

8 p.c. A statement is given at p. 836 of the 1938 Year Book showing the changes made from the inception of the tax up to 1938. A prominent feature of the present war-period has been the sharp increases in income tax rates and the extension of such taxation, through the National Defence tax, down to incomes that never before have come within the scope of direct taxation by the Dominion Government.

Recent Modifications in the System of Taxation.—A 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 is given at pp. 791-792 of the 1930 Year Book, for the years 1930 to 1935 at pp. 824-826 of the 1936 Year Book, for 1936-37 at pp. 837-839 of the 1938 Year Book, for 1938 at pp. 874-875 of the 1939 Year Book and for 1939 at pp. 830-831 of the 1940 edition.

The Second War Budget.—On June 24, 1940, the Minister of Finance, following the policy in war financing of attempting, so far as possible, to "pay as we go", submitted to Parliament a tax program that undoubtedly surpassed in severity any that the Canadian people have ever been asked to accept. In order to ensure that the war burdens would be distributed so far as possible according to ability to pay, a substantial part of the additional revenue was to be raised by direct taxes on income.

Personal exemptions under the Income War Tax Act were lowered from \$2,000 and \$1,000 to \$1,500 and \$750 for married and single persons, respectively. The entire structure was revised upward with particularly heavy increase in the middle and lower brackets. Supplementing the regular graduated income tax, there was levied a flat-rate tax of 2 p.c. on total income where income exceeds \$600 in the case of single persons and \$1,200 in the case of married persons. The rate of tax was 3 p.c. on single persons with incomes of more than \$1,200. An annual tax credit of \$8 was allowed for each dependant.

The excess profits tax was extensively revised in the June Budget. Under the amended Act excess profits were to be taxed at 75 p.c. (previously 50 p.c.) and a minimum tax of 12 p.c. of total profits was provided for. A Board of Referees was given power under the new Act to make adjustments in certain cases.

Taxes on smokers supplies were again raised substantially and new levies were imposed on radios, radio tubes, cameras and phonographs.

Under the Customs Tariff the rates on tobacco were increased to compensate for higher domestic taxes, and the special duties on tea were readjusted to produce additional revenue. Other tariff changes were confined almost exclusively to products related to war production. They were technical in nature and did not involve any significant change in the general level of rates.

In addition to the above taxes, the primary purpose of which was to provide revenue, the Budget introduced a war-exchange tax of 10 p.c. on all imports from non-Empire countries. This measure was designed to restrict the demand for exchange in 'hard' currencies although the revenue aspect was also important. Steeply graduated taxes were imposed on automobiles; this was also to conserve exchange as