

ultimate liquidation. This war taxation was begun in Canada within the first weeks of 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 or 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 1942, with the exception of the period between 1928 and 1931, when customs duties temporarily assumed their former position.

The importance that the sales tax has attained as a source of revenue will be seen from Table 13. When first introduced in 1920 the tax was 1 p.c. on sales but the rate has been varied from year to year and since May 2, 1936, has been 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.

The Financing of Canada's War Effort.†—At the emergency session of Parliament in September, 1939, an appropriation of \$100,000,000 was passed to cover war expenditures, and with this was lumped the unexpended funds of the Department of National Defence that had been voted at the first 1939 session. The first War Budget was brought down on Sept. 12 by the Minister of National Revenue. This Budget included moderate increases in income taxes and substantial increases in taxes on certain luxuries and semi-luxuries, notably beverages and tobacco. An excess-profits tax was enacted to divert to the Treasury a large part of increased profits arising from war-time conditions.

When Parliament assembled in May, 1940, a War Appropriation of \$700,000,000 was passed to meet the costs in 1940-41 of the greatly extended war effort. Estimates submitted to Parliament for other expenditures amounted to \$448,000,000, showing a substantial reduction from the corresponding figure of \$525,000,000 in the previous year. The second War Budget, brought down on June 24, provided for substantial

* Related revenue from this tax has been collected in subsequent fiscal years down to 1933 (see Table 13, p. 762).

† A review of the fourth War Budget, not available at the time this chapter went to press, will be found in the Introduction to this volume. For more detailed information, and interpretations of these financial matters, refer to the three War Budget speeches of Sept. 12, 1939 (Hansard p. 135) June 24, 1940 (Hansard p. 1011) and Apr. 29, 1941 (Hansard p. 2541), and to speeches or statements made by the Minister of Finance in the House of Commons on May 21, 1940 (Hansard p. 83), July 30, 1940 (Hansard p. 2125), Nov. 21, 1940 (Hansard p. 311), Dec. 2, 1940 (Hansard p. 605), Feb. 18, 1941 (Hansard p. 897), and Mar. 20, 1941 (Hansard p. 1867). Reference might also be made to the speech of the Prime Minister in the House of Commons on Mar. 25, 1941 (Hansard p. 2016), and in general to the debates on the three Budgets mentioned above.