

Wartime 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 wartime 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 wartime 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 automobiles was made much more severe and steeply graduated in the upper brackets. The Minister of Finance estimated that these, and the other less important changes, would produce an increase of \$280,000,000 in tax revenue in a full year. Further details are given at pp. 744-745 of the 1941 Year Book.

War expenditures were relatively low during the first eight or nine months of the War, when war activities were in the organization phase. They rose rapidly thereafter and by the end of the first year of war were running at a rate of more than \$700,000,000 per year. For the fiscal year ended Mar. 31, 1941, total war expenditures amounted to approximately \$778,000,000 of which \$26,000,000 represented outgo for items treated as active assets in the Dominion accounts.

Financial assistance was provided to Great Britain on a rapidly rising scale as the War progressed. The British Government required Canadian dollars to meet the costs of essential supplies produced in Canada. Some of these were obtained

* 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), Mar. 2, 1943 (Hansard p. 870) and June 26, 1944 (Hansard p. 4291) 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.