

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. This situation has remained true down to 1935 with the exception of the period between 1928 and 1931, when customs duties temporarily assumed their former position.

A more detailed sketch of the changes made in taxation from 1914 to 1926 will be found at pp. 755-759 of the 1926 Year Book, while similar information *re* tax changes in 1927 to 1929 was given at pp. 791-792 of the 1930 Year Book.

**Recent Modifications in the System of Taxation.**—In 1930, the general rate of the sales tax was reduced from 2 to 1 p.c. *Bona fide* co-operative organizations, government or like annuities (to the extent of \$5,000), and donations to churches, schools and hospitals (to a maximum of 10 p.c. of the net income of the taxpayer) were exempted from income tax, and the \$500 exemption for children was extended to cover certain dependent relatives suffering from mental or physical infirmity. In the customs tariff, the iron and steel schedules were completely revised, seasonal tariffs were adopted in respect of fruits and vegetables, duties were reduced under certain tariffs on tea, porcelain and chinaware, and meats, and increased on beans and butter, and so-called countervailing duties were imposed in respect of 16 commodities. The year was unusual in that it saw a second tariff revision, namely, that of the special session of September, when the anti-dumping clauses of the tariff were re-written and very many changes were made in rates of duty in the schedules. Increases were made *inter alia* on most agricultural products, on printed matter and manufactures of paper, on numerous commodities in the iron and steel group, on a wide range of textile items and on boots and shoes. Power was granted to the Governor in Council to prohibit the importation into Canada of goods exported to the Dominion from any country not a contracting party to the Treaty of Versailles.

In 1931, the general rate of the sales tax was increased from 1 to 4 p.c. Tax-free limit for cheques, receipts for money paid by banks, money orders, travellers cheques and Post Office money orders was reduced from \$10 to \$5 and postage stamps could be used on such documents in lieu of excise tax stamps. A special excise tax of 1 p.c. was imposed on importations. As regards the customs tariff, the 1931 session saw several further amendments of the administrative clauses of the tariff, the powers of the Governor in Council in the matter of the making of tariffs being widened to include the granting and withdrawing of rates more favourable than those of the British preferential tariff. Provision was made for penalty in the case of any person guilty of using the tariff to increase prices to consumers. Rates were altered on many items, the countervailing duties having been rescinded in entirety at the special session in September, 1930. Increases were made on fresh and canned meats, tea, field and garden seeds, prepared foods, containers, wall-boards, spray mixtures, building stone and granite, steel plate, motor vehicles, wood veneers, various textiles, coal and coke, leather and leather goods, and numerous

\* Belated revenue from this tax has been collected in subsequent fiscal years down to 1933 (see Table 8, p. 837).