

items aggregated \$126,143,275 out of total receipts on consolidated fund account amounting to \$163,174,395, the Post Office and Government railways furnishing between them \$26,348,847 of the remainder, offset, however, by expenditures on these two services amounting to \$27,757,196. Miscellaneous revenue, largely fees, amounted in that year to \$10,682,273—a comparatively small fraction of the total. As both customs and excise taxes were indirect, the average Canadian felt but little the pressure of taxation for Dominion purposes.

The war enormously increased the expenditure, and this increase had in the main to be met by loans. It is, however, a cardinal maxim of public finance that, 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)<sup>2</sup> 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 \$127,355,144, 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, in 1929 \$187,206,332 as against \$145,029,742, and in 1930 \$179,429,920 as against \$134,086,005 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. 807-809 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

<sup>1</sup> For modifications in taxation in the years 1922 to 1925, see 1927-28 Year Book, pp. 807-809.

<sup>2</sup> Belated revenue from this tax has been collected in subsequent fiscal years down to 1930 (see Table 8, p. 844).