Section 2.—Federal Public Finance

A sketch of public finance from the French régime to the outbreak of World War I appears in the 1941 Year Book, pp. 742-743. 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 in the 1945 Year Book, pp. 918-923. Budgets for the years ended Mar. 31, 1946-51 will be found in issues of the Year Book beginning with the 1946 edition. The most important post-war Budget changes, up to and including the 1952-53 Budget, are summarized in the 1952-53 Year Book, pp. 1026-1030. The post-war financial policy of the Government of Canada is outlined in the 1954 Year Book at pp. 1061-1064.

The 1954-55 Budget.—The Budget for 1954-55 was presented by the Minister of Finance on Apr. 6, 1954. A number of changes in the tax rate structure were proposed. The more important of these are outlined briefly as follows:—

An amendment to re-establish past policy with respect to the tax status of fire and casualty mutual insurance companies withdrew the provision in the income tax regulations which limits the deductions for capital costs to the amount taken on the taxpayers' books of account.

No immediate provisions were recommended in the succession duty law, but it was announced that work had commenced on rewriting the present statutory provisions.

No increases in customs tariff were proposed, and the duty was eliminated on machinery and apparatus, including tubing of a type not made in Canada, for use in operation of potash and rock-salt mines. Duty free entry was provided for materials and parts used in the construction and repair of railway signal systems. The duties on motor rail cars or units were suspended until July 1, 1956, and on uranium until July 1, 1958.

Some of the principal items on which the tariff was substantially reduced included automatic controls for certain sterilizing processes, tear gas ammunition for use by law enforcement authorities and impregnated jute fabric used by nurserymen. The exemption, from duty and taxes, of motor-vehicles imported as settlers' effects, was increased from a valuation of $1,500 to $2,500.

Certain items were added to the schedule of exemption with regard to the sales tax: for example, road machinery and fire-fighting equipment (when purchased for use by municipalities), wall panels, sheet music and hearing aids—but no change was proposed in the general sales tax rate. It was expected that a total annual revenue loss under all sales tax changes would be about $3,000,000.

Some changes were recommended with regard to the 15 p.c. special excise tax. This was reduced from 15 p.c. to 10 p.c. on items such as soft drinks, candy, cosmetics, tires and tubes, motorcycles, smokers' accessories, clocks, watches and jewellery, and was removed completely from furs, electrical household appliances, certain types of sporting goods, and luggage.

A technical change was made in the method of taxing beer: the tax on malt being replaced by a gallonage tax. A loss of about $36,000,000 in annual revenue is expected.

Total revenue, after taking into account these tax changes, was expected to amount to $4,464,000,000, plus old age security taxes of approximately $305,000,000. Estimated expenditures amount to $4,460,000,000. Total ordinary revenue for