stituted the chief resource of the Dominion Government for general purposes—the Post Office revenue and the Government railway receipts, which are not taxes at all, being mainly or entirely absorbed by the expenses of administering these services. Indeed, for many years preceding the War, customs and 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 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 1920. 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 1937 with the exception of the period between 1928 and 1931, when customs duties temporarily assumed their former position.

The importance which the sales tax has attained as a source of revenue will be seen from Tables 9 and **10**. When first introduced in 1920 the tax was 1 p.c. on sales but the rate has been varied from year to year and from May 2, 1936, has been 8 p.c. A statement is appended showing the changes made from the inception of the tax up to the present. A lesser, but still substantial, source of revenue is the special excise tax on importations, instituted in 1931, the changes in rates of which are shown in Statement II.

* Belated revenue from this tax has been collected in subsequent fiscal years down to 1933 (see Table 8, p. 851).