

unchanged until Jan. 1, 1947, when it was increased to 30 p.c. From Jan. 1, 1940 to Dec. 31, 1947, corporations were also subject to a tax on excess profits, details of which are as follows:

<u>Calendar Year</u>	<u>Excess Profits Tax on Corporations</u>
1940.....	12 p.c. of total profits or 75 p.c. of excess profits, whichever is greater.
1941.....	22 p.c. of total profits or 75 p.c. of excess profits, whichever is greater.
1942.....	First six months—same tax rate as 1941.
1942.....	Second six months—12 p.c. of total profits <i>plus</i> either 10 p.c. of total profits or 100 p.c. of excess profits, whichever is greater.
1943.....	12 p.c. of total profits <i>plus</i> either 10 p.c. of total profits or 100 p.c. of excess profits, whichever is greater.
1944... ..	Unchanged from 1943.
1945.. ..	Unchanged from 1943.
1946.....	22 p.c. of total profits <i>plus</i> 20 p.c. of excess profits; beginning this year "excess profits" are defined as profits in excess of 116 $\frac{2}{3}$ p.c. of standard profits.
1947	15 p.c. of excess profits.
1948.....	No tax payable.

NOTE.—Refundable Portion—From July 1, 1942, to Dec. 31, 1945, those companies taxable at the 100 p.c. rate on excess profits were entitled to a refund of a portion of the taxes paid. The refundable portion is defined as 20 p.c. of all profits in excess of 116 $\frac{2}{3}$ p.c. of standard profits.

Corporation profits, before taxes and dividends, reached a wartime peak in 1942, declined in 1943 and 1944, and then rose to all-time highs of \$1,421,000,000 in 1946 and \$1,821,000,000 in 1947. From 1939 to 1947 the increase was 195 p.c. Because of the sharp increase in the rate of taxation after 1940, however, income after taxes showed a more moderate increase of 101 p.c. between 1939 and 1947. Taxes reached a peak in absolute amount in 1943 when \$642,000,000 was collected out of total profits before taxes of \$1,302,000,000. This figure of taxes collected does not include the refundable portion of excess profits tax. With the abolition of the excess profits tax on Jan. 1, 1948, the tax rate dropped to 30 p.c. of profits, considerably below the wartime peak, but double the 1938 rate of 15 p.c.

Cash dividends paid to stockholders were maintained at a fairly moderate figure. It should be noted that the figure for dividends paid out does not include dividends paid to Canadian corporations, since intercorporate dividends cancel out for the corporate sector as a whole.

Undistributed profits, that is, profits after taxes and dividends, reached a peak of \$608,000,000 in 1947. This, together with \$359,000,000 in depreciation charges gives a total of \$967,000,000 available for replacement and expansion of plant and equipment, and for building up inventories. Comparable figures for 1944, 1945 and 1946 were \$691,000,000, \$666,000,000 and \$729,000,000, respectively. Companies were thus in a favourable financial position to undertake capital investment and inventory expansion as soon as conditions permitted. Unfortunately, investment