

nature were made in the exemptions and rates of the gift tax; exemption of corporation income tax in respect to dividends received from wholly-owned non-resident subsidiary companies, if at least 75 p.c. of the combined capital of the parent and subsidiary companies is employed abroad and if the country in which the subsidiary is located grants a like exemption to parent companies in respect to subsidiaries in Canada; exemption from sales tax of feed for fur-bearing animals, harness, and materials for the repair of fishermen's boats. The special excise tax on tires and tubes as original equipment for automotive vehicles was also removed.

No tariff changes whatsoever were introduced by the 1938 Budget. Instead, it was announced that the Government would postpone unilateral tariff action pending conclusion of the trade negotiations then in progress with the United States. The new Canada-United States Trade Agreement which resulted from these negotiations is dealt with on p. 468.

A statement at pp. 811-817 of the 1937 Year Book shows complete details of the Dominion tax system as of July, 1936, and statements at pp. 836-837 of the 1938 edition show changes made in the sales tax and in the special excise tax on importations since the inception of these taxes in 1920 and 1931, respectively.

### Subsection 1.—The Current Balance Sheet of the Dominion.

A summary review of the current financial situation of the Dominion as at Mar. 31, 1934-38, is given in the balance sheet shown as Table 1. This shows the figures for gross debt on Mar. 31, 1938, to have been \$3,540,237,615, partly offset by active assets aggregating \$438,570,044, leaving the net debt at \$3,101,667,570. Non-active assets, including such public works as canals and railways, also loans to railways, amounted in the aggregate to \$1,444,255,048, leaving a debit balance on Consolidated Fund Account on Mar. 31, 1938, of \$1,657,412,522. The details of the various assets and liabilities are contained in the schedules accompanying the balance sheet and printed in the Public Accounts.

It should be noted that under the heading "Non-Active Assets", p. 876, the revision of the capital structure of the Canadian National Railways in 1938 resulted in the elimination of all loans made in previous years to the Canadian National Railways to cover deficits and the setting up of the new accounts shown for 1938. These latter represent the Government's present equity in the Railways (see p. 645 for further details). There is, therefore, no comparability between the 1938 figures and those for previous years as regards these items.

#### 1.—Balance Sheets of the Dominion of Canada, as at Mar. 31, 1934-38.

NOTE.—Dashes indicate that the items were not applicable in the years so indicated.

Item.	1934.	1935.	1936.	1937.	1938.
	ASSETS.				
<b>Active Assets—</b>					
Cash on hand and in banks.	\$ 9,874,579	\$ 16,296,607	\$ 20,243,808	\$ 26,239,458	\$ 8,297,389
Specie reserve.	71,408,030	2,443,224	2,236,629	—	—
Bank of Canada, Class "B" shares.	—	—	—	5,100,000	5,100,000
Railway accounts <sup>1</sup> .	17,305,489	33,884,413	46,087,498	56,335,222	28,784,895
Advances to provinces, Harbour Commissions, Canadian Farm Loan Board, etc.	191,920,713	175,034,198	223,788,091	231,014,250	253,296,776
Advances to foreign governments.	30,494,720	30,494,720	30,494,720	30,494,720	30,854,262
Soldier and general land settlement loans.	45,219,132	44,648,325	43,594,540	42,477,774	42,232,502

<sup>1</sup> Included in "Miscellaneous current accounts" in earlier Year Books.