

Section 2.—Dominion Public Finance*

Historical Sketch.—A sketch of public finance, from the French régime to the outbreak of the War of 1914-18, appears at pp. 742-743 of the 1941 Year Book. Up to that time, Dominion revenues had never reached \$170,000,000, while expenditures reached \$186,000,000 in the fiscal year ended Mar. 31, 1914, and even this figure was an increase of almost 29 p.c. over that of the previous year.

Pre-War 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. 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.

War-time Modifications in the System of Taxation.—Changes in 1939 are given at pp. 830-831 of the 1940 Year Book, 1940 changes at pp. 744-745 of the 1941 Year Book and 1941 changes at pp. 747-748 of the 1942 edition. The salient war-time changes are brought together below.

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, 1939, 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, 1940, provided for substantial increases in taxes to meet a portion of these additional costs of war. The graduated rates of the personal income tax were raised very substantially and exemption limits were reduced. A national defence tax was introduced applying broadly to all persons receiving incomes of more than \$600 per annum. So far as possible, this tax was deducted at the source. The excess profits tax was revived and made much more severe. In order to conserve exchange, a War Exchange Tax of 10 p.c. was imposed on all imports except those from the Empire. The excise tax on auto-

* Revised under the direction of Dr. W. C. Clark, Deputy Minister, Department of Finance, with the exception of those parts dealing with war-tax revenue and income-tax revenue at pp. 823-825, which were revised by the Department of National Revenue.

† For more detailed information, and interpretations of these financial matters, refer to the War Budget speeches of Sept. 12, 1939 (Hansard p. 135), June 24, 1940 (Hansard p. 1011), Apr. 29, 1941 (Hansard p. 2541), June 23, 1942 (Hansard p. 3570), and March 2, 1943 (Hansard p. 870) 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 Budgets mentioned above.