

direct taxation program. The outbreak of the Second World War led to the entry of the Dominion into the fields of succession duties and gasoline taxes (the latter are semi-direct), which had hitherto been imposed exclusively by the provinces. These new taxes were introduced in the Budget of April, 1941. Provision was made for compensating the provinces for losses in gasoline tax revenue caused by the Dominion Government's rationing program.

In 1941 the Dominion offered to compensate the provinces if they would vacate the personal income and corporation tax fields for the duration of the War, as outlined at pp. 838-839. The revenue received by the Dominion from such direct taxes of lesser importance as those on banks and insurance companies, and on excess profits is shown in the Table at p. 824.

The Budget of June, 1942, imposed further semi-direct taxes by the imposition of a duty of 20 p.c., payable by means of excise stamps, on cover charges, charges for meals, etc., in night clubs and similar places of entertainment and of 25 p.c. on purchases of luggage, clocks and watches, jewellery, cut glass and china, fountain pens, photographic films and other luxury articles. The March, 1943, Budget raised the rates on tobacco, cigars and cigarettes. The duty on alcoholic spirits and the tax on cabarets and night clubs were raised and a one-cent increase in the postage rate was imposed.

The place that direct taxation has assumed in the general taxation picture and its incidence on the purse of the ordinary taxpayer has made it advisable to give this subject separate treatment but this should not detract attention from the important place that indirect taxation, through customs, excise and sales taxes, still holds in the taxation burden that the individual taxpayer is called upon to bear.

In order to present a clearer picture of the main elements of direct or semi-direct taxation, Part III has been divided into three Sections, dealing with income tax, gasoline taxes and succession duties, respectively.

Such historical statistics of provincial government revenues from taxes on individual incomes and on corporations as are available have not been included under Section 1. These statistics have been published in earlier Year Books and in view of the vacation by the provinces of this field for the duration of the War, republication seems not to be necessary. It is the aim of this Part to direct attention to the incidence of direct taxation at the present time rather than to present an historical review of the subject. A table of receipts from provincial corporation taxes from 1932 to 1937 appears at p. 786 of the 1942 Year Book.

Section 1.—Income Tax *

The income tax was instituted in 1917, as a part of what is still known as war-tax revenue. Table 14, p. 825, war-tax revenue table of Department of Finance, shows the total receipts under this item for the fiscal years 1919, the first year for which collections were made, to 1943.

It is a war tax in name only, for even before the outbreak of the present war it had become a permanent and important part of the taxation structure, and the chief source of raising ordinary revenue (see Table 3, p. 814). It is, of course, destined to play a still more important role in the raising of revenue to meet the unprecedented expenditures now being made. In many respects, it is an ideal form of direct taxation; the incidence is admittedly fair and just and the machinery for the collection of this tax already exists.

In editions of the Year Book prior to that of 1911, statistics of income tax were presented on a basis of income tax paid; in the 1941 edition a new presentation was given, on the basis of tax assessed. The 1942 edition carried on the new

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