

war, when in the short war session of August, 1914, increases were made in the customs and excise duties on various commodities, including coffee, sugar, spirituous liquors and tobacco. In 1915, special additional duties of 5 p.c. *ad valorem* were imposed on commodities imported under the British preferential tariff and 7½ p.c. *ad valorem* on commodities imported under the intermediate and general tariffs, certain commodities being exempted. New internal taxes were also imposed on bank circulation, on the income of trust and loan companies, on insurance in other than life and marine companies, on telegrams and cablegrams, railway tickets, sleeping-car berths, etc., also on cheques, postal notes, money orders, letters and post cards. In the following year, the business profits war tax, dropped in 1921, was introduced, and in 1917 an income tax was imposed. In 1918 both of these taxes were increased and their application widened, and in 1919 the income tax was again increased, and still further augmented in 1920 by a surtax of 5 p.c. of the tax on incomes of \$5,000 and over; the sales tax was also introduced in that year. This sales tax was increased in 1921 and again in 1922, while another addition became effective on Jan. 1, 1924. The cumulative result of these war taxes was that, in the fiscal year ended March 31, 1921, customs duties were for the first time displaced from their position as the chief factor in Canadian revenue, the war taxes yielding \$168,385,327, as against the customs yield of \$163,266,804. In 1922 war taxes yielded \$177,484,161, while the yield of the customs fell to \$105,686,645. Again, in 1923 the war taxes yielded \$181,634,875 and customs duties \$118,056,469, in 1924 \$182,036,261 and \$121,500,798, in 1925 \$147,164,158 and \$108,146,871, in 1926 \$157,296,321 and \$127,355,143, and in 1927 \$156,167,434 and \$141,968,678.

A more detailed sketch of the new taxation imposed during the war period from 1914 to 1921 will be found at pp. 755-757 of the 1926 Year Book. An outline of the chief changes in taxation between 1922 and 1927 follows.

**Recent Modifications in the System of Taxation.**—In the session of 1922, the Special War Tax Revenue Act, 1915, was amended by c. 47. Taxes on cheques, bills of exchange, promissory notes and express money orders were increased to a rate of 2c. on every \$50 or fraction thereof, with a maximum of \$2 on \$5,000 or more. A receipt for \$10 or over must bear a 2c. stamp. The normal rate of sales tax was also increased from 3 p.c. to 6 p.c. The Income War Tax Act, 1917, was amended by c. 25. The normal rate was to be 4 p.c. on incomes of from \$2,000 to \$6,000 in the case of a married person or one having dependent upon him any of the following—a parent or grandparent, daughter or sister, or a son or brother under 21 years of age and physically or mentally incapable of self-support; the additional exemption for each child under 18 years of age dependent upon the tax-payer for support was increased from \$200 to \$300. For all other persons the normal tax was 4 p.c. on incomes of from \$1,000 to \$6,000. By c. 19 various reductions were made in the customs tariff, notably on sugar, agricultural implements, textiles, and boots and shoes. Further, by c. 27 the excise duties on cigars were diminished and those on cigarettes increased.

In 1923, c. 42 authorized a discount of 10 p.c. of the customs duties on articles, other than alcoholic liquors, tobacco and sugar, imported under the British preferential tariff, where such articles are directly imported through Canadian ports, and where the regular rate of duty exceeds 15 p.c.; negotiations for a commercial agreement with the United States were also authorized, while the rates of duty on sugar and certain other articles were reduced. By c. 52 the Income War Tax Act of 1917 was amended to provide that a taxpayer's income should be deemed to be not less than that from his chief occupation, that a reasonable rate of interest on borrowed capital might be deducted from his income, that the incomes of consuls, consuls-general and officials of other countries whose duties require them to reside in Canada would be exempted from taxation if such countries grant reciprocal privileges to resident Canadian officials; other amendments deal with notices of appeals and the recovery of moneys due in taxation. By c. 53, the excise duty on cigarettes was reduced. The Special War Revenue Act of 1915 was amended so as to make the maximum stamp tax on cheques \$1 instead of \$2; the rate of the