

## Section 2.—Dominion Public Finance\*

A sketch of public finance, from the French regime to the outbreak of the War of 1914-18, appears at pp. 742-743 of the 1941 Year Book, while detailed sketches *re* tax changes from 1914 to 1938 will be found in issues of the Year Book beginning with the 1926 edition. An outline of the financing of Canada's war effort, including the more important changes in taxation during the war years from 1939 to 1945 is given at pp. 918-923 of the 1945 Year Book.

**The 1945-46 Budget.**—The Budget for the year ended Mar. 31, 1946, was presented to Parliament on Oct. 12, 1945, and the principal tax reductions proposed were:—

- (1) A reduction of 4 p.c. in individual income tax for 1945 and of 16 p.c. for 1946;
- (2) Reduction of the 100 p.c. rates of excess profits tax to 60 p.c. from Jan. 1, 1946;
- (3) Increase in the minimum standard profit under excess profits tax from \$5,000 to \$15,000 as from Jan. 1, 1946;
- (4) Removal of the 8 p.c. sales tax from all machinery and equipment used directly in the process of manufacture or production of goods as from the date of the Budget;
- (5) Complete removal of the war exchange tax as from the date of the Budget.

Various other amendments were proposed, including several to implement the recommendations of the Royal Commission on the Taxation of Annuities and Family Corporations. Several income tax concessions to the mining and oil industries were renewed for another year. It was proposed that the succession duty law be amended to provide alleviation of duty in the case of "quick successions".

**The 1946-47 Budget.**—The Budget for the year ended Mar. 31, 1947, was presented to Parliament on June 27, 1946. The financial accounts for the fiscal year 1945-46 showed expenditures of \$4,691,000,000 and revenues of \$2,955,000,000, leaving a deficit for that year of \$1,736,000,000. It was estimated that, after taking account of the effect of the tax changes outlined below, the deficit for the fiscal year 1946-47 would not exceed \$300,000,000 and that by the following fiscal year, 1947-48, the Budget should be in balance.

The principal features of the tax changes were:—

### *Personal Income Tax.*—

Complete revision of the personal income tax structure involving increase in exemptions from \$660 to \$750 for single persons and from \$1,200 to \$1,500 for married persons; simplification of rate structure into and graduated schedule of rates; revision of allowances for dependents whereby for a child under 16 for whom family allowances are paid taxpayers will be given a deduction of \$100 under the income tax and for any other dependent a deduction of \$300; all the above changes to become effective from Jan. 1, 1947.

### *Corporation Income and Excess Profits Taxes.*—

- (1) The over-all combined flat rate of corporation income tax and excess profits tax was reduced effective Jan. 1, 1947, from 40 p.c. to 30 p.c., by the complete repeal of the flat 22 p.c. rate of excess profits tax and by increasing the corporation income tax rate from 18 p.c. to 30 p.c.
- (2) The rate of excess profits tax applying on profits in excess of 116 $\frac{2}{3}$  p.c. of standard profits was decreased from 20 p.c. to 15 p.c. effective Jan. 1, 1947, and sole proprietors and partnerships were exempt entirely from the excess profits tax.

### *Offer to Provinces.*—

Following the failure to achieve complete agreement among all the provinces at the Conference held in Ottawa in April, 1946, as to the terms for renewal of the Wartime Tax Agreements the Dominion Government made a proposal in the Budget Speech which any Province could accept or reject as it wished. The main features of this proposal were:—

\* Revised under the direction of Dr. W. C. Clark, C.M.G., Deputy Minister, Department of Finance.