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The
Income War Tax Act
1917

A Digest

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OSCAR HUDSON & COMPANY



Reprint from
The Canadian Chartered Accountant
Continental Life Building
Toronto, Canada

THE INCOME WAR TAX ACT, 1917.

A DIGEST.

R. EASTON BURNS, C.A.

In preparing a digest of the new Income Tax Bill, passed on August 17th, 1917, the compiler has endeavored to present the Act clause by clause, with such questions, comments and explanations by members of the House, during its consideration in committee, as will convey an intelligent idea of what was in the minds of the legislators, with special attention to the explanations of the Minister of Finance.

The chief difficulty experienced in following this plan has been in deciding what parts of the discussion to eliminate. Naturally, there was some repetition and much that was said, though relevant to the subject, was not considered essential to a complete understanding of the Act. But, as the context is often useful in interpreting a passage, it is suggested that a perusal of the debate in Hansard will, perhaps, give a clearer idea of the meaning of the various clauses than is possible in an article of this kind.

Some clauses were held over for further discussion and sometimes members did not always stick closely to the particular section then under consideration with the result that it has been found necessary in some cases to alter the sequence of the remarks as found in the official reports.

Where no remarks are interpolated it will be understood that the clauses were passed without important discussion.

The author has purposely refrained from making any comment.

The outstanding features of the Act may be briefly summarized as follows:

It is a new departure in Canadian methods of raising money for Federal purposes.

It affects all incorporated companies, associations, partnerships, trustees and persons, whether male or female, having an income of fifteen hundred dollars in the case of unmarried persons and widows or widowers without dependent children, and three thousand dollars in the case of all other persons.

There is a normal tax of four per cent. on the net earnings of all incorporated companies in excess of three thousand dollars. Companies do not pay a supertax. Partnerships, as such, are not assessed but each partner pays on his share of the net earnings of the partnership. Profits are assessable whether divided or distributed or not. The normal tax having been paid by a company an allowance is made to the shareholder of four per cent. on the dividends he receives.

In addition to the normal tax there is a supertax on all incomes in excess of six thousand dollars, varying from two per cent. on incomes between six thousand and ten thousand dollars to twenty-five per cent. on incomes exceeding one hundred thousand dollars. For the purpose of the supertax the undistributed profits held by companies must be included in the returns made by the shareholders. The tax applies to incomes in 1917. In the case of companies which might be assessed for the year 1917 under the Business Profits War Tax Act, 1916, an assessment will be made under whichever Act will produce the greater revenue for the Government.

The operation of the Act will be under the direction of the Minister of Finance, to whom considerable discretionary power is given. Returns must be made by all persons liable to be taxed on or before February 28th in each year, beginning in 1918. Every company must make a return of its shareholders and of dividends paid. The Finance Department will scrutinize these returns and compare the returns made by the shareholders.

All employers must make a return of their employes in receipt of sufficient income to render them liable to taxation.

Accumulated profits earned prior to the operation of the Act are, in the opinion of the Minister of Finance, assessable as income for the year in which they are distributed to the shareholders or partners.

The Act, and extracts from the unrevised Hansard follow:

7-8 GEORGE V.

CHAP. 28.

An Act to authorize the levying of a War Tax upon certain incomes.

[Assented to 20th September, 1917.]

HIS Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. This Act may be cited as *The Income War Tax Act, 1917.* Short title.

Mr. A. K. MACLEAN: Is there any necessity for retaining the word "war" in the title?

Sir THOMAS WHITE: When considering the short title of this Bill, I had in mind the suggestion my hon. friend made in connection with the Business Profits Tax. He will recall that he suggested that the word "war" should be inserted before the word "tax," and I adopted the suggestion.

Mr. NESBITT: The Minister said the other day that he expected this taxation would be more permanent than the business profits tax.

Mr. A. K. MACLEAN: The reason I raised the point was that in my opinion this income tax will remain in force much longer than the war will continue. The short title rather implies that the taxation is for a limited period, but there is this to be said in favour of it. It is an intimation that the tax will be subject to revision after the war.

2. In this Act, and in any regulations made under this Act, Definitions. unless the context otherwise requires,—

(a) "Board" means a Board of Referees appointed under "Board" section twelve hereof;

Mr. LEMIEUX: Where will you get the referees? Will they be permanent officials?

Sir THOMAS WHITE: We will take that up, I think, when we come to section 12. You will observe section 12 provides that the Governor in Council may appoint a board or boards of referees, and may prescribe the territory or district within which they shall exercise jurisdiction. It would be open to the Government to appoint such boards as may be necessary. I think it would be a mistake to appoint permanent boards, because it might happen that there would be no work for a board to do.

Mr. MARCIL: *Would this board be composed of judges, or ordinary business men, or Government officials?*

Sir THOMAS WHITE: *It might be a county judge. It might be composed of lawyers of standing, or business men. The aim would be to get men of good practical judgment, and of such standing as to command confidence.*

"Minister."

(b) "Minister" means the Minister of Finance;

"Normal tax."

(c) "normal tax" means the tax authorized by paragraph (a) of section four of this Act;

"Person."

(d) "person" means any individual or person and any syndicate, trust, association or other body and any body corporate, and the heirs, executors, administrators, curators and assigns or other legal representatives of such person, according to the law of that part of Canada to which the context extends;

Mr. A. K. MACLEAN: *Should not "partnership" be included there?*

Sir THOMAS WHITE: *We do not assess a partnership as such. We assess the individual partners, therefore I think it is unnecessary to insert the word "partnership" in this subsection.*

Sir WILFRID LAURIER: *This, of course, also includes a wife who has an income in her own name?*

Sir THOMAS WHITE: *Yes. "Person" means any individual.*

Mr. GRAHAM: *Including women?*

Sir THOMAS WHITE: *Including women.*

Mr. LEMIEUX: *The husband is liable, and the wife is also liable?*

Sir THOMAS WHITE: *Yes.*

Mr. A. K. MACLEAN: *A case might arise where the tax would be imposed twice. For instance, take the case of a marriage settlement paid under the terms of the settlement out of the income of a husband. The husband might be taxed for it, and it might be of such an amount when received by the wife that she would be liable to taxation also for the same thing.*

Sir THOMAS WHITE: *No.*

Mr. A. K. MACLEAN: *If a man pays \$10,000 a year under a marriage settlement to a trustee, that would be part of his income, and he would pay tax on it. When it is paid by the trustee to the wife, she would be in receipt of an*

income of \$10,000 a year, and she would be liable to taxation. It might be argued that the tax would be imposed twice.

Sir THOMAS WHITE: It would certainly not be so held, because while the husband might have an income, this amount paid under the marriage settlement would be among his liabilities. I think it would be held that the husband would be liable to taxation on his net income, that is to say his income less the amount he was obliged to pay to his wife.

Mr. A. K. MACLEAN: In any event, the investment would be in the name of the trustee?

Sir THOMAS WHITE: If the husband set aside securities in trust, clearly he would divest himself of those securities, and the interest would be interest derived by the trustee, not by the husband.

Mr. LEMIEUX: It is often arranged in marriage settlements that the amount to be paid shall be considered as alimony. In such a case would the alimony be assessable?

Sir THOMAS WHITE: If the wife had an income under a marriage settlement in excess of the exemption provided for by this Act, whether it is called alimony or not, it is the intention that she should be assessed.

Mr. GERMAN: It is clear that an incorporated company is to be taxed and that "person" means an incorporated company?

Sir THOMAS WHITE: Yes.

Mr. GERMAN: An incorporated company is to be assessed and then the persons deriving incomes from that incorporated company are also to be assessed. There would certain to be a double assessment, one of the incorporated company and one of the individuals who derive their incomes from the incorporated company.

Sir THOMAS WHITE: My hon. friend will observe when we get a little farther on with the Bill that while the company is assessed on its income its shareholders are also assessed upon their incomes, but there is an allowance made to the shareholder of the normal tax when the normal tax has been paid by the company upon the dividend which he receives. We have adopted there the principle followed in the United States legislation. Speaking for myself and from a long experience in connection with taxation, and especially the taxation of incomes, I have always thought it was a mistake to assume that there is double taxation when a company is assessed and when its shareholders are also assessed. My hon. friend knows that a corporation in law is different from any or all of its shareholders. It is a legal entity carry-

ing on business in competition with individuals and partnerships. Therefore, it has never appealed to me very strongly that a corporation should not be assessed and that its shareholders should not be likewise assessed. But while I believe that the time will come when, in dealing with legislation of this kind, a corporation will be assessed in respect to its income and its individual shareholders will be assessed in respect to their incomes, we have not probably progressed to the point yet where we could give that doctrine the effect which I think it should have. But we defer to the generally prevalent view in connection with income taxation of this kind to the extent that, while we assess a corporation upon its income to the extent of the normal tax, when we come to assess the shareholders in respect to their incomes, including the dividends which they receive from the corporation so assessed, we make an allowance equal to the normal tax which the corporation has paid upon the dividends derived by the shareholders.

Mr. GRAHAM: I would ask the minister to consider a suggestion to discourage the separation of incomes which are now one in order to evade the payment of the tax.

Sir THOMAS WHITE: The only way that occurs to me to meet that situation would be to allow only one exemption, namely, \$3,000, in respect of the joint incomes of husband and wife living together. It seems to me that that would meet the case. I hesitate to do that because they are both liable to assessment, and under the Bill they are both entitled to the exemption. My own view is that, just as men will not divest themselves of their property to escape the succession duty tax, it is not probable that men would on a large scale divest themselves of securities to provide a separate income for their wives in order to avoid this taxation. They might do so, but I think it extremely improbable.

Sir WILFRID LAURIER: Did I understand my hon. friend correctly to say that the Bill does not apply to partnerships?

Sir THOMAS WHITE: We do not tax a partnership as such. Let us say that A and B are partners carrying on a business. We do not make an assessment against A and B for income which they jointly derive, but we make an assessment against A as to his interest in the income which he derived and his share of the undistributed profits, and against B similarly; and in that way we assess the partners.

Sir WILFRID LAURIER: I would imagine that a partnership would be included in an "association."

Sir THOMAS WHITE: If my right hon. friend will look at page 4, section 4, subsection 3, he will see that it says:

Any persons carrying on business in partnership shall be liable for the income tax only in their individual capacity. That would exclude partnerships.

Mr. C. A. WILSON: Is any minimum age fixed for the word "person"?

Sir THOMAS WHITE: It will embrace minors as well as others if they have the income.

I beg to move that after the word "also" in line 11, there be inserted the words "the annual."

- (e) "supertax" means the taxes authorized by paragraphs "Supertax."
- (b) to (g), both inclusive, of section four of this Act;
- (f) "taxpayer" means any person paying, liable to pay, or "Taxpayer." believed by the Minister to be liable to pay, any tax imposed by this Act;
- (g) "year" means the calendar year. "Year."

3. (1) For the purposes of this Act, "income" means the ^{"Income."} annual net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary, or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling, directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be; and shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, ^{Excepted income.} and, whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source; including the income from but not the value of property acquired by gift, bequest, devise or descent; and including the income from but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance endowment or annuity contracts upon the maturity of the term mentioned in the contract or upon the surrender of the contract; with the following exemptions and deductions:—

- (a) such reasonable allowance as may be allowed by the Minister for depreciation, or for any expenditure of a capital nature for renewals, or for the development of a business, and the Minister, when determining the income derived from mining and from oil and gas wells, shall make an allowance for the exhaustion of the mines and wells;
- (b) the amount of income the tax upon which has been paid or withheld for payment at the source of the income under the provisions of this Act;
- (c) amounts paid by the taxpayer during the year to the Patriotic and Canadian Red Cross Funds, and other patriotic and war funds approved by the Minister;

Mr. PUGSLEY: Would the Minister give one or two explanations in regard to exemptions? Paragraph (1) gives the following exemptions:

The value of property acquired by gift, bequest, devise, or descent.

Does that mean that it is to pay no income?

Sir THOMAS WHITE: It means this. Supposing my hon. friend should this year inherit a piece of property worth \$100,000. His income would not be increased by that amount. It does not mean that any revenue derived from that property would not be part of my hon. friend's income, but the property acquired by him would not be treated as income.

Mr. PUGSLEY: Will the exemption as to contributions to the Patriotic Fund apply to provinces where there is a direct taxation for that fund, and where they have done away with the voluntary system? That is the case in New Brunswick.

Sir THOMAS WHITE: I want to make it perfectly clear that by this legislation it is not provided that a man may deduct from the amount of his taxation the amount he contributes to the Patriotic and Canadian Red Cross Funds. The wording of subsection (c) of section 3 is:

Amounts subscribed and paid by the taxpayer during the year to the Patriotic and Canadian Red Cross Fund and other patriotic and war funds approved by the Minister.

That is a deduction from the total amount of a person's income. If a man's income is \$10,000 a year and he subscribes and pays \$1,000 to the Canadian Patriotic Fund, then he would be entitled to deduct that and say that his income

for the purpose of taxation is \$9,000, but he is not entitled to say: My tax under this measure is \$400 or \$500, and because I have paid \$400 or \$500 to the Patriotic Fund, I am not entitled to pay anything more.

Mr. COCKSHUTT: How is one's income to be computed? I venture to say that there are very few people in this country who know exactly what their income is. They may be desirous of having the proper amount entered, but there are so many factors that have to be taken into consideration in connection with the origin and net result of a man's income. Suppose, for instance, a man has \$75,000 invested in real estate, and that \$50,000 of that amount is invested in a paying enterprise which allows him to take care of his municipal taxes, fire insurance, depreciation, and the general upkeep of his property. The other \$25,000 may be bringing in nothing, but the taxes have still to be paid and the necessary repairs made. Is any allowance made for what may be called "depreciation of capital" in a real estate investment? I would also like the Minister to tell me whether any regard is to be paid to the depreciation which may occur in a man's property. For instance, he might be worth \$100,000 this year, and when he makes his returns at the end of the year he may find his property is only worth \$90,000. He has lost \$10,000 on his investment. Will he be allowed to deduct that \$10,000 from his \$15,000 income, or will he be assessed on the whole \$15,000, and be obliged to look after the depreciation himself?

Sir THOMAS WHITE: Many difficult questions arise in connection with income taxation. I think it would be a very dangerous admission to make that the estimate made by a taxpayer that his property has depreciated to the extent of, say, \$5,000 or \$10,000 would be sufficient to justify that \$5,000 or \$10,000 being deducted from his income. It would be proper for the man who has productive properties to take into account the rentals received, and to pay the taxation and the repairs actually made in connection with those properties. The balance might fairly be considered his net income. My hon. friend raises the question as to whether there should be an allowance for depreciation. I do not think it possible to get an income taxation down to a mathematical nicety such as is suggested where the amount of annual depreciation would be allowed, because it would be almost impossible to estimate such depreciation, and as against that there would have to be set off the possible appreciation of that property, because, real estate does appreciate. In the administration of an income tax you must get down to a sound, but rough-

and-ready basis—a basis of good sense. How much did the man derive from his real estate investments? How much did he actually pay out for taxes and repairs? The balance is his income. I do not believe he should be allowed to deduct the depreciation of his property, because the fact that it might have appreciated in value has also to be taken into consideration. I do not think we can get it down to a basis where you can set off the depreciation the taxpayer thinks he might fairly be entitled to deduct in respect to property, even property which may be vacant. I do not like to admit the principle that depreciation should be allowed. A man has an income of, say, \$100,000; he is carrying a piece of unproductive real estate in the West, upon which he has to pay taxes. I do not think he should be allowed to deduct the taxes he pays in respect of that property. His income is the return he derives from his profession or calling. If he is carrying a piece of real estate for purposes of speculation, he should carry it himself. I draw the distinction between that case and the case of a man who is deriving income from properties which are productive. His income is the rentals he receives from such properties, but he is entitled to take into account what he pays in the way of taxes, and repairs actually made.

Mr. A. K. MACLEAN: I understood the Minister to say that the fact that a man was paying an annual tax bill of \$5,000 upon unproductive property in the West would not be taken into consideration in calculating his income?

Sir THOMAS WHITE: My view is he should not be allowed to deduct it because his income is \$25,000 and he is speculating in the West. If part of his income was from productive property, then he should be allowed to deduct taxes and repairs. Once you introduce the principle that a man in receipt of a salary of \$25,000 can deduct the taxation which he is paying upon property which may be appreciating very much faster than the amount of the annual taxation, you are introducing a very dangerous principle into taxation. I do not believe that that principle is included in any taxation in this Dominion. The point is: How much does a man make? If he is a lawyer, how much does he make after paying out all expenses in connection with his profession?

Mr. PUGSLEY: Supposing his entire business was the owning and managing of real estate?

Sir THOMAS WHITE: My hon. friend has raised a point which is absolutely different from that which we are now considering. We are considering now the case if an

individual who derives his income from his profession or calling and who has to pay taxes upon some property which he has been carrying for the purpose of speculation or not—it does not make any difference.

Mr. PUGSLEY: Take myself, for example. The only property I own practically is real estate. I might have three or four houses which were bringing me a very good income and I might have other places which were vacant and on which I had to pay insurance, water rates and taxes. Would not the net income from all these different properties combined be that on which I would have to pay the tax?

Sir THOMAS WHITE: I would say "yes," that my hon. friend would take all the incomes from these productive properties, and that he would pay the taxes on this other unproductive property deducting with respect to it, and the balance would be his income. If a man is carrying unproductive property and is paying taxes upon it I do not know why he should assume that he is losing money by doing so. I think we must assume the contrary, namely, that the annual increment on the property is equal to the taxation which he is paying out. If we admit the principle that we must take into consideration depreciation in real property and securities, and in addition to that the taxation that a man may pay out upon unproductive property which he holds, we shall go a long way to defeat the purpose of this Bill.

Mr. PUGSLEY: Suppose that, instead of being an individual, it was a real estate company?

Sir THOMAS WHITE: That is different.

Mr. PUGSLEY: It owns land with buildings on it in one block, and in the next block land which is not bringing in any income. If it is a company the Minister will allow its revenues to be put on one side and its total taxation on the other. Why should the individual be treated more harshly than the company?

Sir THOMAS WHITE: The corporation is in that business. It could not legitimately own the property unless it was in that business. A real estate agent should be assessed on any income he derives in respect of his business. A man owning property, deriving income from that property, should be assessed on his income in respect of that business. But the banker, who has an income of \$25,000 from the bank, should, in my opinion, be assessed upon the \$25,000, no matter what he does with the money.

Sir HERBERT AMES: Say that there is a block of houses that are rented regularly. If that is owned by a joint stock company you take the total rentals from the houses and deduct the total expenditure in connection with the properties, and, we will say, you have \$1,000 to the good. You are taxed as a company only on the \$1,000. But supposing that I, an individual, wishing to live on investments, erect a block of buildings and that the gross income is \$5,000, and that the gross outgo is \$4,000, so that the net value to me is \$1,000, shall I be taxed on the \$5,000?

Sir THOMAS WHITE: You will be taxed on the \$1,000 because you are deriving part of your income from these properties.

Mr. PUGSLEY: If all in one row, but suppose there are two separate blocks in the same town.

Sir THOMAS WHITE: The same principle would apply. The danger in allowing deductions for taxation upon non-productive property is that it is impossible to ascertain how much that property has appreciated in the year, and the man may be speculating with it.

Mr. PUGSLEY: That would apply to the row of houses too.

Sir THOMAS WHITE: Yes, and it would be open to the court to say how much it had appreciated or depreciated, but for the purpose of practically administering an Act such as this, you could not hold an inquiry as to how much each piece of property had depreciated. I should say that the onus would be on the taxpayer to show affirmatively and beyond doubt that there had been a loss in connection with that property. I have a very clear view as to what would be included in income as defined by this Bill. I have always found, and I think the courts have found, that it is better to take a word in its plain, commonsense meaning. If a man is employed as an official, let us say, in a bank, and receives a salary of \$5,000, his net income for the purposes of this Act will be \$5,000, because he earns that sum from his occupation. The question has been raised: supposing that man, in addition to having a salary of \$5,000, derives \$1,000 more by way of rental from some houses which he owns. Let us assume that he has to pay out in connection with this house \$300 for taxes, repairs, and other outgo. He derives from that particular investment \$700 net; therefore, if he has no other investments outside from which he derives income, his net income for the purposes of this Act is \$5,700, made up of \$5,000, which he earns from the bank, and \$700, the net

income from the productive property which he owns. Let us take the further case which was under consideration before six o'clock. Assume that an official drawing a salary of \$5,000 owns some unproductive property—let us say, some vacant land, and that he pays, in order to retain that land, \$1,500 or \$2,000. My own opinion is that his income, notwithstanding the fact that he pays out that amount in respect of the unproductive property which he holds, is \$5,000, the income which he derives from his calling. To show my hon. friend the fairness of the view which I put forward, let us compare the two cases. Two men, let us say, are employed by the Bank of Montreal, and each draws a salary of \$10,000. One of these men has no outside property at all; he spends the entire \$10,000 upon himself and his family. Clearly he is assessable for \$10,000, which is his income. The other man spends only \$1,500 or \$2,000 upon himself and his family—he may have a smaller family—and with the balance of the money speculates in stocks or pays taxes upon property which he holds and which gives him no return. Would anybody seriously argue that the first man should be taxed upon \$10,000, and that the other man should not be taxed at all, or should be taxed only upon \$2,000 or \$3,000? Get it down to a commonsense basis. What is the man's income from his trade, profession or calling? If he is an official, what is the amount of his income?—if he is a lawyer, how much does he make out of his office after paying the necessary outgoings? We are not concerned with what he does with the money after he gets it; we are concerned with the amount of his net income. If he spends it on his family; if he wastes it; if he speculates in stocks with it, or if he buys lands for investment and pays taxes upon them,—we have nothing to do with that. But if he has some landed property outside from which, after paying the necessary outgoings in respect to that property, he derives additional income, we add to the salary which he gets in his official position the net amount which he receives from that investment, and the two together will make his assessable income.

Sir WILFRID LAURIER: In section 3 it is provided:

Income . . . shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment.

That is quite intelligible, but I want an explanation upon what follows:

And, whether such gains or profits are divided or distributed or not.

Sir THOMAS WHITE: My right hon. friend has touched upon a very important provision of this measure, and he asks a very proper question. We have been desirous of assessing, not only the amount which a man may choose to take out from his business, but also his share of the profits which are actually earned by the partnership during the year. A partnership might earn \$100,000, and if it was assessed as a partnership, the assessment would be upon \$100,000 less the exemptions. But the partners might say: There is an income tax and we will not take \$50,000 apiece—if that was the share to which they were each entitled:—we will take only \$5,000 apiece, and will pay income tax only upon that \$5,000. That would not be fair. My right hon. friend would have to pay upon his income because it is definite and ascertainable; but if a partner were entitled to one-half of the partnership profits, and if he took only part of his profits out of the business and that were counted as his income, he would escape taxation on part of what he had really earned in the partnership. My right hon. friend does not agree with me in that? I think he is wrong if he does not agree with me in that. If we are going to assess an individual who is in business upon his profits in that business, then we should assess a partnership, or a joint stock company upon its profits in its business. But we assess the partners individually upon their incomes, and therefore it is necessary to assess them not only upon the profits that are actually distributed, but upon the profits to which they are entitled. There is one point in this connection to which my right hon. friend has drawn attention. Following the words which he has quoted, we have these words:

The share of any gains or profits made by any syndicate, trust, association, corporation or other body, or any partnership, to which a taxpayer would be entitled if such profits or gain were divided or distributed.

I am not clear at present as to whether these words should be allowed to remain in the Bill or not. The intention was that we should assess shareholders in respect not only of the dividends which they actually receive, but also of their share in the earnings of the company though not actually distributed amongst them. The idea was to prevent the company from paying a small dividend and piling up large reserves which it could at any time distribute to its shareholders. But there is in the Bill a provision further on. Subsection 4 of the same section provides that:

For the purpose of the supertax only, the income of a taxpayer shall include the share to which he would be entitled of the undivided or undistributed gains and profits

made by any syndicate, trust, association, corporation or other body, or any partnership, if such gains and profits were divided or distributed, unless the Minister is of opinion that the accumulation of such undivided and undistributed gains and profits is not made for the purpose of evading the tax, and is not in excess of what is reasonably required for the purposes of the business.

There are some privately-owned companies which might defeat the purpose of this Act by paying a small dividend and accumulating profits instead of distributing them amongst their shareholders. This subsection is to prevent such an evasion of the tax. As I say, I am not at the moment clear whether in subsection 1 of section 3 the words "the share of any gains or profits made by any syndicate, trust, association, corporation or other body, or any partnership, to which a taxpayer would be entitled if such profits or gain were divided or distributed," should be left in the Bill. I shall give the matter further consideration and shall express my opinion to the House later on. If I decide they should come out, I shall move an amendment. I can see a possible hardship in that shareholders who are not seeking to evade any liability under this measure and who receive, let us say, a dividend of 10 per cent., would find themselves, under the express terms of this measure, assessable for, say 12 or 15 per cent. because the company earned at that rate.

The provision to which I specially draw attention is to prevent privately-owned companies—companies with a few shareholders, family concerns—from paying out small dividends and accumulating an immense reserve which could be distributed at a later date. In the United States it was found that there was a great evasion of the tax, and some of our provisions have been modelled on their measures in the drafting of which they have had a good many years' experience. The discretion of the Minister could be exercised, as provided in the subsection. It is only where the intent is to defeat the Act that these undistributed profits will be subject to the supertax.

Mr. A. K. MACLEAN: I wished to say a word or two about undistributed profits. There must be some provision in the Bill for taxing undistributed profits in some way or other.

Sir THOMAS WHITE: There is.

Mr. A. K. MACLEAN: I was going to give the Minister the benefit of a suggestion contained in a proposed amendment to the United States Income Tax Act. I have

merely a summary of it here, but probably the Minister has seen it. By this amendment it is proposed to impose a tax in addition to the income tax, of 15 per cent. upon the amount remaining undistributed 60 days after the end of each calendar or fiscal year of the total net income received during the year, including dividends. The tax, however, does not apply to:

(1) That portion of the undistributed profits used for the establishment or maintenance of reserves required by law, or

(2) That portion of the undistributed profits of railroads used, with the approval of the Interstate Commerce Commission, or if not subject to the jurisdiction of the Commission, with the approval of the state or local authorities having jurisdiction over such expenditure, for extensions, renewals, or betterments, or

(3) An amount of undistributed profits equal to 20 per cent. of such net income of corporations directly engaged in the production or distribution of commodities or in banking, so long as it is employed in the business.

This might afford some suggestion by which we could provide for a direct statutory limitation in taxing undistributed profits.

Sir THOMAS WHITE: By subsection 4 provision is made for the application of a supertax to undistributed gains or profits provided that the Minister is of the opinion that the accumulation of such undivided and undistributed gains and profits is made for the purpose of evading the tax. In what my learned friend has read there is an attempt to make it statutory, which is a pretty difficult thing to do. Here it is left as a matter of discretion. My own view is there is not likely to be an attempt at abuse, except in the case of a close corporation, and in such a case I think wise discretion would have to be exercised to see that the corporation paid the proper share of taxation.

Mr. A. K. MACLEAN: You want to take sufficient power to have that discretion?

Sir THOMAS WHITE: It is there.

Mr. LEMIEUX: If the Minister will permit me, I would like to repeat a question I put this afternoon, in connection with, first, a corporate body, and, second, a shareholder. My hon. friend said there will be an adjustment after a while, and that what the corporate body paid to the exchequer would be deducted from what the shareholder will have to pay. How are you going to adjust it? Supposing

a company has five thousand, six thousand, or perhaps ten thousand shareholders, each receiving more or less dividends, and therefore paying more or less to the exchequer, how are you going to adjust it as between the individual shareholder, the company, and the exchequer? There are companies which at the beginning of the war ceased paying any dividends. Those dividends are cumulative. Suppose this year or next year they make enough profits to pay the cumulative dividends to each shareholder, as representing the unpaid dividends since the beginning of the war, will you assess the whole of the cumulative dividends, which are really the earnings of the years before this Bill comes into force, or will you deduct what should appertain to the years when no dividends were paid?

Sir THOMAS WHITE: In regard to my hon. friend's first question, if he will look at subsection 2 of section 4, he will see that corporations and joint stock companies, no matter how created or organized, shall pay the normal tax upon income exceeding \$3,000. That is quite clear. Every corporation will be assessed by the department in respect of its net income at the normal rate of four per cent.

Clause (d) of subsection (1) of section 3 provides that for the purpose of the normal tax, the income embraced in a personal return shall be credited with the amount received as dividends upon the stock or from the net earnings of any company or other person which is taxable upon its income under this Act. Having assessed all the companies, when we get a return from a shareholder, he will be entitled to credit of the amount paid by the corporation upon dividends he received which are embraced in this return.

Mr. LEMIEUX: Will he do that himself, or will the department do it?

Sir THOMAS WHITE: He will make a return showing how his income is made up. Say, part of his income was derived from shares in a company which has paid the normal tax upon its income. In that case he would be credited with the amount which was so paid. The department would scrutinize his return, and in preparing his assessment would make the necessary allowance. Subsection 4 of section 7 provides that all corporations, associations and syndicates shall make a return of all dividends and bonuses paid to shareholders and members. That would help the department in making the necessary adjustments.

Mr. LEMIEUX: Would it not be better to have the companies deduct the tax of the individual shareholders?

Sir THOMAS WHITE: No, they pay their own in full, then we make the allowance in the case of the individual shareholders. It is different from what it is in England.

Mr. NESBITT: It is just the opposite.

Sir THOMAS WHITE: Yes. Answering my hon. friend's second question; if he asks the question from a strictly legal point of view, I should say that a shareholder receiving accumulated dividends would be liable to taxation on those dividends as part of his income.

Mr. LEMIEUX: Then, it is retroactive?

Sir THOMAS WHITE: If they were cumulative for a period of two or three years, my view would be that in the administration of the Act it would be fair to make the assessment of the dividends for one year, that is if it was a preferred dividend. I shall consider the matter, because I do not like to have anything left to the discretion of the Minister, or the referees. I think, legally speaking, if a shareholder gets cumulative dividends for three or four years in one payment in a year, it is part of his income for the year. But, my hon. friend suggests there may be a certain injustice in that, and there may be something in his suggestion. I will consider it.

Mr. NESBITT: Does the Minister propose allowing a corporation to deduct bond interest before assessing the profits at the end of the year?

Sir THOMAS WHITE: Without doubt, interest upon bonds is a fixed charge and net profits are only ascertained after deducting interest upon underlying charges, all interest payments, operating expenses and overhead—in other words, the net profits, according to a properly drawn balance sheet.

Mr. LEMIEUX: I notice among the exemptions:

Such reasonable allowance as may be allowed by the Minister for depreciation, or for any expenditure of a capital nature for renewals, or for the development of a business.

That I understand.

And the Minister, when determining the income from mining and from oil and gas wells, shall make an allowance for the exhaustion of the mines and wells.

There are other businesses in which something akin to exhaustion may take place. Take real estate. A man may buy three or four acres and derive income from their sale, but as the sales take place that source of income becomes exhausted; part of the income is a return of capital.

Sir THOMAS WHITE: Undoubtedly there is a return of capital in such a case, and even if no provision existed in the statute, we should properly make an allowance in respect to the exhaustion of mines and oil wells. In a real estate transaction such as my hon. friend mentioned, a certain amount of the return would be regarded as return of capital and a certain amount as profit. We would deal only with the profit.

Mr. LEMIEUX: The Minister makes a difference between the man who has an investment in real estate and the man who has an investment in houses. What is the difference?

Sir THOMAS WHITE: There is no difference, in principle. What I have stated is entirely consistent. If a man has an income of \$10,000, and diminishes that income by losses he makes on real estate, or by amounts paid for taxes, or otherwise, what is the difference between that and the man who has an income of \$10,000 and loses \$5,000 in a stock speculation? He might say, "I have lost \$5,000 in stocks, therefore I want you to assess me at \$5,000, instead of \$10,000." We should say, "No, your income was \$10,000; you speculated in stocks, which is not the ordinary course of your business at all, and you lost this money; that does not affect your income, which is \$10,000." If you laid down the principle that you would allow a man to deduct losses made in business in which he is not engaged, such as stock speculation, or real estate speculation, you might just as well never pass the Act, because it would be evaded in numberless ways. The true principle of the matter is, what is a man's income? Every one knows what you mean. If you ask a man on the street "What is so-and-so's income?" nobody will misunderstand you. You will be told it is the amount he gets from his employer, if he is employed. If, on the other hand, his income is derived from stocks, bonds or securities, everybody understands it is what he receives in the way of interest and dividends upon those securities. It is a commonsense matter. My hon. friend quoted section 3, to show that not only was individual income included—that is to say the individual income of a man from his trade, profession or calling—but also his income from investments. We all know what that means. It means his income from investments after he pays any necessary outgoings in connection with those investments, whether it is house property or not, plus the income he receives in his trade, profession or calling. It is not for us to inquire what he does with his income after he gets it. We are not interested in knowing whether he loses it in a

stock speculation, or spends it foolishly. If you have to follow what a man does with his income, and allow it to be urged that he lost it in a stock speculation, or in a real estate speculation, or spent it foolishly, you might just as well never pass the Act.

Mr. McCREA: Suppose that a man has two properties that he is carrying on his books at a certain value. One of them he sells for possibly twice what he is carrying it at. Would that be considered as income for that year? The other property he sells at a loss. How would the minister treat that? If one is counted as profit, the other should be counted as loss. As I understand the Minister, capital will have nothing to do with profits. If a man has a property and sells it at a profit of 20 or 50 or even a hundred per cent., that will not be taxed. If he sells his property at a loss, do I understand that he will not be allowed to deduct that amount?

Sir THOMAS WHITE: I think I agree with my hon. friend. It would not be fair to count as income in any given year the profit which one might make on the sale of real estate which a man had held for a number of years, for that would not be annual gain, and I do not think it would be possible to apportion a certain amount of it in respect of the year in question. The same argument would apply to the other property. A great number of the questions that have been raised here are of theoretical importance, but not likely to become a practical issue in the administration of the Act. In connection with the Business Profits War Tax we had many cases where properties were sold at a profit after being held for a number of years. But in the working out of the Act it was recognized that that was not gain for that particular year, and no difficulty was experienced.

Mr. VERVILLE: Suppose I am paying \$1,000 interest on a property mortgage? Would I be allowed to deduct that amount from my income? If I am taxed on that \$1,000, and the man who receives it counts it as part of his income and is also taxed on it, that would be double taxation?

Sir THOMAS WHITE: In the case my hon. friend suggests, where he is paying \$1,000 interest upon a mortgage upon some property which he holds, he would be entitled to deduct from the revenue which he derived from that property the interest which he paid on the mortgage. On the other hand, the mortgagee would derive from my hon. friend the thousand dollars which would be a part of his income. If the income be \$3,000 more, he will be liable, under the provisions of this Bill, less \$3,000 exemption.

Mr. LEMIEUX: I was asked this evening by a gentleman if a subscription made this year to the Patriotic Fund or to the Red Cross Fund would be deducted in accordance with the explanation given by my hon. friend.

Sir THOMAS WHITE: Yes, this Bill applies to incomes for the calendar year. Therefore, any contribution made during this calendar year may be deducted from the income.

Sir HERBERT AMES: While we are on this subject, I would like to say I am rather sorry that my hon. friend the Finance Minister is not willing, for the year 1917, to consider any amount that has been subscribed and actually paid to the Patriotic Fund, or the Red Cross Fund, as having been contributed towards the support of the war and therefore having been paid as a tax. As I understand, he is only willing to go so far as to provide that whatever contribution has been made to the Patriotic Fund shall be exempted from the amount to be assessed for income tax.

Sir THOMAS WHITE: I have endeavoured to bear in mind that if the tax is too heavy it may seriously affect contributions to the Patriotic and Red Cross Funds, which have been so generously supported by the people of Canada. But if we allow contributors to these funds to deduct their contributions from the amount of taxation to which they are liable under this measure, will that not be tantamount to our paying their subscriptions?

(d) for the purposes of the normal tax, the income embraced in a personal return shall be credited with the amount received as dividends upon the stock or from the net earnings of any company or other person which is taxable upon its income under this Act: Provided, however, that in determining the income the personal and living expenses shall not be taken into consideration.

(2) Where an incorporated company conducts its business, whether under agreement or otherwise, in such manner as either directly or indirectly to benefit its shareholders or any of them, or any persons directly or indirectly interested in such company, by selling its product or the goods and commodities in which it deals at less than the fair price which might be obtained therefor, the Minister may, for the purposes of this Act, determine the amount which shall be deemed to be the income of such company

Holding
companies

for the year, and in determining such amount the Minister shall have regard to the fair price which, but for any agreement, arrangement or understanding, might be or could have been obtained for such product, goods and commodities.

Sir WILFRID LAURIER: What is the meaning of this? Can my hon. friend give a concrete case?

Sir THOMAS WHITE: If a company owns all the stock of another company, there is no reason why it should not take the product of that second company at any price that may be agreed upon irrespective of whether it is a fair market price or not, because the first-named company owns all the shares of the second. There might be an international case in which a company in the United States would own all the shares of a company in Canada. The Canadian company might be doing a highly profitable business if it was carrying on its affairs in the usual course, but by reason of a contract which it might have with the United States company to sell its product at a very low rate, it might show no profits at all. I may say this section is the same as the one in the Business Profits War Tax Act, inserted for the purpose of making such companies contribute reasonably under that measure of taxation.

Non-residents.

(3) In the case of the income of persons residing or having their head office or principal place of business outside of Canada but carrying on business in Canada, either directly or through or in the name of any other person, the income shall be the net profit or gain arising from the business of such person in Canada.

Mr. LOGGIE: Does a corporation doing business in Canada, whose head office is in the United States, have to make up a statement of the revenue from its Canadian business?

Sir THOMAS WHITE: Yes.

Undistributed gains.

(4) For the purpose of the supertax only, the income of a taxpayer shall include the share to which he would be entitled of the undivided or undistributed gains and profits made by any syndicate, trust, association, corporation or other body, or any partnership, if such gains and profits were divided or distributed, unless the Minister is of opinion that the accumulation of such undivided and undistributed gains and profits is not made for

the purpose of evading the tax, and is not in excess of what is reasonably required for the purposes of the business.

NOTE.—For an explanation of this clause by Sir Thomas White, refer to his reply to Sir Wilfrid Laurier in the discussion of Sec. 3 (1).

4. (1) There shall be assessed, levied and paid, upon the Income tax. income during the preceding year of every person residing or ordinarily resident in Canada or carrying on any business in Canada, the following taxes:—

- (a) four per centum upon all income exceeding fifteen hundred dollars in the case of unmarried persons and widows or widowers without dependent children, and exceeding three thousand dollars in the case of all other persons; Over \$1,500 in certain cases and over \$1,000, 4 per cent.

Sir THOMAS WHITE: Three questions have been taken up so far, all of which are important. With regard to the unmarried man and widows, or widowers without children, I think we might reasonably meet the suggestion of the hon. gentleman from North Grey, and make the amount \$1,500 instead of \$2,000. I would be prepared to move, in order to meet what I deem to be the view of the committee, that the words "two thousand" at the end of line 26 and the beginning of line 27, be struck out and that the words "fifteen hundred" be substituted therefor. While I still think it is a fact that many unmarried men have dependents upon them, and in fact have not married because they have such dependents, still, possibly, having regard to the average condition of the unmarried men, that change would not be objectionable. I do not know that there is any such discrimination in other Canadian legislation. There is a discrimination to the extent of a thousand dollars in the legislation of the United States against the unmarried man. So far as I know there is nothing of the kind in this country. However, the matter is not of great importance, and if this is deemed reasonable I would move that the words "two thousand dollars" be made "fifteen hundred dollars." With regard to children, there is undoubtedly also the fact as to dependents, but I think that if \$3,000 could be regarded as a fair exemption in the case of the average man, if we put aside the question of dependents—because that would really necessitate an inquiry as I stated—it might be reasonable to provide that the exemption should be increased somewhat in case of those who have a family, say, of six children. This income tax-

tion measure is not a finality. If it is found necessary to increase it, it may be increased.

Mr. MARCIL: If a man has invested in Dominion war loans and has derived a certain revenue therefrom, is that revenue exempt?

Sir THOMAS WHITE: All war loan issues are exempt from Dominion taxation. I think I am in a position now to deal with some matters that were suggested for my consideration before six o'clock. An amendment was suggested whereby the exemption of \$2,000 in the case of unmarried persons, and widows or widowers without dependent children, was reduced to \$1,500. The question was raised as to whether we would extend any consideration in the case of dependents or dependents' relatives. I have reached the conclusion that the reason I gave before six o'clock, in dealing with the subject generally, why we should not make any allowance of that kind, is a proper one. The result, therefore, is that, so far as the Government is concerned, the exemption in the case of an unmarried person, and widows or widowers without dependent children, shall be \$1,500, and in the case of all other persons \$3,000. I think it better that the amount should be defined, and if there are anomalies they will have to remain.

and in addition thereto,

Over \$6,000 to \$10,000, two per cent.

(b) two per centum upon the amount by which the income exceeds six thousand dollars and does not exceed ten thousand dollars; and,

Over \$10,000 to \$20,000, five per cent.

(c) five per centum upon the amount by which the income exceeds ten thousand dollars and does not exceed twenty thousand dollars; and,

Over \$20,000 to \$30,000, eight per cent.

(d) eight per centum of the amount by which the income exceeds twenty thousand dollars and does not exceed thirty thousand dollars; and

Over \$30,000 to \$50,000, ten per cent.

(e) ten per centum of the amount by which the income exceeds thirty thousand dollars and does not exceed fifty thousand dollars; and,

Over \$50,000 to \$100,000, fifteen per cent.

(f) fifteen per centum of the amount by which the income exceeds fifty thousand dollars and does not exceed one hundred thousand dollars; and,

Over \$100,000 twenty-five per cent.

(g) twenty-five per centum of the amount by which the income exceeds one hundred thousand dollars.

Sir WILFRID LAURIER: I would like to call my hon. friend's attention to the drafting of the Bill. Section 4, paragraph (a), reads:

Four per centum upon all income exceeding two thousand dollars in the case of unmarried men and widowers without dependent children, and exceeding three thousand dollars in the case of all other persons.

That is intelligible. But, when you come to paragraph (b), which is the first provision in regard to the supertax, you find the following:

Two per centum upon the amount by which the income exceeds six thousand dollars and does not exceed ten thousand dollars.

There is a gap between \$3,000 and \$6,000.

Sir THOMAS WHITE: The four per cent. normal tax applies to that.

Sir WILFRID LAURIER: You collect two per cent. upon all incomes exceeding \$6,000 and less than \$10,000. But between \$3,000 and \$6,000 there is no provision for collecting the tax.

Sir THOMAS WHITE: It is perfectly clear. In the first place four per cent. is collected upon all incomes exceeding \$3,000. That is the starting point. If a man has an income of \$100,000 the way you start to determine how much he is to pay is this: You subtract \$3,000 from \$100,000, that leaves \$97,000, and of that you take four per cent.

Sir WILFRID LAURIER: The normal tax runs all the way up?

Sir THOMAS WHITE: All the way up to \$100,000. Take the concrete case of a man with an income of \$7,000. In the first place he is entitled to be taxed at the rate of four per cent. upon all his income in excess of \$3,000. Four per cent. upon \$4,000 is \$160. Then, as the income exceeds \$6,000 by \$1,000, there is two per cent. additional upon that \$1,000, which is \$20. Add \$20 to \$160 and you have \$180 as his tax.

(2) Corporations and joint stock companies, no matter how created or organized, shall pay the normal tax upon income exceeding three thousand dollars, but shall not be liable to pay the supertax; and the Minister may permit any corporation subject to the normal tax, the fiscal year of which is not the calendar year, to make a return and to have the tax payable by it com-

Corporations pay four per cent. Fiscal year of corporations.

puted upon the basis of its income for the twelve months ending with its last fiscal year preceding the date of assessment.

Sir THOMAS WHITE: I now come to the other point with regard to the Business Profits War Tax, and I am glad the hon. member for Kingston brought that up, because it has been adverted to, and the situation has been entirely misunderstood. It has been stated that this income tax is to take the place of the Business Profits War Tax Act. It is intended to do nothing of the kind.

This income tax legislation does not refer to the Business Profits War Tax at all, except to this extent: If an individual or a firm or a company has to pay the tax imposed by the Business Profits War Tax Act, and if that is greater than the amount for which that individual or firm or company would be liable under this income taxation measure, then the individual or firm or company pays the greater tax, and does not pay the income taxation.

Mr. KYTE: That is for this year only.

Sir THOMAS WHITE: I will come to that in a moment. I say that that is the only reference in this income taxation measure to the Business Profits War Tax Act. Let us consider what the Business Profits War Tax Act is. It was introduced in 1916, and at that time it was stated, and it so appears in the measure itself, that liability to taxation under Section 3 of that Act, which is the operative clause, would terminate on December 31, 1917. It was so stated at the time that measure was introduced; my remarks on February 1, 1916, were:

"The duration of the measure will be limited to August 3, 1917." Afterwards, in committee, that was changed to December 31, 1917. So that before this income tax measure was introduced at all, it was well understood in this House that the Business Profits War Tax terminates, so far as its operative provisions are concerned, on December 31, 1917.

What I am trying to establish is that it was fully understood before this income taxation measure was brought down, that the Business Profits War Tax Act was a limited measure.

Let us see what the position is. I pointed out to the House that this measure was introduced in 1916, and was retroactive in effect. It applied to profits made in 1915, although such profits had in many cases been distributed to shareholders or invested in plant. What is the position of the Business Profits War Tax Act to-day? It is this: the individuals, firms and companies who are liable under that

tax paid out of their profits of 1916, because the tax was retroactive, the amount to which they were liable in respect of 1915, and they pay this year, 1917, upon their profits of 1916. Next year, 1918, they will pay a heavy taxation—I think the heaviest in the world—against their profits of 1917. There are firms in Canada which will pay next year \$800,000, \$1,000,000, and \$1,500,000 in respect of their profits on this year's business.

Sir WILFRID LAURIER: They are lucky to be able to do it.

Sir THOMAS WHITE: I agree with my right hon. friend. They are fortunate to be able to do it, and that is what I told them when they complained. The point I make is that this was a three-year measure, retroactive, and that is the feature which is lost sight of for one year. They paid in 1917, and they will pay in 1918, the heaviest business tax in the world. That holds the situation until 1918, so far as concerns those who are making abnormal profits out of the war. This income tax provides that if by chance there should be any firms—and I believe there will be very few indeed—whose taxation under the Business Profits War Tax payable next year, in respect of their earnings this year, will be equal to or less than the taxation, which they would pay under this measure, they may deduct it. That is all it means. The idea is simply they are not to pay the heavy business profits war tax and this income tax as well. I do not believe any one will say there is anything unfair about that.

Mr. PARDEE: Do they deduct the amount of the income tax under this Bill from their original business war tax, and pay the business war tax in full?

Sir THOMAS WHITE: No, it is the other way around. Supposing my hon. friend was fortunate enough to be taxable next year, 1918, to the extent of \$100,000 under the Business Profits War Tax Act amendment of this year, and supposing if that Act were not in existence he would be liable under this legislation to pay \$50,000, he would pay the \$100,000. He pays the larger tax. With the end of the war there will come a time in this country when business will be confronted with the trying period of dislocation, in which capital will be required, in which extensions will have to be made in order to increase the productivity of plants and business enterprises. It has been our view that so far as the average business firm is concerned, a tax of this character is not a good tax in peace time.

This Parliament will be in session in 1918. If this war goes on more and more money will be needed. The business

of the country is the prosecution of the war and to find money with which to prosecute the war. We have done it up to date, and we are going to continue to do it. We have taken the largest portion of profits of any country in the world. I have been criticized, in this House and outside of it, as I believe no Finance Minister has ever been, for imposing such heavy taxation. Nevertheless, this Government stands for the principle that, if abnormal profits due to the war are made by business, there must be abnormal taxation in order that the Government may take a substantial share of those profits. The situation is secure until the end of 1918. My own view is with respect to existing legislation that there are some defects in it. The question of allowance for extension of plant and the question of the amount of bank indebtedness present themselves. But I just desire to say this, that having as our guiding principle that this war must be carried on to a successful conclusion to the utmost of our power, and that the man at the front must be backed by the dollar at home, this Government can be depended upon at the next session of Parliament (if this war still continues and the financial demands upon us are increased) to take the step the moment it appears necessary that there should be abnormal taxation upon abnormal profits derived from the war.

The situation is that the taxation power of the Government is not exhausted and it will be exercised at the proper time, having regard to the conditions that then prevail and to the necessities with which we are then confronted arising out of the war.

Mr. KYTE: For convenience of reference, I shall place in tabular form the amounts contributed by companies each having a capital of \$100,000, according to the percentage earned, under the Excess Profits Tax and under the Income Tax.

Tax Paid by Company with \$100,000 Capital.

<i>Earning, Per Cent.</i>	<i>Under Business Profits Tax.</i>	<i>Under Income Tax.</i>
10	\$ 750	\$ 280
15	2,000	480
20	4,500	680
25	8,250	880
30	12,000	1,080
50	27,000	1,880
100	64,500	3,880
200	139,500	7,880

These figures will illustrate how the manufacturing concerns making large profits are relieved of the great burden

of taxation by the provisions of the Bill that we are now considering.

Sir THOMAS WHITE: Taxation has many aspects. Personally, I do not believe it should be imposed for the purpose of punishing any citizen because he happens to have an income. That is not a sound principle. A Government must be sagacious in imposing taxation, else it will defeat its object. Place too heavy a tax upon liquid wealth—that is to say, bank credits—and they disappear. Place too heavy a tax upon income, and you do not collect your tax, because people will not come into the country, and in many cases investments will be placed elsewhere. There is much more in taxation than the consideration of how much a man's income is, and how much he can possibly live upon, with a view to taking the balance away from him. It would injure this country greatly, and it would impair our power of raising money for the purposes of this war, and injure the prosperity we are enjoying, if our income tax measure was too heavy. I do not mean to say this is an ideal measure at all, but it is a pretty good start. Any Minister of Finance, myself included, could add to it as the necessity might arise. At the same time, it meets the situation as it is to-day.

Mr. A. K. MACLEAN: Before closing, I just wish to say a few words in reference to the Business Profits Tax. There has apparently been some confusion in the minds of hon. gentlemen in reference to the position of the Business Profits Tax Act after the end of this year, and I should like to feel that I understood this matter thoroughly. As I understand it, the Excess Profits Business Tax is in force for the years 1916, 1917 and 1918—and I want the Minister to correct me if I am wrong—but the taxes levied come from profits of the previous year; that is, from the profits of 1915, 1916 and 1917.

Sir THOMAS WHITE: My hon. friend says that the taxes are paid out of the earnings of 1915, 1916 and 1917. I say, no. Although the taxation is in respect of those earnings, it was not possible that the tax should be paid out of the earnings of 1915, because the taxation was not imposed until 1916, and most companies and firms had distributed their earnings as dividends or invested them in plant or material. In the result, by reason of this taxation being retroactive, the taxes in respect of 1915 were paid in most cases from the earnings of 1916, and the taxes in respect of 1916 from the earnings of 1917, and the taxes for 1917 will be paid from the earnings of 1918, or from the accumulated earnings of this year.

Mr. A. K. MACLEAN: I understood the Minister correctly; that is what I intended to say. For all practical purposes, the Business Profits Tax Act is in force in the years 1916, 1917 and 1918.

Sir THOMAS WHITE: Practically.

Mr. A. K. MACLEAN: It is true that the taxes payable in each of these years is from profits of the preceding year, but for the purposes of the revenues of the country, the Business Profits Tax Act is in force in the years 1916, 1917 and 1918. Now the Minister stated the other day that the Business Profits Tax Act expires at the end of this year, and that he does not propose renewing it, although for all practical purposes, as a revenue producing Act, it is still in force in 1918. The last amendment to that Act imposed quite an onerous tax upon business, and may have had the effect of seriously hampering the extension of business in this country. I fear that business interests in the country will consider the Minister's statement that he does not propose to renew that Act as equivalent to saying that he does not propose again to impose any tax of any nature upon business profits beyond the provisions of the Income Tax Bill. There was a great deal of objection to the last amendment to the Business Profits Tax Act, for the reason that when the Minister introduced the Business Profits Tax Act he was understood to say that it would remain in force for three years, and that statement was taken as tantamount to a declaration that there would be no increase or modification of that tax.

I think it would be unfortunate to have the statement go abroad now that the principle of the Business Profits War Tax Act in part at least is not to be removed without that statement being accompanied by a declaration that possibly, and probably, some substitute therefore will be imposed. If in 1918 a Bill is introduced imposing taxation upon business profits, it will meet with a great deal of opposition, and the statement now made to the effect that the Act would not be renewed will be construed as a promise that there would be no further taxation of that nature. I think that would be a very substantial objection to the statement made by the Minister for some equivalent of the Business Profits Tax after 1918. I am of the opinion that it would be better to provide in subsection 2 of section 4, so that business people will know in the future what that tax is likely to be. It would not be operative in 1917 or 1918, except as against companies with a capitalization of less than \$50,000. I ask the Minister of Finance to take this into consideration, and I submit it.

would be better to spend a little time now working out some scheme of the nature of the Business Profits War Tax Act as against business concerns, and make it a part of this Act. Surely some taxation is in contemplation further than Income Tax of corporations. That is not at all substantial. I want to say a word in regard to subsection 2 of section 4 which imposes a tax of four per cent. on corporations and joint stock companies on incomes exceeding \$3,000. In the United States this particular tax has been increased, or at least a Bill has been introduced in Congress to increase it from four per cent. to six per cent. I would like to suggest that this particular tax should be higher, and it should be graduated. As a matter of fact, a great number of small corporations in this country are making more money in proportion to invested capital than many of the larger corporations. There are exceptions, and of course the largest incomes are being earned by a few of the big industrial corporations. At the same time, there are scores of small corporations which are earning very large incomes, and I think they might well be taxed more than four per cent. on incomes in excess of \$3,000. When the incomes reach \$10,000, \$15,000, \$25,000 or more, the rate should be accordingly increased. I would like to call the Minister's attention to the fact that there is no provision in this subsection in regard to taxing undistributed profits. Is there a general clause covering that later on?

Sir THOMAS WHITE: A corporation is liable to taxation upon its profits, whether distributed or undistributed. There is a clause, which we considered for a while last night, to the effect that undistributed profits which were in the opinion of the Minister being held for the purpose of evading the tax would be subject to the super-tax.

(3) Any persons carrying on business in partnership shall be liable for the income tax only in their individual capacity. Partnerships not liable to tax.

(4) A person who, after the first day of August, 1917, has reduced his income by the transfer or assignment of any real or personal, movable or immovable property, to such person's wife or husband, as the case may be, or to any member of the family of such person, shall, nevertheless, be liable to be taxed as if such transfer or assignment had not been made, unless the Minister is satisfied that such transfer or assignment was not made for the purpose of evading the taxes imposed under this Act or any part thereof. Transfer of property to evade taxation.

Sir THOMAS WHITE: Section 4 now reads: "Unmarried persons and widows or widowers without dependent children." I have an amendment to insert immediately after subsection 3 of section 4, which will be subsection 3 (a). It will be recalled that last evening the hon. gentleman from Halifax raised the question as to the husband assigning a part of his income to his wife for the purpose of evading the tax, which would be possible by reason of the double exemption, the exemption to the wife, and the exemption to the husband. I think it well that both wife and husband should be assessed in respect of their assessable income, and should be entitled to the exemption of \$3,000 each, but in order to prevent evasion of the tax, I desire to move that the following be inserted as subsection 3 (a) after subsection 3, of section 4:

A person who, after the first day of August, 1917, has reduced his income by the transfer or assignment of any real or personal, movable or immovable property to such person's wife or husband, as the case may be, or to any member of the family of such person shall, nevertheless, be liable to be taxed as if such transfer or assignment had not been made, unless the Minister is satisfied that such transfer or assignment was not made for the purpose of evading the taxes imposed under this Act, or any part thereof.

The effect of that will be that bona fide transfers, some of which might occur, will of course not be affected, but if the circumstances are such that the transfer is made for the purpose of evading the tax, in order that the benefit may be had of the double exemption, this subsection will meet the case. I understand the view of my hon. friend rather to be that the two exemptions should be allowed.

Mr. KNOWLES: In regard to the assistance we get from the legislation in the United States, they do not give the double exemption to husband and wife, do they?

Sir THOMAS WHITE: They do not.

Mr. KNOWLES: The Minister seems to follow their legislation with some confidence in one instance, and does not follow it in another.

Sir THOMAS WHITE: There is a good deal to be said on both sides, and I think the Act as it stands, with exemptions to each, is probably fair. The law of the several Provinces recognizes the right of property in the wife as an individual, and it seems to me she should be entitled to exemption.

(5) Taxpayers shall be entitled to the following deductions from the amounts that would otherwise be payable by them for income tax,—

Deductions allowed.

- (a) from the income tax accruing for the year one thousand nine hundred and seventeen the amounts paid by any taxpayer for taxes accruing during the year one thousand nine hundred and seventeen under the provisions of Part I of *The Special War Revenue Act, 1915*, and from the income tax payable for any year thereafter the amounts paid by the taxpayer for taxes accruing during such year under the said Part I of the said Act; and,
- (b) from the income tax accruing for the year one thousand nine hundred and seventeen the amounts paid by any taxpayer under *The Business Profits War Tax Act, 1916*, and any amendments thereto for any accounting period ending in the year one thousand nine hundred and seventeen. In the case of a partnership each partner shall be entitled to deduct such portion of the tax paid by the partnership under *The Business Profits War Tax Act, 1916*, as may correspond to his interest in the income of the partnership.

Amounts paid under special War Revenue Act, 1915, for 1917 and thereafter.

Amounts paid under Business Profits War Tax Act, 1916, for accounting period ending in 1917.

5. The following incomes shall not be liable to taxation hereunder,—

Incomes not liable to tax.

- (a) the income of the Governor General of Canada;
- (b) the incomes of Consuls and Consuls General who are citizens of the country they represent and who are not engaged in any other business or profession;
- (c) the income of any company, commission or association not less than ninety per cent. of the stock or capital of which is owned by a province or a municipality;
- (d) the income of any religious, charitable, agricultural and educational institutions, Boards of Trade and Chambers of Commerce;
- (e) the incomes of labour organizations and societies and of benevolent and fraternal beneficiary societies and orders;
- (f) the incomes of mutual corporations not having a capital represented by shares, no part of the income of which

inures to the profit of any member thereof, and of life insurance companies except such amount as is credited to shareholders' account;

- (g) the incomes of clubs, societies and associations organized and operated solely for social welfare, civic improvement, pleasure, recreation or other non-profitable purposes, no part of the income of which inures to the benefit of any stockholder or member;
- (h) the incomes of such insurance, mortgage and loan associations operated entirely for the benefit of farmers as are approved by the Minister;
- (i) the income derived from any bonds or other securities of the Dominion of Canada issued exempt from any income tax imposed in pursuance of any legislation enacted by the Parliament of Canada; and,
- (j) the military and naval pay of persons who have been on active service overseas during the present war in any of the military or naval forces of His Majesty or any of His Majesty's allies.

Payment of
tax at
source.

6. (1) All persons in whatever capacity acting, having the control, receipt, disposal or payment of fixed or determinable annual or periodical gains, profits or income of any taxpayer, amounting to or exceeding fifteen hundred dollars in the case of unmarried persons or widows or widowers without dependent children, and three thousand dollars in the case of all other persons, shall, on behalf of such taxpayer, deduct and withhold an amount equal to the normal tax payable upon the same under this Act, and shall pay the amount so deducted to the Minister, and shall also make and render a separate and distinct return to the Minister of such gains, profits or income, containing the name and address of each taxpayer.

No exemption
unless notice
given and re-
turn made.

(2) When the income tax of a taxpayer is withheld and deducted under the provisions of this section, such taxpayer shall not receive the benefit of any exemption or deduction under this Act unless he shall, not less than thirty days prior to the day on which the return of his income is due, under section seven hereof, (a) file with the person who is required to withhold and pay

the tax for him a notice in writing claiming such exemption or deduction and thereupon the tax to the extent of such exemption or deduction shall not be withheld from such taxpayer, and, (b) file with the person aforesaid and with the Minister such return of his income and a statement of the deductions and exemptions as the Minister may direct.

Mr. A. K. MACLEAN: Would the Minister briefly state the purpose of this section and how and when it could be utilized? Could you use it for instance in the case of brokers on an exchange?

Sir THOMAS WHITE: This section covers a class of trustees in whom securities are vested in trust to pay over the income. It is to ensure that the Government will get the tax from that source. We look to the trustees. Of course, if he pays it on behalf of the beneficiary, the beneficiary is made the allowance. This is taxation at its source.

Mr. McKENZIE: Is there anything in the Bill to cover estates? There are in this country large estates where money is accumulating, perhaps by reason of the children not being of age.

Sir THOMAS WHITE: A trustee, having property vested in him and having an income in respect of it, is liable to pay. If he pays, in respect of the share of income which the beneficiary receives, the beneficiary receives credit for that payment; but if, under the conditions of the trust under which he is acting, he gets income which he accumulates for those who may come into being, say a generation from now, he is liable as a person in respect of that income, so that the estate is taxed.

Mr. McKENZIE: That is the case of a "trustee" estate, but there are many estates which are not "trustee" estates. Suppose a man makes a will and he appoints an ordinary executor.

Sir THOMAS WHITE: I was considering him as a trustee.

7. (1) Every person liable to taxation under this Act shall, on or before the twenty-eighth day of February in each year, without any notice or demand, deliver to the Minister a return, in such form as the Minister may prescribe, of his total income during the last preceding calendar year. In such return the taxpayer shall state an address in Canada to which all notices and

Annual return
to Minister
of total
income.

other documents to be mailed or served under this Act may be mailed or sent.

Returns of corporations, etc.

(2) The return in the case of a corporation, association or other body, shall be made and signed by the president, secretary, treasurer or chief agent having a personal knowledge of the affairs of such corporation, association or other body, or, in any case, by such other person or persons employed in the business liable, or believed to be liable to taxation, as the Minister may require.

Return by guardian, legal representative, etc.

(3) If a person liable to taxation hereunder is unable for any reason to make the return required by this section, such return shall be made by the guardian, curator, tutor or other legal representative of such person, or if there is no such legal representative, by some one acting as agent for such person, and in the case of the estate of any deceased person, by the executor, administrator or heir of such deceased person, and if there is no person to make a return under the provisions of this subsection, then such person as may be required by the Minister to make such return.

Returns by employers of salaries and by companies of dividends, etc.

(4) All employers shall make a return of all persons in their employ receiving any salary or other remuneration, any portion of which is liable to taxation under this Act, and all corporations, associations and syndicates shall make a return of all dividends and bonuses paid to shareholders and members. Such returns shall be delivered to the Minister on or before the twenty-eighth day of February in each year, without any notice or demand being made therefor, and in such form as the Minister may prescribe.

Mr. ROBB: I call the Minister's attention to what seems to me to be a hardship. In line 26 of page 6 it is provided that:

Such returns shall be delivered to the Minister on or before the twenty-eighth day of February in each year, without any notice or demand being made therefor.

Then section 9 provides for a penalty of \$100 for each day during which the default continues. Now firms or individuals may unknowingly default.

Sir THOMAS WHITE: Legislation of this kind always runs this way. There is confidence that the Government will not exercise the powers given here oppressively, in the case of a citizen defaulting unknowingly. It is neces-

sary that the onus be put on the citizen of making the returns. But in the practical working out of the Act, just as in the Business Profits Tax Act, the various officials throughout the country will send the forms out and keep in touch with the recipients until the returns are made. I think I can assure my hon. friend that no such injustice as he imagines may result will be done to citizens.

(5) The Minister may at any time enlarge the time for making any return. Enlarging
time for
return.

Mr. MICHAUD: Are special forms to be sent to the taxpayers?

Sir THOMAS WHITE: There are certain forms in the schedule, but we have power given under a later provision of the Bill to call for such information as we require from the taxpayer, and the mode of administration will be just as under the Business Profits Tax, to send the necessary forms to citizens and to have them filled in and returned to the department.

8. (1) If the Minister, in order to enable him to make an assessment, desires further information, or if he suspects that any person who has not made a return is liable to taxation hereunder, he may, by registered letter, require additional information, or a return containing such information as he deems necessary, to be furnished him within thirty days. Additional
information.

(2) The Minister may require the production, or the production on oath, by the taxpayer or by his agent or officer, or by any person or partnership holding, or paying, or liable to pay, any portion of the income of any taxpayer, of any letters, accounts, invoices, statements and other documents. Production of
letters, ac-
counts, etc.

(3) Any officer authorized thereto by the Minister may make such inquiry as he may deem necessary for ascertaining the income of any taxpayer, and for the purposes of such inquiry such officer shall have all the powers and authority of a commissioner appointed under Part I of the *Inquiries Act*, Revised Statutes of Canada, 1906, chapter one hundred and four. Inquiry as
to income.

Sir THOMAS WHITE: I think it is well that we should have the power to compel the production of these documents on oath, but, of course, the power should be exercised wisely. Suppose that you are not satisfied with the statement a citizen has made. It is an extreme case, but it is

well that power should exist to make him make the statement under oath.

Penalty.

9. (1) For every default in complying with the provisions of the two next preceding sections, the taxpayer, and also the person or persons required to make a return, shall each be liable on summary conviction to a penalty of one hundred dollars for each day during which the default continues.

False statements.

(2) Any person making a false statement in any return or in any information required by the Minister, shall be liable on summary conviction to a penalty not exceeding ten thousand dollars or to six months' imprisonment, or to both fine and imprisonment.

Penalty.

Mr. MARCIL: Ignorance of the law is no excuse, but how is an ordinary citizen, who does not read our deliberations and who does not get the statutes, to know that he must make his returns before February 28th?

Sir THOMAS WHITE: We will contrive to let him know. We will get the organization, and secure information as to the citizens thought to be liable, give them the forms, and have these forms filled in. I admit it is a big task.

Sir WILFRID LAURIER: What organization has my hon. friend in mind?

Sir THOMAS WHITE: At the present time we have the Business Profits War Tax organization. We have a Commissioner of Taxation, an assistant commissioner, and a staff in the Finance Department. Then we have representatives in every Province from Nova Scotia to British Columbia. That organization can be extended by the addition of other officials. We have the Province of Ontario divided into districts, with, I think, four men in charge. They have stenographers and such other assistants as are necessary. The whole Dominion is covered, and by the expansion of that staff the business profits taxation assessment could be made, and this taxation as well.

Sir WILFRID LAURIER: There is a good deal of force in what was stated by my hon. friend from Huntingdon (Mr. Robb). Men in the country may forget they are assessable. Will your officers look after the assessment rolls in every municipality, and search out the parties who are likely to be assessable?

Sir THOMAS WHITE: We shall be obliged to do it. We would not expect to administer this tax upon the

unsolicited returns of the public. It would not be possible to do it. The country will have to be covered. It will have to be ascertained, so far as it can be, who are properly liable to assessment, and those persons will be notified, just as the Assessment Department here notified taxpayers. It will take some time to get the system under way, and the organization will be more or less imperfect for a while. It took three or four years to get the United States organization working properly.

10. (1) The Minister shall, on or before the thirtieth day of April in each year, or on or before such other date as he may in any case or cases prescribe, determine the several amounts payable for the tax, and shall thereupon send, by registered mail, a notice of assessment in such form as the Minister may prescribe to each taxpayer notifying him of the amount payable by him for the tax. The tax shall be paid within one month from the date of mailing of the notice of assessment. In default of payment, interest at the rate of seven per centum per annum shall be paid on such tax until the said tax and interest are paid.

(2) The Minister shall not be bound by any return or information supplied by or on behalf of a taxpayer, and notwithstanding such return or information, or if no return has been made, the Minister may determine the amount of the tax to be paid by any person.

(3) Any person liable to pay the tax shall continue to be liable, and in case any person so liable shall fail to make a return as required by this Act, or shall make an incorrect or false return, and does not pay the tax in whole or in part, the Minister may at any time assess such person for the tax, or such portion thereof as he may be liable to pay, and may prescribe the time within which any appeals may be made under the provisions of this Act from the assessment, or from the decision of the Board, and may fix the date of payment of the tax.

11. No person employed in the service of His Majesty shall communicate or allow to be communicated to any person not legally entitled thereto, any information obtained under the provisions of this Act, or allow any such person to inspect or have access to any written statement furnished under the provisions

of this Act. Any person violating any of the provisions of this section shall be liable on summary conviction to a penalty not exceeding two hundred dollars.

Board of Referees.

12. (1) The Governor in Council may appoint a Board or Boards of Referees, and may prescribe the territory or district within which a Board shall exercise jurisdiction. A Board shall consist of not more than three members, and the members of a Board shall jointly and severally have all the powers and authority of a commissioner appointed under Part I of the *Inquiries Act*, Revised Statutes of Canada, 1906, chapter one hundred and four.

Oath.

(2) Every member of the Board shall take an oath of office in form I of the Schedule to this Act before performing any duty under this Act. All affidavits made in pursuance of this subsection shall be filed with the Minister.

Mr. McKENZIE: What is the duty of these referees?

Sir THOMAS WHITE: Section 13 defines them.

Sir WILFRID LAURIER: How many of these boards will you have and will they be distributed over the country?

Sir THOMAS WHITE: That would depend on the number of appeals. From our experience of the Business Profits War Tax Act I should say that it would not be necessary to appoint permanent boards, but if there should be a number of appeals in, say, Nova Scotia, we would appoint a board of referees consisting of one, two or three members, for the purpose of hearing and determining appeals. There may be very few appeals and there would be no use in appointing a permanent board in each Province because that would involve considerable expense. We might appoint a county judge, or some lawyer of standing, or a business man, as the case might be, have a court of revision held and have the appeals disposed of in a summary fashion.

Court of Revision.

13. A Board shall act as a Court of Revision, and shall hear and determine any appeal made by a taxpayer under this Act in such place in Canada as the Minister may direct.

Notice of appeal.

14. Any person objecting to the amount at which he is assessed, or as having been wrongfully assessed, may, personally or by his agent, within twenty days after the date of mailing of the notice of assessment, as provided in section ten of this Act,

give notice in writing to the Minister in form II of the Schedule to this Act that he considers himself aggrieved for either of the causes aforesaid, otherwise such person's right to appeal shall cease, and the assessment made shall stand and be valid and binding upon all parties concerned, notwithstanding any defect, error or omission that may have been made therein, or in any proceeding required by this Act or any regulation hereunder: Provided, however, that the Minister, either before or after the expiry of the said twenty days, may give a taxpayer further time in which to appeal.

15. (1) A Board, after hearing any evidence adduced, and upon such other inquiry as it considers advisable, shall determine the matter and confirm or amend the assessment accordingly. A Board may increase the assessment in any case before it. The Board shall send a copy of its decision by registered mail to the taxpayer or his agent or officer.

Hearing and
decision by
Board.

(2) In any case where the appeal is unsuccessful, the Board may direct that the person who appealed shall pay the costs or part of the costs of such appeal; and if such appeal is successful, a Board may recommend that the costs or any part thereof be paid by the Crown. The tariff of fees shall be as prescribed by the Board.

Costs.

Mr. ROBB: Does paragraph one of this section mean that the board has only the right to increase assessments?

Sir THOMAS WHITE: The board shall determine the matter. The matter will be the matter of the appeal. The taxpayer will be appealing on the ground that he is wrongfully assessed and it will be for the court to reduce or confirm the assessment. Then the power is given, if the court thinks it is a proper case, to raise the assessment. It is the same power that is exercised by the ordinary court of revision in regard to the assessment of real property.

16. If the taxpayer fails to appear, either in person or by agent, the Board may proceed *ex parte* or may defer the hearing.

Proceeding
ex parte.

17. If the taxpayer is dissatisfied with the decision of a Board, he may, within twenty days after the mailing of the decision, give a written notice to the Minister in form III of the Schedule to this Act that he desires to appeal from such decision.

Appeal to
Exchequer
Court.

If the taxpayer gives such notice, or if the Minister is dissatisfied with the decision, the Minister shall refer the matter to the Exchequer Court of Canada for hearing and determination, and such reference may be made in form IV of the Schedule to this Act, and he shall notify the taxpayer by registered letter that he has made such reference. On any such reference the Court shall hear and consider such matter upon the papers and evidence referred, and upon any further evidence which the taxpayer or the Crown produces under the direction of the Court, and the decision of the Exchequer Court thereon shall be final and conclusive.

Exclusive jurisdiction of Exchequer Court.

18. Except as hereinafter expressly provided, the Exchequer Court shall have exclusive jurisdiction to hear and determine all questions that may arise in connection with any proceeding taken under this Act, and may award costs in connection therewith.

No assessment to be set aside for technical reasons.

19. (1) No assessment shall be set aside by a Board or by the Court upon the ground that there has been any error or omission in connection with any proceedings required to be taken under this Act or any regulation hereunder, but such Board or Court in any case that may come before it may determine the true and proper amount of the tax to be paid hereunder.

Proceedings in camera.

(2) All the proceedings of the Board and of the Exchequer Court shall be held *in camera* if requested by the taxpayer.

Tax a debt due the Crown.

20. The taxes and all interest and costs assessed or imposed under the provisions of this Act shall be recoverable as a debt due to His Majesty from the person on whom it is assessed or imposed.

Recovery of tax, etc.

21. Any tax, interest, costs or penalty that may be assessed, recovered or imposed under this Act may, at the option of the Minister, be recovered and imposed in the Exchequer Court of Canada or in any other Court of competent jurisdiction in the name of His Majesty.

Minister to administer Act.

22. The Minister shall have the administration of this Act, and the control and management of the collection of the taxation levied hereby, and of all matters incident thereto, and of the

officers and persons employed in that service. The Minister may make any regulations deemed necessary for carrying this Act into effect. Regulations.

23. The Governor in Council may from time to time appoint officers and other persons to carry out this Act or any order in council or regulations made thereunder, and the Governor in Council may assign the names of office of such officers and other persons, and grant such salaries or pay for their services and responsibilities as he deems necessary and reasonable, and may appoint the times and manner in which the same shall be paid. Appointment of officers to administer Act, and their salaries.

24. The first return to be made by taxpayers under section seven of this Act shall be made on or before the twenty-eighth day of February, one thousand nine hundred and eighteen, and all taxpayers shall (subject to the provisions of subsection two of section four) be liable to taxation in respect of their income for the year ending the thirty-first day of December, one thousand nine hundred and seventeen, and for each year thereafter, as provided by this Act. First return under Act, Feb. 28, 1918, and 1917 first year's income to be taxed.

SCHEDULE.

FORM I.

The Income War Tax Act, 1917.

I,, make oath and swear that I will faithfully and honestly fulfil the duties which devolve upon me as a member of a Board of Referees under *The Income War Tax Act, 1917.*

Sworn before me this

.....day of
.....A.D., 19.....

FORM II.

The Income War Tax Act, 1917.

In the matter of the assessment of.....
To the Minister of Finance,
I hereby give notice that I object to the amount at which

I am assessed for the following reasons:

(here shortly describe reasons)

or, I am not liable to taxation under the above Act for the following reasons:

(here shortly describe reasons)

Dated this.....day of.....19.....

(Signature).....

FORM III.

The Income War Tax Act, 1917.

In the matter of the assessment of.....
To the Minister of Finance,

I hereby give notice that I am dissatisfied with the decision given by the Board of Referees in this matter for the following reasons:

(here shortly describe reasons)

and that I desire to appeal to the Exchequer Court of Canada.

Dated this.....day of.....A.D., 19.....

(Signature).....

FORM IV.

The Income War Tax Act, 1917.

In the matter of the assessment of.....

By virtue of the powers vested in me in this behalf under *The Income War Tax Act, 1917*, I hereby refer the appeal of.....(or my appeal) against the decision of the Board of Referees, to the Exchequer Court of Canada, for adjudication thereon, and enclose herewith the said decision and the other papers relating to the matter.

Dated this.....day of.....A.D., 19.....

To the Registrar of the
Exchequer Court of Canada.

.....
Minister of Finance.