excise duties, together with the revenue from the head tax on Chinese immigrants, were the only items of receipts which were classified as taxes by the Department of Finance. In the last pre-war fiscal year these two 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 shuold 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. This situation has remained true down to 1936 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 and at pp. 824-826 of the 1936 Year Book for the years 1930 to 1935.

Recent Modifications in the System of Taxation.—In 1936 important changes were made in various taxation rates. The ordinary rate of income tax on corporations was increased from 13½ p.c. to 15 p.c., and where returns are consolidated, the rate was increased from 15 p.c. to 17 p.c. No changes were made in the existing rates on individual incomes. In order to stimulate an expansion of mining activity, an exemption from corporate income tax was granted to any metalliferous mine coming into production between May 1, 1936, and Jan. 1, 1940, such exemption to apply to its income for the first three years following the commencement of production. A new category embracing non-resident-owned investment corporations was established with provision for a rate of half the normal rate of tax on corporations.

* Belated revenue from this tax has been collected in subsequent fiscal years down to 1933 (see Table 8, p. 829).