

PART III. — OUTSTANDING DEVELOPMENTS IN THE TAXATION FIELD

Prior to the War of 1914-18, the Dominion Government was able to finance its expenditures through the imposition of such indirect taxes as customs and excise duties. There were minor direct taxes imposed for other purposes than revenue but these, in the fiscal year 1914, amounted to less than 1.5 p.c. of the total revenue from taxation collected by the Dominion Government.

To-day the significance of direct taxation is exemplified by the fact that direct taxation collected by the Dominion Government (not including the sales and other similar taxes in this category) accounts for about 60 p.c. of total taxation.

The unprecedented financial demands of the War of 1914-18 began to be felt by 1915 and between 1915 and 1917 the Dominion entered the direct-taxation field with the imposition of taxes on banks, trust and loan companies, insurance companies and business profits. The income tax was introduced in Canada in the latter year and has increased in importance until to-day it is the central feature of the direct-taxation program. The outbreak of War in 1939 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. 941-942. The revenue received by the Dominion from such direct taxes of lesser importance as those on banks, insurance companies, and excess profits is shown in the table at pp. 936-937.

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 most important taxation changes in the 1944 Budget dealt with corporation income tax and excess profits tax and were designed to relieve to some extent the pressure on corporations during the transition from war to peace production (see p. 380). Other taxation changes are outlined at p. 920.

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.