stress is not a sudden development, but is the result of the operation of policies which have been in force during a series of years, is made plain by an examination of the financial records. In Table I. the attempt is made to classify the receipts for recent years in accordance with their general character as taxes, fees, subsidies, etc.‡

\* How far it is politically possible to carry a policy of retrenchment in British Columbia is an unanswered question.

† E.g., in the cases of the amusement-tax and the income-tax.

‡ This attitude of mind was evident from the testimony of a number of witnesses at the hearings—e.g., D. G. Marshall, K.C. of Record of Public Sessions of Taxation Board, page 5.

§ For a discussion of the desirability of classification and of the principles upon which the classification in Table I. is based, cf. Appendix A, *ibid.*, page 127. It has not been the custom to classify the receipts in the Public Accounts. Moreover, many of the items are entered under obscure titles. As a result it is impossible without somewhat elaborate analysis to gain a clear conception of the significance of the figures. The figures represent cash receipts. The data for the year 1916-17 are from manuscript, but for the earlier years are from the "Comparative Statement of the Receipts and Expenditures" published in the Public Accounts.

Table I.—Comparative Statement of Receipts, Province of British Columbia, 1905, 1910-17

	1904-5.	1906-10.	1910-11.	1911-12.	1912-14.	1914-15.	1915-16.	1916-17.
I.—Subsidies from Dominion.								
Annual payment of interest.....	\$ 20,151 06	\$ 20,151 06	\$ 20,151 06	\$ 20,151 06	\$ 20,151 06	\$ 20,151 06	\$ 20,151 06	\$ 20,151 06
" " grant <i>per capita</i> .....	35,020 00	150,000 00	150,000 00	150,000 00	150,000 00	150,000 00	150,000 00	150,000 00
" " for lands conveyed.....	142,925 60	142,925 60	142,925 60	142,925 60	142,925 60	142,925 60	142,925 60	142,925 60
" " special grant (" B.N.A. Act, 1907").....	100,000 00	100,000 00	100,000 00	100,000 00	100,000 00	100,000 00	100,000 00	100,000 00
Totals.....	\$397,076 66	\$522,076 66	\$522,076 66	\$713,780 66	\$723,135 06	\$723,135 06	\$723,135 06	\$723,135 06
II.—Income from the Public Domain.								
Canneries and whaling tax (royalty) (included under personal property).....	\$131,510 83	\$2,018,189 75	\$2,431,251 36	\$1,905,390 71	\$1,172,853 72	\$746,008 31	\$119,772 45	\$218,418 47
Land sales.....	114,296 77	102,008 88	91,088 48	100,659 29	158,500 72	130,576 66	108,255 58	287,237 56
Mineral tax (royalty).....	28 50	109 00	290 00	850 00	210 25	75 00	68 00	17,737 48
Rents (other than lands).....	94,662 46	222,722 51	245,352 58	195,307 78	192,255 35	153,987 25	174,581 75	194,556 08
Royalty and tax on coal.....	76,228 17	328,875 20	106,357 75	88,000 04	114,546 28	126,470 01	126,470 01	74,900 11
Timber (leases).....	410,268 20	2,234,009 31	2,357,951 32	2,300,363 28	244,179 00	1,753,119 64	1,477,378 26	192,176 31
Timber (royalty).....	.....	.....	.....	.....	.....	.....	71,875 84	567,282 56
Timber (royalty).....	.....	.....	.....	45,610 24	61,008 54	47,469 45	66,908 13	85,337 26
Water revenue.....	.....	.....	.....	.....	.....	.....	.....	.....
Totals.....	\$898,975 01	\$5,263,641 19	\$5,235,641 72	\$4,580,546 34	\$4,140,264 57	\$2,948,085 86	\$2,198,076 00	\$3,672,778 37
III.—Fees.								
Boiler inspection fees.....	\$ 19,614 62	\$ 20,827 04	\$ 20,827 04	\$ 26,454 46	\$31,238 81	\$34,537 31	\$34,537 08	\$38,309 26
Bureau of Mines.....	109 50	687 00	917 00	668 50	803 00	929 79	864 25	870 50
Commission and fees on tax sales.....	12,854 96	20,726 00	44,500 00	45,210 15	64,968 56	23,940 50	17,715 50	18,498 26
Fees and Comptrol Pictures Act.....	63,594 04	81,246 00	82,629 78	82,709 25	52,079 25	24,650 92	23,885 00	21,508 13
Free miners' certificates.....	150,412 55	53,005 07	63,037 58	68,101 27	52,079 25	24,650 92	23,885 00	21,508 13
Game licences.....	12,007 80	7,890 00	7,815 00	7,268 00	8,175 00	8,175 00	8,175 00	8,175 00
Land revenue.....	7,250 00	175,778 11	321,586 98	323,896 21	301,184 95	101,968 56	51,173 41	66,489 08
Law-stamps.....	.....	24,500 80	20,992 30	20,992 30	20,992 30	20,992 30	20,992 30	20,992 30
Licences, commercial travellers.....	.....	21,088 75	27,518 64	27,239 61	25,210 98	18,575 00	18,575 00	18,575 00
Log-rolling fees.....	.....	17,489 00	17,489 00	17,489 00	17,489 00	17,489 00	17,489 00	17,489 00
Licences, taxes, and fees (" Fire Insurance Act").....	6,610 00	17,489 00	17,489 00	17,489 00	17,489 00	17,489 00	17,489 00	17,489 00
Marriage licences.....	105,192 21	91,233 75	105,319 55	98,461 70	94,764 35	82,909 26	82,909 26	82,909 26
Printing receipts (General).....	10,613 53	19,468 86	37,294 41	20,111 28	44,743 82	40,260 77	41,505 48	44,815 61
Rentals fees.....	.....	.....	.....	.....	.....	.....	.....	.....
Registry fees.....	.....	.....	.....	.....	.....	.....	.....	.....
Survey fees.....	.....	.....	.....	.....	.....	.....	.....	.....
Tax-sale deeds.....	.....	.....	.....	.....	.....	.....	.....	.....
Trade and liquor licences.....	.....	.....	.....	.....	.....	.....	.....	.....
Traffic tolls.....	.....	.....	.....	.....	.....	.....	.....	.....
Totals.....	\$635,016 53	\$1,007,096 80	\$1,515,571 26	\$1,686,961 75	\$1,744,147 42	\$1,372,400 04	\$1,016,799 89	\$1,232,192 32



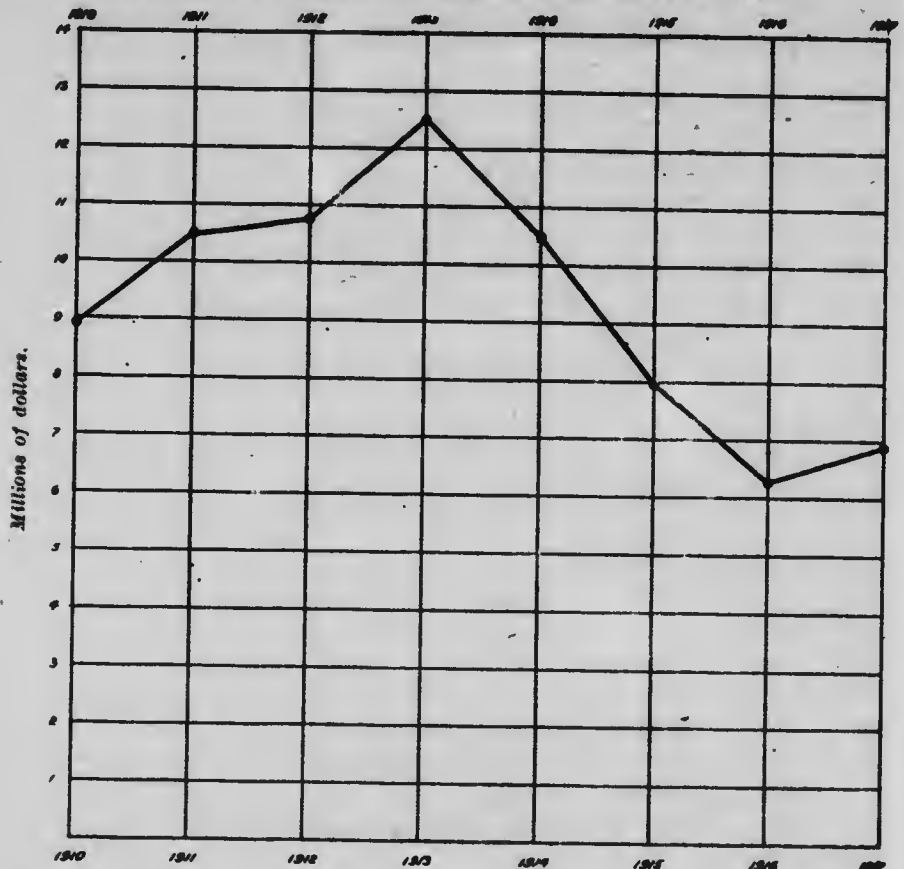


A glance at the totals, as illustrated by Graph I., reveals at once an alarming shrinkage in the revenues of the Province. The total net revenue for the past fiscal year (ending March 31st, 1917) is shown to be materially less than it was seven years ago (1909-10, \$6,900,783.63 as compared with \$8,874,741.94), and scarcely more than one-half as great as four years ago (1912-13, \$12,510,215.06). In this situation alone there would seem to be sufficient occasion for concern without considering the added difficulties due to increased demands upon the Treasury.

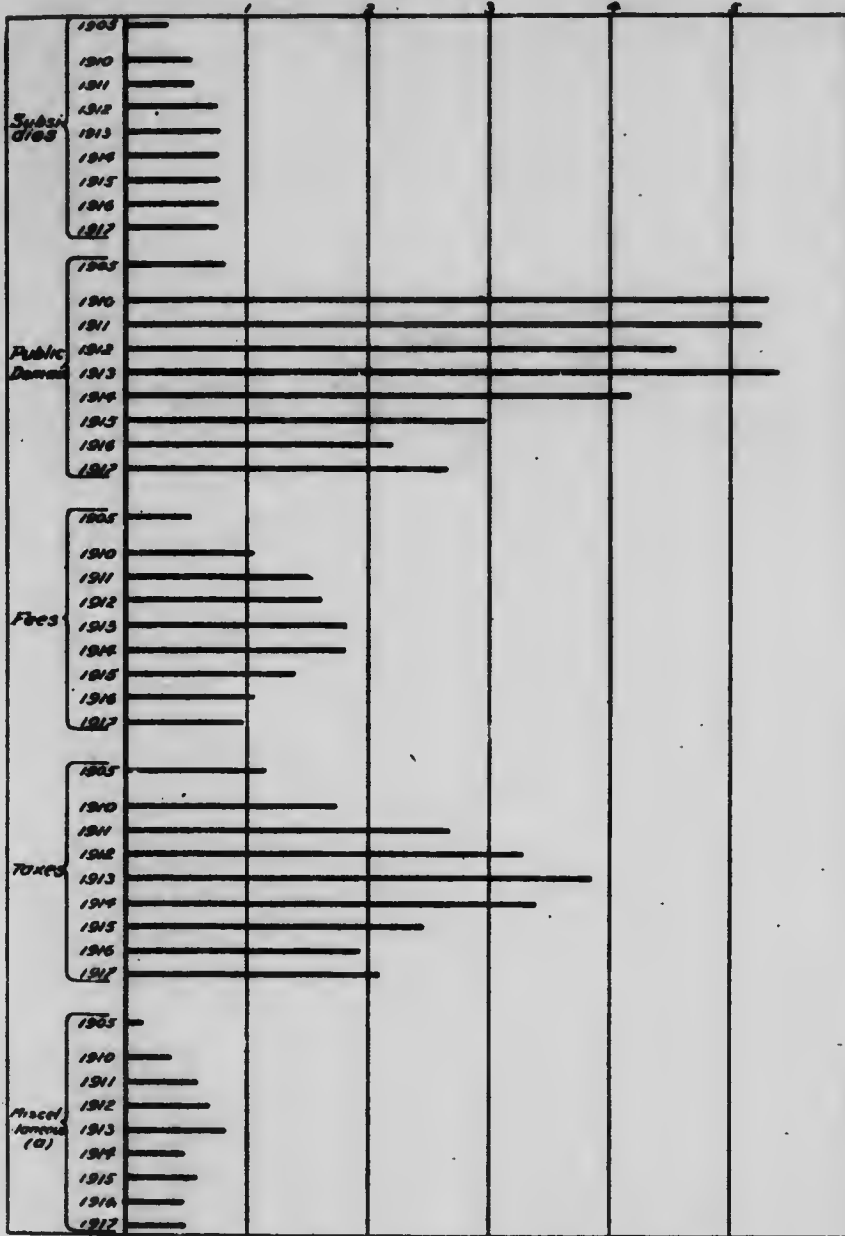
To show the variations in the different classes of revenues, Graph II. is presented, the length of the bars indicating the amounts received in the years indicated from each group of sources. Subsidies, it will be noted, have for six years been practically a constant amount. The income from the public domain, which averaged about \$5,000,000 annually from 1910 to 1914, has dropped in the last three years to an average of only half that figure. Fees now yield only about \$1,000,000, whereas they formerly brought in \$750,000 additional. Taxes also have shrunk to nearly one-half their former productiveness, while there has been a substantial decrease in the miscellaneous revenues as well. The loss of revenue is evidently not due to some cause affecting merely one group of revenues. Every group has been adversely affected.

This same point as well as another one of interest is brought out clearly in Graph III., which compares the burden borne by the various groups of revenues in the years 1905, 1913, and 1917. In 1905, which is selected as a typical year before the great expansion of the last

Graph I.—Total Net Revenue, Province of British Columbia, 1910-17.

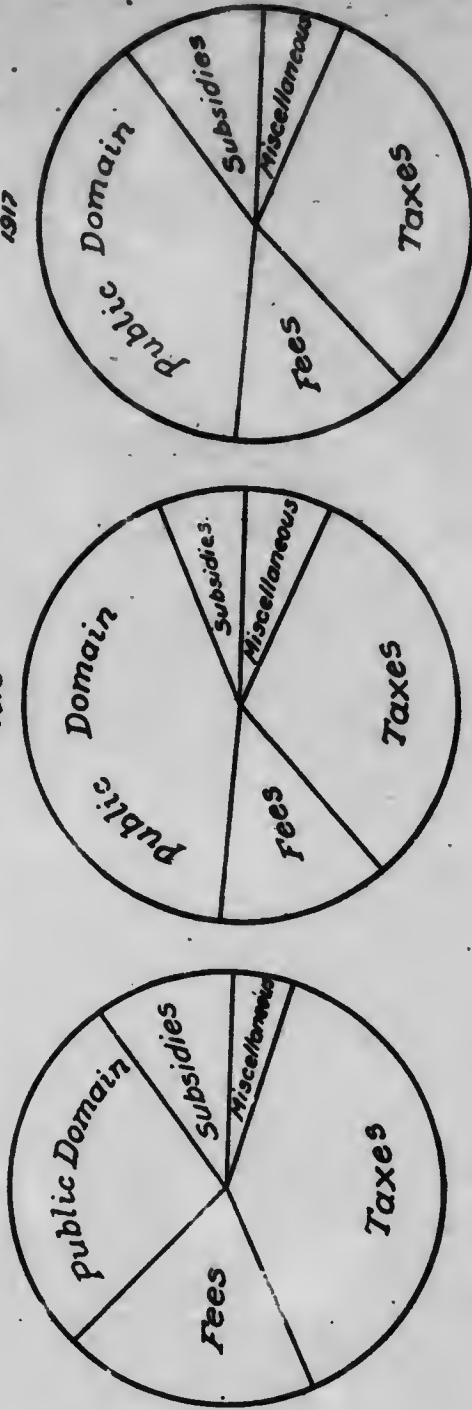


Graph II.—Receipts from Classified Sources, Province of British Columbia, 1905, 1910-17.  
Millions of dollars.



(a) Includes interest on investment of sinking fund.

Graph III.—Portion of Total Receipts supplied by the Various Classes of Revenues, Province of British Columbia, 1905, 1913, and 1917.



decade, less dependence was placed upon the receipts from the public domain than was the case in 1913, the year of the largest receipts, and 1917, the most recent year. Taxes and fees were relatively more important in the scheme of finance. Practically no change, however, is apparent in the proportions between 1913 and 1917, except an increase in importance of subsidies in 1917, which, as has been seen, was due not to the fact that they increased, but to the fact that they remained constant, while the yields from other sources declined. The percentages are shown in Table II.

Table II.—Percentages of Total Receipts supplied by the Various Classes of Revenues, Province of British Columbia, 1905, 1913, and 1917.

	1905.	1913.	1917.
Subsidies .....	10.5	5.9	10.5
Public Domain .....	28.7	43.1	39.8
Fees .....	18.3	14.2	14.2
Taxes .....	37.8	30.4	30.3
Miscellaneous* .....	4.7	6.4	6.2
	100.0	100.0	100.0

\* Includes interest on investment of sinking fund.

The portion of the financial burden of the Province borne by subsidies emphasizes in very striking fashion the great differences between the financial problem of British Columbia and those of the other Western Canadian Provinces. For where, as in this Province, the receipts from subsidies are sufficient to carry, on the basis of the 1917 figures, only 10½ per cent. of the burden, in Alberta they carried, in 1916, 28 per cent.;\* In Saskatchewan, in 1916, 41 per cent.; and in Manitoba, 1915, 42 per cent.\*

Although it has been shown that the slump in revenue is not confined to any one of the groups of receipts but is common to all, except subsidies, it can be plainly demonstrated that there is an identical cause for the slump in at least two of the groups,—fees and receipts from the public domain. That cause is the cessation in the demand for real estate. The first part of the proof of this assertion is supplied in Graph IV. It will be seen that the diminution of receipts from land sales almost to the vanishing point accounts for practically all of the reduction in the receipts from the public domain. Graph V deals with fees. It shows that in the most prosperous years "land revenue" and "registry fees,"† which owe their productiveness to the activity of the real estate market, made up the bulk of the total receipts from fees and that the decrease in these receipts is almost entirely due to the falling of these two types of fee.

\* This disregards the receipts from the Telephone Department.

† The land revenue and registry fees are combined in the following table:—

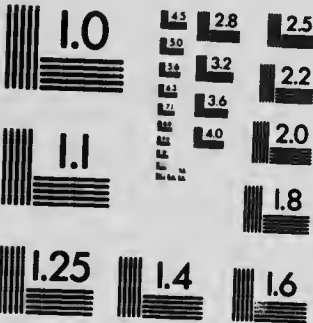
Receipts from Land Revenue and Registry Fees, Province of British Columbia, 1910-17.

Year.	Land Revenue.	Registry Fees.	Total.
1909-10.....	\$175,778 11	\$408,826 15	\$ 584,604 26
1910-11.....	321,586 98	613,092 22	934,679 20
1911-12.....	323,895 21	592,398 73	916,293 94
1912-13.....	301,184 95	712,258 43	1,013,443 38
1913-14.....	218,525 92	652,431 48	870,957 40
1914-15.....	127,469 53	443,727 67	571,197 20
1915-16.....	81,117 53	241,548 50	322,666 03
1916-17.....	79,919 19	186,663 90	276,583 09



# MICROCOPY RESOLUTION TEST CHART

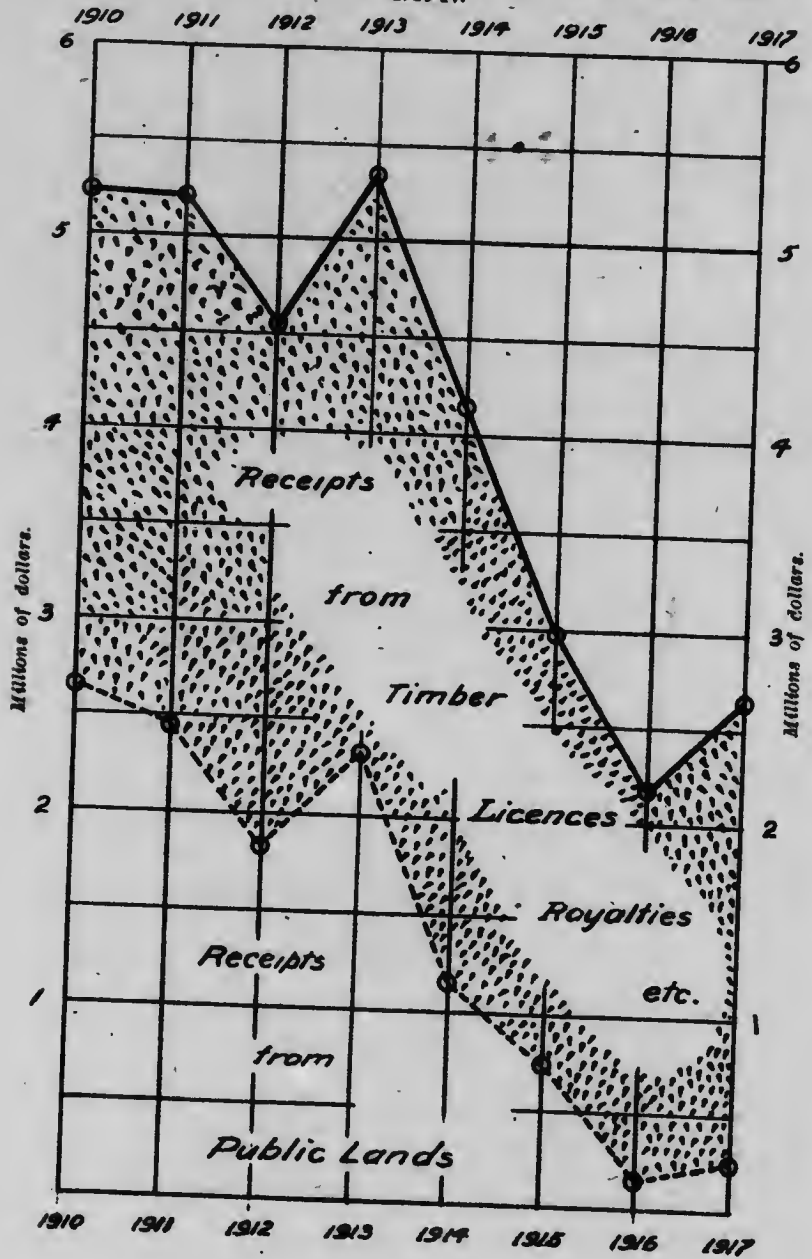
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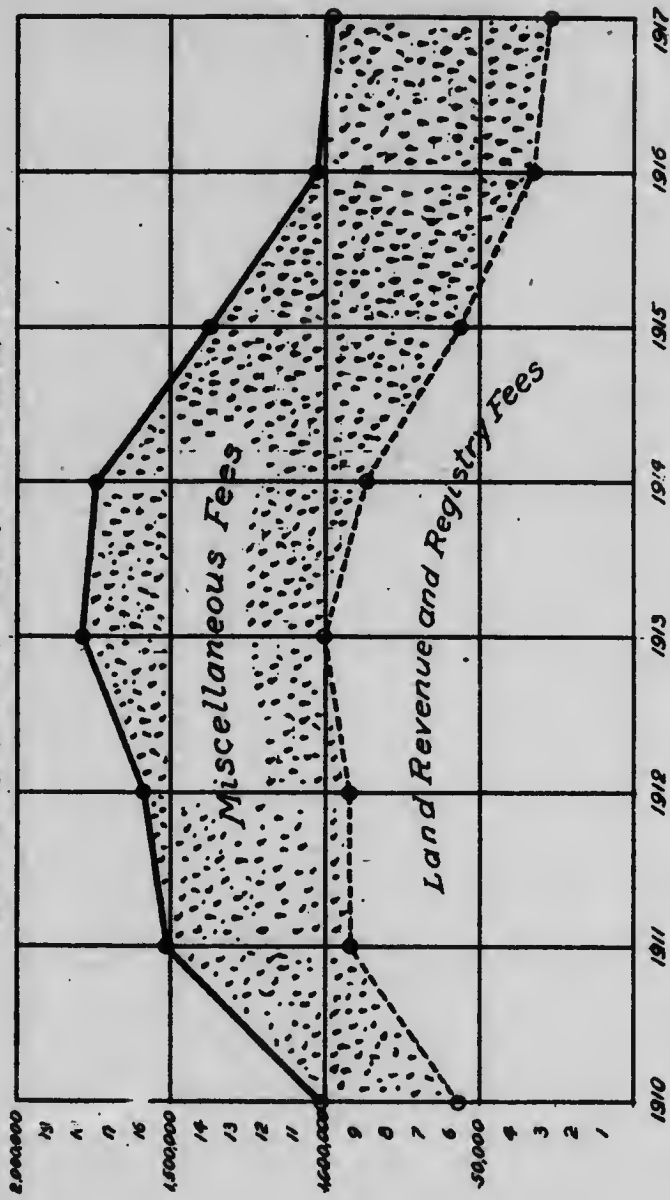
**APPLIED IMAGE Inc**

1653 East Main Street  
Rochester, New York 14609 USA  
(716) 482-0300 - Phone  
(716) 288-5989 - Fax

Graph IV.—Receipts from the Public Domain, Province of British Columbia, 1910-17.



Graph V.—Receipts from Fees, Province of British Columbia, 1910-17.





In the case of taxes the explanation of the slump is quite different, as is shown by Graph VI. Here the decrease in productivity is entirely due to the abandonment of two forms of taxation—the tax imposed under the "Chinese Restriction Act" and the revenue or poll tax. These taxes yielded more than half the tax revenue in 1913, but disappeared entirely after 1915.

It is seen, then, that the explanation of the drop in revenue of about \$5,500,000 in four years is roughly this: Due to the cessation of the activity in real estate the receipts from land-sales dropped nearly \$2,500,000, and the receipts from fees connected with land transfers dropped \$750,000. The bulk of the decrease is therefore chargeable to those forces which have demoralized the demand for real estate in British Columbia during the past few years. Almost all of the remainder of the decrease, about \$2,000,000, was due to the disappearance of the Chinese tax and the poll-tax.

The shortage of revenue is accordingly not chargeable to a break-down of the tax system. Whatever may be said of the success or failure of the administration judged by absolute standards, it cannot be asserted that present difficulties are caused by a deterioration in that administration. Whether the taxes have produced as much as they should is a question still to be considered. It is not because they produced less than usual that the present difficult situation has developed.

The causes of the cessation in the demand for Provincial lands and for real estate generally are not entirely clear. Certainly one of them was the outbreak of the war, but the exact importance of this cause would be difficult to determine. To the extent that the war has had the effect of deadening real-estate activity, the financial problem of the Province can be truly said to be a war problem.

The experience of the past four years has demonstrated the lack of stability of the revenues of the Province. They have shown themselves to be excessively variable and undependable, and this constitutes the explanation of a very large part of the present difficulty. The situation in general is one which imperatively demands the adoption of one or two policies. Either the revenue system must be accepted for what it is and the policy of expenditure framed in such a fashion as to accommodate itself to the variations in receipts, or the revenue system must be radically recast with the purpose of making it productive of a more uniform series of revenues. The latter plan would be very difficult to establish completely, because of the dominating importance of receipts from land-sales in the scheme of revenues. But the desirability of a more uniform yield should be kept prominently in mind in considering changes in the tax laws. The most satisfactory solution of the difficulty lies in the direction of a more intelligent control of expenditure than has been shown in the past.

#### THE CONTROL OF EXPENDITURES.

This is not the place to write a financial history of the Province, though such a study would undoubtedly yield conclusions which would be valuable in connection with the proper formulation of future financial policies. It is evident, however, from a cursory survey that the scale of expenditure of the Province has been entirely out of proportion to the size and dependability of the revenues. In the years when revenues were plentiful the spending proceeded with a blissful confidence that conditions would always be satisfactory. Equipment and governmental services have been supplied with a lavishness which has entirely consumed the very unusual revenues of the prosperous years, and which has, in addition, strained to the limit the credit of the Province. Not only was money borrowed in large amounts, the net debt at the time of the 1917 Budget speech being reported as \$19,777,900, but, in addition, the public credit was pledged to guarantee bonds of several railways in even larger amounts, the Province being subject to a contingent liability, in the case of the Canadian Northern alone, of no less than \$47,975,000.\* The transportation projects have all proved to be unsuccessful ventures from the financial view-point. As a result the Province has already been called upon to assume obligations of embarrassing size, and, unless the Canadian Northern problem is satisfactorily adjusted, it will be asked to carry a burden which will indeed be staggering.

The Estimates for 1917-18 called for an expenditure of \$10,800,504.67. Of this amount, almost one-fifth (\$1,985,520.67) consisted of charges connected with the public debt and about

\* The securities actually executed which the Province has guaranteed for it amount to about \$8,000,000 less than this figure. The total guarantees for all purposes authorized amounted on March 31st, 1918, to \$73,782,072 (Public Accounts, 1918, page 27).

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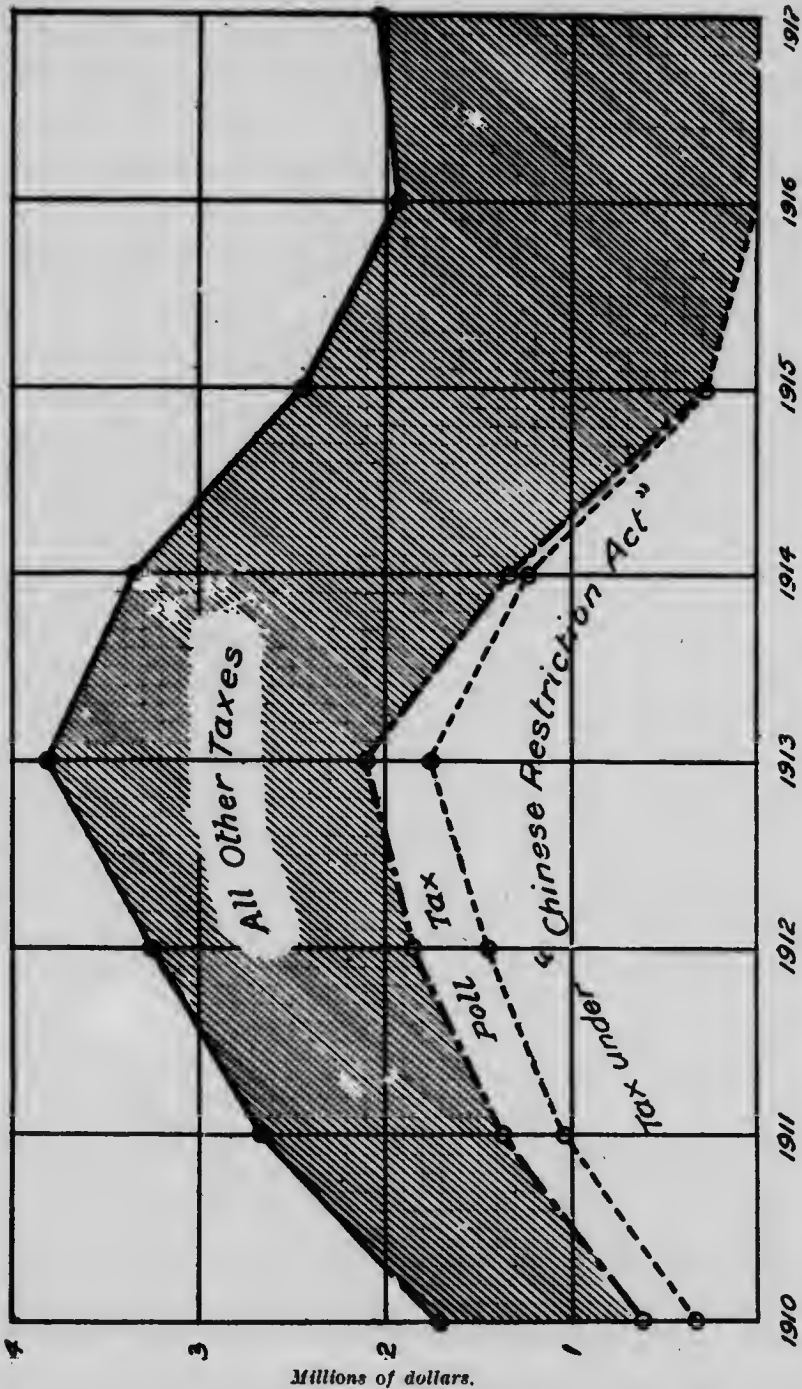
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Graph VI.—Receipts from Taxation, Province of British Columbia, 1910-17.



one-tenth (\$800,200) of expenditures connected with the guarantee of railway bonds. It will be recalled that the net revenue for 1916-17 amounted to less than seven millions (\$6,906,783.63). With the loan market so unfavourable as to make borrowings almost out of the question, it will be realised that if additional taxation were to be avoided the controllable expenditures would have to be cut almost in two.

After a certain point, however, reductions in expenditure in a Province like British Columbia are difficult. Much rough and thinly settled territory lies within its borders where no local governments have been established, and in such districts the Province must provide machinery for performing all the functions of government. The expenses of this nature are often almost as great for a very sparsely settled region as they would be were the district well inhabited. Communication must be established and maintained between widely scattered settlements over difficult terrain. The policy of granting very liberal subsidies to local schools even within regularly organized municipalities has long been in operation, and radical reductions in this direction are not easy to accomplish or desirable as a matter of policy. Most of the readily effected economies had already been taken advantage of in the course of reducing net expenditure from \$15,762,912.48 in 1913-14 to \$9,079,817.70 in 1916-17.

Apparently the days of free and easy financing are past and may not be expected to reappear for some time to come. Unless some unforeseen event should suddenly restore the demand for real estate, the people of British Columbia must face painful economy and burdensome taxation. In any case the desirability of the strictest economy is beyond question. The more the people are willing to economize the less painful need the taxation be.

#### THE READJUSTMENT OF 1917.

Faced with the necessity of providing for the rather alarming discrepancy between estimated expenditures and the revenues which might be expected to accrue for the year ending March 31st, 1918, the Government at the 1917 session of the Legislature formulated a financial programme calling for a radical expansion in taxation. As will be seen by examining Table III., the changes made were expected to increase the receipts from taxes from approximately \$2,000,000 to nearly \$5,000,000.

Table III.—A Comparison of the 1916-17 Receipts from Taxation and the 1917-18 Estimates.

Taxation.	1916-17 Receipts.	1917-18 Estimates.
Succession duty.....		
Poll-tax (revenue-tax) .....	\$277,702 73	\$400,000 00
Taxes on real estate—		150,000 00
Improved real estate.....		
Wild lands.....	532,106 85	1,330,000 00
Coal lands, Class A.....		
Coal lands, Class B.....		
Timber lands.....	521,323 26	915,000 00
Personal-property tax .....		
Income-tax .....	291,412 83	700,000 00
Tax on railways .....	296,801 75	1,080,000 00
Unworked Crown-granted mineral claims.....		
"Chinese Restriction Act".....	37,903 97	50,000 00
"Motor-traffic Regulation Act".....		
Amusement-tax .....	134,361 50	120,000 00
		100,000 00
Totals.....	\$2,091,614 89	\$4,855,000 00

This was to be accomplished, in the main, through the reintroduction of the poll-tax, the establishment of an amusement-tax, by sharp increases in the rates on property and income, by making subject to the tax certain incomes before exempt, and by an attempt to collect outstanding arrears. Because the 1917 tax rolls were already completed, the increases were made to apply as surtaxes, in addition to the normal rates, for 1917. For the following years the rates were raised to a level equal, in almost all cases,\* to the sum of the 1917 normal and surtax rates.

\* An exception is the case of the highest income-tax rates.

The changes made in the tax system have provoked much criticism and dissatisfaction. It must be remembered, however, that under the conditions time was not available to the Government to work out a carefully balanced tax programme which would consider with a high degree of nicety both the financial needs of the Province and the tax-paying ability of the various economic interests affected. Such a programme can be constructed only after thorough investigation.

As has been noted, the dimensions of the financial demands of the coming year are uncertain. The results of the 1917 changes in the tax system have not yet become fully apparent. There is apparently but slight ground for the hope of a decrease in the Budget, for any economies which may be effected are likely to be overbalanced by new demands. On July 1st, 1918, a direct liability amounting to \$647,072 will accrue because of the guaranteed bonds of the Nakusp & Slocan Railway which must be financed in some fashion. Temporary financing by the banks has been resorted to freely, and it may be necessary to make more formal provision for the \$3,550,000 which now stands in this form (\$2,000,000 overdraft and \$1,550,000 Treasury bills).

Perhaps enough has been said concerning the financial situation in British Columbia at the present time to show why it is difficult to forecast accurately the probable demands upon the tax system. Certainly the situation, viewed optimistically, is not a reassuring one, while, if the Province is not relieved of the menace of the Canadian Northern guarantee, and the tax system, after having been called upon to furnish \$5,000,000 in place of \$2,000,000, is then required to furnish \$10,000,000 or \$11,000,000 in place of the present \$5,000,000, the situation will be a very desperate one.

#### A CRITICAL SURVEY OF EXISTING TAXES.

##### INTRODUCTORY.

The division of taxing power between the central and the local governments in British Columbia is somewhat unusual and peculiar. The situation is unlike that in the Prairie Provinces of Canada, where the cities and towns are, as a rule, given the exclusive right to tax directly all real and personal property, and the Provincial Treasury is supported almost entirely by indirect taxes, subsidies, etc. It is also unlike the arrangement in most of the States of the Union, where the State Treasuries are supplied largely by rates levied upon the same assessment base as is utilized by the municipalities. In British Columbia the distribution is much more complicated and involved. Direct taxation, far from being abandoned entirely to the localities, is made a prominent factor in Provincial finance.\* But in part of the Province the Provincial authorities tax directly certain property—i.e., real estate—which in other sections it consigns to the municipalities for taxation. On certain other types of property—i.e., personal property and income—the Provincial authorities levy taxes throughout the Province irrespective of municipal lines. This complication is due primarily to the fact that a large portion of the Province is too thinly settled to justify the establishment of local government, and in such territory the Province taxes real estate and business, whereas it has surrendered these sources of revenue entirely where local governments have been organized. The municipalities, urban and rural, supply themselves mainly by taxes on these subjects, but, in addition, are assisted by liberal subsidies from the Provincial Treasury.

These facts are not apparent in the accounts of the Province. Receipts from taxes on real estate do not appear as arising from the unorganized territory only, and receipts from taxes on personal property and income, on the other hand, are not shown as the revenue from a Province-wide tax. All of these receipts go into a general fund, and no attempt is made to meet particular expenses—those of unorganized districts, for example—out of the receipts from particular taxes.

The main structure of the Provincial tax system is set forth in "An Act to assess, levy, and collect Taxes on Property and Income."† This Act provides for the imposition of general taxes at specified rates on real estate (lying outside of municipalities, as explained above), on personal property, and on incomes. But it also provides that "the following property shall be assessed and taxed *specifically* pursuant to the several parts of this Act governing the subject:—‡

- (a.) Canneries:
- (b.) Coal and coke:
- (c.) Certain corporations:

\* Cf. *supra*, p. 87.

† R.S.B.C. 1911, as amended from time to time.

‡ "Taxation Act," section 7.

- (d.) Mines and minerals other than coal and coke:  
 (e.) Mining property held by Crown grant and not worked:  
 (f.) Railways and railway subsidy lands.

These *specific* taxes operate in some cases to relieve the property from the general taxes. In other cases they do not.\* The charges imposed on canneries, coal, and minerals are based on output, and partake more nearly of the nature of royalties than taxes, and are so grouped in the classification given above.† The special charges on timber (licences, royalties, etc.) are provided for by separate legislation. Finally, there are Provincial taxes on inheritances, on amusements, on motor-vehicles, and on polls.

In addition to the taxes imposed for the benefit of the Provincial Treasury, there are local school taxes administered by the Province whose proceeds go to the localities in the extra-municipal territory.

The form in which the Public Accounts are presented makes it difficult to present a detailed statement of the yield of the various taxes, but in Table IV. the available data for 1917 are arranged so as to present as clearly as possible the relative importance of the various taxes as indicated by the returns for that year. It will be noted that in the cases of three of the "specific taxes" (the tax on canneries, on certain corporations, and on railroads) the receipts are not separately stated, but are merged with the receipts from the "general" taxes. Defined thus, general taxes yield roughly one-third of the tax revenue. Another third is supplied by the charges on timber alone (licences and royalties). The miscellaneous specific taxes (excluding all of the royalties) yield less than \$500,000.

Table IV.—Detailed Statement of Receipts from Taxation in the Year ending March 31st, 1917.  
 (Including Receipts from certain Taxes Levied on the Royalty Basis.)

General taxes—‡		
Real estate .....	\$1,053,432 11	
Personal property .....	291,412 83	
Income .....	206,801 75	
		\$1,641,646 69
Specific taxes—		
Levied on the royalty basis—		
Canneries (included under general taxes).‡		
Coal and coke .....	\$ 194,536 62	
Mineral-tax .....	287,257 50	
Timber licences and royalties .....	1,759,460 16	
		2,241,263 37
Other taxes—		
Unworked Crown-granted mineral claims .....	\$ 37,903 97	
Inheritance-tax (succession duty) .....	277,702 73	
Poll-tax .....	None.	
Motor-vehicle tax .....	134,361 50	
Amusement-tax .....	None.	
		449,968 20
Total .....		\$4,332,878 26

#### GENERAL TAXES.

The receipts from general taxes|| for a period of years are given in Table V., which forms the basis for Graph VII. There has been a moderate shrinkage from 1915 to 1917 amounting to slightly more than \$200,000, the decrease being divided almost equally between real property and income. The increase in personal property must be interpreted in the light of the alternative

\* Cf. *infra*, pages 109-10.

† Cf. *supra*, page 82.

‡ Included among the receipts from general taxes are the receipts from the following specific taxes: Tax on canneries (included under personal property), tax on railways (included under improved real estate), and taxes on certain corporations (included presumably under income).

§ The gross levy on canneries and whaleries was \$40,762.61.

|| The figures include, as explained above, the taxes on canneries, railroads, and certain corporations.

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Graph VII.—Receipts from General Taxes, 1905 and 1910-17.



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arrangement under which personal property is assessed instead of income in cases where the tax levied on that base exceeds the tax levied on the base of income.\*

Table V.—Receipts from General Taxes, 1905 and 1910-17.

Year ending.	Real Property.	Personal Property.	Income.	Total.
June 30th, 1905.....	\$ 387,833 45	\$153,004 80	\$ 72,053 22	\$ 612,891 77
March 31st, 1910.....	596,648 97	161,092 88	190,984 16	948,726 01
" 31st, 1911.....	668,503 37	179,052 70	192,924 78	1,040,480 75
" 31st, 1912.....	726,350 83	267,267 53	240,731 63	1,234,349 99
" 31st, 1913.....	1,006,657 80	197,790 44	280,302 88	1,484,750 92
" 31st, 1914.....	1,160,475 22	211,868 37	348,452 08	1,720,795 67
" 31st, 1915.....	1,161,585 19	260,432 36	429,708 25	1,851,725 80
" 31st, 1916.....	1,027,273 63	276,535 78	329,287 80	1,633,097 21
" 31st, 1917.....	1,053,432 11	291,419 83	290,801 75	1,641,653 69

#### TAXES ON REAL ESTATE.

The taxes on real estate are of four distinct types, as follows:—

- (1.) Taxes on improved real estate;
- (2.) Taxes on wild lands;
- (3.) Taxes on coal lands; and
- (4.) Taxes on timber lands.

In the accounts the receipts from the last three of these taxes are not differentiated. In Table XX. the yield of the wild, coal, and timber land taxes are contrasted with the yield of the tax on improved real estate for a period of years. It will be seen that before 1912 the tax on improved real estate regularly yielded larger sums annually than the taxes on wild, coal, and timber lands. For a five-year period beginning 1912 the situation was reversed, the receipts from improved real estate falling below the receipts from the other real-estate taxes. Finally, in 1917, improved real estate once more proved more productive than the other taxes.

The details which are lacking in the accounts of actual receipts can be made good to some extent by the more complete statistics of tax levies. The levies, however, do not form so accurate a basis for drawing conclusions as to the relative financial importance of the various types of taxes.† Table VI. gives the levies for 1916 in detail. The tax burden on wild lands is seen to have been about 50 per cent. larger in that year than the burden on improved land, in spite of the fact that the actual collections, as shown for approximately the same period in Table VII., were somewhat smaller. The taxes on timber and coal lands are relatively significant in amount.

Table VI.—Tax Levies upon the Various Types of Real Estate, 1916.‡

Improved real estate .....	\$ 686,688 31
Wild lands .....	1,026,803 73
Coal lands—	
Class A .....	\$20,088 27
Class B .....	36,400 24
Timber lands .....	56,408 51
	179,528 55
Total .....	\$1,049,514 10

\* Cf. *infra*, page 100.

† Cf. *infra*, pages 121-2.

‡ Tax year 1916, which coincides with calendar year.

Table VII.—Receipts from the Various Taxes on Real Property, 1905 and 1910-17.

Year ending.	Improved Real Estate.	Wild Lands.	Coal Lands.	Timber Lands.	Total.
June 30th, 1905.....	\$286,226 16		\$101,607 20		\$ 387,833 45
March 31st, 1910.....	335,744 26		250,904 71		586,648 97
" 31st, 1911.....	352,372 44		316,130 83		668,503 27
" 31st, 1912.....	208,076 26		428,274 57		726,350 83
" 31st, 1913.....	459,570 40		546,067 20		1,005,637 60
" 31st, 1914.....	501,051 11		659,424 11		1,160,475 22
" 31st, 1915.....	515,143 26		646,441 93		1,161,585 19
" 31st, 1916.....	492,813 64		534,459 99		1,027,273 63
" 31st, 1917.....	532,106 85		521,323 26		1,053,432 11

**Improved Real Estate.**—The tax on improved real estate, appearing as the "real-property" tax in the Statute and in the accounts, consists of a 1-per-cent. rate imposed upon the full value of improved lands and permanent improvements\* lying outside the limits of municipalities. The rate previous to 1917 was  $\frac{1}{2}$  of 1 per cent. The fullness of the assessment and the success of the collection of this tax are dealt with later in this report.†

The recent increase in the rates has caused much dissatisfaction, as is shown by the tone of the testimony offered before the Board. As a matter of fact, however, the rate of 1 per cent. is not inordinately high as compared with rates elsewhere where similar services are rendered. Indeed, when the practical immunity of the owner of improved land from personal-property taxes is taken into account, the lot of the British Columbia farmer cannot truly be said to be a hard one from the point of view of taxation. It is probably significant that some of the testimony clearly showed that it was not the absolute weight of the present burden which the farmers objected to so much as the inferred disposition on the part of the Government to consider improved real estate a likely subject for still heavier taxation.‡

The suggestions that farm lands be taxed on a basis which recognizes net yield as the controlling factor, and which discriminates even more than at present in favour of the operated farms equipped with reasonable improvements, are interesting and important. Any step in this direction should be preceded, however, by careful investigation which would attempt to reveal what could be rationally expected from the change in the directions both of encouragement to agriculture and of effects upon the finances of the Province. The present arrangement in regard to the taxation of real estate appeals to the investigator as not being so seriously unjust and oppressive as to demand hasty alterations at once without an opportunity for preliminary study and analysis.

**Wild Lands.**—It is a policy of long standing in British Columbia to levy a discriminating, penalizing tax on "wild" lands as opposed to improved lands. The primary purpose of the tax is to discourage the speculator from holding lands out of use. At the present time, as has been noted,§ this tax is as important fiscally as the tax on improved real estate. The rates since the changes in 1917 have been 5 per cent., an increase of 1 per cent. as compared with the previous level. This means taxation five times as heavy upon "wild" land as upon improved real estate.

It has been suggested that the classification which is made to determine what land is "wild" is undesirably crude. The law provides the Assessor shall consider "wild" "all land, other than coal and timber land, . . . on which there shall not be existing improvements to the value . . . of \$2.50 per acre in the case of land lying west of the Cascade Mountains, and \$1.25 per acre in the case of land lying east."¶ Much land is subjected to the 5-per-cent. rate which should not or cannot be put to use under present conditions. Moreover, the requirements of a modicum of expenditure for improvement sometimes leads to injudicious investment of capital, not with the primary purpose of developing the land, but with the intent merely to qualify under the

\* The policy of exempting improvements, wholly or in part, is restricted in its application to the municipalities.

† Cf. *infra*, pages 118-19.

‡ Cf. Testimony, page 130.

§ Cf. *supra*, page 25.

¶ "Taxation Act," section 2.



Act as "improved" land. It is recommended that careful consideration be given to the probable effects of refining the classification\* by drawing a distinction between "wild" lands which are timber, arable, or agricultural in their nature and of determining the application of the penalty rates on the basis of actual use or disuse and the social desirability of such disuse.

This suggestion assumes the desirability of continuing a distinction between wild and improved lands. There is present a considerable sentiment, on the part of the owners of wild land in particular, in favour of abandoning or materially modifying the discrimination. The question, of course, must not be settled on the basis of the desires of this group alone. But there exist reasons for modification which appear valid from the point of view of the general interests of the Province. Indeed, the tax exhibits unmistakable symptoms of something being seriously amiss. Only about one-third of the current year's levy was collected in 1918, and the total-accumulated arrears now amount to more than twice the current year's levy.† This record is very poor compared with that made by the owners of improved realty. To increase taxes on wild land still further in the face of this record, as was done in 1917, involved a confidence in the willingness of the owners of wild land to continue to pay which can scarcely be justified on the basis of the facts. The very existence of a tax of this type implies the presence of other motives than the fiscal motive, however. The Province practically announces that land may not be held out of use without payment of a heavy charge, and that if a person cannot afford to pay that charge he must surrender his land. But the charge can be made so high that it will not be economically wise for the individual to continue to pay the taxes which he must pay if his title is to be kept clear. Evidently that is what has occurred in many cases in British Columbia already. The present rates are apparently resulting in wholesale confiscation. But, if any significance is to be attached to the settlement permitted under the "Soldiers' Homestead Act" this confiscation is not desired by the people of the Province.

It is perhaps clear that there is some degree of antagonism between the two aims of this tax—viz., the fiscal aim and the social aim. To be a good revenue-producer, rates should be moderate. To be a good engine of social reform, the rates should be high. The problem is to strike the particular compromise which will best meet the desires of the Province. In this case one cannot eat his cake and have it too.

**Coal Lands.**—Coal lands are placed in a separate category for purposes of taxation. They are defined as all lands "owned, leased,‡ held under licence,§ claimed, or occupied by any person for the special purpose of mining coal therefrom, and which is not held or used for any other purpose."¶ These lands are subdivided into two classes. Lands in Class A, which include the lands which are being actively mined, pay the same tax rate as improved agricultural real estate, 1 per cent.‖ Class B lands, consisting of unworked coal lands, are taxed at a 4-per-cent. rate (until 1917, 2 per cent.).

The distinction between the active and inactive coal lands rests on the same theoretical foundation as the distinction between improved and wild land. It is, of course, directly contrary to the fundamental theory of the income-tax. In any reformulation of policy which is attempted with respect to wild lands, coal lands should be included in the consideration.

The tax on coal land is not of great fiscal importance, the total levies for years past, as set forth in Table VIII., having been in the neighborhood of \$500,000 annually. The increase in the rate on Class B land in 1917 causes a substantial increase in the levy. But, if the absence of formal complaint before the Taxation Board be of any significance, the higher rate has not caused great dissatisfaction. Certainly the burden added to the coal-mining interests is in no sense comparable to that added to metalliferous-mining interests by the legislation of 1917.

\* This is in accordance with the suggestion of the Hon. John Oliver.

† Cf. *infra*, pages 121-2.

‡ The exemption stated in section 8, subsection (24), of the "Taxation Act" evidently applies here.

§ "Taxation Act," section 2.

¶ The distinction between Class A and Class B coal lands is set forth in section 9 of the "Taxation Act." Briefly, the test as to whether the land shall be considered active is the payment of the royalty on coal mined. Contiguous lands may be classified as Class A to the extent that the royalties paid will cover the tract at the rate of 25 cents for each acre.

Table VIII.—Levies on Coal Lands, 1909-17.

Year.	Class A (Active).	Class B (Inactive).	Total.
1909.....	\$15,234 57	\$ 5,459 85	\$20,694 42
1910.....	17,367 36	5,094 11	22,461 47
1911.....	19,787 88	22,420 61	42,208 49
1912.....	20,651 85	23,651 29	44,303 14
1913.....	16,443 14	34,058 98	50,502 10
1914.....	22,696 47	33,444 13	56,140 60
1915.....	21,930 46	37,264 80	59,195 26
1916.....	20,093 27	30,400 24	50,493 51
1917.....	21,038 53	74,432 09	95,470 53

**Timber Lands.**—The policy of the Government in regard to the timber lands has varied radically from time to time. Formerly it was the practice to dispose of large tracts of forest by Crown grant, and later under leases and licences. A tax is levied on all such land\* which in the opinion of the Minister of Lands is held in sufficient areas for the purposes of forestry,† provided it contains marketable timber to the average extent of 8,000 feet to the acre west of the Cascades and 5,000 feet east of that range.‡ Until 1917 the rates on timber land were 2 per cent. of the assessed value. They were raised in that year to 3 per cent.‡

The rate of 3 per cent. is difficult to justify on any other than the punitive, penalizing theory of the wild land and Class B coal land taxes. Heavy taxation on the capital value of timber lands is universally condemned by students of forest taxation as an undesirable type of levy. It is asserted also by the timber interests that the change has brought about a condition of substantial inequality because it involves increased taxation upon one section only of the timber industry—viz., those concerns who chance to be operating over lands procured when the earlier Provincial policies were in force.

The levies upon timber lands for a period of years are shown in Table I. While materially larger than the levies on coal land, the tax is one of the distinctly minor sources of revenue.

Table IX.—Levies upon Timber Lands, 1909-17.

1909.....	\$104,671 63
1910.....	110,759 62
1911.....	137,527 63
1912.....	150,059 49
1913.....	163,580 61
1914.....	186,671 13
1915.....	187,651 95
1916.....	179,528 55
1917.....	264,687 87

It is seen that the most immediate and troublesome questions connected with the taxation of real estate are concerned with the taxation of wild, coal, and timber lands. The principle of penalizing non-use appears to have been carried to the point where it seriously affects the fiscal productivity of the tax. In the light of present financial pressure the policy of the Province in connection with these taxes is worthy of serious attention. The effect of the added taxation on timber lands deserves a detailed examination which requires more time than was available in the course of this investigation.

TAXES ON PERSONAL PROPERTY.

Unlike the taxes on real estate, the personal-property tax is Province-wide in its scope, being applied both within and without municipal boundaries. While formerly it was a part of what was essentially a general property-tax system, various changes have in the course of years consigned it to a decidedly anomalous position in the tax system. First of all, exemptions have been granted with such liberality as to reduce the tax on personal property from a general tax

\* The exemption stated in section 8, subsection (24), of the "Taxation Act" evidently applies here.

† "Taxation Act," section 2.

‡ *Ibid.*, section 9.

to what is in practice mainly a tax on stock-in-trade. Thus machinery is defined in the law as real estate,\* and is therefore only taxable by the Province outside of the municipalities. If it were defined as personal property it would be subject to the Provincial tax within the municipalities also. Other important exemptions include money invested in mortgages on property in the Province, the securities of companies paying Provincial taxes and of municipalities, unsecured book debts, bank deposits, household furniture, farm produce, and, to the amount of \$1,000, the live-stock, machinery, and vehicles on every farm.†

Formerly the income-tax was imposed in addition to the personal-property tax. But the drift away from the taxation of personal property which has been evident in British Columbia for so many years early took the form of an attempt to substitute the income-tax for the personal-property tax. The ideal and the theory of the income-tax apparently makes a strong appeal to the business-men of the Province, and, suffering by constant comparison with the income-tax, the personal-property tax has become increasingly unpopular. The Assessment Commission of 1905‡ recommended the substitution of the income-tax "for any impost on personal property." The Royal Commission on Taxation of 1911§ repeated this recommendation. It is now urged once more by the Vancouver Board of Trade.

The movement in this direction has been strengthened by the action of the Province in establishing the alternative arrangement under which a person assessable on both personalty and income pays that tax only which is largest in amount. This practically consigns the personal-property tax to the rôle of a minimum income-tax.

The excuses for the failure to abolish the personal-property tax and the persistence of the present alternative arrangement are lack of confidence in the administration of the income-tax and a desire to ensure a certain minimum of revenue. To abolish the personal-property tax would, of course, increase somewhat the variability of revenues. There is, however, some ground for the complaints of business-men that the arrangement as it now stands operates unfairly. It is recommended that the income-tax be entirely substituted for the personal-property tax, provided the administration of the income-tax is improved and the condition of the Provincial Treasury is such as to enable it to assume the risk of the somewhat decreased revenue which would probably result.¶ If the abolition of the personal-property tax alternative involves increasing income-tax rates still more, the step should not be taken at this time.

The rate which formerly obtained,  $\frac{1}{2}$  of 1 per cent., was so low as to impose but a relatively slight task upon the administration. Raising it to 1 per cent., as was done in 1917, increases the difficulty of securing a full assessment. But this rate is still low compared with those obtaining in the States of the Union, and with the liberal exemptions of the types of personal property most difficult to assess, the fiscal yield of the tax should not be seriously menaced by administrative difficulties.

#### THE INCOME-TAX.

The history of the development of taxation in the Province shows an interesting tendency toward the magnification of the income-tax. Yielding in 1905 the insignificant sum of \$72,053.22, the tax has increased in fiscal importance until in 1917 it produced \$206,801.75. Moreover, the readjustment in 1917 resulted in a substantial widening in application and a radical increase in the rates. If the history of income-taxes elsewhere repeats itself in this case, a progressively larger rôle is to be expected for this element in the revenue system. This, of course, adds importance to the proposal to refine the tax and to place it upon a satisfactory basis.

The income-tax in force in the Province of British Columbia is open to serious criticism from several directions. Taxable income as determined under the law bears only a remote resemblance to true net income. Because of irregularities in the progressive scale of rates and because of special provisions affecting particular groups of taxpayers, the tax is inequitable in its application. All available evidence shows the law to have been ineffectively administered even under the low rates in force in the past. The imposition of the new Federal income-tax, which

\* "Taxation Act," section 2.

† "Taxation Act," section 3.

‡ Report of February 16th, 1905, cited by Vineberg, Provincial and Local Taxation in Canada, page

45.

§ Report, pages 19, 20.

¶ The personal-property tax in 1917 produced \$291,412.83. The abolition of the personal-property tax alternative would not involve the sacrifice of this total amount, however, for a considerable portion of it would be supplied by the income-tax ruled out under the alternative arrangement.

draws upon the same source, and the increase of the Provincial rates create a situation which is full of sinister possibilities for the future of this tax. Inequalities which can be ignored when rates are low become important when rates are raised to the present levels. An administrative reorganization is imperative, a redefinition of taxable income is very desirable, and a reduction in rates may be found necessary if the tax is to be made workable and successful.

#### THE DEFINITION OF TAXABLE INCOME.

In form the British Columbia income-tax is a tax on net income, but the number of items, essentially expenses, which may not be deducted in arriving at "taxable income" is so great that the result cannot truly be described as "net." Most of the forbidden deductions appear to be placed in the law because of the fear that they will lead to wholesale evasion. Undoubtedly the complaints are well founded that the law in its present form leads to considerable injustice. Under proper administrative conditions it should not be necessary to sacrifice equality to secure a full assessment. But to bring about these conditions there must be a reorganization of the tax machinery and a change of attitude on the part of the taxpayer toward the law. To accomplish the latter it may be necessary to reduce somewhat the present scale of rates.

The items which the taxpayers insist they should be permitted to deduct, but which under the present law they must include in their return of taxable income, are the following:—

- (a.) Allowances for depreciation and depletion;
- (b.) Interest on borrowed capital, irrespective of the resident or non-resident ownership of such capital;
- (c.) Directors' fees and salaries of certain officers and managers of the corporation;
- (d.) Taxes paid to the Federal Government;
- (e.) Local taxes on business buildings occupied by owners;
- (f.) Losses and bad debts, even though not written off during the year when the liability is incurred.

*Allowances of Deductions for Depreciation and Depletion.*—The provisions of the present law make it impossible to deduct depreciation and depletion allowances from gross income in arriving at "taxable income."\* This situation does violence to business customs and good accounting practice, and is the cause of much bitter resentment, particularly among the large taxpayers. Depreciation is a very important item in many industries, and, moreover, it varies greatly from business to business. Consequently not only does the taxpayer consider himself taxed on an item of prime cost as though it were a profit, but he also, quite properly, feels himself at a disadvantage as compared with his neighbour whose capital is of a nature which depreciates less rapidly than his own. It is the prevailing practice generally where income-taxes are levied to allow reasonable deductions for depreciation, and it is strongly recommended that the law be so amended as to permit such deductions in British Columbia. Allowances for depreciation should never be permitted to exceed the amounts charged for such purposes in the accounts of the enterprise. Repairs, narrowly defined, should be deductible in addition to depreciation, but renewals and replacements are properly covered by depreciation itself.

Obsolescence is one of the elements in depreciation, but practice varies in regard to allowing it as a deduction in determining income for purposes of taxation. The Wisconsin law expressly forbids such deductions.† The United States Federal law permits them,‡ and the language of the new Dominion law is evidently sufficiently broad to allow them at the discretion of the Minister of Finance.§ In case they are allowed, the deduction should be restricted to the obsolescence which actually accrues. Obsolescence cannot be anticipated with a degree of certainty necessary to make it a proper deduction before its actual occurrence.

As would be expected where mining forms so large a part of the economic activity of the Province, there is dissatisfaction because of the fact that no deductions are permitted on account of depletion. If the income-tax is to be a tax on true net income, such allowances should certainly be made. This coincides with the prevailing practice in American income-tax laws. Depletion is specifically provided for in the new Dominion law|| and in the Wisconsin income-tax

\* Subsection (12), section 73, of the "Taxation Act" declares that no deduction shall be allowed "for depreciation, or for any expenditure of a capital nature, or for renewals or extensions."

† The Wisconsin income-tax law, with explanatory notes (Third Edition issued by the Wisconsin Tax Commission, 1917), page 13.

‡ Montgomery: *Income Tax Procedure* (N.Y., 1917), page 229 *et seq.*

§ The "Income War Tax Act," section 3, subsection (1) (d).

|| The "Income War Tax Act," *loc cit.*

law.\* Formerly it was permitted only in part by the United States Federal law,† but recent changes make possible full deductions.

In allowing for depletion, the total deduction should never exceed the actual cost in cash of the ores and deposits. If this rule is applied, mistakes in the direction of too great or too small allowance for depletion tend to eliminate themselves. Thus, if depletion is claimed at too heavy a rate, the taxable income in later years would be increased, whereas if the rate of depletion is made too light it can be increased and the tax correspondingly lightened when this becomes apparent.

Only two points can be advanced in defence of the present practice of refusing deductions for depreciation and depletion. One is that the Province cannot afford to give up the revenue which it would lose if allowances for these purposes were permitted. The other is that it is impossible to construct a satisfactory plan for the determination of the amounts to be allowed as deductions for such purposes. In regard to the first point, it may be confidently asserted that it would be better, in the case of depreciation at least, for the Province to advance rates on the new base to a height sufficient to make up for the loss in revenues. The second point, considered in the following section, is more serious.

*The Determination of the Amounts of Depreciation and Depletion.*—If it be granted that deductions should be allowed for depreciation and depletion, the question arises immediately as to what machinery should be provided to administer this part of the tax law. A moment's consideration reveals the undesirability of fixing by Statute the rates of depreciation to be allowed in the various lines of business. A Statute which attempted to do this would be complex and crude to a ridiculous degree. The ordinary procedure elsewhere is to vest some administrative officer with authority to pass upon the question of the reasonableness of the claims for depreciation, sometimes with restrictions upon the size of the allowances and sometimes without. As a practical question in the Province of British Columbia, the delegation of such power to a single individual, or to a group of individuals who are in a position where political influence is a factor, would be highly undesirable. The duty of passing on such questions would carry with it a responsibility which would probably not be welcomed by the present or any future Minister of Finance. The proper exercise of this function is not a political matter. It consists of a process of arriving at a decision on the basis of ascertainable fact. It is possible, by a reasonable degree of industry on the part of officials and co-operation on the part of business-men, to arrive at results which are substantially accurate, and if the power were in the hands of a body in whose ability and disinterestedness the business-men of the Province had confidence, there is no question that the problem would be satisfactorily solved. The matter therefore resolves itself into that of establishing an administrative Board sufficiently high in calibre and sufficiently far removed from political influence to merit the confidence of the citizens of the Province.

What restrictions should be placed upon such a Board in the exercise of its function of passing upon deductions for depreciation is a question whose answer depends upon circumstances. Is it likely that pressure will be brought to bear to such an extent as to sweep the Board off its feet? Is there a fiscal necessity which, while it permits a moderate allowance for depreciation, precludes the possibility of full or liberal allowances? In general it is, of course, desirable to fetter the Board as little as possible, provided always that a Board of high quality is obtainable.

Another question to be decided is that of appeals from the decisions of such a Board. It may be wise to permit a dissatisfied taxpayer to present his case to the Supreme Court of the Province. But the inclusion of such a provision must not be expected to provide an automatic check which will prevent all abuses on the part of the Board. A taxpayer who has not been successful in securing the deductions he thinks proper may in this fashion have an opportunity to redress his grievances. But the taxpayer who, by one means or another, has secured deductions unreasonably large in amount will not be prevented from profiting thereby because of the existence of this appeal to the Courts. The only way to meet this situation is by making sure that the Board is competent, independent, and upright. If such a Board cannot be secured, it were better to abandon plans for allowing deductions for depreciation, or even to abandon the income-tax in favour of some other method.

\* The Wisconsin Income Tax Law, page 12.  
† Montgomery, *op. cit.*, page 282 et seq.

*Allowance of Deductions for Interest on Borrowed Money.*—At the present time the law forbids the deduction of "any interest on borrowed capital from which an income is derived, if such interest is paid to a lender who is not a resident of the Province, or to a company as lenders, which company does not transact business in the Province, and which does not pay taxes thereon in the Province."<sup>\*</sup>

Whether deductions should be permitted for interest paid on money borrowed from non-residents in this particular situation is a question concerning which much can be said on both sides. Fundamentally it involves the whole theory of *status* in income taxation. It may be urged with some appearance of justice that the authority in whose jurisdiction the income is earned should have first claim upon it for purposes of taxation.† But British Columbia does not accept this particular theory of *status* in a rigorously logical fashion, for no allowance is made for deductions in the case of citizens of British Columbia who have invested their capital abroad. From the point of view of the business, no distinction between resident and non-resident capital can be justified. As the business-man views the situation, he is permitted to borrow locally without penalty, but can borrow abroad only upon condition that he pay the Province (in some cases) 10 per cent. of the interest. This seems to him to be anything but taxation according to ability to pay. Moreover, when there is such a dearth of local capital it appears to be a direct discouragement to capital seeking investment within the Province.

However, there is a serious, practical question involved because of the manner in which many of the large undertakings in British Columbia are financed. For often the securities are so arranged that practically all of the money invested is represented by bonds, the true owners of the business appearing as creditors with their money loaned to the concern rather than as investors owning directly their equities. Under such conditions the deduction of interest charges in determining taxable income would convert the income-tax into an excess-profits tax. This would mean added variability in revenues and higher rates if the same yield was to be secured. A combination of a heavier property-tax with such an excess-profits tax offers interesting possibilities. At the present time, however, it is the opinion of the investigator that the allowance of deductions for interest on outside capital, important though it be, is not so urgent a matter as are some of the other changes, such, for example, as deductions for depreciation. If it can be afforded, it might be well to introduce it with a limitation upon the amount, somewhat after the fashion of the United States Federal income-tax law, which permits deductions for interest on indebtedness "to an amount of such indebtedness not in excess of"‡ the capital of the company and§ one-half of its interest-bearing indebtedness.¶ The Wisconsin law, which formerly restricted deductions for interest in a fashion very similar to the Federal law, has recently been changed so as to permit full deduction.‡ Such limitations are open to serious criticism. There is no logical stopping-point between an allowance at all and complete deduction of interest. Moreover, limitations of this kind have an unfortunate tendency to encourage excessive capitalization. They can only be defended on practical grounds of fiscal necessity.

*Allowance of Deductions for certain Fees and Salaries.*—The law at present forbids deductions "for directors' fees, and for salaries of persons holding offices as directors, and for the salary paid the president, vice-president, and general manager of any company or body corporate."<sup>¶</sup> The only excuse for such a provision is that, in its absence, the practice would prevail of distributing dividends through the device of inordinately high salaries and fees. A less crude method of preventing such practices is to vest some body with authority to pass upon the reasonableness of fees and salaries. The distinction suggested between resident and non-resident officers is one which is not easy to defend. If a permanent Tax Board is established, the control of these deductions should be made one of its functions.

*Allowance of Deductions for Taxes paid to the Federal Government.*—It was urged by witnesses who appeared before the Taxation Board that Federal taxes be deducted in arriving at income for the purposes of Provincial taxation. At present this is specifically forbidden.‡ This contention has a certain appearance of reasonableness, but upon close examination it proves to be a claim of very doubtful validity. The amount of net income has long been the standard

\* "Taxation Act," section 76, subsection (10).

† Vineberg: *Taxation in Canada*, page 76.

‡ Montgomery, *op cit.*, p. 138.

§ The Wisconsin Income Tax Law (Second Edition), page 13.—Interest formerly could be deducted on indebtedness "to an amount of such indebtedness not exceeding its paid-up capital stock outstanding at the close of the year; provided that the amount of such capital stock shall in no case exceed the clear value of its assets over and above all indebtedness and liabilities.

¶ "Taxation Act," section 76, subsection (13).

‡ "Taxation Act," section 75, subsection (6).

used for determining what the contribution of the taxpayer shall be toward Provincial expenses. Recently the Federal Government has adopted this standard also for determining the amount of certain taxes levied for Dominion purposes. These taxes in some cases are very large, and to permit their deduction would substantially reduce Provincial taxes. In other words, the imposition of the Federal tax, if deduction were allowed, would automatically diminish the Provincial tax burden in every case where a Federal tax is payable. From the taxpayer's point of view he is certainly less able to pay taxes to the Province in the presence of these Federal taxes. But, on the other hand, it may be contended for the Province that the Federal burden was placed upon these taxpayers with full knowledge of the existence of the present Provincial burden and in the confidence that there exists an additional ability to pay taxes which justifies the new levy, distributed as it is. The fundamental question, of course, is whether the Provincial tax burden is apportioned more fairly among the taxpayers when Federal taxes are deducted from income than when they are included. The writer is inclined to believe that the most wise and just course in this case is to consider the Federal and Provincial income-taxes as merely two rates applying to substantially the same tax base.

*Allowance of Deductions for Local Taxes on Business Buildings occupied by Owners.*—Under the rulings of the Department, deduction 6 (Form 7) is so interpreted as to disallow as a deduction local taxes on a business building occupied by the owner. The clause reads: "For municipal taxes and rates paid on real property, from which an income is derived, but not otherwise."\* It would seem better practice to interpret the law so as to consider a business building occupied by the owner as a piece of property "from which an income is derived." The present ruling gives the business-man who rents his premises an unfair advantage over the man who owns his place of business.

*Allowance of Deductions for Bad Debts.*—The present law permits deductions for "losses and bad debts arising out of the business from which an income is derived, irrecoverable and actually written off during the year, but not otherwise."† The language is somewhat indefinite, but it has been so interpreted as to refuse deduction except in cases where the losses arise out of liabilities originating in the current year. This obviously brings about a ridiculous state of affairs. If the tax is to be on net income, deductions should be permitted for all losses because of bad debts, not for merely a portion of them determined in any such fashion. Proper allowances may be made in one of two ways. The first and, on the whole, the preferable method is to allow the deduction of a contingent fund to meet bad debts. This is done under the English income law.‡ The other method is to permit deductions for all losses as they actually occur. This is the practice under the United States Federal§ law and the Wisconsin law.|| There would be little difference in the financial yield between the two methods.¶

The redefinition of taxable income in the manner suggested in the preceding sections will bring about a more equitable and generally satisfactory income-tax. Most of the points resolve themselves practically into questions as to whether the Province can afford financially to adopt them. However, in considering the financial effects of refinements in the income-tax law, it is well always to bear in mind the possibility of the changes inspiring a fuller co-operation by taxpayers, with a consequent improvement in administration and money yield.

#### INCOME-TAX RATES.

*Recent Changes in Rates.*—Historically the income-tax in British Columbia has been elastic and variable, the rates being changed very frequently.\*\* In 1897 incomes over \$1,000 were taxed from 1½ to 1¾ per cent. In 1901 the Legislature increased the progression, the rates being made to range from 1½ to 4 per cent., the highest rate applying to portions of incomes in excess of \$40,000. Two years later, in 1903, there was a slight reduction by which the highest rate was made 3 per cent. In 1905 the rates were raised once more, the range being from 1½ to 4 per cent., the highest rate applying when the taxable income exceeded \$7,000. These rates stood until 1910, when a slight reduction established the schedule which was maintained until the changes of last year.

\* "Taxation Act," Form 7.

† Form No. 7, deduction No. 4.

‡ Montgomery, *op. cit.*, page 180.

§ *Ibid.*, page 184 *et seq.*

|| The Wisconsin Income Tax Law, page 14.

¶ The adoption of the first would involve the amendment of section 76, subsection (8), of the "Taxation Act."

\*\* Cf. Vineberg: Provincial and Local Taxation in Canada, page 73 *et seq.*

The Legislature in 1917, therefore, found the following income tax rates in force:—\*

	Per Cent.
Class A—First \$2,000 of taxable income .....	1
Class B—When income is more than \$2,000 and not more than \$3,000.....	1½
Class C—When income is more than \$3,000 and not more than \$4,000.....	1½
Class D—When income is more than \$4,000 and not more than \$7,000.....	2
Class E—When income is more than \$7,000 .....	2½

This range of rates is illustrated by Graph VIII., which sets forth also the increases established for the year 1917 by the surtax legislation and the range decided upon for the year 1918 and thereafter. The radical nature of the increases becomes immediately apparent. Rates on incomes of \$10,000 or more (taxable income) were doubled for 1917 and trebled for 1918. Incomes of more than \$20,000 were called upon for doubled taxes in 1917 and quadrupled taxes in 1918. The highest rates, 12½ per cent. on incomes of more than \$50,000 for 1917, represent taxation five times as high as existed in 1916 and more than three times as high as ever before existed in the Province.†

These radical increases in the rates would of themselves appear to invite sufficiently serious administrative difficulties, but the problem is greatly aggravated by the decision of the Federal authorities to impose a Dominion-wide income-tax with highly progressive rates. The combination of this new Federal tax with the increased Provincial tax results in a level of rates which is dangerously high from an administrative point of view. A thorough reorganization of the Provincial tax machinery is imperative if an administrative break-down is to be avoided, and there is some ground for doubt as to whether this will be sufficient to meet the situation or whether it will not be necessary also to reduce rates.

The combined effect of the Federal and Provincial income-taxes is set forth in detail in Table A and Graph A, presented in an Appendix.‡ The table shows the taxes payable to the Province and to the Federal Government by persons and corporations receiving incomes of varying size, and sets forth the resulting rate upon each person's total income. It will be noticed from an inspection of the graph that the combination of the two taxes results in a very sharply and irregularly progressive tax upon incomes below \$40,000. On the larger incomes the progression is more gradual and regular.

It must always be borne in mind that an income-tax assessment depends to a very large degree for its success upon the co-operation of the taxpayer. Very high rates are always powerful incentives to evasion. Under the present scale of rates the single man with an income of \$10,000 is asked to pay \$845 or 8.45 per cent. of his total income. A \$25,000 income involves a levy of \$4,270 or 17.08 per cent. A \$50,000 income pays \$10,170 or 20.3 per cent. In taxes to the Federal and Provincial Governments, whereas last year it paid only \$1,212.50 or 2.4 per cent. On the largest incomes the rates approach 39 per cent. Under these changed conditions assessment machinery which worked poorly before can scarcely be expected to prove adequate.

Purely for administrative reasons, therefore, without considering the other effects of the high rates, it is desirable to make a reduction in the present scale of rates at the earliest practicable moment. A patriotic motive is present in the case of the Federal tax which will undoubtedly be a powerful aid in the administration of that law. But the absence of this motive in the Provincial tax, together with the high level of the Federal rates, makes the Provincial problem doubly difficult. Only a test will show whether the rates are too high to be successfully maintained, but the prospect contains plentiful cause for apprehension.

Aside from the question of difficulties involved in administering the income-tax law under the present high schedule of rates, there is the question of the burdensomeness of the rates upon the taxpayers. The testimony before the Taxation Board reveals considerable uneasiness on this score also.

**The Initial Exemptions.**—The present initial exemption of \$1,500 is extended indiscriminately to single men, married men, and to corporations. A differentiation is usually made among these classes and might well be introduced in British Columbia at this time, particularly in view of the increased rates of the income-tax and the proposed elimination of the personal-property tax. It is suggested: (a) That the exemption for single persons without dependents be reduced from

\* The initial exemption having been changed to \$1,500.

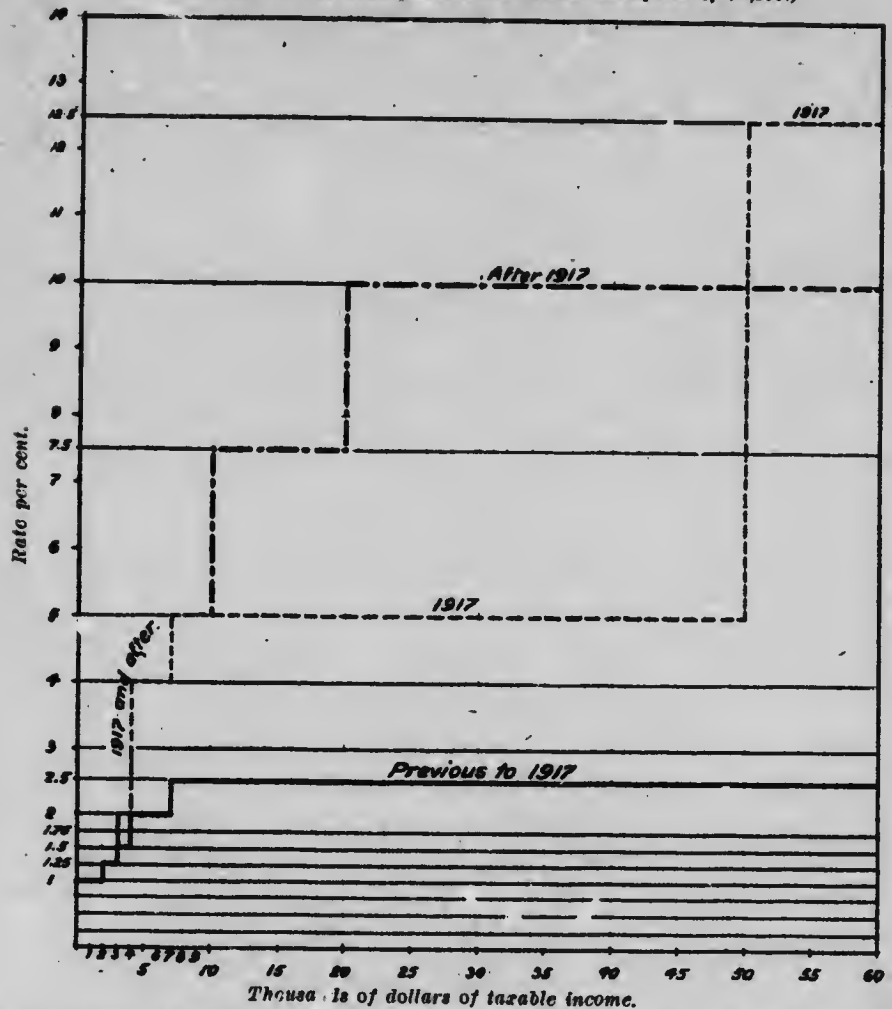
† Assuming that the rates did not exceed 4 per cent. before 1897.

‡ Cf. *infra*, pages 129, 130.

§ This assumes that the definition of taxable income is the same under both laws.



Graph VIII.—Provincial Income-tax Rates.  
(Taxable Income is the Income above the Initial Exemption of \$1,500.)



\$1,500 to \$1,000; (b) that the exemption for man and wife be retained at \$1,500, but (c) that an additional exemption of \$200 be permitted for each child or other person actually supported and entirely dependent. These initial exemptions are formulated on the theory that justice demands that a certain minimum of income should be allowed to the family unit before any tax burden of this type is imposed, and it is obvious that the amount of this minimum should not be the same amount in the case of a single man without dependents as in the case of a married man with a large number of children. Finally, it is believed (d) that the initial exemption now extended to corporations could well be entirely abolished. This would bring the law into accord with the general practice. The same reason does not exist for the exemption in the case of corporations as exists in the case of individuals.

The effects of these suggested changes in exemptions, taken in conjunction with the proposed alterations in the income-tax rates, are set forth in detail in Appendix B.\*

\* Cf. *infra*, pages 128 *et seq.*

*The Readjustment of Present Rates.*—As has been pointed out, it is very desirable that the income tax rates be radically reduced at the earliest practicable moment. But even though an immediate reduction should prove to be impracticable, the present rates should nevertheless be so readjusted as to bear more evenly upon the taxpayers. In the table which follows, the rates as they now stand are compared with a suggested schedule which is designed to eliminate some of the crudities of the present schedule without seriously affecting its productivity.

The practical effects of the adoption of this modified schedule of rates, taken in conjunction with the suggested alterations in the initial exemptions, are set forth in detail in Appendix B.\*

Table X.—Income-tax Rates at Present in Force, with Suggested Modifications.†

At present —	Per Cent.
Class A—First \$2,000 of taxable income .....	1
Class B—When income is more than \$2,000 and not more than \$3,000....	1½
Class C—When income is more than \$3,000 and not more than \$4,000....	2
Class D—When income is more than \$4,000 and not more than \$7,000 ...	4
Class E—When income is more than \$7,000 and not more than \$10,000... 5	5
Class F—When income is more than \$10,000 and not more than \$20,000..	7½
Class G—When income is more than \$20,000 .....	10
<b>Suggested modifications—</b>	
Class A—First \$2,000 of taxable income .....	1
Class B—When income is more than \$2,000 and not more than \$3,000. . .	1½
Class C—When income is more than \$3,000 and not more than \$4,000....	2
Class D—When income is more than \$4,000 and not more than \$5,000....	3
Class E—When income is more than \$5,000 and not more than \$7,500....	4
Class F—When income is more than \$7,500 and not more than \$10,000... 5	5
Class G—When income is more than \$10,000 and not more than \$15,000..	6½
Class H—When income is more than \$15,000 and not more than \$25,000..	8
Class I—When income is more than \$25,000 .....	10

*The Reduction of Income-tax Rates.*—The immediate reduction of the income-tax rates is urged by many interests in the Province. Thus, one of the suggestions of the Vancouver Board of Trade is that the recommendations of the Royal Commission on Taxation of 1911 be adopted in place of the present rates, with the qualification that the supertax be made to apply only to individuals and not to corporations. The Royal Commission's scale of rates is as follows:—‡

- Class A—When the income of a person does not exceed \$3,000, 1 per cent., with an exemption of \$1,500.
- Class B—When the income of a person exceeds \$3,000 and does not exceed \$4,000, 1½ per cent., with an exemption of \$1,500.
- Class C—When the income of a person exceeds \$4,000 and does not exceed \$5,000, 1½ per cent., with an exemption of \$1,500.
- Class D—When the income of a person exceeds \$5,000 and does not exceed \$8,000, 2 per cent., with an exemption of \$1,500.
- Class E—When the income of a person exceeds \$8,000 and does not exceed \$11,500, 2½ per cent., with an exemption of \$1,500.
- Class F—When the income of a person exceeds \$11,500 and does not exceed \$50,000, 2½ per cent., with no exemption.
- Class G—When the income of a person exceeds \$50,000, 2½ per cent., with no exemption, and also a supertax of 5 per cent. on all income beyond \$50,000.

As will be seen by referring to the detailed chart and the graph presented in Appendix B,§ the adoption of the scale recommended by the Commission would result in a more regular and even progression in the rates than now obtain. The reduction in the burden on the moderately large incomes (\$15,000 to \$50,000) is more substantial than in the very large incomes. But the rates of the Commission would yield substantially smaller returns than the present rates, but

\* Cf. *infra*, pages 131, 133.

† Single rate applies to entire taxable income, the rate to be applied being determined by the group within which the income falls.

‡ Synopsis of Report and Full Report of Royal Commission on Taxation, 1911 (Victoria, 1912), page B22.

§ Cf. *infra*, pages 134, 135.

how much smaller cannot be definitely stated because of the lack of data showing the income-tax assessment by classes of income.\* If the Province can afford a substantially lower scale, it would do well to adopt the recommended rates of the Royal Commission of 1911.

The present rates are very likely to prove to be disappointing in their fiscal results because of their great height. Excessive income-tax rates undoubtedly induce evasion, and evasion of such taxes is not difficult even under better conditions of administration than exist in British Columbia. Here again experience must be the guide. If the high rates prove to be demoralizing, they must be lowered and the money sought by some other method.

*The Differentiation between Rates on Corporate and Rates on Individual Incomes.*—The present income-tax law imposes precisely the same rate on corporate incomes as on individual incomes. The Vancouver Board of Trade petitions for a change in this policy, suggesting that the highest rates in the progressive scale apply only to personal and not to corporate incomes. The effect of this would be to make the maximum rate on corporate incomes  $2\frac{1}{2}$  per cent. instead of  $12\frac{1}{2}$  per cent. as in 1917, or 10 per cent. as contemplated for 1918 and thereafter.

The question as to whether there should be a differentiation in the rates as between corporate and other incomes is one of the hotly controverted points in public finance. There are those, on the one hand, who assert that the application of progressive rates to corporate incomes cannot be justified.† On the other hand, it is urged by others that the application of the progressive principle in this case is not only desirable, but is positively essential to the establishment of a sound system.‡ The argument of those who oppose progressive rates on corporate incomes centres about the contention that the income-tax on corporations is in reality a business-tax; that the business is owned by the stockholders, to whom the profits belong; that the proper place to apply progressive rates is upon individual incomes of which the dividends form a part, because ability to pay or burdensomeness cannot be satisfactorily measured by mere size of income in the case of corporations as it can in the case of individuals. The strongest argument for progressive rates on corporate incomes appears to be that which supports the plan on the theory that such an arrangement is conducive to progress. Most large enterprises were once small and struggling concerns, and great care must be taken lest the large and successful business enterprises of the future are not stifled in their present formative stages by too heavy taxation. Therefore, if it is necessary to raise large sums by taxing businesses, the burden should be made relatively heavy for the large, well-established concerns and relatively light for the small, struggling concerns.

In the case of British Columbia the argument last presented has less force than it would have in most situations, for in this Province it is not generally true that new concerns are small and that the big, successful enterprises grow from small, struggling ones through a process of gradual development. Rather, the large enterprises, the mining and lumber companies, for example, are normally of great size from the very beginning of their activities. Therefore the problem of encouraging enterprises in British Columbia is not merely the problem of encouraging small concerns, but is also the problem of encouraging large corporations to undertake very expensive developments.

But, on the other hand, the Province cannot depend upon progressive rates levied on individual incomes to meet the situation entirely, for the owners of the business enterprises in the Province reside to a very large extent outside of the Province. The process cannot be one merely of eliminating the high progressive rates on corporate incomes and increasing the rates on individual incomes, for the individual incomes are largely beyond the jurisdiction of the Province. The income must be reached at the source, if reached at all.

The new income-tax imposed by the Dominion Government subjects corporate income to the "normal" rate only (4 per cent.), but the possibility of this tax being supplemented by a new excess-profits tax must be taken into consideration. The Federal income-tax in the United States does not apply a progressive rate to corporate incomes, but in this case there is in existence a very high excess-profits tax. In the State of Wisconsin, which furnishes the closest parallel to conditions in British Columbia, the rates of the income-tax are progressive, and are higher in the rates on individual incomes.

\* The assessment data are not summarized by classes of income. This could be done at very slight expense and would aid considerably in arriving at a solution of the problem of rates.

† Cf. A. E. Holcomb: Bulletin of National Tax Association, December, 1916, page 59.

‡ Cf. discussions of Professors Edwin R. A. Seligman and T. S. Adams in Proceedings of the Annual Meetings of the American Economic Association, December, 1917.

In the present impoverished condition of the Provincial Treasury it would scarcely be possible to reduce the rates on corporate income to the level advocated by the Vancouver Board of Trade. However, in the opinion of the writer, sound policy, under the peculiar conditions present in British Columbia, lies in the direction of a greater degree of uniformity in the rates applying to corporate incomes. Of course, the lower this general level of rates, the more attractive will be the Province as a field for the investment of capital in enterprises of development. The rates on corporate income may well be considered in a separate category from those on individual incomes, and be determined primarily upon considerations which have to do with the problem of attracting capital on the one hand and the need for revenue on the other.

#### THE APPLICATION OF THE INCOME-TAX.

As has been pointed out, the present tax system consists of a set of general taxes, of which the income-tax is one, coupled with a set of special taxes which are sometimes imposed in substitution for the general taxes and sometimes not. In other words, the income-tax is not universal in its application, certain types of enterprise being specifically exempted from its provisions. Again, the income accruing to individuals from the dividends of corporations paying income-taxes to the Province is ordinarily deductible in the calculation of personal income-tax returns. But the practice varies regarding the deductibility of dividends from companies subject to the special taxes. Thus salmon-canneries are taxed in a special manner on output and are not taxed on income. This is true also of coal-mines. Until recently the dividends from corporations in both types of business were deductible in calculating personal income-tax returns. At the last session of the Legislature this was changed, so far as canneries are concerned, but was not changed in the case of coal-mines.\* At present, consequently, dividends from canneries are taxable as part of the income of an individual, whereas dividends from coal companies are not. Again, before last year, the specific tax on mines (other than coal-mines) operated to exempt the mining companies from the income-tax, and dividends from mining companies were deductible in calculating individual income-tax returns. In 1917, however, the Legislature, by striking out five words from section 255 of the "Taxation Act," brought the mines within the scope of the income-tax law. At the same time, by a change in Form 7, dividends from mining companies were made taxable as personal income. Thus, last year canneries, coal-mines, and metalliferous mines were on the same basis, being taxed by special charges on output, and were not subject to income-taxes. This year coal-mines remain under the old arrangement;† the cannery-owners are made subject to two taxes, because of the new income-tax on dividends; and the metalliferous mines are thence taxed, for, in addition to the *specific* tax, they pay a new income-tax directly, and the stockholders pay the income-tax on dividends. This irregularity in the application of the income-tax apparently involves a serious lack of equity. A greater degree of uniformity is highly desirable.‡

#### SPECIFIC TAXES.

The specific taxes vary widely in their nature, having little in common, except that they are more restricted in their scope than the general taxes. Their fiscal importance as compared with the general taxes has already been set forth.§ Four are charges upon output, and in reality form a part of the income of the Province from the public domain. But the unit of output and the amount of the charge varies in each case. One of the remaining specific taxes is a property-tax upon a very restricted base; one is a tax on gross receipts of a restricted group of corporations; another is a rate levied upon an arbitrary valuation; one is a restricted "head" or poll tax; another is a tax on consumption, etc. It is difficult to generalize concerning this group further than to point out its heterogeneous character, and to say that it is made of some very good taxes and some very bad ones. Each will be briefly discussed in turn.

#### TAXES LEVIED ON THE ROYALTY BASIS.

*The Mineral-tax.*—This is a levy of 2 per cent. upon the assessed value of all ore taken from metalliferous mines. The assessed value accepted for the purposes of the Act is the

\* Cf. "Taxation Act," Form 7, deduction 7; section 8; section 115, subsection (4); section 135.

† With the exception of the slight increase in the rate on Class B coal lands.

‡ The administration of the income-tax is dealt with in another section, *cf. infra*, page 119.

§ Cf. *supra*, page 94.

"smelter return," defined as the gross value after deducting "the cost of transporting the said ore and mineral substances to the smelter or mill and the cost of treating the same."\*

As explained, the specific tax was formerly in substitution for income-taxes, but this was changed in 1917,† and the income-tax now applies both to the corporation and to the dividends of such companies forming a part of the taxable income of stockholders.

The Provincial receipts from the mineral-tax for a series of years is shown in Table XI. The largest sum ever received, nearly \$300,000, was realized from this source in 1917. This is more than twice the yield of 1915 and three times the yield of 1911. Such excessive variability is a shortcoming of this type of levy. In this particular situation the great increase comes, oddly enough, when revenues from other sources are declining. The explanation is, of course, the abnormal demand for metals due to the war.

Table XI.—Receipts from the Mineral-tax, 1905 and 1910-17.

Year ending—	
June 30th, 1905 .....	\$114,236 77
March 31st, 1910 .....	102,008 93
March 31st, 1911 .....	91,038 43
March 31st, 1912 .....	100,650 29
March 31st, 1913 .....	155,163 36
March 31st, 1914 .....	153,890 73
March 31st, 1915 .....	130,876 68
March 31st, 1916 .....	163,335 58
March 31st, 1917 .....	287,257 50

*The Coal and Coke Tax.*—Coal-mine owners pay the Provincial Treasury a royalty of 10 cents per ton on all coal produced, except on coal shipped to coke-ovens in the Province. Owners of coke-ovens pay a tax of 10 cents per ton upon all coke produced.‡ Several years ago the rate upon coke was 15 cents. The equal rate per ton on coal and coke is defended by coalmen on the ground that the difference in the quality of the coal used for coking purposes makes up for the difference between the weight of a ton of coke and the weight of the coal entering into it.

The receipts from this tax, shown in Table XII., exhibit considerable variability. Less money was received from this source in 1917 than in 1910. The yield in 1913 was 50 per cent. larger than four years later, in 1917, but a part of this difference is explained by the change in rates.

Table XII.—Receipts from Coal and Coke Tax, 1905 and 1910-17.

Year ending—	
June 30th, 1905 .....	\$ 94,682 45
March 31st, 1910 .....	222,722 91
March 31st, 1911 .....	248,332 86
March 31st, 1912 .....	195,207 78
March 31st, 1913 .....	302,225 85
March 31st, 1914 .....	192,590 14
March 31st, 1915 .....	158,867 25
March 31st, 1916 .....	173,261 75
March 31st, 1917 .....	194,536 62

*Timber Licences and Royalties.*—The various types of charges imposed upon timber are essentially specific taxes in their nature, but they are not considered a part of the tax system proper, probably because it has been found desirable to place them under a separate administrative organization. The accounts still show a small return from an old form of timber lease, long since abandoned.§ For a considerable period charges were imposed in the form of licence fees payable for the privilege of cutting and in the form of royalties upon the amount of timber cut. Revenue still accrues in large amounts from these sources, but the current method of

\* "Taxation Act," section 199. Ore-producing mines whose output is of less value than \$5,000 receive a rebate of one-half of the tax. Placer and dredging mines with a product of less than \$2,000 are tax-free.

† *Cf. supra*, page 106.

‡ "Taxation Act," sections 119, 120.

§ Pulp-wood leases are still issued.

levying a charge for the privilege of utilizing the timber resources of the Province is to cruise the land and sell the privilege upon the basis of the report of the cruiser.\*

In the accounts the receipts from timber royalties are not stated separately from the receipts from licences, although the charges are sufficiently different to justify the distinction. In Table XIII. this separation is made. The royalties are true output-taxes varying with the quantity of timber cut and the prevailing prices. Here once more the variability of this type of charge is very apparent. As in the case of the mineral-tax, 1917 was the banner year, showing an increase of more than 50 per cent. over the previous year. The licences are not output-taxes at all, but are charges levied on the acreage basis. Their productivity was highly uniform until 1915, when a decline began, not because of a diminution in the levy, but because of difficulties of collection. So serious did the pressure become that an Act was passed establishing a moratorium for timber licences for a limited period. This period having now expired, the fees must be paid, and the receipts can be expected to approach normal once more.

Table XIII.—Receipts from Timber Royalties and Licences, 1905 and 1910-17.

Year ending.	Royalties.	Licences.	Total.
June 30th, 1905.....	\$205,000 00†	\$ 205,000 00†	\$ 410,288 29
March 31st, 1910.....	305,198 00	1,923,901 31	2,234,099 31
" 31st, 1911.....	453,988 71	1,922,062 61	2,377,951 32
" 31st, 1912.....	422,116 84	1,878,146 44	2,300,263 28
" 31st, 1913.....	517,072 19	1,939,457 18	2,457,129 37
" 31st, 1914.....	463,204 17	1,980,974 89	2,444,179 06
" 31st, 1915.....	373,439 76	1,381,679 88	1,755,119 64
" 31st, 1916.....	361,247 16	1,116,131 10	1,477,378 26
" 31st, 1917.....	567,292 85	1,192,176 31	1,759,469 16

† Approximate.

*Tax on Canneries and Whaleries.*—Salmon-canneries and whaleries were formerly taxed on the basis of their property, but several years ago the charge was changed into output-tax.‡ Canned salmon is subject to a tax of 4 cents a case of forty-eight 1-lb. tins. "Mild-cured salmon" is taxed 75 cents a tierce of 750 lb. or under, and 10 cents per 100 lb. for additional weight. Cured or pickled salmon pays a charge of 15 cents a barrel and "dry-salted" salmon a charge of 5 cents per hundredweight.

Manufacturers of whale-oil are taxed 10 cents per barrel (46 gallons). On fertilizer whale-bone and bone-meal they must pay a rate of 20 cents per ton.

The extensive halibut and herring fisheries are not subjected to an output-tax.

The receipts of the taxes on salmon and whales are not shown separately in the accounts, but a conception of their slight fiscal significance can be gained from the statement that the gross levy in 1917 amounted to only \$40,762.64.

In connection with the various taxes on output, there are points which, in the course of even a hasty survey, raise serious questions regarding the advisability of continuing the taxes in their present form. Any readjustment, however, should be based upon a more thorough investigation than it has been possible thus far to make. Full data are needed to establish any relationship between the various rates upon units of output and the real burdens upon the industries affected. Without a clear conception of this relationship no policy can be formulated which is wise and just.

From one point of view this series of royalty charges may be considered a definition of the basis upon which the Province will agree to permit its natural resources to be exploited. Apparently the justification of these charges rests upon the theory that the Province is really the owner of the mines, forests, and fisheries, and permits them to be developed upon the condition that the proceeds be shared in the fashion specified. Whether the charges imposed are proper ones and well adapted to the situation depends partly upon the development to which the Province stands committed. The higher the royalty demand, the slower, of

\* Cf. chapter 26, Laws of 1917.

‡ "Taxation Act," sections 114-117.

course, the development which may be expected. Moreover, such royalties are essentially of the nature of bargains with those who are engaged in enterprises of development, and as such they are variable to a less degree than is true in the case of ordinary taxes. It may be desirable to distinguish between new and old enterprises in arranging these charges, in case changes are to be made. Judged by the criteria of justice applicable to ordinary taxes, these royalties have little to commend them.

Because of the lack of opportunity to go into the local situation thoroughly, the writer must refrain from making specific recommendations. The survey made, however, leaves the impression that this is a portion of the field which would repay more intensive cultivation.

#### OTHER SPECIFIC TAXES.

*Tax on Unworked Crown-granted Mineral Claims.*—A special penalty of 25 cents per acre is imposed on mining property held by Crown grant and not worked. The tax is of long standing and apparently provokes no opposition. In its nature it is similar to the tax on wild lands and on unworked coal land, and what has been said of the theory of these taxes applies here as well.\*

The receipts from this tax, shown in Table XIV., are remarkably constant quantities, but are not important in size.

*Gross-receipts Tax.*—The following types of corporations, in lieu of taxes on personal property and net income, are subject to a special tax upon their gross income: Insurance companies; guarantee, loan, and trust companies; telegraph, telephone, and express companies; gas, waterworks, and electric lighting, power, and street-railway companies.† It will be noted that this group includes many of the corporations which operate over a wide range of territory, and in such cases gross income constitutes a base much more easily ascertainable for purposes of taxation than net income. The rate upon the gross income of these corporations was formerly 1 per cent. In 1917 it was made 2 per cent. The financial significance of this tax cannot be shown, for, peculiarly enough, no separate statement of the receipts is made in the records of the Province.

Table XIV.—Receipts from the Tax on Unworked Crown-granted Mineral Claims, 1905 and 1910-17.

Year ending—	
June 30th, 1905 .....	\$30,960 86
March 31st, 1910 .....	30,860 65
March 31st, 1911 .....	42,020 84
March 31st, 1912 .....	43,436 00
March 31st, 1913 .....	42,733 43
March 31st, 1914 .....	45,053 83
March 31st, 1915 .....	40,206 71
March 31st, 1916 .....	35,703 23
March 31st, 1917 .....	37,003 97

Banks, operating as they do largely through branches, constitute a type of corporation similar to those included under the gross income-tax. But banks are taxed in a special manner. In place of the tax on non-productive personal property and on income (but in addition to the tax on real estate), banks are subject to annual specific taxes as follows:—

For one branch or office .....	\$1,500
For additional branches .....	250

These rates were not disturbed in 1917 when the rates on other corporations were raised, the banks having agreed to suggest, in time for action in 1918, a more equitable method of distributing the burden among the institutions than the present one. Obviously the system now in force is crude to an unnecessary degree.

\* Cf. *supra*, pages 97-8.

† There is a modification of this tax in the case of every corporation "which has its property and business wholly within and confined to this Province and has derived its power by Statute from this Province, whereby the prices to be charged by it for public services have been limited by any Statute of the Province or by any municipal by-law." Such a corporation pays only one-half the ordinary rate whenever its operating expenses exceed 50 per cent. of its gross revenue in any one year.—"Taxation Act," section 8, subsection (27).

*The Railway-tax.*—Railways are taxed upon an arbitrary assessment and at an arbitrary rate. The land claimed as right-of-way, the personal property, the income, and the rolling-stock are grouped together as a whole and taxed as real estate. All this property is assessed arbitrarily at \$10,000 per mile of main track and branches and \$3,000 per mile of sidings, spurs, and switches.\* The rate, which formerly was 1 per cent., was increased in 1917 to 2 per cent.† The receipts are not differentiated from the receipts from real estate in general.

The problem of railway taxation in British Columbia is by no means a simple one, with its medley of old companies and new companies, its special exemptions, its subsidies, and its bond guarantees. To tax all railways, however, at the same figure per mile is so rough and inexact a method as to be acceptable only when the tax burden is insignificant. If the railways are asked to bear heavy taxes, a more equitable method than the present one should be applied to apportion the burden among the various companies.

*The Revenue or Poll Tax.*—Formerly a poll-tax of \$3 was an important source of Provincial revenue, yielding in 1912 the large sum of \$381,432. The receipts are shown in Table XV. The tax, however, was unpopular, and upon the recommendation of the Royal Commission on Taxation‡ was abandoned in 1913.§ The principal objections to the tax as set forth by the Commission are that it is a primitive tax suited only to the early stages of civilization, and that it has a tendency to obstruct the free flow of labour. These disadvantages, however, did not prove weighty enough to prevent the reintroduction of the poll-tax under the conditions of financial stress present in 1917. The new law¶ provides for the payment of \$5 annually by every male person not specifically exempted. The principal exempt class consists of all persons who have paid municipal or Provincial taxes to the amount of \$5. This class is so large as to affect very seriously the productivity of the tax. In administering the tax the Province utilizes the employer of labour, who are held liable for the tax and are permitted to deduct the amount from wages. A receipt for taxes paid is the evidence required to secure exemption. In many cases ordinary taxes are not paid until later in the year than the poll-tax, and the problem of rebating poll-tax collections improperly made is one which has caused much vexation both to employers and Provincial officers.

Table XV.—Receipts from the Revenue (Poll) Tax.

Year ending—	
June 30th, 1905 .....	\$157,821 00
March 31st, 1910 .....	260,082 00
March 31st, 1911 .....	513,338 00
March 31st, 1912 .....	381,432 00
March 31st, 1913 .....	300,662 00
March 31st, 1914 .....	3,558 00
March 31st, 1915 .....	30 00

This administrative problem would find its solution in the elimination of the taxpayer exemption clause. If the poll-tax is to be retained at all, this action might well be taken.

Some of the objections to the poll-tax arise from the fact that it is considered as a tax by itself rather than as part of a tax system. Here it might possibly be considered as a part of the income-tax—as a minimum income-tax payable by those whose incomes are so small as not to justify the administrative expense of drawing up a declaration. The strongest support for the tax in British Columbia, however, appears to come from those who consider it a means for reaching certain classes in the community who are reached by taxation in no other way, particularly the Orientals. So far as the primitiveness of the tax is concerned, the great bulk of the Province can scarcely to-day be considered to have reached a high level of economic development.

After all is said and done, however, there is little enough excuse for the existence of the tax. The elimination of some of the exemptions would simplify the administration, increase the yield, and improve the equity of the tax. But it is one of the least desirable of the forms of taxation being utilized at present, and should be definitely slated for repeal as soon as the state of the Provincial finances will permit.

\* Buildings used for other than railway purposes are taxed as ordinary real estate.

† "Taxation Act," section 193.

‡ Report, pages 6, 16, 19.

§ Laws, 1913, chapter 71, section 11.

¶ The "Poll-tax Act," assented to May 19th, 1917.



*Succession Duties.*—As is shown in Table XVI., very considerable sums have been received annually from probate and succession duties. Rates formerly ranged up to 10 per cent. The present scale of succession duties, ranging up to 20 per cent., were adopted in 1917.\* There is a probate duty on personal property which varies from nothing in the case of the closest relatives to 5 per cent. to the group furthest removed.

These rates, although not so high as those resulting from the combination of the Federal and State rates in some places in the United States, nevertheless compare favourably with the rates in many of the foreign countries, and justify careful safeguards, such as provisions guaranteeing against the repeated payment of the tax on the same estate within a few years. One of the assets of British Columbia is its attractiveness as a place of residence, and the Province has a special problem in that care must be exercised lest high inheritance-taxes prove a bar to wealthy home-seekers.

Table XVI.—Receipts from Succession Duty, 1905 and 1910-17.

Year ending—	
June 30th, 1905 .....	\$ 31,073 08
March 31st, 1910 .....	108,495 39
March 31st, 1911 .....	200,459 88
March 31st, 1912 .....	152,243 93
March 31st, 1913 .....	193,523 90
March 31st, 1914 .....	249,275 37
March 31st, 1915 .....	162,277 60
March 31st, 1916 .....	139,907 23
March 31st, 1917 .....	277,702 73

*The Motor-tax.*—The owners of motor-vehicles in British Columbia are taxed in a manner which is unnecessarily complicated and expensive. There is a \$10 registration fee paid once only, and a \$10 licence fee paid annually. In addition, the machine is taxable as personal property. Table XVII. shows the receipts under the "Motor-traffic Regulation Act," which do not include the personal-property taxes on motor-cars, but do include certain other fees than merely the registration and licence fees.

Table XVII.—Receipts from the "Motor-traffic Regulation Act."

Year ending—	
March 31st, 1914 .....	\$ 98,530 76
March 31st, 1915 .....	110,446 43
March 31st, 1916 .....	94,892 30
March 31st, 1917 .....	134,361 50

It is recommended that all of the three charges now levied be merged into an annual licence fee which will vary the type of motor-vehicle, but which is estimated to yield in all approximately the same revenue as the present miscellaneous charges. Under the present arrangement there is not sufficient differentiation between the owners of the various classes of motor-cars, and there is too much difficulty in administering the personal-property tax as applied to automobiles. It is believed that the suggested change will make the charges more equitable, will tend to eliminate evasion, and will reduce administrative expense.

*The Amusement-tax.*—In 1917 a tax upon amusements was introduced in British Columbia.† It provides that every person attending a performance at a place of amusement shall pay a small tax based on the price of admission, as follows:—

Price of Admission.	Tax, Cents.
Not more than 5 cents .....	1
More than 5 cents but less than 15 cents .....	2
More than 15 cents but less than 25 cents .....	3
More than 25 cents but less than 40 cents .....	4
More than 40 cents but less than 75 cents .....	5
More than 75 cents but less than \$1.25 .....	10
More than \$1.25 but less than \$1.50 .....	15
More than \$1.50 but less than \$2.00 .....	20
More than \$2.00 but less than \$2.50 .....	25
More than \$2.50 .....	50

\* Laws of 1917, chapter 60.

† Laws, 1917, chapter 63.

These rates, although somewhat differently arranged, are not appreciably higher on small admissions than the rates in force in the adjoining territories of Alberta and the United States, the rate in the United States being 10 per cent. of the admission charge, and in Alberta 2½ cents per ticket, provided the charge is less than \$1.

The amusement-tax is, in the opinion of the investigator, a very undesirable form of tax, and one which should be abandoned entirely as soon as the condition of the Treasury warrants it. It might be justified as a war measure designed to discourage a non-essential enterprise, but no effort is made to justify it on this basis in British Columbia. Here it is merely a revenue measure, and, as such, care should be exercised lest the level of rates or their arrangement discourage the business and impair the source of revenue. It is asserted by the motion-picture interests that the present rates operate to discourage patronage. If this is true, and it should be possible to demonstrate the truth or falsity of the statement, it is to the interest of the Government as well as to the interest of the business that the rates be revised.

This tax is of a type which usually produces irritation entirely out of proportion to its yield, and which distributes the burden with reference to no defensible principle of taxation. Where most successful, the irritation is usually alleviated by making the tax a special one whose proceeds are devoted to some particularly popular purpose. Thus in Alberta (perhaps improperly so) and in the United States the amusement-tax is known as a distinctively war-tax, while in Montreal the city's share of the proceeds goes to the support of hospitals. In British Columbia it might be arranged so as to make the tax a patriotic levy or a charge to assist in carrying the railway-bond burden, on the theory that this would bring home to the people the undesirable results of reckless financing.

The foregoing discussion\* has proceeded from the point of view of the revenue system as a fiscal machine, and has therefore concerned itself narrowly with types of taxes, the level of rates, and the money yields, reserving the broader questions of the distribution of the tax burden for treatment in the succeeding sections. Some general observations should, however, be made at this point.

It is apparent that, as it now stands, the tax system is a bewildering complicated mixture of good and bad features. There is much that is worthy of praise, for a persistent effort has apparently been made to appropriate new developments in the field of taxation. On the whole, however, the tax system as it stands must be described as exceedingly rough and crude. The income-tax is really scarcely an income-tax at all, so inexact is the definition of income laid down in the law. The special tax on banks does not differentiate between the prosperous and the unsuccessful institution, provided only they both have the same number of offices. The railway-tax does not distinguish between the railroad which pays enormous dividends and the road which is in the hands of the receiver, provided they both have the same number of miles of track. Two coal-mines pay the same tax if they turn out the same number of tons of coal, although one may be making much money and the other none whatsoever. Some of the rates are so adjusted as to defeat the very purpose of the tax, as in the case of the wild-land tax, the raising of a revenue for the Province.

Improvement in the tax system should take the direction of the simplification and co-ordination of the taxes already in existence rather than the addition of new types of imposts. There are too many kinds of taxes in force already. A properly developed and administered income-tax, for example, should make it possible to eliminate or merge with it the personal-property tax as well as a number of the specific taxes.

It is definitely recommended that several of the taxes be entirely eliminated as soon as this action can possibly be afforded; e.g., the poll-tax, the amusement-tax, and the personal-property tax. It is also pointed out that the rates being levied in at least two cases—i.e., the income-tax and the wild-land tax—are so high as to be unsafe. At the present level they endanger the integrity of the financial system.

\* The following points have been suggested as worthy of study with a view to changes, but the writer has not been able to consider them because of lack of time:—

- (1.) *Registry Fees.*—It has been suggested that the amount of these fees be made to vary with the increase in the value of the land between transfers, the fees, however, being kept so low as to cause them to remain essentially fees rather than taxes.
- (2.) *Water Revenue, Rentals.*—The administration of these rentals is said to be susceptible of considerable improvement which, if accomplished, would result in increased revenue.
- (3.) *Timber Leases and Licences.*—Both leases and licences are transferable and often appreciate greatly in value. It has been suggested that there may be a basis here for the imposition of an increment tax.

The need for revenue is so great that recommendations for changes in the tax system are conditioned fundamentally upon their financial practicability. Most of the suggestions made at the hearings were in the direction of reducing rather than increasing the productivity of the taxes. The really important question is what refinements the Province can at this time afford to make, and this is a point for the Government rather than for the investigator to decide.

#### THE DISTRIBUTION OF THE PRESENT TAX BURDEN.

Turning from a survey of the tax system strictly as a revenue-producing machine, attention is directed to a broader aspect of the problem—that connected with the distribution of the tax burden. As the result of the imposition of the various taxes described above and the division of taxing powers among the various governmental authorities, what are the results obtained in terms of burdens imposed? And how closely does the weight of these burdens coincide with ability to bear taxes?

#### THE DISTRIBUTION AMONG THE VARIOUS ECONOMIC INTERESTS.

The scientific reorganization of the tax system presupposes definite knowledge of conditions. If the burden is to be readjusted so as to rest where it can most easily be borne, it is necessary to have full and exact information regarding the local situation. Since the investigator did not have the opportunity to require this detailed information, he is not in a position to proceed in a confident manner to outline a comprehensive scheme of reorganization. What is needed is a field investigation which would inquire carefully into the effects of the present system upon the various economic interests, and which would gather data for forming estimates of the probable effects of adopting various possible readjustments.

How the present system could be expected to result in an equitable distribution of the tax burden is beyond the comprehension of an unbiased observer. Even a brief examination of the nature of the various taxes imposed and of the history of modifications made in those taxes is sufficient to convince one that the tangled web of special charges and special exemptions conceals very serious inequalities.

To make comparisons it is necessary to reduce the elements to some common basis. Where a single tax is applied uniformly comparisons are readily made. But under the British Columbia tax law almost every interest is taxed upon a different basis and at a different rate. The assessment and tax data yield almost no information for drawing conclusions as to relative burdens. An inquirer who would know whether the coal-mining industry is heavily taxed as compared with the metal-mining industry must combine the various miscellaneous charges resting on each, and compare them with data regarding the economic strength of the industries gathered from some other source than the tax records. The fact that salmon-canneries are taxed 4 cents per case on output tells nothing concerning the relative weight of the burden borne by this interest compared with that borne by banks. But it is difficult to escape the conclusion that coal-mines taxed merely on the royalty basis are equitably treated as compared with metalliferous mines, which, in addition to royalties, pay taxes on income and dividends. And it is not easy to see the equity in increasing 50 per cent. the taxes on Crown-granted timber lands when the charges are not increased upon timber companies drawing their supply from other sources than Crown-granted lands.

The simplification of the taxes and the equalization of the burden should be one of the tasks entrusted to a capable permanent Tax Board. To this Board should be given power to secure expert advice concerning the many highly technical problems involved.

#### THE DISTRIBUTION BETWEEN THE PROVINCE AND THE MUNICIPALITIES.

The relationship of Provincial and local revenues becomes of great importance in connection with the proper apportionment of the tax burden, and in any readjustment the presence of municipal levies cannot be ignored. Moreover, the Province must have a proper regard for the sources of municipal revenue.

The financial situation in some of the cities of the Province is the occasion of considerable concern. Indeed, unless real-estate values should show a remarkable improvement, the Province may soon be face to face with the problem of extending substantial relief to certain municipalities. The movement toward the single tax, however valuable the social effects may have been in encouraging building or checking speculation, has resulted in the imposition of a strain upon

speculative land-values which has seriously affected their productivity as a source of municipal revenue. If the present real-estate depression continues, it is certain that Victoria, Vancouver, and perhaps some other municipalities will be compelled to reorganize their revenue systems.

At the present time real estate in some municipalities is assessed at levels which are indefensibly high. Moreover, the Province apparently sanctions and encourages this practice. Thus clause (c), subsection (227A), of the 1916 amendment to the "Municipal Act" states that in certain districts there shall be no appeal in respect to the assessment "if the assessment of the land in question is fair and equitable in comparison with other lands of the same class in the municipality, such comparison to be made by reference only to the assessment roll of the municipality for the year 1914." In sending out assessment notices, one Assessor naively asserts that "the fact that there is little or no market value for real estate does not affect the assessment." When it is necessary to bolster the assessment by such methods, it is time to arrange for additional sources of municipal revenue.

The situation being as it is, the request of the Vancouver authorities that the right to levy a business-tax be safeguarded the city should be readily granted. Indeed, it is a serious question as to whether it is not now incumbent upon the Province to exercise its authority to compel the municipalities to levy other taxes in addition to the taxes on land-values which are proving themselves so difficult of collection.

In view of the great assistance extended to municipalities from the Provincial Treasury, the application for the remission of a portion of the motor-vehicle fees and the receipts from the amusement-tax is probably not worthy of favourable consideration in the present exigency. It is the current practice in all of the Provinces with which the investigator is familiar to consider the motor licences peculiarly a Provincial source of revenue. In the United States the City of New York has recently secured the remission of a portion of these fees, but it is decidedly an unusual practice. Alberta rebates none of the amusement-tax to municipalities. Quebec, it is true, gives a certain amount of it to Montreal, but this is because Montreal already imposed an amusement-tax which was incorporated into the Provincial system.

#### THE DISTRIBUTION BETWEEN THE PROVINCE AND THE SCHOOL DISTRICTS.

The burden of supporting schools in British Columbia is assumed to a very large degree by the Province, liberal grants for educational purposes being made even to the most populous and prosperous of the cities. For the year 1915-16 the total expenditure from the Provincial Treasury for school purposes was \$1,591,322.43.\*

The problem of financing the schools in the outlying districts is one which has occasioned considerable discussion in the Province. Formerly the cost was defrayed entirely from the Provincial Treasury, but recently an attempt has been made to charge a portion of the cost to the locality. The amounts involved are not large, only \$122,836.18 having been raised locally in these districts in 1915-16.† Because of the absence of local machinery the administration of the school-tax was made a function of the Provincial Department of Taxes. A tax base, somewhat different from the Provincial tax base, is utilized, and this involves considerable additional labour for the Provincial Assessors. Local school authorities are permitted to request that a certain sum be raised for school purposes and to draw upon the Province for 75 per cent. of the amount. Collections are often slow, and as a result many complaints are made by the local school officials. Finally, the amounts charged to the individual taxpayer are sometimes so small that the expenses of collection exceed the sum involved.

The Provincial educational authorities insist that the importance of the local tax levy in the unorganized school district is very great and resent any proposal to eliminate it. On the other hand, a tax which costs more to administer than it yields is a fiscal absurdity. It may be possible to change the tax base so as to identify it with the Provincial base, eliminating the expense of separate records, notices, etc., and thus reducing the administrative costs to a reasonably small fraction of the yield. If this cannot be accomplished, the suggestion of Mr. McKiligan should be adopted—viz., that the expenses of the schools in these districts be made a charge payable out of general Provincial funds, but made good by an increase in the levy upon the real estate in the unorganized territory as a whole.

\* Public Schools Report, 1915-16, page 15.

† Public Schools Report, 1915-16, pages 15, 17.

### THE ADMINISTRATION OF THE TAX SYSTEM.

Already several administrative questions have been referred to incidentally.\* It is now proposed to discuss as fully as the available data will permit the general question of the degree of success attained in the administration of the tax laws of British Columbia, and to suggest certain changes which it is believed will increase the efficiency of the organization.

#### ASSESSMENTS.

*Quality of Assessments.*—The efficiency of the administrative organization is to be judged by the fairness and accuracy of assessments and the promptness and completeness of collections. On neither count can the administration in British Columbia be said to have achieved success.

Although lack of time made it impossible to conduct an extensive, first-hand investigation into the quality of the assessment, the testimony of witnesses who appeared before the Board, together with the frank admissions of various officials, convince the investigator that the assessment, particularly of personal property and income, is open to very serious criticism. It is apparently a matter of common knowledge that the Provincial officials with their present organization are impotent to secure full and accurate income and personal-property returns. The testimony regarding the quality of the real-estate assessment is somewhat conflicting, but evidently there is considerable unevenness. There are complaints concerning overvaluation, some of which are based on the ground that there have not been reductions recently to meet the slump in realty values. But the officials contend that they were very conservative in raising values during the prosperous years and that present values do not on the whole represent an overvaluation.

*The Present Assessment Force.*—No substantial change has been made in the machinery of assessment for fifteen years. The administration is headed by a Surveyor of Taxes and Assessments who has the assistance at headquarters of a single clerk and stenographer.† The Province is divided into thirty assessment districts, with an Assessor at the head of each. In the districts which include a city the Assessor is usually provided with assistants. In many districts, however, not only is no assistance furnished, but the Assessor, in addition to his tax duties, is burdened with numerous other functions. It is pointed out by Mr. McKilligan that the assessment force from top to bottom is inadequate to the task of accomplishing satisfactorily the work assigned. Many of the Assessors are said to be able to do little in the way of revision and merely copy the rolls from year to year without alterations.

*A Permanent Tax Board.*—It is imperative that an administrative organization be built up which is capable of solving the difficult assessment problem of British Columbia. In the opinion of the writer, there should stand at the head a permanent Tax Board of dignity, power, and responsibility. Such bodies have commended themselves as the result of long and varied experience in two-thirds‡ of the States of the Union. The administrative Boards in control of taxation in such States as Wisconsin, Michigan, New York, and Kansas furnish examples of the general character of the organization which is desirable. The tax problems of the Province are many, and the work is of sufficient importance to justify the creation of such a Board.

The Board should be composed of three members, appointed by the Lieutenant-Governor in Council for a term of at least four years. The salary should be sufficient to attract men of good calibre. Every effort should be made to render the Board independent and non-political, and to this end it might be well to follow the precedent of Saskatchewan, where the members of the Local Government Board are disfranchised upon the acceptance of their appointments.

To this Board should be granted wide powers and adequate funds.

*The Reorganization of the Assessment Force.*—The administrative organization which will best meet the demand for a more complete and exact assessment is a problem which should be left to the Tax Board so far as details are concerned. If the personal-property tax were abolished and the income-tax administration merged with the Federal machinery, the remaining problem of real-estate assessment could probably be best met by a corps of trained men devoting their entire time to the work, working under central direction and control. This would involve, of course, the entire reorganization of the present assessment districts.

\* Cf. *supra*, under the various headings.

† Recently steps have been taken to provide an assistant and a temporary auditor.

‡ In thirty-five out of the forty-eight States in 1916.

*Appeals of Dissatisfied Taxpayers.*—At present appeals from assessments are heard by a Judge especially appointed for the purpose and paid on the per diem basis. The results obtained under this arrangement are reported to be unsatisfactory. The consideration of appeals and the revision and equalization of the local assessments might well be made a part of the work of the Tax Board, the members of which might act with or without the co-operation of local representatives. Further appeal to the Supreme Court of the Province should be retained, as at present.

*Separate Assessment of Lands and Improvements.*—A measure whose adoption could be confidently expected to yield a greater degree of accuracy in real-estate assessments is the requirement that in assessing real estate the value of the land be stated separately from the value of the improvement. At present the value of the entire improved parcel is entered as one item.

*Assessment Costs.*—The accounts of the Province are not so arranged as to make possible a statement of the expense involved in the assessment procedure.

*Utilization of Federal Income-tax Machinery.*—It is possible that the presence of the new Federal income-tax can be made to assist to some degree in the administration of the Provincial income-tax. It is desirable that some plan of co-operation be adopted which would make it possible to utilize the same return for both Federal and Provincial income-taxes. Provided the combined rates were not inordinately high, the plan should prove advantageous to both Governments and to the taxpayer, preventing evasion on the one hand and eliminating the inconvenience of two returns on the other. An amendment to the Federal law permitting the use of the Federal returns by Provincial income-tax officials would be the best method of gaining the end in view, but it could be accomplished in a fairly satisfactory manner by requiring each Federal income-tax payer in the Province to submit to the Provincial authorities a copy of his Federal return. The last plan is being used successfully in connection with the taxation of corporations in the States of Connecticut and New York.

#### COLLECTIONS.

The measurement of the degree of success achieved in collecting taxes is usually the simple process of comparing the collections with the levies. But, strange as it may seem, in British Columbia it is not possible to make this comparison exactly with the data available from the Provincial records. It has apparently been the practice to measure success of collections by comparing collections of one year with collections of preceding years rather than by comparing collections with levies!

Taxes are due January 2nd.\* A discount of 10 per cent. is given if payment is made before July 1st. They become delinquent December 31st† and bear interest after that date at the rate of 6 per cent. per annum.‡

It will be noted that the tax-collection period does not coincide with the fiscal year. This causes confusion, for the receipts shown in the Public Accounts for a given fiscal year include portions of the levies of several years. Thus any taxes which are paid during the first three months of the new tax year are merged with the taxes received during the same months of the old tax year, and in addition no distinction is drawn between receipts from the levies of the (two) current tax years and the receipts from the levies of previous years, now in arrears. Consequently close comparisons between levies and collections are impossible. If the tax year were made to coincide with the fiscal year, and the tax receipts allotted by the year of levy, definite information would be available concerning the efficiency of the collection service. At the present time to secure a statement of taxes outstanding it is necessary to send a special request to all Collectors, who must then make up the statement from their books.§

*The Amount of Arrears.*—Great difficulty has been experienced of late in collecting taxes, and the arrears have now reached alarming proportions. It was reported by the special auditors that on November 30th, 1916, the total outstanding taxes amounted to \$3,804,704.21.¶ This

\* "Taxation Act," section 105.

† "Taxation Act," section 211.

‡ "Taxation Act," section 212.

§ The numbered receipts issued by the Collector constitute practically the only system of control over the Collector, and this is so indirect as to be but little insurance against irregularity. Good financial practice demands that the Collector be directly charged with the responsibility of accounting for definite sums, and that control be exercised to an extent sufficient to enforce this responsibility.

¶ This figure, moreover, include an item of \$166,502.98, outstanding taxes for rural schools.

Included the outstanding taxes of the current year's levy, which could not properly be termed arrears until the end of December. But December collections did not materially reduce that amount, and the total arrears on January 1st, 1917, stood at \$3,608,195.18, distributed as follows:—

Table XVIII.—Total Accumulated Arrears, January 1st, 1917 (compared with 1916 Levy).

	1916 Levy.	Total Accumulated Arrears.
Improved real estate .....	\$ 686,688 31	\$ 537,296 24
Wild, coal, and timber lands .....	1,262,825 79	2,081,894 77
Personal property .....	343,644 23	249,455 18
Income .....	350,045 80	220,548 99
Totals .....	\$2,043,204 13	\$3,608,195 18

The total accumulated arrears are contrasted with the current levies for 1916 in Graph IX. It will be noted that the arrears outstanding at the first of this year exceeded by approximately 25 per cent. all of the taxes levied on these classes of property in 1916. Taxes on income have shown themselves to be the most collectable of all the taxes, but even in this case the total arrears exceeded 65 per cent. of the current year's levy. That this is not a creditable showing will be realized by comparing the figures with those for the State of Wisconsin, where the total accumulated income-tax arrears amounted on June 30th, 1916, to only \$105,296.73, less than 2 per cent. of the 1916 levy.\*

Personal-property arrears amount to approximately 70 per cent. and improved real estate arrears to almost 80 per cent. of the current levy. The weakest element in the tax base, however, is also the one upon which chief dependence is placed, the taxes on wild, coal, and timber lands. Here the accumulated arrears are now more than twice as great as the current year's levy.

The seriousness of the situation may become very strikingly apparent from a consideration of the statistics of current arrears. Of the taxes levied in 1917, nearly one-half were not collected within the legal period and lapsed into arrears.† The accompanying table (Table XIX.) and graph (Graph X.) show that in the case of wild, coal, and timber lands the taxes collected amounted to only one-third of the levy. The income-tax again appears to have the best record, with personal property and improved real estate following in order.

Table XIX.—Portion of 1916 Tax Levy going into Arrears on January 1st, 1917.

	1916 Levy.	Arrears of 1916 Levy.
Improved real estate .....	\$ 686,688 31	\$ 200,114 02
Wild, coal, and timber lands .....	1,262,825 79	798,070 77
Personal property .....	343,644 23	82,834 34
Income .....	350,045 80	48,845 91
Totals .....	\$2,043,204 13	\$1,129,865 04

That this is a condition which has not always existed, but is rather one which has gradually developed until it reached its present large proportions, is shown by the data presented in Table XX. and Graph XI. Here the total annual levies are compared with the cash receipts for the fiscal years. Although the nature of the data makes this comparison a somewhat unsatisfactory one,‡ it is possible to draw general conclusions. It is very evident, for example, that the habit of not paying taxes is becoming more general with each year, and that, whereas eight years ago it was a question of no quantitative importance, it has grown to be a matter of serious financial concern.

\* A large share of these arrears were unpaid merely pending the result of litigation.—Report of the Wisconsin Tax Commission, 1916, pages 58, 65.

† The total current year's levy (\$2,043,204.13) minus the cash discount (maximum \$264,320.41) equals \$2,378,883.72. The arrears at the end of the year were \$1,129,865.04. The amount paid, ignoring the added amount because of the discount not available after July 1st, was therefore \$1,490,118.68.

‡ This is because the receipts are not receipts from the current year's levy merely, but rather include other elements.

Graph IX.—Total Accumulated Arrears at End of 1916 compared with the Tax Levy for 1916.

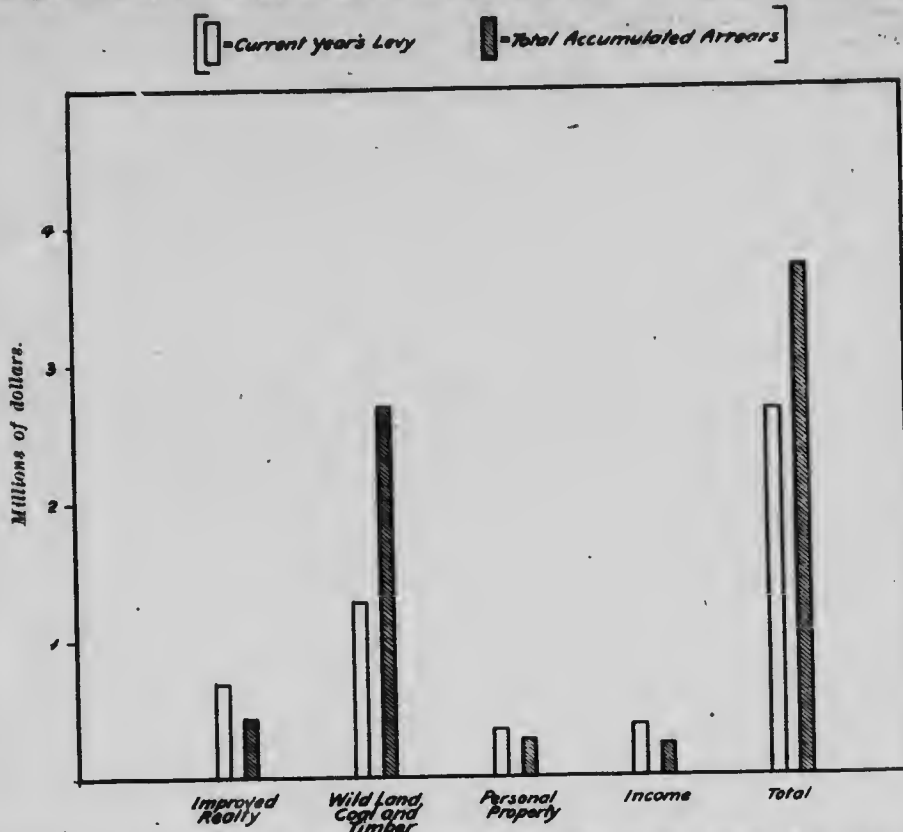


Table XX.—A Comparison of the Total Tax Levies on Improved Real Estate, Wild, Coal, and Timber Lands, Personal Property, and Income, with the Total Cash Collections from these Sources by Fiscal Years, 1909-17.

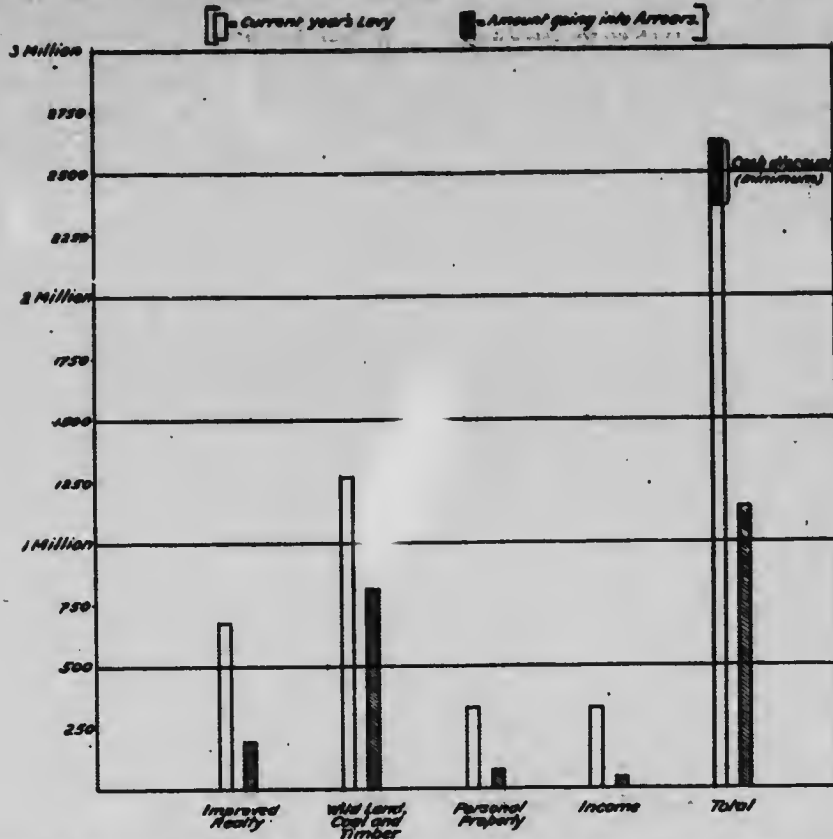
Fiscal Year	Tax Levy.	Total Receipts.*
1909	\$1,083,276 00	\$ 939,326 01
1910	1,301,385 43	1,040,480 75
1911	1,450,830 08	1,224,349 99
1912	1,900,844 33	1,483,750 92
1913	2,372,414 26	1,720,795 62
1914	2,829,686 40	1,850,725 80
1915	2,556,017 05	1,635,097 21
1916	2,643,204 13	1,641,646 60

*Reasons for Collection Difficulties.*—The reasons for this unfavourable showing are several. First of all, the general economic conditions are such as to make tax-paying more difficult for the citizen than it was a few years ago. The large profits of the highly speculative period which ended in 1914 are now lacking to a very considerable extent. Again, many of the taxes are considered in the light of a fee being paid to the Province for the privilege of speculating upon variations in the price of land, and in a large number of cases the game is no longer worth the candle. But in addition to these reasons there is one which is probably more important than either—i.e., the failure on the part of the Government to apply any measures of compulsion

\* For fiscal year ending March 31st of the following year.



Graph X.—Portion of 1916 Tax Levy going into Arrears, January 1st, 1917.



upon the taxpayers. In spite of the fact that, under the law, tax sales should be regularly held, there has been no sale of property to enforce the collection of Provincial taxes since the year 1913. Largely as a consequence of this attitude the people of the Province have come to regard tax obligations as among the least pressing rather than as the most pressing obligations of all.

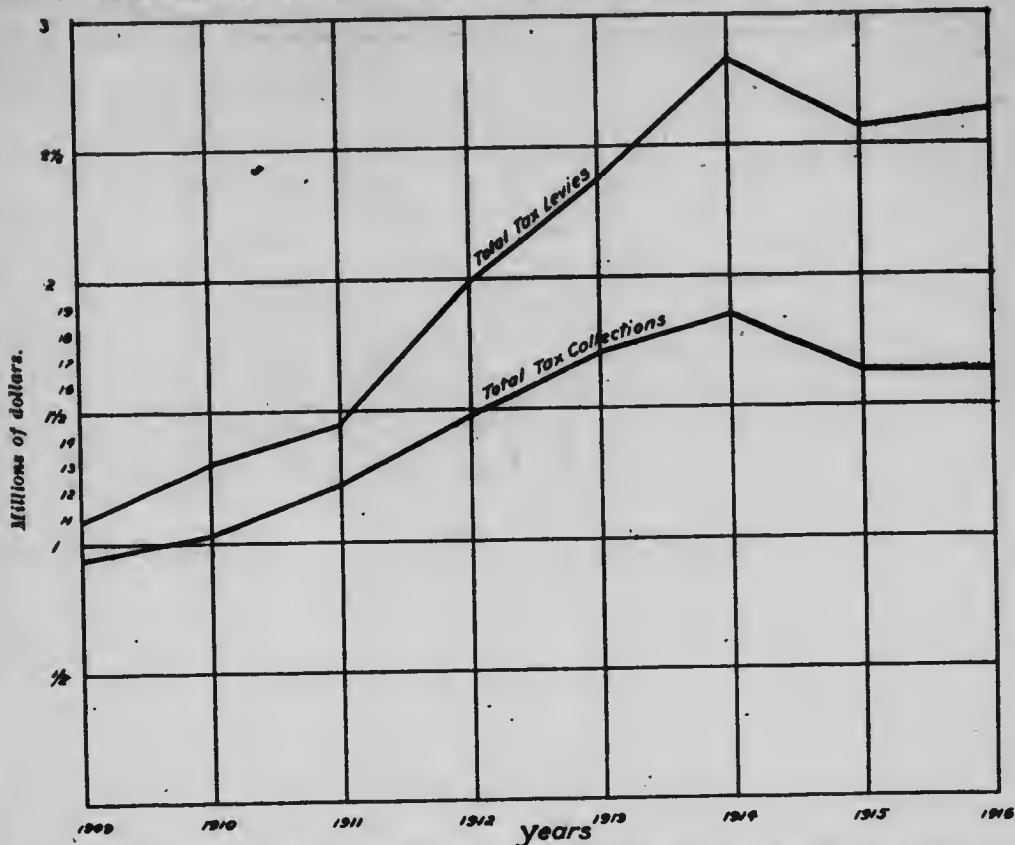
*Necessity of a Stricter Arrears Policy.*—When a Province is able to collect scarcely one-half of its tax levy within the legal period the time has come to adopt stringent measures. It is strongly recommended that the Government take a firm stand in favour of regular tax sales. Without the stimulus applied in this manner the present very serious situation will probably grow progressively worse.

The adoption of a more stringent arrears policy may involve the necessity of making special concessions to certain classes in the community who are handicapped because of the war, particularly soldiers and their dependents.

*Realizing on Arrears.*—Too great expectations cannot be based upon the returns to be realized as the result of the adoption of a stricter arrears policy. The entire three and two-thirds millions of unpaid taxes cannot be collected by the mere decision to hold tax sales. In fact, a very considerable portion of this sum, amounting, as nearly as can be estimated, to about \$1,500,000,\* is placed in a very peculiar position through the passage of the "Soldiers' Homestead Act." Anything which is realized upon this sum will appear as receipts of the Lands Depart-

\* On September 30th, 1916, the arrears of taxes on wild lands, held on the basis of certificates of purchase, amounted to \$1,410,223.10.

Graph XI.—Comparison of Levies with Collections for Fiscal Years, 1909-16.  
(Taxes on Improved Realty, Wild, Coal and Timber Lands, Personal Property, and Income.)



ment rather than as taxes. Nevertheless, it is only reasonable to anticipate the realization of a very considerable sum if a stand is taken which will show that the Government expects to hold taxpayers strictly accountable for their obligations.

*Payment of Taxes as a Condition to passing Title.*—As a measure to assist in the collection of taxes it would be wise to impose a requirement, similar to one already in force in the municipalities, to the effect that all taxes must be paid upon a parcel of realty before title can be passed.

*The Discount for Prompt Payment.*—A discount of 10 per cent. is allowed upon taxes on real and personal property, income, and on wild, coal, and timber land\* in order to encourage the prompt payment of taxes. The plan appears to be measurably successful in attaining this object, for the bulk of the taxes are paid before June 30th. The question remains, however, as to whether the discount is an economical device. It has been in force so long that data are not available showing the effect upon promptness brought about by its imposition. Its justification must rest upon the result of comparing its cost with the cost of the alternative plans of borrowing temporarily to meet current expenditures, if that should be necessary.† The Government really pays 10 per cent. for the use of the money for six months, assuming that the money would be paid, anyway, at the end of the year. It could probably borrow at the rate of 5 per cent. per

\* No discount is allowed on the mineral-tax, which is payable quarterly.

† As a matter of fact, it would undoubtedly be necessary under normal conditions, for the heavy expenditures from the Treasury are made in the summer months.

annum to meet expenses during those six months. It is estimated that the total discounts allowed annually amount to approximately \$150,000.

The granting of so substantial a discount, moreover, has an undesirable effect upon the taxpayer, in that it has a tendency to make him regard his tax charge as an unfairly large sum which he can expect to be reduced before payment.

Perhaps the strongest justification which can be urged in favour of the discount plan is not valid in this case, for the discount cannot here be considered a bonus for the advance payment of taxes. The taxes are due on January 2nd of each year, and the discount is very frankly not a recompense, but a bait.

It would appear to be a policy worthy of a trial, at least, to make taxes due April 1st rather than January 2nd, and receivable at par before the end of June, abolishing the discount, at which date they would pass into arrears and be subject to a substantial penalty.

The advantages of this plan would be: (1) It would make it possible to include on the tax notice sent to the property-owner an accurate statement of actual arrears outstanding against him on January 1st; (2) it would cause the receipts for the current year's taxes to come into the Treasury after the opening of the fiscal year, thus eliminating much of the present confusion; (3) it would tend to give a greater degree of definiteness to the tax notice, which would then be a demand to pay the full amount within three months upon pain of a penalty, in place of a notice which can be ignored without penalty for more than a year, or which can be discounted below the amount charged on its face by payment within a period of more than six months; and (4) if the plan were successful in securing the payment of as much of the tax levy before June 30th as is now the case, there would be a clear saving to the Province of the discount of 10 per cent., which amounts to a very substantial sum.

*The Tax-collection Period.*—The period during which the taxes are payable (twelve months) is unnecessarily long. Notices sent out before the first of the year in many cases become lost before June 30th, the date when the discount privilege of 10 per cent. expires, giving rise to many requests for duplicate bills.

Moreover, on the notices sent out before January 1st the taxes of the current year remaining unpaid at the date the notice is mailed are listed as in arrears, even though they are not in arrears until December 31st. This can scarcely have other than an unfortunate effect, for it amounts to a notice that the taxes which a person was asked to pay a full year previously may still be paid before December 31st without penalty, and a reminder that the new taxes may be allowed to drift more than a year without involving him in any embarrassment.

*Penalties.*—The present penalties provided in the case of unpaid taxes, if, indeed, the interest charge of 6 per cent. per annum can be construed as a penalty at all, are grotesquely inadequate to the task of forcing the payment of taxes. Indeed, the existing arrangement may be said rather to encourage the non-payment of taxes after once the discount period has elapsed, for 6 per cent. is lower than the rate of interest the property-owner would be compelled to pay were he to borrow money to meet his taxes. It is really economically wise to permit the Government to finance him.

The penalty should be made at least 10 per cent. if it is to be expected to provide any compelling force in the direction of tax payments. In fact, a rate of 1 per cent. per month would, under the circumstances, probably not be too high a rate.

*Minimum Taxes.*—The subdivision into small parcels of lands which have a very low value and the distribution of the parcels among various owners have raised a serious administrative problem in the expense attached to the taxation of the lots. The cost of the labour of assessing, of making records, of sending notices, etc., in the case of many parcels is more than the amount of the tax involved. Most often is this true in the case of school lands where no fixed minimum is imposed. In the case of Provincial taxes there is a low minimum, the amount of the tax, if less than 25 cents, being increased to that amount. It is asserted, however, that 25 cents is not a sufficiently high charge. Certainly there is no justification for the continuance of a tax which yields less than it costs to administer. Such a tax is a ridiculous failure. Far better to leave the money in the hands of the property-owner than to burn it up as fuel for the administrative machine which accomplishes nothing more than to take the money from him.

The situation would be measurably relieved by making the tax base for school purposes identical with certain elements of the tax base used for Provincial purposes—e.g., improved land

only or all land (improved, wild, coal, and timber).<sup>\*</sup> This would reduce considerably the present administrative expense. In addition, the minimum should be made sufficiently high to cover this expense, \$1 being suggested by the administrative officials as a proper amount.

*Reports of Collections.*—To make possible a more intelligent control of the financial situation, the records should be so changed as to permit the preparation of frequent statements for the Minister of Finance, (1) comparing collections with specific levies, and (2) comparing arrears for significant periods. The books of the Province are now so kept that only the cash collections are recorded. Whatever the advantages of this policy may be from other points of view, it certainly does not give the administrator a perfect picture of the degree of success attained in collecting taxes. The only information available from the Public Accounts is the statement of the cash receipts from the various taxes. The figure given is a resultant obtained by including the receipts from the current year's levy (discounts having been allowed in some cases and not allowed in others), the receipts from previous years' levies which have been carried into arrears, and the receipts from the succeeding year's levy to the extent that they are paid during the first two-months of the year. This figure may be compared with the same figure for the preceding year, but, with variations in assessments and rates, conclusions from such comparisons are almost worthless.

It would be possible, however, at a trifling addition of bother and expense, to furnish a monthly statement of the exact status of collections. The tax rolls now are summarized in such a fashion as to show the total taxes supposed to be collected by each Collector. These amounts could be definitely debited to each Collector and the moneys collected by him, definitely credited to him. The form of the Collector's return would necessarily be made somewhat different in order to show more precisely the year's levy to which the amount collected belongs and the discounts allowed. By tabulating these returns and comparing them with levies an exact and dependable report could be quickly prepared.†

#### CONCLUSIONS.

The most important of the suggestions and conclusions scattered through the text may be summarized as follows:—

**THE PRESENT FINANCIAL DIFFICULTIES ARE NOT DUE TO A SUDDEN BREAK-DOWN IN THE TAX SYSTEM.**

The stringency now being experienced is due primarily to the forces which have weakened the demand for real estate. The yield of the tax system has declined somewhat, but this is because of the disappearance of the receipts under the "Chinese Restriction Act." The slump in the receipts from land-sales and from fees dependent upon such sales is the fundamental cause of the present embarrassment.

**IT IS UNWISE TO EXPAND TAXATION TO MAKE GOOD THE ENTIRE DIFFERENCES BETWEEN THE RECEIPTS OF THE MOST PROSPEROUS YEARS AND THE YEARS OF DEPRESSION.**

If the scale of expenditure is maintained on the level of the total receipts of the most prosperous years and taxation depended upon to supply the deficiencies caused by the slump in other sources of revenue, the result will be a strain upon the tax system probably too great to be borne. In the present instance, for example, this policy would involve trebling the tax rates at a time when the taxpayers are least able to assume new burdens. It is essential that a rational control be exercised over expenditure in periods of prosperity which will make unnecessary excessive taxation in times of depression. The adoption of such a policy would prevent the periodical recurrence of the present difficulty.

**THE EXISTING TAX SYSTEM IS UNEQUAL TO THE DEMANDS OF THE PRESENT SITUATION.**

It is unreasonable to expect the tax system in its present form to provide the funds which are necessary by the simple device of increasing rates. The crudeness of the taxes, which passes unnoticed when burdens are small, involves intolerable injustices when the burdens become large. Administrative shortcomings which are insignificant when rates are low become fatal when rates are increased to the levels which obtain as the result of the readjustment of 1917.

<sup>\*</sup> Cf. *supra*, page 117.

† It would be noted that this does not involve a change in the general system of accounts or the introduction of the item of "unpaid taxes" as an asset on the Provincial balance-sheet.

**THE TAX SYSTEM SHOULD BE THOROUGHLY REORGANIZED BOTH IN RELATION TO KINDS OF TAXES IMPOSED AND IN RELATION TO ADMINISTRATION.**

Both equity and financial considerations demand thoroughgoing tax reform in the Province. The taxes now in existence constitute a complicated medley which can scarcely be dignified by the term "system." Certain taxes should be entirely eliminated and the others should be recast and merged into a coherent revenue system.

The administrative machinery, which has stood unaltered for fifteen years, should be modernized and made efficient.

**THE RATES ON WILD LANDS MUST BE MODIFIED IF THIS TAX IS TO BE PRESERVED AS A SOURCE OF REVENUE.**

The tax on wild lands, the most important fiscally of the taxes on real estate, appears to be on the verge of collapse, the statistics of arrears revealing a most serious situation. If the Province desires to use this tax as a source of revenue and does not desire to confiscate the lands, the rates must apparently be lowered considerably.

**A THOROUGH INVESTIGATION SHOULD BE MADE WITH A VIEW TO READJUSTING THE TAX BURDEN ON AGRICULTURE AND ON MINING, TIMBER, AND CANNING INDUSTRIES.**

Data should be secured which would make it possible to draw sound conclusions regarding the relative burdens now being imposed upon the various industries. The variety and nature of the various charges preclude comparisons, and without an investigation no scientific reorganization is possible. There is ample evidence that such a reorganization is needed.

**THE POLL-TAX, AMUSEMENT-TAX, AND THE PERSONAL-PROPERTY TAX SHOULD BE SLATED FOR REPEAL AT THE EARLIEST PRACTICABLE MOMENT.**

These are the least justifiable of the taxes now in force and their elimination would not involve great financial loss. So soon as it becomes apparent that the yield from these sources can be dispensed with, these taxes should be repealed.

**THE INCOME-TAX SHOULD BE REFORMED BY REDEFINING THE DEFINITION OF INCOME AND REARRANGING THE SCALE OF RATES.**

The present income-tax law should be radically amended by redefining income in accordance with the detailed suggestions detailed in the body of the report, and by modifying the rates so as to make them more uniform and, if financially possible, more moderate.

**THE VARIOUS CHARGES ON MOTOR-VEHICLES SHOULD BE CONSOLIDATED.**

At present the variety and number of separate taxes levied on motor-vehicles involve needless expense to the administrator and needless inconvenience to the owner.

**BANKS, RAILWAYS, AND SERVICE CORPORATIONS SHOULD BE TAXED IN A MANNER WHICH MEASURES MORE ACCURATELY RELATIVE TAX-PAYING ABILITY.**

The present levies on these types of property are so undiscriminating as to involve substantial injustices as between different units.

**A PERMANENT TAX BOARD WITH WIDE POWERS SHOULD BE PLACED AT THE HEAD OF THE TAX SYSTEM.**

The proper administration of the revenue system demands a more elaborate organization than has been used heretofore. It is recommended that a permanent Board of power, dignity, and responsibility be created to assume direction of the tax machinery. This Board as its first duty should reorganize the assessment districts and build up an efficient force of Assessors.

**A STRICT POLICY WITH RESPECT TO COLLECTIONS SHOULD BE ADOPTED.**

The present lenient arrears policy has demoralized collections. Until a firm and businesslike stand is taken on this question, a satisfactory solution of the financial problem of the Province cannot be hoped for.

## APPENDICES.

### APPENDIX A.

#### THE CLASSIFICATION OF REVENUES.

The receipts of the Province are presented in the Public Accounts in three tables. The first is a "Comparative Statement of the Receipts and Expenditures," which presents in parallel columns the data for a period of years. The second table is an itemized statement of the large amount entered in the general table under the head of "Miscellaneous Receipts." The third table, "Revenue for the Fiscal Year," gives the current year's collections by districts. The figures in all cases represent cash receipts.

Even though the general accounting procedure of the Province is not so changed as to bring to account total levies instead of merely cash receipts, the form of the tables dealing with revenues could be changed to good advantage. As now presented the data are often unintelligible.\* There is need for more detail in some directions and for less in others. The titles of some of the receipts are almost entirely "blind," carrying no meaning at all except to the initiated few. Finally, no attempt is made at classification. Receipts of all types—taxes, fees, rents, sales, subsidies—important and trivial in amount, are thrown together in a heterogeneous jumble. The use of the data for drawing conclusions of any sort must consequently be preceded by an interpretation, an analysis, and a classification which involve time and labour. There is no good reason why some scheme of classification should not be adopted which would make it possible to grasp the significance of the figures without involving a prohibitive amount of effort.

The particular classification which should be adopted depends upon the points it is most desirable to make clear. Thus the classification might be designed to show the portion of the revenues contributed by individuals as compared with various specified business interests; or it might show relative burdens of the organized and unorganized areas of the Province; or the revenues which are fixed as compared with those which are relatively flexible; or the revenues which are stable and dependable as compared with those which are variable and unreliable, etc.

The classification adopted for the purposes of this study and which is utilized in the construction of Table 1.† has several points to commend it. In the first place, it recognizes the established categories of public finance, grouping the receipts according to their nature, as subsidies, income from the public domain, fees, and taxes. Second, it brings out clearly the significance of the public domain in the finances of the Province. Third, it assists the user of the table by labelling according to their nature the many indefinite and unclear items. Finally, it can be adopted with but minor changes in the present Provincial records and without destroying the comparability of the statistics for previous years. The classification is presented as a tentative one in the belief that some modification of it will prove satisfactory under the conditions obtaining in British Columbia.

The principles of the suggested classification are apparent for the most part from an inspection of the table. The second item includes the receipts from the sale or lease of public property or from royalties upon certain articles in which the public interest is held to be particularly strong—e.g., the forests, the mineral deposits, and the fisheries. The fees are payments for special services performed by the State and are distinguished from taxes by the fact that in general they approximate the cost of service rendered and are not imposed primarily to secure net revenue.

Naturally there are cases where there exists some doubt about the group to which the receipt belongs. Thus it is difficult to decide whether the receipts under the "Motor-traffic Regulation Act" are more truly fees than taxes, and whether registry fees are not more properly taxes rather than fees.

\* The investigator found that the statements could not be completely interpreted by a number of persons who were concerned with the actual administration of the financial system.

† Cf. *supra*, pages 82-3.

To make an accurate classification of receipts under the plan outlined it is necessary that the canneries and whaling tax be segregated from the personal-property item. Moreover, it is desirable, though not imperative, that a separate statement be made of the receipts from: (1) The tax on railways; (2) the tax on banks; (3) the tax on the gross income of certain companies; (4) the tax on improved real estate; (5) the tax on coal lands, Class A; (6) the tax on coal lands, Class B; (7) the tax on timber lands; (8) the tax on wild lands; (9) timber licences; and (10) timber leases.\* To conform with usual practice the "revenue-tax" should be rechristened the "poll-tax."

Within the classes the receipts should be arranged alphabetically. The large miscellaneous item, which appears to consist principally of fees, might be distributed among the classes.

#### APPENDIX B.

##### INCOME-TAX RATES.

The combined tax burden under the new Federal income-tax law and the increased Provincial income-tax rates is worked out in detail in Table A and illustrated by Graph A. The table shows the amounts of each tax payable by persons receiving various typical incomes and the true combined rate on the total income.† The graph reveals marked irregularities in the present progression which are particularly serious in the case of the lower incomes as shown in the graph inserted in the lower corner. The data include no incomes above \$150,000. The rates on the higher incomes increase gradually and regularly until they approximate in the case of individuals 39 per cent.

To reduce the irregularity shown by this curve and still to maintain the present productivity of the tax, this report recommends certain changes in the rates.‡ It also recommends alterations in the initial exemptions.§ Table B and Graph B show the effects of these proposed changes upon the lower incomes. A progression considerably more even and regular is effected in all cases. The small corporations, because of the elimination of the initial exemption, would be subject to a perceptibly high rate. Single men pay slightly more than before and married men with dependents slightly less.

Graph C compares the recommended rates and exemptions with the present rates and exemptions. Table C supplies the underlying data for the graph. The change in rates, it is apparent, eliminates much of the irregularity now present in the taxation of incomes ranging from \$10,000 to \$25,000.

\* These receipts are now included in other items. Somewhere, if not in the general statement of receipts, there should be summarized a statement of the income-tax by classes of income affected.

† Including initial exemptions. The assumption is made that the definition of taxable income in the two laws is identical.

‡ Cf. *supra*, page 103.

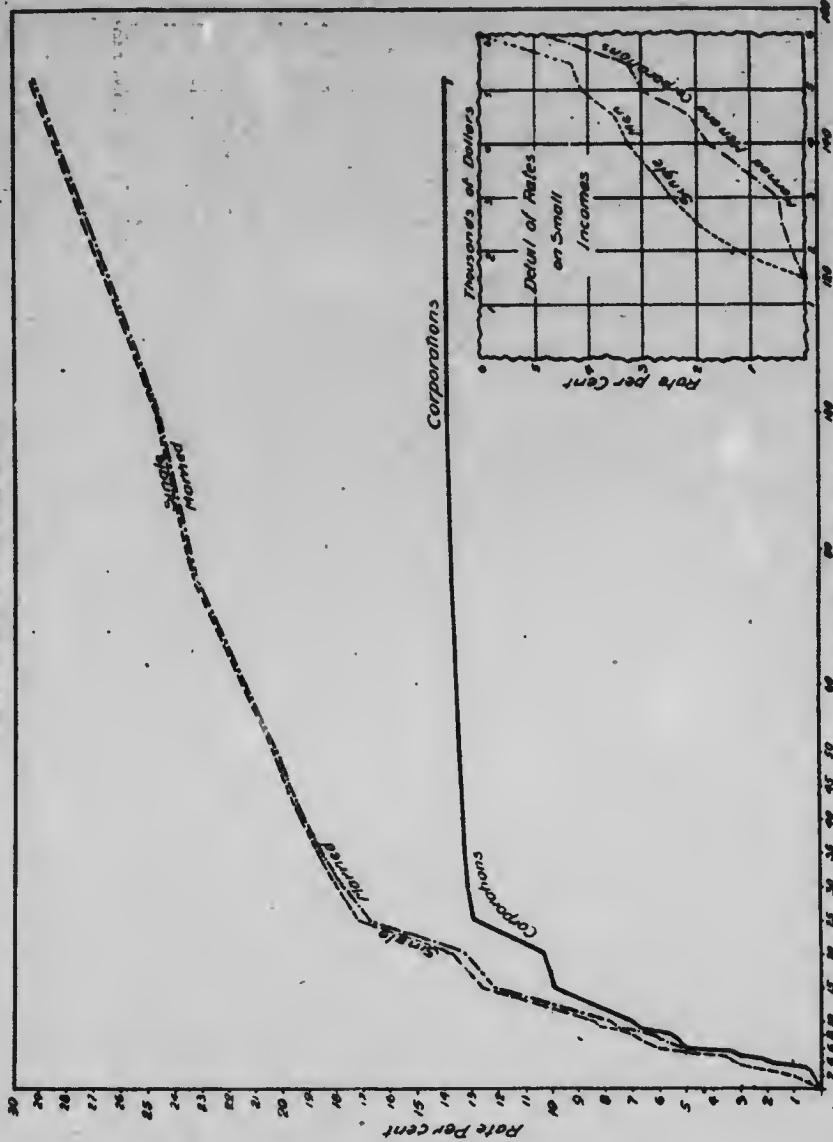
§ Cf. *supra*, pages 103-6.

Table A.—Taxes payable and Tax Rates under the Dominion and Provincial Income-taxes (Total Income includes the Initial Exemptions).

Total Income.	SINGLE MEN.				MARRIED MEN.				CORPORATIONS.			
	Dominion.	Provincial.	Total.	Rate per Cent.	Dominion.	Provincial.	Total.	Rate per Cent.	Dominion.	Provincial.	Total.	Rate per Cent.
\$ 1,000	30 00	5 00	35 00	3.50	30 00	5 00	35 00	3.50	30 00	5 00	35 00	3.50
2,000	60 00	10 00	70 00	3.50	60 00	10 00	70 00	3.50	60 00	10 00	70 00	3.50
3,000	90 00	15 00	105 00	3.50	90 00	15 00	105 00	3.50	90 00	15 00	105 00	3.50
4,000	120 00	20 00	140 00	3.50	120 00	20 00	140 00	3.50	120 00	20 00	140 00	3.50
5,000	150 00	25 00	175 00	3.50	150 00	25 00	175 00	3.50	150 00	25 00	175 00	3.50
6,000	180 00	30 00	210 00	3.50	180 00	30 00	210 00	3.50	180 00	30 00	210 00	3.50
7,000	210 00	35 00	245 00	3.50	210 00	35 00	245 00	3.50	210 00	35 00	245 00	3.50
8,000	240 00	40 00	280 00	3.50	240 00	40 00	280 00	3.50	240 00	40 00	280 00	3.50
9,000	270 00	45 00	315 00	3.50	270 00	45 00	315 00	3.50	270 00	45 00	315 00	3.50
10,000	300 00	50 00	350 00	3.50	300 00	50 00	350 00	3.50	300 00	50 00	350 00	3.50
15,000	450 00	75 00	525 00	3.50	450 00	75 00	525 00	3.50	450 00	75 00	525 00	3.50
20,000	600 00	100 00	700 00	3.50	600 00	100 00	700 00	3.50	600 00	100 00	700 00	3.50
25,000	750 00	125 00	875 00	3.50	750 00	125 00	875 00	3.50	750 00	125 00	875 00	3.50
30,000	900 00	150 00	1,050 00	3.50	900 00	150 00	1,050 00	3.50	900 00	150 00	1,050 00	3.50
35,000	1,050 00	175 00	1,225 00	3.50	1,050 00	175 00	1,225 00	3.50	1,050 00	175 00	1,225 00	3.50
40,000	1,200 00	200 00	1,400 00	3.50	1,200 00	200 00	1,400 00	3.50	1,200 00	200 00	1,400 00	3.50
45,000	1,350 00	225 00	1,575 00	3.50	1,350 00	225 00	1,575 00	3.50	1,350 00	225 00	1,575 00	3.50
50,000	1,500 00	250 00	1,750 00	3.50	1,500 00	250 00	1,750 00	3.50	1,500 00	250 00	1,750 00	3.50
55,000	1,650 00	275 00	1,925 00	3.50	1,650 00	275 00	1,925 00	3.50	1,650 00	275 00	1,925 00	3.50
60,000	1,800 00	300 00	2,100 00	3.50	1,800 00	300 00	2,100 00	3.50	1,800 00	300 00	2,100 00	3.50
65,000	1,950 00	325 00	2,275 00	3.50	1,950 00	325 00	2,275 00	3.50	1,950 00	325 00	2,275 00	3.50
70,000	2,100 00	350 00	2,450 00	3.50	2,100 00	350 00	2,450 00	3.50	2,100 00	350 00	2,450 00	3.50
75,000	2,250 00	375 00	2,625 00	3.50	2,250 00	375 00	2,625 00	3.50	2,250 00	375 00	2,625 00	3.50
80,000	2,400 00	400 00	2,800 00	3.50	2,400 00	400 00	2,800 00	3.50	2,400 00	400 00	2,800 00	3.50
85,000	2,550 00	425 00	2,975 00	3.50	2,550 00	425 00	2,975 00	3.50	2,550 00	425 00	2,975 00	3.50
90,000	2,700 00	450 00	3,150 00	3.50	2,700 00	450 00	3,150 00	3.50	2,700 00	450 00	3,150 00	3.50
95,000	2,850 00	475 00	3,325 00	3.50	2,850 00	475 00	3,325 00	3.50	2,850 00	475 00	3,325 00	3.50
100,000	3,000 00	500 00	3,500 00	3.50	3,000 00	500 00	3,500 00	3.50	3,000 00	500 00	3,500 00	3.50
105,000	3,150 00	525 00	3,675 00	3.50	3,150 00	525 00	3,675 00	3.50	3,150 00	525 00	3,675 00	3.50
110,000	3,300 00	550 00	3,850 00	3.50	3,300 00	550 00	3,850 00	3.50	3,300 00	550 00	3,850 00	3.50
115,000	3,450 00	575 00	4,025 00	3.50	3,450 00	575 00	4,025 00	3.50	3,450 00	575 00	4,025 00	3.50
120,000	3,600 00	600 00	4,200 00	3.50	3,600 00	600 00	4,200 00	3.50	3,600 00	600 00	4,200 00	3.50
125,000	3,750 00	625 00	4,375 00	3.50	3,750 00	625 00	4,375 00	3.50	3,750 00	625 00	4,375 00	3.50
130,000	3,900 00	650 00	4,550 00	3.50	3,900 00	650 00	4,550 00	3.50	3,900 00	650 00	4,550 00	3.50
135,000	4,050 00	675 00	4,725 00	3.50	4,050 00	675 00	4,725 00	3.50	4,050 00	675 00	4,725 00	3.50
140,000	4,200 00	700 00	4,900 00	3.50	4,200 00	700 00	4,900 00	3.50	4,200 00	700 00	4,900 00	3.50
145,000	4,350 00	725 00	5,075 00	3.50	4,350 00	725 00	5,075 00	3.50	4,350 00	725 00	5,075 00	3.50
150,000	4,500 00	750 00	5,250 00	3.50	4,500 00	750 00	5,250 00	3.50	4,500 00	750 00	5,250 00	3.50



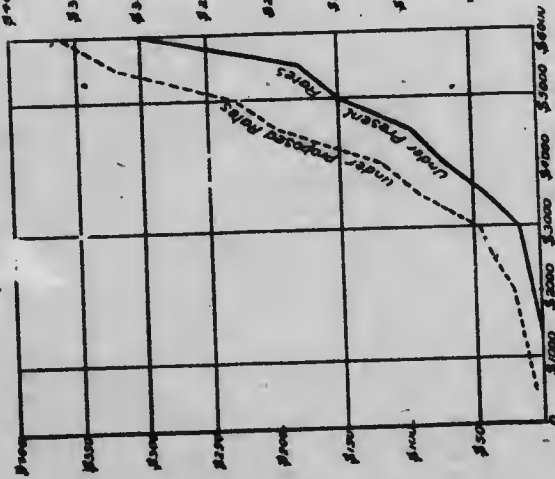
Graph A.—Combined Dominion and Provincial Income-tax Rates. (Total Incomes include the Initial Exemptions.)



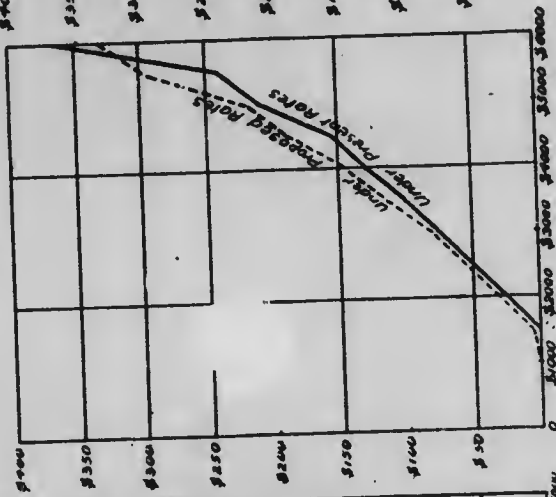
\* This chart assumes the definitions of taxable incomes to be the same in both Dominion and Provincial laws.

Graph B.—Amount of Total Taxes payable under Present Dominion and Provincial Income-tax Rates contrasted with those payable if the Proposed Changes in the Provincial Rates and Initial Exemptions are adopted.

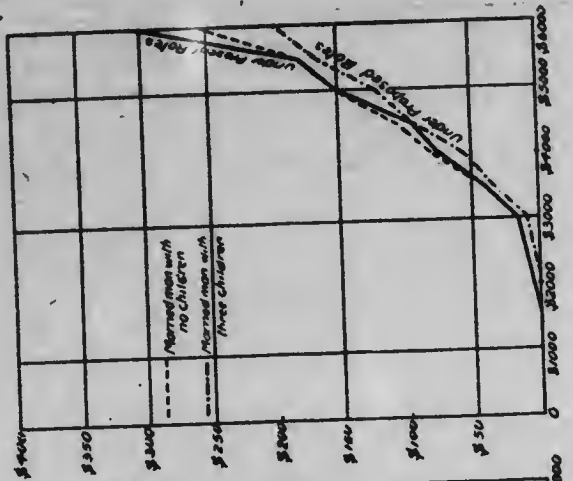
Corporations



Single Man



Married Man



Group C.—Rates of Total Taxes payable by Single Men under Dominion and Provincial Income-tax Rates, assuming the Proposed Changes in the Provincial Rates and Initial Exemptions are adopted.

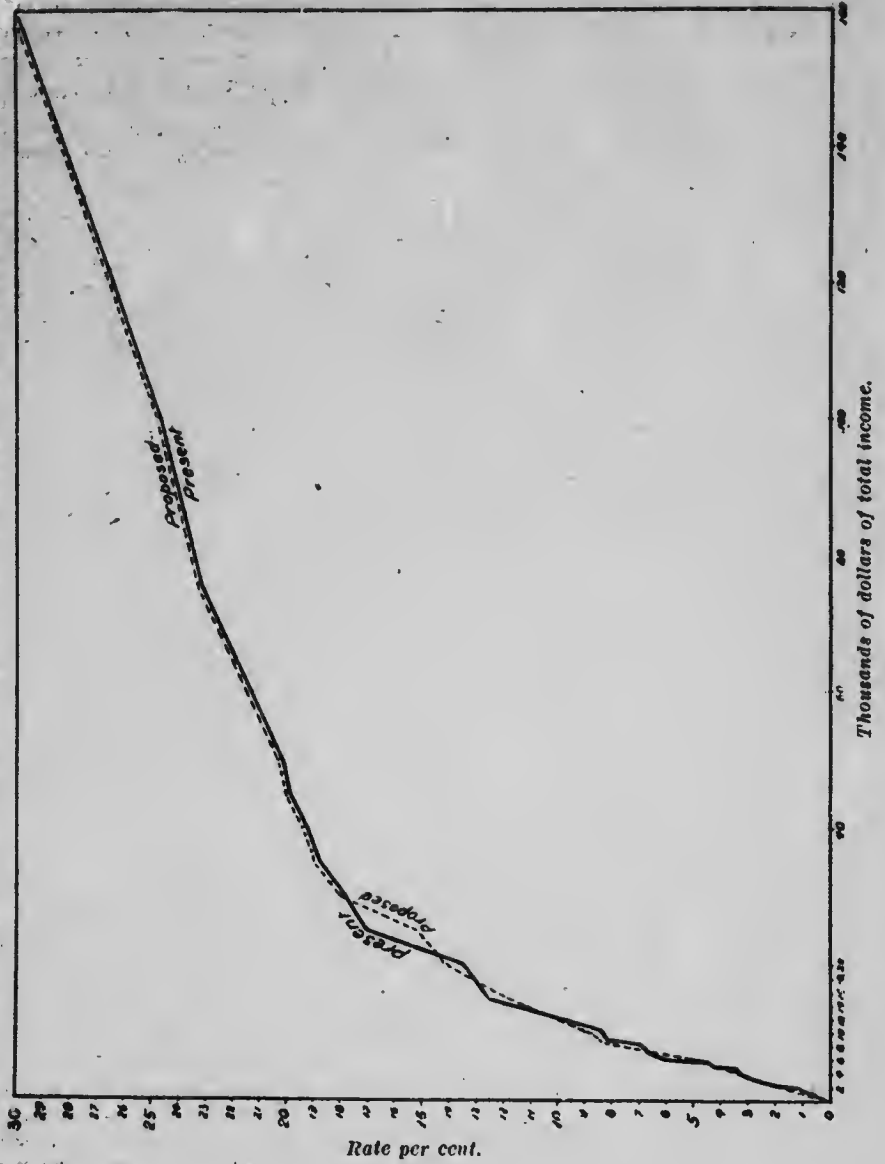


Table B.—Amount of Total Taxes payable under Dominion and Provincial Income-tax Rates, assuming the Proposed Changes in Provincial Rates and Initial Exemptions are adopted.

Total Income.	SINGLE MEN.			MARRIED MEN WITHOUT CHILDREN.			MARRIED MEN WITH THREE CHILDREN.			CORPORATIONS.		Total.
	Dominion.	Provincial.	Total.	Dominion.	Provincial.	Total.	Dominion.	Provincial.	Total.	Dominion.	Provincial.	
\$1,500.....		\$ 5 00	\$ 5 00								\$ 5 00	\$ 15 00
2,000.....	\$ 20 00	10 00	30 00								20 00	30 00
2,500.....	40 00	15 00	55 00								37 50	37 50
3,000.....	60 00	20 00	80 00								45 00	45 00
3,500.....	80 00	30 00	110 00	\$ 20 00	20 00	40 00	\$ 20 00	14 00	34 00	\$ 21 00	70 00	90 00
4,000.....	100 00	37 50	137 50	40 00	30 00	70 00	40 00	19 00	59 00	40 00	80 00	130 00
4,500.....	120 00	45 00	165 00	60 00	37 50	97 50	60 00	26 00	86 00	60 00	135 00	155 00
5,000.....	140 00	52 50	192 50	80 00	45 00	125 00	80 00	32 00	112 00	80 00	150 00	180 00
5,500.....	160 00	60 00	220 00	100 00	52 50	152 50	100 00	38 00	138 00	100 00	165 00	200 00
6,000.....	180 00	67 50	247 50	120 00	60 00	180 00	120 00	44 00	164 00	120 00	180 00	230 00

Table C.—Taxes payable and Tax Rates under the Dominion and Provincial Income-taxes in the Case of Single Men.

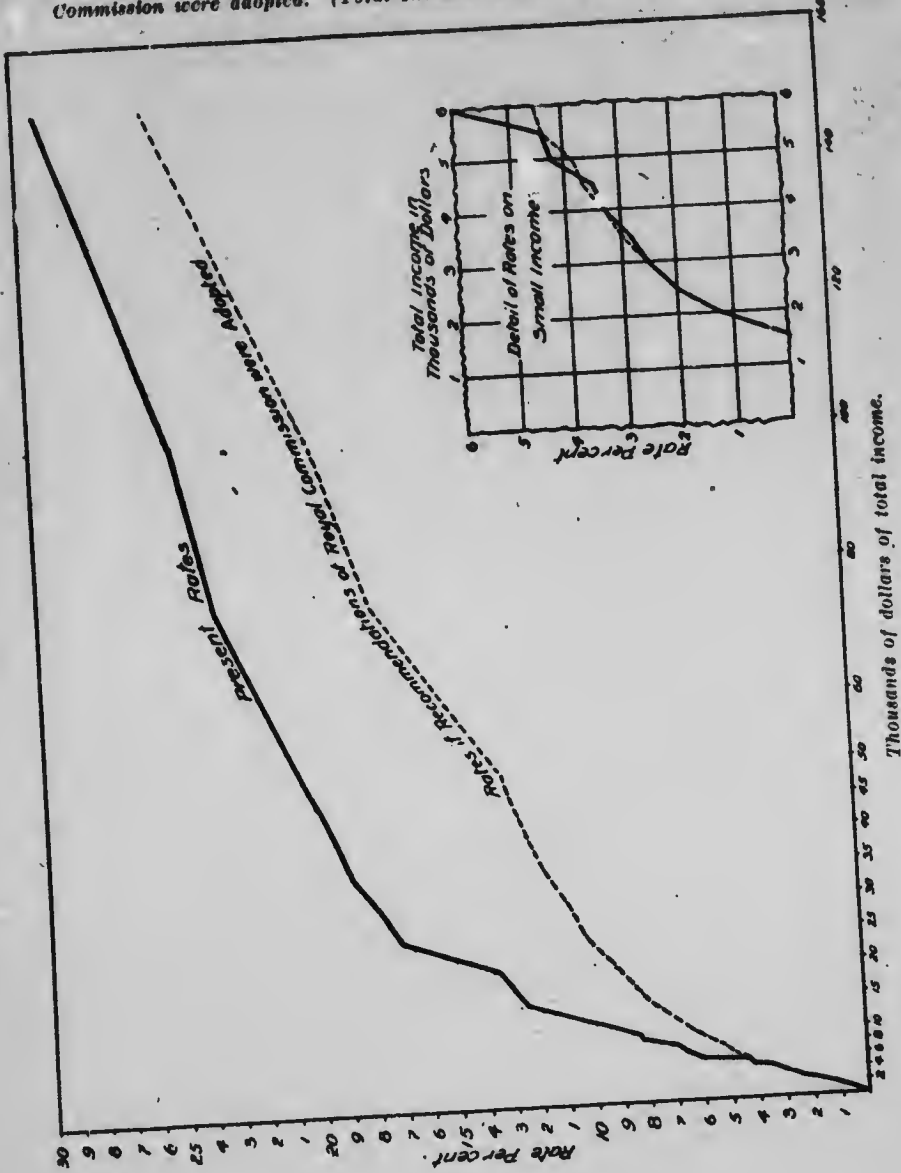
Total Income.	Amount of Dominion Tax.	Amount of Provincial Tax.	Total Amount.	Total Rate.
				Per Cent.
\$ 1,500.....		\$ 5 00	\$ 5 00	0.33
2,000.....	20 00	10 00	30 00	1.5
2,500.....	40 00	15 00	55 00	2.2
3,000.....	60 00	20 00	80 00	2.66
3,500.....	80 00	30 00	110 00	3.14
4,000.....	100 00	37 50	137 50	3.39
4,500.....	120 00	45 00	165 00	3.63
5,000.....	140 00	52 50	192 50	3.86
5,500.....	160 00	60 00	220 00	4.09
6,000.....	180 00	67 50	247 50	4.28
7,000.....	240 00	82 50	322 50	4.61
8,000.....	300 00	97 50	397 50	4.94
9,000.....	360 00	112 50	472 50	5.25
10,000.....	420 00	127 50	547 50	5.56
15,000.....	870 00	270 00	1,140 00	7.6
20,000.....	1,320 00	412 50	1,732 50	8.66
25,000.....	1,770 00	555 00	2,325 00	9.3
30,000.....	2,220 00	697 50	2,917 50	9.75
35,000.....	2,670 00	840 00	3,510 00	10.0
40,000.....	3,120 00	982 50	4,102 50	10.25
45,000.....	3,570 00	1,125 00	4,695 00	10.44
50,000.....	4,020 00	1,267 50	5,287 50	10.58
55,000.....	4,470 00	1,410 00	5,880 00	10.7
60,000.....	4,920 00	1,552 50	6,472 50	10.8
75,000.....	10,070 00	3,105 00	13,175 00	17.43
100,000.....	14,820 00	4,157 50	18,977 50	18.98
150,000.....	29,320 00	8,315 00	37,635 00	25.09

The recommendations of the Royal Commission on Taxation of 1911 in regard to changes in the income-tax rates are given above. The amounts which would be payable by single persons receiving various incomes are shown in Table D, where they are also combined with the amounts payable under the Federal income-tax law and the total rates on the entire income is calculated. Graph D contrasts these rates with the rates now obtaining. The adoption of the rates recommended by the Commission would result in a fairly regular and even progression, but the rates on the whole are substantially lower than the present scale. The adoption of the recommendation of the Vancouver Board of Trade, that the surtax not apply to corporate incomes, would reduce the productivity of the tax still more.

Table D.—Taxes payable and Tax Rates under the Dominion and Provincial Income-taxes applying to Single Men in Case the Recommendations of the Royal Commission on Taxation are adopted.

Total Income.	Dominion.	Provincial.	Total.	Percentage.
1,000.	25 00	5 00	25 00	1.25
2,000.	40 00	10 00	40 00	2.0
3,000.	60 00	15 00	75 00	2.5
4,000.	80 00	25 00	105 00	3.0
5,000.	100 00	31 25	131 25	3.23
6,000.	120 00	45 00	165 00	3.66
8,000.	140 00	52 50	192 50	3.96
10,000.	160 00	60 00	240 00	4.36
12,000.	180 00	90 00	270 00	4.5
14,000.	200 00	110 00	350 00	5.0
16,000.	200 00	130 00	430 00	5.37
18,000.	200 00	157 50	547 50	6.08
20,000.	420 00	212 50	632 50	6.32
25,000.	870 00	375 00	1,245 00	6.08
30,000.	1,380 00	500 00	1,880 00	9.1
35,000.	1,920 00	625 00	2,545 00	10.18
40,000.	2,500 00	750 00	3,270 00	10.99
45,000.	3,220 00	875 00	4,095 00	11.70
50,000.	3,920 00	1,000 00	4,920 00	12.20
60,000.	4,620 00	1,125 00	5,745 00	12.74
70,000.	5,320 00	1,250 00	6,570 00	13.14
100,000.	10,070 00	2,125 00	12,195 00	17.69
150,000.	14,820 00	5,000 00	19,820 00	19.82
200,000.	20,380 00	8,750 00	28,000 00	25.33

Graph D.—Combined Dominion and Provincial Income-tax Rates. Present Rates compared with Rates which could obtain if the Recommendations of the Royal Commission were adopted. (Total Incomes include the Initial Exemptions.)



VICTORIA, B.C.:

Printed by WILLIAM H. CULLIN, Printer to the King's Most Excellent Majesty.  
1919.

