

where loans are contracted, sufficient new taxation should be imposed to meet the interest charge upon the loans and to provide a sinking fund for their ultimate extinction. This war taxation was begun in Canada within the first weeks of the 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 excepted. 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. The cumulative result of these war taxes was that, in the fiscal year ended Mar. 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, in 1927 \$156,167,434 and \$141,968,678. In 1928, however, the customs duties yielded \$156,985,818, as against \$150,319,087 collected by the war taxes.

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 1925 will be found at pp. 807-808 of the 1927-28 Year Book.

**Recent Modifications in the System of Taxation.**<sup>1</sup>—In the session of 1926 various changes were made in the customs tariff by c. 7. Green coffee, spices, nutmegs, mace, arrowroot and sponges were made free under the British preferential tariff, and the preferential rate on pineapples in air-tight cans was reduced from 1¼c. to ½c. per lb. The duties on raw sugar imported for refining were also materially reduced under all tariffs, but so as to increase the British preference. Again, the duties on automobiles were substantially reduced under all tariffs, the rate on the cheaper types of automobile imported under the general tariff being reduced from 35 to 20 p.c., and under the British preferential tariff from 22½ to 12½ p.c. Finally, tin plate was made free under the preferential tariff and reduced from 12½ to 5 p.c. under the general tariff. By c. 10, amending the Income War Tax Act of 1917, the exemption limit was raised from \$2,000 to \$3,000 in the case of married persons or those with dependants, and from \$1,000 to \$1,500 in the case of other persons. The rates of taxation were also reduced all along the line, those with incomes of \$5,000 or less paying only 2 p.c. instead of 4 p.c. or more of their taxable income, the income tax of a married person without dependants being reduced from \$619.50 to \$290 on an income of \$10,000 and from \$3,024 to \$2,530 on an income of \$25,000. The rate of taxation of corporate incomes was

<sup>1</sup>For modifications in taxation in the years 1922 to 1925, see 1927-28 Year Book, pp. 807-8.