

Section 3.—Corporation Profits and Income to Shareholders*

Estimates of corporation profits cover all corporations included in the statistics of national income. Figures for 1944-47 are based on the reports "Taxation Statistics" published by the Taxation Division, Department of National Revenue, that cover practically all taxable corporations. These data required only minor changes to make them conform with the definitions used for national income estimates. For the years prior to 1944, the estimates of corporate profits are based on data on tax collections and tax rates supplied by the Department of National Revenue.

Because of the importance of the rate of taxation in determining the income available for dividend and surplus, a brief description of the changes during the years 1938-49 is given here. The corporation income tax which was 15 p.c. in 1938 and 1939 was raised to 18 p.c. in 1940 and remained unchanged until Jan. 1, 1947, when it was increased to 30 p.c. Effective Jan. 1, 1949, the rate for the first \$10,000 of profits is 10 p.c. and for all profits in excess of \$10,000 it is 33 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:—†

<i>Calendar Year</i>	<i>Excess Profits Tax on Corporations</i>
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 116½ p.c. of standard profits.
1947.....	15 p.c. of excess profits.
1948.....	No tax payable.

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 \$1,828,000,000 in 1947 and \$2,103,000,000 in 1948. From 1939 to 1948 the increase was 240 p.c. Because of the sharp increase in the rate of taxation after 1940, however, income after taxes showed a more moderate increase of 169 p.c. between 1939 and 1948. Taxes rose sharply from 18 p.c. of profits in 1939 to 40 p.c. in 1940, and remained between 40 p.c. and 50 p.c. of profits until 1948, when the percentage dropped to 35. These figures of taxes levied do not include the refundable portion of the excess profits tax.

Dividends declared to stockholders remained fairly constant from 1939 to 1946, but increased fairly sharply in 1947 and 1948 to reach a level of \$533,000,000 in the latter year as compared with the 1939 figure of \$287,000,000. It should be

* Prepared in the National Income Section, Research and Development Division, Dominion Bureau of Statistics.

† 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 was defined as 20 p.c. of all profits in excess of 116½ p.c. of standard profits.