

offered for \$300,000,000 in cash as well as in conversion for another maturing issue. This, too, was over-subscribed, though less rapidly. In January, 1941, another short-term loan was obtained from the banking system, in the amount of \$250,000,000, and in the form of 2½-year notes sold to yield 1 5/8 p.c. The great and unprecedented expansion of employment and production in Canada which was still proceeding at this time made this further bank-financing possible without inflationary effects. It should be added that an issue of \$325,000,000 in Dominion securities was sold to the Bank of Canada in May, 1940, for foreign exchange purposes, but this essentially involved an exchange of assets rather than a normal borrowing operation.

The third and fourth war loans were named the First and Second Victory Loans; the First Victory Loan was issued in June, 1941, and the Second Victory Loan in February, 1942. Details of these two loans, together with particulars of recent transactions in connection with treasury bills and the repatriation of Canadian securities held in the United Kingdom, are given at p. 776, in the subsection dealing with the national debt.

**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, for 1939 at pp. 830-831 of the 1940 Year Book and for 1940 at pp. 744-745 of the 1941 edition.

A statement at pp. 811-817 of the 1937 Year Book gives complete details of the Dominion tax system as of July, 1936, and statements at pp. 836-837 of the 1938 edition give 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.

**Details of the Third War Budget.**—Canada's financial burden in the present war was forcefully brought home in the third War Budget, that of April, 1941. In that Budget it was announced that Canada's financial commitments for the fiscal year ending Mar. 31, 1942, would total in excess of \$2,700,000,000, an amount exceeding by far anything hitherto contemplated in the field of Dominion finance. This total was comprised of \$1,300,000,000 to cover Canada's direct war expenditures, \$900,000,000 to be provided Great Britain to enable her to purchase supplies and equipment in Canada and \$468,000,000 to meet the normal operating costs of government. It was estimated that the existing system of taxation would leave a deficit of about \$1,500,000,000. To partly close this gap, new and higher taxes were levied which were expected to yield the Treasury an additional \$250,000,000 during the balance of the fiscal year.

As in the previous Budgets, main emphasis was placed on direct taxation. The rates of personal income tax were again raised sharply, while the previous rates of 2 p.c. and 3 p.c. under the National Defence Tax were increased to 5 p.c. and 7 p.c., respectively, with the starting point for single persons raised to \$660 and the tax credit for dependants to \$20. An important change in the Income Tax Act provided that the tax on interest and dividends going abroad be increased from 5 p.c. to 15 p.c. The minimum rate of tax payable under the Excess Profits Tax Act was increased from 12 p.c. to 22 p.c. and at the same time several technical changes were made to improve the operation of the Act. With the introduction of a Succession Duties Act, the Dominion for the first time entered a field hitherto left exclusively to the provinces.