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# BUDGET SPEECH

DELIVERED BY

HON. J. L. ILSLEY

MINISTER OF FINANCE

MEMBER FOR DIGBY-ANNAPOLIS-KINGS

IN THE

HOUSE OF COMMONS

JUNE 26, 1944



OTTAWA

EDMOND CLOUTIER

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1944



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# BUDGET SPEECH

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HON. J. L. ILSLEY

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, MONDAY, JUNE 26, 1944

## THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE  
MINISTER OF FINANCE

Hon. J. L. ILSLEY (Minister of Finance)  
moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker in laying before the house the government's proposals for meeting the financial requirements of the present fiscal year, it is proper that I should give some account of the economic conditions and the financial results of the fiscal year which closed on March 31. In doing so, I refer the house to the white paper, which I shall table before sitting down, for the detailed record with which I do not wish to burden the house now.

### I.

#### ECONOMIC AND FINANCIAL REVIEW

The whole of the fiscal year was marked by high and sustained levels of production and employment. The employment index on April 1, 1944, was at almost exactly the same level as on April 1, 1943, despite the withdrawals to the armed forces. While there were marked changes in individual industries, the over-all variation was only in the amount of the unfilled demand for labour and in the incidence of shortages. This is a condition which we may expect to persist as the European military operations gain in scope and speed. The net demand for labour, as registered at the national selective service offices, has already mounted far above the levels reached in the spring.

Roughly estimated, national income in 1943-44 was something like twelve per cent higher than in the preceding fiscal year. Aside from the pay and allowances of the armed forces, much the largest increase relatively was in farm incomes. Salaries and wages were up more moderately while investors' and other enterprisers' income experienced still smaller increases. In contrast, rising costs were bringing about a decrease in corporate profits.

Consumer spending also increased through the year, and was in part reflected in an increase in retail sales which was most marked in country stores. It was reflected also in increased revenue from some of our luxury and quasi-luxury taxes.

Prices rose, and the cost of living index moved up one and one-half points during the year though on April 1 it had fallen somewhat from the higher levels established last fall. There are other occasions for discussing at length the government's policy of controlling prices, wages and salaries. However, I believe that that policy in its broad principles has the support of all parties. The need for it is evident on every side. It is not without its irritations and disadvantages but its beneficial results are beyond dispute. It is only necessary to remind the house that the government reaffirmed its policy in November last and again in March, and that the successful maintenance of that policy, through the period of active military operations in Europe and in the readjustment which will follow, will be even more important to this country than it has been in the past and that it will be at least as difficult.

#### GOVERNMENT ACCOUNTS AND FINANCING, 1943-44

The financial results of the past year reflect these economic changes as well as the unfolding development of the war program and the application of the revenue measures. Though the public accounts for the year are not yet made up, I am able at this date to give close estimates of the final figures.

#### REVENUES

Total revenues for the year, including \$155 million dollars of refundable taxes, were \$2,856 million, an increase of \$537 million, or twenty-three per cent over the revenues of 1942-43. Of this increase, total tax revenues at \$2,592 million supplied \$455 million.

The receipts from the personal income tax were \$813 million, \$279 million or fifty-two per cent above those for the preceding year. Of these receipts, an estimated \$115 million was

refundable. The large increase arose from the application of the higher rates of the 1942 amendments to the full fiscal year 1943-44, and the substantial increase in taxable incomes themselves. Revenue from the corporation tax amounted to \$311 million, about ten per cent less than in the previous year in which the yield had been abnormally large because the time of payment had been moved forward. The excess profits tax yielded \$469 million, slightly more than in 1942-43, reflecting the application of the higher rates of the 1942 budget for a full fiscal year. Succession duties at \$15 million were also slightly higher.

Revenues from indirect taxes, with the exception of excise duties, in the yield of which there was little change, were very substantially higher. Customs duties produced \$168 million, an increase of \$49 million. The net revenues from the sales tax were \$305 million, \$72 million more than the previous year. The war exchange tax yielded \$119 million, or \$24 million increase. These are substantial increases. It should be noted, however, that the government itself, as a payer of taxes on its war and ordinary purchases, contributed a considerable part of the increases.

Excise taxes, other than the sales tax and war exchange tax, yielded \$215 million, an increase of \$54 million. Taxes on cigars, cigarettes and tobacco provided more than half of this increase, while those on beverages, candy and chewing gum, transportation and communication and the proceeds of sales of excise stamps which reflect the retail taxes, contributed substantially toward it.

Among ordinary non-tax revenues, which totalled \$140 million, the post office, following last year's increase in rates, produced a revenue of \$61 million, an increase of \$12 million. The return on investments was \$52 million, \$11 million more than in the previous year. Among special receipts, the income surplus of the Canadian National Railways amounted to nearly \$36 million, or almost \$11 million over the figure for the previous year.

#### EXPENDITURES

Ordinary expenditures were \$630 million. The interest on the public debt was \$243 million, and, of the total increase in ordinary expenditure of \$69 million, it accounted for \$54 million. To the remaining increase of \$15 million, the cost of loan flotations and amortization contributed \$5 million; compensation to the provinces in respect of the guarantee of revenues from gasoline taxes, \$4 million; unemployment insurance \$1 million, increased expenses of the Department of National Revenue \$3 million; and the post office \$4 million.

Capital expenditures, at \$3 million, were slightly reduced. Special expenditures amounted

to \$37 million, and were \$6 million higher than in 1942-43. Higher payments under the Prairie Farm Assistance Act and the wheat acreage reduction plan accounted for the whole of the increase. Government-owned enterprises required somewhat more than \$1 million, about the same as last year. Other charges amounted to \$64 million and were slightly lower than in the previous year.

Under the war appropriation acts, including Mutual Aid, expenditures were \$4,625 million, an increase of \$901 million over war expenditures for 1942-43.

Total expenditures for the year thus were \$5,360 million, an increase of \$973 million over those of the previous year, but slightly less than the amount estimated in the budget of last year. Total revenues for the year exclusive of refundable taxes were \$2,701 million. Deducting these, we arrive at the 'over-all budgetary deficit of \$2,659 million—the amount by which the net debt was increased during the year. The proportion of expenditures met out of current revenue, slightly more than fifty per cent, is somewhat better, it will be noted, than I predicted last year.

#### FINANCIAL REQUIREMENTS AND BORROWING

The budgetary deficit is the amount by which the net debt increased during the year. It is not the cash deficiency, that is the amount which we had to borrow to meet our cash requirements. As contrasted with total expenditures of \$5,360 million, our total requirements for cash in Canada were \$5,841 million. The difference between this sum and the amount of our expenditures, is made up of the amounts required to make recoverable advances in connection with war purchases, to pay off indebtedness abroad, and to purchase securities, foreign exchange and other active assets.

Our first source of cash to meet these requirements was our revenues which produced \$2,662 million in cash. The refundable portion of the income and excess profits taxes provided \$155 million, net receipts in trust, insurance and superannuation accounts contributed \$50 million, and miscellaneous receipts and credits resulting from the working of various accounts, \$39 million. The remainder, \$2,935 million, is the amount of the cash deficiency.

It is this cash deficiency, not the budgetary deficit, which measures the amount of our borrowing requirements, and it is often much the larger amount. In the past year, the cash deficiency was only ten per cent higher than the budgetary deficit, but in three of five of the war years, when we were greatly extending our war programme, repatriating securities and accumulating sterling, it was more than double the budgetary deficit. Over the five years as a whole, it was nearly fifty per cent greater

than the budgetary deficit. I lay some emphasis on this distinction because not only has it been of great importance in the past, but it is likely to be very significant in the future.

To a small extent, the cash deficiency was met by drawing down our cash balances by \$42 million. The total cash borrowing for the year, \$2,962 million, met the remainder, and in addition provided \$60 million to meet bond maturities in cash and \$9 million to reduce the floating debt. In addition, securities to the value of \$696 million were renewed or converted, not including the annual renewal of \$33 million of school lands debentures. Of the cash obtained by the issue of new securities, \$60 million came from the increase in the treasury bill issues, \$170 million resulted from the sale of \$200 million 2-year notes to the chartered banks less a reduction of \$30 million in the deposit certificates outstanding; the remainder, \$2,732 million, was the proceeds of borrowing from the general public. War savings certificates, together with the accumulated interest thereon, yielded \$47 million net, non-interest-bearing certificates \$1 million and sales of victory bonds \$2,684 million.

In the budget speech of last year, I charged national war finance committee with the duty of promoting continuously the sale of war savings certificates and stamps and of organizing and conducting two victory loan campaigns. This task they faithfully and brilliantly accomplished.

Sales of securities and stamps, including conversion sales, by the national war finance organization amounted to about \$2,947 million. Of this total, sales to individuals, excluding those in the special names canvass, amounted to \$1,239 million and the number of applications on the occasion of the fifth victory loan rose to 3 million. With the permission of the house, I shall put on *Hansard* a brief table giving the detail of these sales:

This is the largest volume of securities which has ever been sold to the Canadian public in any year, but probably it will have to be exceeded in the present year. Further, bonds and certificates are now held by more people than ever before. It is estimated that there are at least 2½ million persons holding war and victory bonds, and perhaps over 3½ million individuals holding war savings certificates.

The costs of our public borrowing operations are very low considering the magnitude of the loans, and the number of individual transactions. In the year ended March 31, 1944, costs incurred by the national war finance committee, with respect to the sale of victory bonds, and war savings certificates and stamps, amounted to only about 87 cents for each \$100 of securities sold—that is, seven-eighths of 1 per cent of total sales. To achieve such outstanding results at this cost, is, in my opinion, a proud record of accomplishment. It is a record which is made possible only by the voluntary services of the tens of thousands of people who form the voluntary staff of the national war finance organization, by the tremendous energy and enthusiasm they bring to the discharge of the war-time responsibility which has been entrusted to them by their fellow-Canadians, and by the unremitting and wholehearted support given to our victory loans by business firms, by the press, the radio, the motion picture industry, and by labour, agricultural, and many other organizations and groups throughout the country.

There is one point at which the record of our war financing is not as good as I would wish. On several occasions over the past two years, I have referred to the fact that many investors are disposing of victory bonds they bought during campaign periods, and that

Security	Total amount (millions)	Sales to <sup>(1)</sup> individuals (millions)	Sales to others (millions)	Number of applications (millions)
Fourth victory loan cash sales.....	\$1,308.7	\$ 529.5	\$ 779.2	2.7
Fifth victory loan cash sales.....	1,375.0	599.7	775.3	3.0
Conversion sales.....	195.6	42.2	153.4	0.0
Total.....	\$1,570.6	\$ 641.9	\$ 928.7	
War savings certificates .....	66.5	66.5	....	10.2
Stamps <sup>(2)</sup> .....	1.4	1.4	....	....
Total.....	\$2,947.2	\$1,239.3	\$1,707.9	....

<sup>(1)</sup> Excludes individuals covered in the special names canvass.

<sup>(2)</sup> Net increase in public holdings; certificate sales include certificates issued against payments in stamps. Total stamp sales in the year were \$12.2 million.

many people are presenting war savings certificates for redemption. I should like to say here a further word to the millions of Canadians who now own victory bonds and war savings certificates.

Last year, I said that when a person buys a victory bond or a war savings certificate, that person is helping his country to get the materials needed for war use, and, in doing so, is doing his part to fight the home-front battle against inflation. I went on to say that when people sell their bonds or have their certificates redeemed, they are withdrawing this help. These statements are true to-day as they were a year ago. This is a time for increasing our support of our fighting forces. It is not the time to withdraw it. We are giving and maintaining this support when we set aside the largest possible amount of savings for the purchase of victory bonds and certificates, and when we hold on to the bonds and certificates we now own.

Emergency needs for cash are one thing. Unnecessary spending, financed by the turning of bonds or certificates into cash, is quite another. Unnecessary spending at this time is a betrayal of our obligation to the men who are risking their lives and dying in the great battle for world freedom.

Everyone who owns bonds or certificates should always remember that a reserve of savings will be of great value to the individual and to the nation after the war. When materials and productive facilities can again be devoted to civilian use, more and better-quality goods will be on sale than are available to-day. Now is the time to lay aside funds for building something after the war, or for buying something new and durable, or to start one's own business—or to expand it.

In the meantime, the money invested in bonds and certificates is ready for emergency use at any time it may be needed because there is always a ready market for victory bonds, and war savings certificates are redeemable any time after six months from date of issue. But before any person sells his bonds or presents his certificates for redemption, I would ask him to weigh his real or imagined need for cash against his country's need for his continued support at this critical stage of the war and against the advantages, national and personal, which can be realized by the postponement of spending until after the war is over.

#### THE FUNDED DEBT

At March 31, 1944, the gross unmatured funded debt is estimated to have been \$10,689 million, of which ninety-seven per cent was held in Canada. The net debt at the same date was \$8,842 million. The annual interest charge on the funded debt was \$274 million or

an average rate of 2.57 per cent. On March 31, 1939, the average rate of interest on the funded debt was 3.52 per cent. In addition to the funded debt, there are outstanding bonds and debentures, guaranteed by the government of Canada, in the amount of \$699 million, a decrease of \$17 million during the year.

From time to time, concern is expressed over the growing size of the national debt. The increase in our national debt as a result of war should be viewed in perspective. There are other considerations than the amount, which is determined chiefly by the necessity of war expenditures. In the five years from 1914 to 1919, the debt of that day had increased nearly seven times, but because the average rate had risen from 3.579 to 5.022 per cent the annual interest charges had risen more than nine times. Further, about one-third of the debt was payable outside the country and a substantial portion of the debt was in tax-exempt securities. Commodity prices had more than doubled, and were about to fall.

In the past five years, while the funded debt has increased slightly more than three times, the average rate of interest has declined from 3.52 to 2.57 per cent, and the annual interest charges have risen two and a quarter times. If we take into account the revenue received by the government then the net interest charges have increased only by a much smaller amount. The share of the debt payable outside the country has fallen from twenty-six to scarcely more than three per cent; there are no tax-exempt bonds, and we have every expectation of a post-war price level not seriously lower than the present.

I do not wish to push historical comparisons too far; they do give some perspective and draw attention to significant facts. I would emphasize rather that, while the national debt has increased, our national income, and with it our capacity to carry the debt has fully doubled since the beginning of the war. I would point out that the debt is almost wholly domestic. What is paid in debt charges goes into the pockets of taxpayers whose taxpaying capacity is thereby increased. We have, through the great efforts of the war finance committee and as a matter of deliberate policy, succeeded in distributing our new borrowing very widely so that the interest on the public debt will be paid, not to a few institutions and men of wealth, but to probably not less than sixty per cent of the income-earners of this country. These are reasons why I have confidence in the ability of the country to carry this debt and in the soundness and stability of these bonds as an investment.



## II

## BUDGET FORECAST 1944-45 AND PROPOSALS

The record of 1943-44 has been made reasonably clear. It is quite a different task to make realistic estimates and proposals for 1944-45. The events and circumstances which will determine the course of the year's activities have not yet unfolded.

The expenditure estimates for the year now current are known to the house. For non-war expenditures as covered in the main estimates \$702 million is required. The war estimates stand at \$3,650 million, about \$62 million less than our war expenditures last year. The Mutual Aid appropriation is \$800 million. The estimated expenditures thus reach a total of \$5,152 million. This is some \$350 million less than the total estimates for last year and \$208 million less than the actual expenditures last year, but as will be pointed out later this amount does not represent the whole of our requirements.

On the revenue side, it is estimated that, under the present tax laws, revenues in 1944-45, not including the refundable portion of axes, will be \$2,617 million as compared with \$2,701 million in the past year. I shall place on *Hansard* a statement showing the details of this estimate in comparison with the revenues of 1943-44:

	1944-45 (millions)	1943-44 (millions)
Customs duties .....	\$ 160	\$ 168
Excise duties .....	150	142
Sales tax .....	290	305
War exchange tax.....	120	119
Other excise taxes.....	225	215
Income taxes:		
Personal .....	830	813
Corporate .....	300	311
Excess profits .....	425	469
Interest and dividends..	27	27
Succession duties .....	17	15
Miscellaneous .....	8	8
	<u>\$2,552</u>	<u>\$2,592</u>
	(millions)	(millions)
Non-tax revenue .....	145	140
Total ordinary revenue...	<u>\$2,697</u>	<u>\$2,732</u>
Special receipts .....	\$ 75	\$ 124
Total revenue .....	<u>\$2,772</u>	<u>\$2,856</u>
Less refundable taxes....	\$ 155	\$ 155
Net total revenue.....	<u>\$2,617</u>	<u>\$2,701</u>

The table shows that, under the present tax laws, we anticipate declines from customs duties and sales tax. These, it is thought, will result from two sources. In some lines

there is likely to be a reduction in volume. To some degree, these taxes are being removed from individual items as administratively a more practical alternative than paying subsidies where such are necessary to maintain the price ceiling.

It is expected that revenues from the personal income tax will increase but that revenue from the corporate income tax and from the excess profits tax will decline. Non-tax revenues are likely to show a small increase.

If these expectations are borne out, there will be a decline of slightly less than \$100 million in our total revenues this year. Expenditures of \$5,152 million and revenues of \$2,617 million will result in a budgetary deficit for 1944-45 of \$2,535 million, about \$124 million less than that for 1943-44. These estimates are carefully made, but I shall say frankly that I do not attach much importance to the anticipated decline in the deficit. We have entered the period of the most active and widespread offensive operations of the whole war. I consider it not only probable but certain that the swiftly moving events of this year will require expenditures which could not have been anticipated months ago when our appropriations were made up—expenditures which no one would for a moment hesitate to make. In short, while I am bound to subtract our anticipated revenues from the expenditures for which parliament has been asked to make appropriations, I cannot conceal my own conviction that when the accounts for 1944-45 are closed, we shall find that the budgetary deficit has, in fact, been greater, not less, than that for 1943-44.

I have already explained at some length that the amount of our cash deficiency differs substantially from the budgetary deficit, and that our total cash requirements do not coincide with our total expenditures. I have reason to believe that, even though our expenditures do not turn out to be greater than the present appropriations, our cash requirements will exceed those of last year.

The probable circumstances affecting various asset accounts are involved in this prediction, but I shall mention only the main ones. The house and indeed the whole country is aware that, after some reduction in the output of war materials and equipment of which great stocks had been built up, there is now intense pressure, in this as in allied countries, to increase war output to the highest possible peak so that the tremendous operations which have been begun so successfully on the continent of Europe may not be limited nor men be sacrificed for lack of fire-power, equipment and supplies. This vast flow of food, supplies and equipment from field and factory to the

advancing fronts of Italy and France is a miracle of organization and a prime requisite of victory. Some of these supplies go to our own forces and are covered by the war appropriation which may have to be supplemented before the end of the present fiscal year. Others go to our allies under an arrangement that, in consideration of their being used by their forces for the defeat of the enemy, no payment will be required now or later. These are covered by the Mutual Aid appropriation. Beyond these, there will probably be large shipments, payment for which is not provided under the war appropriation or the Mutual Aid appropriation. For these we shall have to take payment only in the future or present payment in a currency other than Canadian. Whatever the arrangements, they have this in common that, economically, we can at present get no additional goods in exchange for what we send, and, therefore, the pressure on our man-power is increased, and, financially, we have to find the cash, here and now, to pay for their production and transportation.

There are other factors affecting other asset accounts, but I think I have said enough by way of explanation. As nearly as we can now estimate, even though our expenditures chargeable to the budget should prove to be lower than those of last year, our cash requirements are likely to be some \$200 million in excess of those of 1943-44, in other words something over \$6,000 million, and mainly because of the need for arms and supplies to press the invasion and secure the victory.

#### BASIC CONSIDERATIONS

The cash requirement is the first, and most stubborn fact, with which we have had to reckon in framing financial proposals for the current year. This is the measure of the goods and services which must be acquired for war and other governmental uses. Whether in acquiring them, we incur an expenditure or make an investment has some significance for the future but none for the present. It is not unexpected that in this critical year our cash requirements should be high, and, in fact, as I have explained, they are higher than in any previous year.

The second consideration is the urgent need to achieve and maintain the highest possible production of goods and services of which our available working force and management is capable. The urgency of production is very great, and it is immediate. This is not a matter of building up a great organization from which output will flow in one or two years' time. The need is for maximum production now—from our present capacity and

working force. It cannot be met except by maximum production per person.

A third consideration is the desirability of relieving cases of special hardship which very frequently arise when tax rates are heavy, and of removing some anomalies which experience has revealed in the working of our laws.

Finally, we have felt it necessary to keep in mind that we are nearer the end of the European phase of the war than we were. It is not in any spirit of foolish optimism that I state this consideration. The most gruelling part of the race is ahead of us, and if, by great good fortune, the coming months should bring victory in Europe, the Japanese phase of the war will still call for great efforts. Nevertheless, it is no more than prudent to give sober consideration to some of the problems which will arise when we are able to release some portion of our productive capacity for the purposes of peace. Let no one misunderstand me. This is no time to begin the execution, as distinguished from the making, of post-war plans. There is other work for every pair of hands at the moment. I am concerned only with clearing away some of the uncertainties of fiscal policy—opening the way for business firms, both large and small, to proceed on as definite as possible a basis with the drawing up of plans for the post-war conversion and expansion of industry and trade on which employment after the war will depend. If the planning and designing can be done, the execution of the plans will come in good time.

These are the considerations which we have had in mind in framing the financial proposals for this budget.

#### PERSONAL INCOME TAX

In reviewing the personal income tax, we have given consideration to many contentions that our rates of tax are too heavy and entail serious hardship particularly on persons with low incomes. Realizing that war-time taxation can never be light, we have, nevertheless, carefully reviewed our taxation in its effects on the lower incomes and in comparison with the taxes of other countries.

The main features of our income tax as they affect persons of low income are these: The personal income tax, including the compulsory savings element, consists of two levies. A normal tax of seven per cent is levied on the whole taxable income of single persons who receive more than \$660 a year and of married persons who receive more than \$1,200 a year. A tax credit is given for each child. In addition, a graduated tax is levied in ascending rates on the taxable income in excess of \$660 and tax credits are given for wives and dependents. In order that incentive might not be



destroyed by the abrupt application of the seven per cent rate to incomes slightly in excess of \$660 or \$1,200 there was at first a provision that the income could not be reduced below \$660 or \$1,200 by reason of the tax, including the compulsory savings portion, and later there was substituted the present provision that the total tax could not be more than two-thirds of the amount by which the taxable income exceeded \$660 in the case of single persons or \$1,200 in the case of married persons. Thus for single persons whose taxable income is between \$660 and \$820 the tax on each additional dollar of income is 66⅔ per cent, of which half is compulsory saving and only the other half is pure tax. For married persons, the same rate applies to a range of incomes above \$1,200. For those without children the range is considerable, while for those with children it is less extensive.

The suggestion most frequently made is that we should increase the exemptions from \$660 and \$1,200 to \$750 and \$1,500 or even higher figures. This would relieve a considerable number of present taxpayers from income tax altogether and would reduce total taxes substantially for all others, no matter how large their incomes. There is a variety of other ways in which taxes could be reduced.

In considering the level of taxes, we are all inclined to look back to the exemptions and rates in force in Canada in 1939. It will improve our perspective if we look also at the exemptions and rates provided in the laws of other countries to-day. In the United States, the basic exemptions under the 1944 income tax law are \$500 for single and \$1,000 for married persons. In the United Kingdom, they are the equivalent of \$356 for single and \$623 for married persons. In Australia, the exemption for single persons is \$372 and for married persons without children there is no additional exemption though the rates are lower than for single persons. In New Zealand, there is no exemption whatever in respect of the basic 12½ per cent national and social security taxes, which are levied on the whole

income, no matter how small, without exemption, while the exemptions for the graduated tax, and for that only, are \$713 for single and \$897 for married persons.

#### COMPARISONS WITH OTHER COUNTRIES

In comparing our tax rates with those of other countries, we must remember that our tax is divided into two parts: the first is pure or fixed tax, and the second a refundable or savings portion which will be paid back with interest after the war, and, unlike the compulsory saving in the United Kingdom, it has not to be paid by any taxpayer who is making equal, contractual savings voluntarily. In any comparison of tax rates with those of allied countries, we must compare tax with tax, not with savings. I am not sure that it is generally understood that on this basis Canadians in the lower income groups are not taxed more heavily than the people of other countries.

On the contrary, on the basis of non-refundable taxes, single persons, in the United States, getting from \$500 to \$1,000 are more highly taxed than in Canada; at higher incomes the Canadian taxes are higher. Married persons without dependents and with incomes from \$500 to \$1,500 are more highly taxed in the United States; from \$1,500 up, our taxes become higher. In the United States, a married person with two children pays a higher tax than our law imposes until the income rises above \$1,600.

For each of the three categories, single, married with no dependents, and married with two dependents, and for all levels of earned income up to \$2,000 at least, the fixed or non-refundable income taxes payable in the United Kingdom, Australia and New Zealand are substantially higher than in this country.

With the permission of the house, I shall place on *Hansard* tables showing these comparisons in detail for incomes up to \$2,000. I commend these tables to the careful attention and study of the house:

COMPARISON OF INCOME TAXES PAYABLE IN CANADA, UNITED STATES, UNITED KINGDOM, AUSTRALIA AND NEW ZEALAND

SINGLE PERSON—NO DEPENDENTS

Earned Income	Canada		United States	United Kingdom		Australia	New (a) Zealand
	Fixed Tax	Savings Tax		Fixed Tax	Savings Tax		
\$	\$	\$	\$	\$	\$	\$	\$
500.....	0	0	0	0	31	31	63
600.....	0	0	12	18	42	50	75
700.....	11	11	32	45	44	74	88
800.....	45	45	53	72	46	102	113
900.....	66	66	74	99	49	133	144
1,000.....	91	79	95	126	51	168	172
1,100.....	120	88	115	153	53	207	202
1,200.....	149	96	136	180	55	247	233
1,300.....	181	104	157	207	72	288	264
1,400.....	213	112	177	235	89	328	294
1,500.....	245	120	198	275	94	369	327
1,600.....	277	128	219	316	98	410	359
1,700.....	311	136	239	358	101	451	392
1,800.....	347	144	260	399	105	493	424
1,900.....	402	152	281	441	108	535	453
2,000.....	439	160	302	483	111	577	491

(a) Includes national security and social security taxes.

COMPARISON OF INCOME TAXES PAYABLE IN CANADA, UNITED STATES, UNITED KINGDOM, AUSTRALIA AND NEW ZEALAND

MARRIED PERSON—NO DEPENDENTS

Earned Income	Canada		United States	United Kingdom		Australia	New (a) Zealand
	Fixed Tax	Savings Tax		Fixed Tax	Savings Tax		
\$	\$	\$	\$	\$	\$	\$	\$
500.....	0	0	0	0	0	9	63
600.....	0	0	2	0	0	20	75
700.....	0	0	4	0	2	36	88
800.....	0	0	7	0	32	51	100
900.....	0	0	10	0	61	67	113
1,000.....	0	0	12	25	65	102	142
1,100.....	0	0	15	52	67	140	171
1,200.....	0	0	36	79	70	173	201
1,300.....	31	31	57	106	72	208	231
1,400.....	65	65	77	133	74	244	262
1,500.....	98	98	98	160	76	281	293
1,600.....	127	127	119	187	93	318	323
1,700.....	148	148	139	215	110	356	356
1,800.....	170	170	160	243	127	395	383
1,900.....	195	189	181	285	130	434	421
2,000.....	229	199	202	327	134	473	453

(a) Includes national security and social security taxes.

COMPARISON OF INCOME TAXES PAYABLE IN CANADA, UNITED STATES, UNITED KINGDOM, AUSTRALIA AND NEW ZEALAND

MARRIED—TWO CHILDREN

Earned Income	Canada		United States	United Kingdom		Australia	New (a) Zealand
	Fixed Tax	Savings Tax		Fixed Tax	Savings Tax		
\$	\$	\$	\$	\$	\$	\$	\$
500.....	0	0	0	0	0	0	63
600.....	0	0	2	0	0	0	75
700.....	0	0	4	0	0	0	88
800.....	0	0	7	0	0	3	100
900.....	0	0	10	0	0	12	113
1,000.....	0	0	12	0	0	39	125
1,100.....	0	0	15	0	0	60	138
1,200.....	0	0	18	0	4	96	150
1,300.....	17	17	20	0	33	125	171
1,400.....	21	21	23	0	62	156	199
1,500.....	24	24	26	15	76	188	229
1,600.....	28	28	29	42	79	222	257
1,700.....	40	40	31	70	80	257	289
1,800.....	62	62	34	97	82	292	320
1,900.....	84	84	37	124	84	328	350
2,000.....	106	106	39	151	87	365	381

(a) Includes national security and social security taxes.

The combined rates of tax and savings levied in Canada on nearly all incomes up to \$2,000 are higher than the pure tax rates payable in the United States. They are at no point as high as the combined tax and compulsory savings rates payable in the United Kingdom, and they are rarely as high as the rates of pure, non-refundable tax levied in Australia and New Zealand.

REFUNDABLE OR SAVINGS PORTION

These are the facts regarding the relative height of our tax rates, and neither they nor the financial requirements of the year offer any support to proposals for tax reduction. Nevertheless, I appreciate that there are among the lower income groups cases of hardship where individual circumstances increase the severity of the deductions from income required under our law. We had this in mind when we provided so large a refundable portion in the combined tax and savings levy. We had it in mind in providing that the savings portion need not be paid if the taxpayer was making equal contractual savings voluntarily, and when provision was made for an allowance against unusual medical expenses. In framing the present law, great importance was attached to the large savings portion to be returned with interest after the war. Yet I realize that any large compulsory payments, whether they are refundable or not, will create hardships in the particular circumstances affecting some family budgets. It is the chief

virtue of voluntary saving in comparison with compulsory saving that it is more flexible and can be adjusted more readily to fit the particular and changing circumstances of different individuals and families.

Other considerations have also given concern. It has been widely represented that the high rates of deduction for income tax purposes is having an adverse effect on production, particularly as many taxpayers apparently do not make any distinction in their minds between refundable and non-refundable taxes but regard them all as simply taxes. The fact that it is not administratively possible to issue certificates for the refundable portion until a considerable time after the deductions are made contributes to this misunderstanding. At this stage of a long war, there are many causes contributing to absenteeism, unwillingness to work overtime and lack of application on the job. But it is alleged that the high rates of deduction for tax and savings are a contributing factor. I am not in a position to judge fully how far this is true, but I do know that now is the time when the need for greater production is urgent and immediate.

In the period of the war in which we have been building up our income tax and savings law and our collection machinery, we have also been building up a voluntary savings organization, which has achieved a notable record of success. Under the national war finance committee, the organization and stimulation of voluntary savings have been brought

to a very high level indeed. The work of the national war finance committee now permeates the whole nation to a degree which had not been attained when compulsory savings were instituted.

In reviewing all the circumstances, I have been impressed with an undesirable feature of our income tax. As I have already indicated, our law moderates the abrupt application of the seven per cent normal tax to incomes slightly in excess of \$660 and \$1,200 by providing that the total tax, including the savings portion, shall not be more than two-thirds of the amount by which the taxable income exceeds \$660 or \$1,200. Nevertheless, this is a high rate of levy on each extra dollar earned and though it extends over a limited range of incomes, it is undesirable if it seriously blunts incentive.

In the second place, as I mentioned earlier, we cannot overlook the number of cases of special difficulty and hardship which result from high combined tax and savings rates when the savings rate is as rigid and as compulsory as the tax rate.

I have been forced to the conclusion that it would be a desirable change in our income tax law to discontinue the refundable feature of the income tax leaving as the full rates of taxation, the rates of pure, non-refundable tax as they now stand, and depending on voluntary savings to replace the proceeds of the compulsory saving provision. This step will reduce the total tax deductions from each additional dollar of income earned, by one-half for those in the lower income ranges who, being without contractual savings, had to make the full compulsory savings contribution. It will substitute the flexible instrument of voluntary saving for the more rigid method of compulsory saving. The refundable feature of our income tax law provided simply a method of borrowing and of borrowing for progressively shorter terms as the war goes on. With its provision of allowances for contractual savings, it embodied a principle of fairness which I regret to relinquish. Nevertheless, if this particular method of borrowing, despite its virtues, has the one fault of discouraging production at this critical period of the war, or if by its rigidity it creates hardship among those income groups whose incomes leave little room for adjustment, then another method of borrowing must be found.

It is recommended, therefore, that no further deductions for the refundable or savings portion be made after June 30, 1944. This will mean that for the year 1944 as a whole, the liability for compulsory savings will be reduced by one-half, deductions having been made during the first six months of the year. For 1945, it is recommended that the total tax liability shall be reduced by the amount of

the required savings portion applicable to each taxpayer. More simply, the rates and deductions now applicable to those who have full offsets in contractual savings will apply to all taxpayers.

I must repeat and emphasize that this proposal does not imply that the need for saving is less. On the contrary, from every point of view, the need is greater than ever before. Civilian goods continue to be in relatively short supply; the demands from the war fronts are more imperative; and overall cash requirements are mounting to new high levels. Only the desire to remove a barrier to production, to do away with misunderstandings and to meet legitimate complaints of hardship could have induced me to recommend at this time a step which tests still further the willingness of our people to respond to the appeal for voluntary savings. It is on voluntary savings that the country must rely to replace the \$110 to \$115 million dollars a year which will be relinquished by the change. If our people understand the need, I am sure that they will answer the call.

The other changes which are proposed in the personal income tax are changes in detail designed to relieve cases of special hardship. I shall state only the principle of each change and defer fuller explanation until the house discusses the resolutions.

#### MEDICAL EXPENSES

To make the medical expenses allowance now provided in the Income War Tax Act more fully and fairly available to those who have the misfortune to encounter unusually heavy medical expenses, it is recommended that medical expenses incurred outside of Canada should be allowed on the same basis as if incurred in Canada.

#### ALLOWANCE TO BLIND PERSONS

In recognition of the additional expenses which they incur, it is proposed that persons suffering from blindness, as defined in the Old Age Pensions Act, be permitted an allowance of \$480 in the form of a deduction from income. This is to be an alternative and not an addition to the allowance for the wages of a full-time attendant now provided under the medical expenses section of the act.

#### OTHER CHANGES

The dropping of the refundable or savings portion of the income tax will help to alleviate many of the cases where our taxes result in some measure of hardship. There are other recommendations to which I now wish to refer respecting dependents, which are intended to recognize more fully than before the varying



circumstances of family responsibility. These I believe will be thoroughly in keeping with the greater emphasis that we shall be placing upon family welfare after the war. With the introduction of family allowances we are taking a great stride forward in improving the position of those with low incomes and family responsibilities. Now with respect to dependent children, it is proposed to authorize the extension of the tax credits now granted in respect of the taxpayer's children to include illegitimate children and other children dependent on the taxpayer. In the registration records covering all children, which are necessary for the administration of family allowances, there will come into existence a dependable basis for administering this extended provision which has not hitherto existed. In respect of dependents other than children, I am recommending that the allowances now given for the support of blood relatives be extended to include relatives by marriage supported by the taxpayer.

Our present provision that when the wife or husband, as the case may be, of a taxpayer has an income from investments in excess of \$660, both shall be taxed as single persons, has resulted in very severe penalties. There is no concern over cases in which both the taxpayer and his wife have substantial incomes, but when the wife's income rises a small amount over \$660, the husband who is a taxpayer loses the tax credit of \$150, becomes liable to the higher rates of normal tax imposed on single persons, and has his refundable portion reduced even though the family income may have increased by only a few dollars. It is proposed to provide a method for avoiding these penalties in the marginal cases by allowing a gift to be made to the crown in the right of Canada and to allow such a gift as a deduction from income. Thus, a husband whose wife has an income exceeding \$660 need not be taxed as a single person unless her income exceeds \$660 by an amount sufficient to equal the additional tax resulting from the single status.

The present provision, whereby a person paying alimony or comparable payments to a divorced or separated wife or husband, as the case may be, is allowed, as a tax credit, the amount of the tax for which such wife or husband is liable on that income, has worked great hardship in the case of persons with relatively low incomes and making relatively low payments. It is proposed, therefore, to amend the law so that the amount of such payments shall be allowed as a deduction from income.

There are a number of amendments related to the retirement of employees from service and contributions to pension funds. It is proposed to allow those who receive long-ser-

vice gratuities in a lump sum on retirement from service to spread the sum over five years for tax purposes. Contributions of an employee to an approved pension fund are now allowed as a deduction from income up to \$300. It is proposed to allow, additionally, payments up to the same amount into such funds by employees, if required to make up past deficiencies. Contributions to approved trade union pension funds paid in the form of union dues are to be allowed as a deduction from income, as is now done in the case of other approved pension funds. It is proposed that persons reaching the age of sixty-five shall be entitled to the return of refundable taxes standing to their credit after the end of the year in which they reach sixty-five.

The present period of thirty days allowed for making an appeal against income tax assessment is much too short to be fair to members of the armed forces and I am recommending that for them it be extended to one year, or such longer period as the Minister of National Revenue may allow.

To the various powers to require information, it is proposed to add the power to require anyone accepting deposits to report the interest paid on such deposits.

There are some amendments affecting the status of those who maintain in the words of the act "self-contained domestic establishments" which will require detailed explanations into which I shall not enter now. Other proposed amendments would allow taxes paid to foreign governments to be deducted from the non-refundable portion of our tax rather than the total tax, change the penalty for late filing, and the rate of interest on unpaid tax, and limit the time within which assessments can be reopened, except in case of fraud or misrepresentation, to six years after the first assessment.

#### ANNUITIES AND PENSION FUNDS

There are two special income tax problems to which we have given a great deal of study in the past year and to which I wish now to refer. The first of these is the treatment of annuities and other like payments, such as the various types of pension and retirement plans. I have been strongly urged, both in the public press and by letter, to alter the present basic rule under which life annuities are taxed in the same way as any other form of income. The principle upon which our law is founded is the same as that which underlies the income tax in Britain, where so many of the fundamentals of income tax law were developed. This English law has been thoroughly tested in many appeals to the courts, and affords us a well-established foundation on which to base our act and its application. The essential principle we follow is that a life

annuity contains no element of capital repayment which the law should recognize. This general principle was commended by the distinguished royal commission which reexamined the income tax in Great Britain in 1920.

The critics argue, however, that just as we recognize an element of capital repayment in an annuity for a fixed term of years, so we should, by taking into account normal life expectancy, recognize a portion of a life annuity, in any one year, as a return of capital rather than income. Nevertheless, in dealing with the matter there are more than actuarial considerations to be taken into account. Our basic concept of income—the essential distinction between income and capital payments—is involved. Moreover, we must relate the treatment of annuities to the treatment of pensions and retirement plans of various types. We should, in fact, reconcile the treatment under income tax of the various forms of the accumulation and use of savings. This is a complicated task, and there are many conflicting considerations. In this respect, it may be necessary to consider not only the form of the annual payment but also its origin. Furthermore, we should, I believe, have in mind the relation of annuity and pension plans to succession duties as well as to income tax, and not only the position of the individual taxpayer but the broader aspects of public policy. If the wealthy are to convert their capital into annuities and live upon a presumed return of capital tax-free, we shall lose substantial succession duty revenue.

If we should recognize a portion of a life annuity as return of capital, we are faced with many complex questions in our treatment of pension plans. For example, could we with fairness regard partly as capital the pension given in the form of an annuity by a generous employer to an old employee on retirement, while treating entirely as income the wages of another, whose employer is unable or unwilling to retire him in similar circumstances? How should we reconcile the treatment of life annuities with the payments out of pension funds at present entirely free from income tax because the payments by employees into the fund have not been exempt? Would it be fair to continue to allow as a deduction from income the contribution of employees to approved superannuation plans? If we should change this practice, how much return of capital are we to recognize in the resulting superannuation payments? Should we not reconsider then our practice in overlooking, as income of the employee, the contribution made on his behalf to the pension fund by his employer? How can we best achieve fairness in the combination of income tax and succession duties when applied to various types of pro-

vision for retirement and family security, including, for instance, various life insurance and endowment plans, periodical payments under wills which may or may not be supported by the corpus of the estate, various types of annuity and superannuation plans, and even the normal accumulation of property or securities? If we continue to adhere to the British principle, where should the line be drawn in its application to the various combinations of term and life annuities, and between annuities and pension plans? Finally, must we recognize inevitably the wastage of capital in its financial forms and not the wastage of human capital which all must suffer who work for a living?

I mention these difficulties merely to demonstrate that much careful, detailed review of our law is necessary before we embark upon a new course in the basic treatment of annuities and pensions.

#### PRIVATE CORPORATIONS

The second income tax problem to which I referred is much less common but probably more difficult and incapable of any wholly satisfactory solution. It was briefly discussed last year in the house and I said we would try to work out some form of alleviation for what we recognized to be cases of unfairly heavy taxation. It is created by the combined incidence of income tax and succession duties upon the holdings of deceased persons in private corporations with accumulated surpluses, when these holdings cannot readily be sold to others—as can shares in larger and public corporations—and funds must be obtained through the transfer of the surplus to the taxpayer's estate. I have seen a number of cases where after the payment of income taxes on the lump sum distribution of the surplus the amount left would not be sufficient to pay the succession duties. Since the enactment of our Dominion Succession Duties Act in 1941 and the raising of our income tax to its present heights, this problem has become most acute. In addition to confronting many families with grave difficulties, this problem, it is alleged, may endanger the whole future of private and family businesses, forcing them to consider either selling out to larger companies or the distribution of their shares through the securities markets, thus sacrificing the advantages of personal management by the proprietors—one of the sound and well-recognized virtues of small businesses. My colleague, the Minister of National Revenue, and I have looked into dozens of cases of this kind and tried out quite a number of formulae designed to avoid the inequity arising from this combination of taxes without

creating unfairness either to the taxpayers or the crown. We have not yet succeeded in finding a satisfactory plan for dealing with these hard cases. We believe that with further study, a plan can be devised that will afford a measure of justice, relieving at least those cases where the present laws would leave little, if anything, for the family of the chief shareholder in a private company, while the estate of an equally wealthy man owning more readily marketable shares in a large, well-known corporation would pay only the fair rate of tax which parliament and the provincial legislatures intended. When a solution is achieved, I would recommend that it should be applied in respect of those cases now pending.

In the hope of securing the best and soundest solutions of these two difficult problems, I am proposing to make use of the procedure which has frequently been found of value in dealing with particularly difficult tax problems in Great Britain, and therefore to recommend the appointment of a special commission to inquire into these problems in detail, to examine the various types of cases involved, to hear evidence if necessary, and to make recommendations for their solution. As a consequence, I am expecting that in next year's budget, answers to these difficult basic problems of our income tax can be proposed which will not only appear as reasonable and practical under war conditions, but which may be expected to stand the test of time as well.

#### EXCESS PROFITS TAX AND CORPORATE INCOME TAX

Business profits are taxed under the Excess Profits Tax Act and corporate profits are taxed additionally under the Income War Tax Act. Profits withdrawn from business are again taxed as personal income. As a result of this overlapping of taxes, high wartime rates, and the strict definition of income, our tax treatment of business profits is severe. I imagine that most members of the house are unaware of the great extent to which our taxation of business profits as such is more severe than that of either the United Kingdom or the United States. I have always taken and still maintain the view that our policy in this regard is right and proper in war time. I have no amendments to propose which will in anything but a minor way affect our current revenue from taxes on business profits.

One of the great dangers in imposing high rates of tax on business profits is that of inadvertently going beyond the taxation of profits and making inroads on capital or to put it another way that the taxes collected shall turn out to bear a much higher rate to the ultimately realized income than was

contemplated in the law. The danger has its origin in the fact that business taxes are imposed on a yearly accounting basis whereas only a period of years, taking the good with the bad, will reveal the true earnings of an enterprise. Our present law makes some allowance for this, but, generally, we tax the yearly profits at very high rates and disregard the losses. We cannot shut our eyes to the fact that with the change from war to peace many firms may encounter temporary losses and under our present practice, taxes paid over the whole period of war and readjustment may bear considerably higher rates to the full realized income than those prescribed in the law. I am particularly concerned lest for this reason, when the time comes to replace war industries with peace industries, business enterprises should be handicapped in making the necessary changes or should be hesitant rather than prompt in action.

#### ADJUSTMENT FOR LOSSES

I am proposing, therefore, for the purposes of the corporation income tax and the excess profits tax, that business firms shall be allowed to charge their losses in any one year back to the profits, if any, in the preceding year and forward to the profits, if any, of the succeeding three years. This will permit a firm to charge losses which it may encounter in the first post-war year against the profits of the last war year. It will give such a firm the further assurance that losses which it incurs in the period of converting and expanding its business may be made a first charge on the profits of the succeeding three years when it may hope to be reaping some of the results of its enterprise.

This recommendation will bring our taxation of business profits nearer to the principle of taxing only what is actually realized in income over a period of years and should be of substantial assistance to business enterprise in the post-war years.

#### DEFERRED MAINTENANCE

Another point, at which our taxes on business income have gone beyond the taxation of true income, is in the matter of expense for maintenance and repairs; these, of course, are a normal expense of doing business. For the past two years, in certain industries at least, it has been impossible, by reason of shortages of materials and labour and the necessity of continuous operations, to carry out the maintenance and repair work that would be normal and necessary to prevent the deterioration of plant and equipment. As a result, deferred maintenance expense is accumulating, and, in the meantime, profits are inflated because full maintenance is not

charged. We have tried in the past to find some equitable formula for permitting the setting up of a maintenance reserve, but it is extremely difficult to devise one which will fit the varying circumstances of all industry.

We are now recommending a provision for the future which I hope will meet the problem in at least a partial way, and will speed up the work of plant repair in a period when additional employment may be needed. The proposal is that one-half the expenditure on maintenance and repairs, incurred in a period to be fixed by the governor in council, may be charged against the income of a previous fiscal period but not farther back than the fiscal periods ending in 1943. In the case of the mining industry, maintenance and repairs will be held to include also underground development work.

#### POST-WAR EXPANSION

I have also some important recommendations which should facilitate the expansion of industry after the war. All will agree that Canadian industry must expand its research and technical development if we are to apply the most advanced technical knowledge to our resources, and maintain our competitive position. By all means, let us borrow whatever is best from other countries, but what we can borrow is not always what we need. The present tax treatment of expenditures for research is somewhat less than generous, and has some arbitrary results. Two classes of expenditure for research are not allowed as an expense of doing business: capital expenditures such as for laboratories, pilot plants, et cetera, and current expenses for research which are not directly related to the firm's immediate production activities. It is recommended that these limitations be removed and that all expenditures on research of a current nature be allowed in the year of expenditure and that research expenditures of a capital nature be written off as an expense over a period of three years.

There is a practical problem of the very greatest significance to which consideration has been given. Our drastic Excess Profits Tax Act is entirely a war-time measure. It has been appropriate to a war economy, but, in my opinion, it would be highly inappropriate as normal peace-time legislation. On the other hand, it would be a great mistake to repeal the measure until the conditions, which it was designed to meet, have disappeared. We do not know when the end of the war will come. Whether it comes soon or late, we do not know how closely the need for industrial and commercial conversion and expansion will coincide with the end of the war. What we do know is that at some time on fairly short notice it is going to be necessary to say to

business, now is the time to put into effect your post-war plans. It is quite clear to everyone that present rates of taxation are, as they are intended to be, very discouraging to new enterprise, other than necessary war enterprise, and that the prudent course of a business man would be to delay his new ventures until the new level of taxation had been established. On the other hand, it is impossible and improper for a Minister of Finance to announce what will be recommended to parliament in future budgets.

I am making a recommendation which I think offers a practical way out of this dilemma, maintaining our present revenues and conforming to the principle of restricting taxation, as nearly as possible, to taxation of income. It is that we provide that, in respect of bona fide new investment in depreciable assets carried out after a date to be designated by the governor in council, the taxpayer should be allowed rates of depreciation which may vary at the option of the taxpayer between maximum rates double the present ordinary rates and minimum rates which will be one-half the ordinary rates.

The significance of this proposal is twofold: first, it will allow the taxpayer to recover a part of his capital whenever earnings are good but will still leave all the income or profit, actually realized from the venture over its whole life, subject to taxation; second, it will allow him, in respect of such new investment carried out at a time when the government has declared the conversion and expansion of industry to be desirable, to transfer some of his income from a period when war-time tax rates may still be in effect to a later period when he may expect normal taxation to be lower. To this extent, it will relieve such investment for post-war purposes from such war-time taxation of business profits as may still be in effect at the time the work of conversion or expansion is carried out. It should be borne in mind that the taxpayer can write off no more than the full value of his new investment and to the extent that he reduces his taxable income in the early years he will increase it in the later years. There is nothing in the proposal which allows income to escape taxation.

There is a further recommendation to facilitate the plans of private industry for post-war expansion. It is desirable that, when the time comes to encourage such expansion, business firms shall be able to use the post-war refunds due to them under the Excess Profits Tax Act. On the other hand, although some firms may need them before others, it does not seem desirable that the government should make refunds available on a selective basis. It is, therefore, recommended that the act be amended to permit the assignment by way of



security of the refundable portion in cases in which the governor in council is satisfied that the funds so obtained will be used in capital expenditures in preparation for post-war business giving desired employment.

The other recommendations which it is proposed to make on business taxation concern the detailed provisions of the act, and I shall try to explain only two or three of them.

#### TAXATION OF NEW BUSINESSES

The first affects new businesses under the Excess Profits Tax Act. At present, a company starting a new business enterprise cannot know in advance of the beginning of operations what standard profit will be subsequently awarded by the board of referees. This uncertainty makes it difficult for a company to proceed with its plans. The amendment which I am recommending will provide that for the first fiscal period of a bona fide new business, taxes shall be levied at the flat rates which, in the ordinary case of corporations, will be forty per cent. This will give certainly to the tax position of the company for its first year. Thereafter, taxes will be levied in accordance with whatever standard profit is awarded.

#### ADJUSTMENT FOR CAPITAL EMPLOYED

Since the beginning of the excess profits tax in 1940, many businesses have substantially increased the volume of capital employed through ploughing back earnings. This has enabled them to expand productive facilities to meet the needs of war production. Unless a company has made an equivalent issue of capital stock, annual increases in the capital employed have not been taken as justification for any increase in the standard profits of the business, even though as a result of this reinvestment of earnings the business is substantially larger than it was in the standard period. It is now proposed, after four and one-half years of the operation of the Excess Profits Tax Act, to allow one adjustment upward in standard profits. The allowable adjustment upward will be an amount equal to five per cent of the increase in capital employed since the coming into force of the act where, under other provisions, no adjustment has been allowed in respect of new capital used in the business.

Those familiar with the technical features of our corporation income tax are aware that at present dividends paid from one Canadian company, whose earnings have been taxed, to another Canadian company are not taxable income in the hands of the receiving company. Furthermore, under certain conditions dividends from a wholly-owned subsidiary operating outside Canada are not taxable in the hands of the recipient Canadian company. In view of the fact that the profits of Canadian

subsidiaries earned abroad will have already borne tax abroad at rates comparable to our own, it is now proposed that these dividends shall not again be taxable in the hands of the Canadian company receiving them. They are, of course, taxable when distributed by the Canadian company to its shareholders.

During recent months we have been urged to introduce a number of drastic changes in the tax structure as it affects the mining and oil producing industries. These industries are very properly considering their post-war position and the contribution which they can make to the solution of post-war problems. Needless to say, the government has very much in mind the need of a comprehensive and many-sided programme to encourage the efficient development of our natural resources and to assure that these industries will make the maximum contribution to the expansion of employment, national income and national wealth after the war. Natural resources, of course, are for the most part in the hands of the provinces, but the dominion, it is believed, can do much to promote full development and wise conservation. Tax policy may be one of the devices which it may appropriately use to these ends but it will be by no means the only one. The dominion's programme should be part of an integrated programme worked out in cooperation with the provinces. At the forthcoming dominion-provincial conference, this programme, it is proposed, should be discussed with provincial governments and agreement reached as to the contribution to be made by the respective levels of government.

#### MINING AND OIL COMPANIES

For these reasons I believe that any radical changes in tax policy of special application only to the mining and oil companies would be premature at this time. The Excess Profits Tax Act already includes a special formula for the taxation of oil wells and gold mines. New companies in the metalliferous mining field enjoy a three-year exemption from excess profits tax. In last year's budget we made a number of important concessions to encourage exploration and drilling for oil and also made it possible for mining companies to write off exploration and prospecting expenses incurred in prospecting anywhere in Canada for base metals or strategic minerals. With this measure of encouragement the oil and mineral industries have been able to make a very important contribution to the country's war effort. They have also been willing to bear their full share of the burden of financing the war and they well recognize, I believe, that the need for war revenue continues at least as great and as urgent as ever. The changes I have announced in respect of income and

excess profits taxation and the indications I have given in regard to future tax policy will apply to these industries as well as to other industrial enterprises and I hope that it may be possible to announce at the next session of parliament the comprehensive and integrated programme for the development and conservation of natural resources to which I have already referred.

While changes of a general nature in this field cannot be announced at this time, there is one situation which I believe calls for some immediate attention. My colleague, the Minister of Munitions and Supply, has recently reported to this house the serious situation in regard to supplies of oil. It is, I think, in the national interest that some additional encouragement be offered to the Canadian oil industry to undertake the drilling of several deep test wells in certain areas with a view to proving up significant, geological structures. The budget resolutions therefore include a recommendation to provide a tax credit of fifty per cent of the cost of any well drilled in the selected areas and spudded in between June 26, 1944, and March 31, 1945, if such well proves to be unproductive. This tax credit will be allowed only with respect to projects recommended by the Minister of Mines and Resources and approved by the governor in council.

With regard to the encouragement of prospecting for base metals or strategic minerals, it is proposed to extend for a further year the provision whereby a tax credit has been given in respect of contributions to prospecting syndicates.

#### TRADE AND TARIFF POLICY

For the present, the customs tariff is without any great influence on the scope or direction of external trade. Scarcity of supplies, agreed allocations, bulk purchasing, import and export permits, and import subsidies—these are the instruments which determine, for the time being, the extent and pattern of world trade. Changes in the customs tariff would here and now have little, if any, effect on the supply or cost of goods. The government continues, however, to have the most lively appreciation of the importance to this country, and, indeed, to all other trading countries, of entering a post-war world which has been freed or is assuredly being freed not only from the extraordinary wartime restrictions on trade, but also from the high tariffs, quotas, import licensing, and other restrictive and discriminatory trade practices which so paralyzed and dwarfed world trade in the inter-war years. As the time approaches when we and other countries

must convert our productive resources to the purposes of peaceful prosperity, it becomes increasingly important that we should be able, in agreement with others, to set out the broad pattern of post-war trade policy, so that producers may know toward what markets they may orient their post-war plans.

The government's policy was clearly set out in the budget speech of last year and it may be appropriate to quote from that speech. After a reference to the obligations the government had assumed to enter into conversations with other countries on international economic policies, the following words were used:

Committed to these objects and having in mind particularly the vital concern of this country in access to the selling and buying markets of the world, the government is prepared to discuss with the government of the United States, the government of the United Kingdom, or the governments of other countries with which we trade, reciprocal trade arrangements wider in scope and longer in duration than have hitherto been made, provided always that the advantages of such arrangements shall be open to other countries willing to adhere to the same terms.

We believe that questions of post-war commercial policy must be tackled broadly and boldly; we believe that world trade must have a more liberal and dependable charter than it has had in the past two decades; and that countries, such as Canada, for which world trade is the very blood stream, should be prepared, not merely to accept desirable arrangements but to take the initiative in working out a plan mutually of benefit to ourselves and to other countries. We believe that countries, which have had long experience of friendly relations should associate themselves with that initiative and furnish to others examples of concrete accomplishment in the distribution of the world's products for the mutual welfare of all people.

On several occasions in the fifteen months which have elapsed since the budget of 1943 was presented, our officials have had exploratory and noncommittal conversations with officials of other countries on a wide range of economic matters, including, among others, monetary arrangements, international lending, the control of cartels and monopolies, international cooperation in promoting high levels of employment, and commercial policy. We have pressed forward studies of our own on these matters both with a view to contributing to these international discussions and to lay the basis for domestic measures in these fields. As has already been made public, the most progress in the international discussions was made in the field of monetary arrangements, where agreement was reached among experts on the establishment of an international monetary fund. While equal progress was not made in the much more complex field of commercial policy, our officials pressed vigorously the need

for a bold initiative in the orderly and agreed unshackling of world trade, if the ideals of economic expansion, higher incomes, full employment, adequate nutrition and the progressive abolition of poverty are to become realities. Considerable progress has been made in the definition and solution of the technical problems involved, and we shall continue to press at the appropriate time for the rapid development of a broad programme.

It is not, therefore, our intention to present at this time proposals for comprehensive alterations in our tariff structure. Such alterations would have no great immediate effect, and it is desirable that, if possible, we should make them in conformity with reciprocal arrangements made by other countries.

#### AGRICULTURAL IMPLEMENTS

However, the government desires to give concrete evidence of the direction which it is endeavouring to follow in the formulation of post-war commercial policy. It desires also to give to agriculture assurance in respect of some of the conditions under which it may expect to operate after the war, just as it has tried to give to industry some assurance in the field of taxation policy.

Canadian agriculture will be faced with important opportunities in the post-war period and if it is to take full advantage of them, its costs of production should be at the lowest practicable level. Recognition of this fact was given by the farm improvement loans bill and several important provisions of the bill for the extension of the bank charters now under consideration by the banking and commerce committee. These measures have as one of their most important objectives the provision of credit facilities to farmers which will enable them to purchase agricultural implements at the lowest cost on a cash basis. With the same end in view, the government believes it appropriate to provide at once and without waiting for the completion of reciprocal arrangements with other countries for the removal of all customs duties on agricultural implements. It is therefore recommended that agricultural machinery, including cream separators, and parts thereof, be made free under all tariffs. While it is impracticable from a revenue standpoint to remove the war exchange tax on the general range of commodities, the war exchange tax on agricultural machinery and cream separators and parts thereof is being removed along with the customs duties.

The removal of the customs duties and war exchange tax on farm implements will not increase the supply of such implements coming from the United States because they are subject to restricted allocations. The war-

time prices and trade board will however amend its order setting ceiling prices on imported farm implements and repair parts in such a way as to give effect to any decreases in the laid-down cost to importers which will result from the action taken.

There are a number of other changes in the tariff but they are changes of detail made to remove anomalies and reduce administrative difficulties. They need not be explained until the resolutions are before the house.

#### THE WAR EXCHANGE CONSERVATION ACT

An important amendment to the War Exchange Conservation Act is proposed. The house will recall that this act was passed in December, 1940, as one of the means taken to reduce the demand for United States dollars at a time when our payments in that currency were running far in excess of our receipts. It was estimated at the time that the restrictions of imports then enacted would save \$5 million to \$6 million a month in badly-needed foreign exchange.

By that measure, a long list of articles enumerated in schedule I was prohibited entry into Canada, if imported from any country other than the sterling area and Newfoundland, except under permit granted by the Minister of National Revenue. It was understood that for the items under part I of the schedule no permits would be granted, while for those in part II permits would be granted on a restricted and declining scale.

Schedule II of the act contained an extensive list of items on which customs duties were reduced for imports entering Canada from the United Kingdom. Since 1940, there have been amendments to this part of the act extending the list and further reducing the duties. Duties on imports from the United Kingdom have in all cases, except liquors, tobaccos, sugar and silks, been reduced by at least 25 per cent, in the great majority of items by at least 50 per cent, and, on a great many, been removed altogether.

The house will realize that the discriminatory prohibitions of imports contained in the War Exchange Conservation Act would not in normal circumstances be compatible with our trade agreement with the United States and in taking the reluctant step of recommending the measure to parliament, the government evoked the war clause of that agreement. It was made very clear to our own people also that the measure was an emergency measure, and would not be maintained for protective reasons. In introducing the resolutions on December 2, 1940, I emphasized that it was "not for the

purpose of assisting any producers or any industry . . . but to protect our exchange position."

As I explained to the house in my statement of April 21 of this year, our position in respect of foreign exchange has greatly improved, and the government is of the view that we are no longer justified in maintaining these severe restrictions of imports from the United States. We do not wish to deprive our own people of any supplies which may be procurable nor do we wish to retain these emergency prohibitions after the emergency is past. We wish further to make perfectly clear that this type of emergency trade regulation has no place in our normal trade policy.

It is recommended, therefore, that schedule I of the War Exchange Conservation Act and the relevant clauses be repealed.

There are some further explanations which I should add. It must not be assumed that there will forthwith flow into this country a flood of imports. Because of the scarcity of supplies in the United States, many of these prohibitions have been quite nominal in effect. Further, it is not proposed to extend import subsidies to luxury goods, and it will not be profitable in many lines to buy at United States prices and sell at the Canadian ceilings.

The house should understand also that import permits are required in many cases under other authority than that of the War Exchange Conservation Act. For purposes of allocating shipping space, to assist in the equitable allocation of short supplies among our own industries, and under arrangements made by the various combined boards, orders in council under the War Measures Act have imposed the requirement of import permits either for overseas imports or for imports from all sources. In some degree, these controls have been built around the War Exchange Conservation Act. It will, therefore, be necessary to determine what, if any, extensions of these orders in council are required by the amendments being proposed to that act. It may be that in some cases it will be necessary to supplement somewhat our import controls because of the amendments now proposed. Any such supplementary measures will, however, not discriminate against countries outside the sterling area. In order that there may be time to examine the effect of the withdrawal of schedule I from this act, on our whole system of import controls and make any necessary adjustments in it, I am recommending that this amendment should be effective as from August 1 of this year.

The changes proposed in the Succession Duty Act this year are quite minor in character.

The details will be found in the resolutions which will be tabled. Similarly, the changes in the Sales Tax and in the taxes levied under the Special War Revenue Act are neither sufficiently numerous nor important enough to require explanation here.

#### CONCLUSION

This completes the changes in legislation which we are recommending. None of these changes will affect current tax revenues to any significant degree, although the dropping of compulsory savings will mean a loss in non-tax receipts estimated at \$70 million for this fiscal year and \$110 million for a full year.

To recapitulate the financial outlook for this year, taking account of the changes which are being recommended, we must start with the statement that our total cash requirements are likely to be \$6,000 million or more, that is, about \$200 million more than last year. Our revenues will probably be about \$50 million lower than last year, and we are giving up receipts of about \$70 million from compulsory savings. Our borrowing requirements will, therefore, be some \$320 million more than in 1943-44 or more than \$3,200 million.

To meet these requirements, having discontinued compulsory saving for individuals, we must turn to voluntary saving and to the national war finance committee, on whom the government depends for mobilizing the voluntary savings of the country and for whom this year I bespeak the active assistance of every member of this house and every Canadian citizen.

Throughout this speech, I have laid emphasis on the importance of the savings programme to Canada's war effort, on its importance to the continued success of our efforts to hold down the cost of living, and on its relationship to the preservation of an orderly economy. Everybody who has participated, in any way, in the work of the national war finance committee can take great pride in its past achievements, and in the valuable patriotic work they are doing for their country. These men and women command our respect and our thanks.

The work of the national war finance committee is an integral part of our economic life, and it will continue to occupy this important status for some time to come. The need for large scale public borrowing operations is very great this year, and will continue as long as the war goes on, and, in my opinion, will extend into the period of reconstruction which will follow the termination of hostilities. I hope and believe that the men and women who have brought our wartime savings programme to its present stature—the



men and women who have the experience and the knowledge necessary to the successful organization of these huge public loans—will continue to perform this patriotic work for the balance of the war period and after the war until the time when the need for this type of borrowing will have passed. This whole speech has made clear that the need for large public loans is greater than ever. There can be no slackening in the support of the activities of the national war finance committee. On behalf of the government, and of the people of Canada, I urge all those now associated with the national war finance organization to continue the good work they have done thus far. The need for this form of national service is not drawing to a close. The need for determined, persistent effort, for undiminished vigour, and for imaginative planning will be particularly important this year, and must continue for some time to come.

Looking to the current fiscal year ending March 31, 1945, I would request the national war finance organization throughout Canada, firstly, to continue their efforts to encourage the maximum volume of personal savings by the Canadian people; secondly, to promote, by every possible means, the retention of bonds and certificates now owned by Canadians; thirdly, to organize and conduct another victory loan in the fall of 1944, with greater emphasis than ever on the sale of bonds to individuals; and, fourthly, to promote continuously the sale of war savings certificates and stamps.

They have already carried out a part of the borrowing programme for 1944-45 with conspicuous success in the sixth victory loan. Full report on that loan will be made to the house but I would point to a notable achievement, the record of cash sales to individuals of \$644 million.

Let me explain why we attach so much importance to increasing the sales of bonds and certificates to individuals. We must borrow some \$320 million more than last year. This additional amount we must borrow mainly from individuals. The real investing ability of business firms and corporations, apart from such as the insurance companies which act as intermediaries in mobilizing personal savings, will not exceed during the current fiscal year the amount of bond purchases which they made in the year ended March 31, 1944. We cannot hope to increase our sales in that quarter.

We have not avoided borrowing from the Bank of Canada and the chartered banks in the past, but we wish to keep it to an absolute

minimum. Borrowing from the banking system has its place when it is desirable to expand credit and increase purchasing power. But when as now, purchasing power in the hands of the public is far in excess of what is needed to buy what is available for sale, and is an ever present danger to the price ceiling and the orderly distribution of goods and services, borrowing from the banking system is to be avoided as much as possible.

It is on an increase in personal savings and on the work of the war finance organization in mobilizing those savings that we must rely. Borrowing the personal savings of individuals for the temporary use of the nation at war is the only type of borrowing which will relieve rather than increase the inflationary pressures which are continuously at work. The trend of personal incomes is still upward, and, despite taxation, the excess of personal disposable income over the cost of necessary wartime living standards is greater than ever before.

If anyone thinks we Canadians at home are being asked to do too much, let him make some comparisons. Let him compare the small privations and the limited self-denial that we at home have endured up to now with the hardships and difficulties which are being endured by our armed forces on world battle-fronts. Let him consider the standard of complete, selfless devotion to the common cause shown by our men who are serving in the navy, the army, and the air force. As long as this war goes on, as long as Canadian lives are at stake, we here must not let down in any phase of our war effort. The burden of our responsibility is heavy indeed—but given the will to succeed, we have the strength to carry it.

We are told that victory in Europe may come soon, that victory in the Pacific may not be long postponed. I do not know. I do know that we are well on the road to victory. I do know also that now, when victory is within our grasp, is no time to falter. The fruits of victory will go to those countries which can hold steady on the threshold of success, and whose people can, in mutual trust, work together for peace and a better world as they have worked together for victory. To finish this war in triumph, not only in the field, but in our production and financial programmes at home, will carry us far toward the realities of better things after the war.

## RESOLUTIONS

Mr. ILSLEY: Mr. Speaker, I desire to give notice that when we are in committee of ways and means I shall move the following resolutions:

## INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:

1. That for 1944 the total tax on individuals be reduced by one-half the amount of the refundable portion thereof, less one-half credits for savings, and that for 1945 the total tax on individuals be reduced by the full amount of the refundable portion thereof, less credits for savings.
2. That dependents as referred to in the said act be extended to include parents-in-law, grandparents-in-law, brothers-in-law, sisters-in-law, sons-in-law and daughters-in-law in the same circumstances and subject to the same conditions as parents, grandparents, brothers, sisters, sons and daughters respectively.
3. That the provision under which a tax credit is allowed in respect of a child of the taxpayer be extended to include an allowance in respect of any person under eighteen years of age and dependent upon the taxpayer for support, including an illegitimate child.
4. That the allowance in respect of unusual medical expenses be extended to include such expenses incurred outside of Canada.
5. That the deduction in respect of unusual medical expenses be extended to allow as a deduction in any taxation year such expenses actually paid in any twelve-month period ending in the taxation year.
6. That in lieu of the deduction in respect of unusual medical expenses of the amount of salary or wages paid to a full-time attendant upon a taxpayer who is totally blind, the taxpayer shall have the option of deducting \$480 from his income in the taxation year.
7. That the basis for taxation under the normal tax and the tax credit against the graduated tax allowed to an unmarried person who maintains a self-contained domestic establishment and actually supports therein a person wholly dependent upon him and connected with him by blood relationship, marriage or adoption, be extended to a married person separated from the spouse.
8. That, if a taxpayer maintains one of his children in a self-contained domestic establishment in which he employs a full-time house-keeper or servant, the tax credits of \$80 against the graduated tax and \$28 against the normal tax be allowed to him in respect of the child notwithstanding that he is entitled to the tax credit of \$150 against the graduated tax in respect of that child.
9. That the basis of taxation under the normal tax and the tax credit against the graduated tax for a married person be limited to a married person who supports the spouse.
10. That individuals may reduce income for taxation purposes by the amount of gifts made in money to His Majesty in right of Canada if such gifts are made within the year when the income was received or within four months from the end thereof.
11. That payment by an employer to an employee upon retirement, other than a payment out of a superannuation or pension fund or plan, if the Minister of National Revenue is satisfied that such payment is in recognition of long service, be deemed to be income of the retired employee over a period of five years rather than income in the year when received.
12. That an employee be allowed to deduct from income the amount, not exceeding three hundred dollars per year, paid by him to an employees' superannuation or pension fund or plan approved by the minister with respect to service rendered previous to the taxation year when he was not a contributor to the fund or plan.
13. That a member of a trade union be allowed to deduct from income the amount, not exceeding three hundred dollars per year, paid by him in the form of union dues to a superannuation or pension fund or plan approved by the minister.
14. That the refundable portion of tax in respect of which a taxpayer is entitled to repayment be refunded to a taxpayer when he reaches the age of sixty-five years in the case of a taxpayer whose income is less than five thousand dollars.
15. That, in respect of the taxation year 1939 and subsequent years, the time for serving a notice of appeal upon the Minister of National Revenue, in the case of members of the armed forces overseas, be extended to one year after the date of mailing of the notice of assessment or for such further period as the minister may allow.
16. That any amount paid pursuant to a decree, order or judgment made in an action or proceeding for divorce or judicial separation, or pursuant to a separation agreement, as alimony or other allowance for the maintenance of the recipient thereof or of children of the marriage, be allowed as a deduction from income of the payor and that he be not entitled to tax credits in respect of the wife or children to whom or on whose behalf the payments are made, and that the present provision whereby he is entitled to deduct from tax the tax paid by his spouse or former spouse on the amount so paid as alimony or other allowance be repealed.
17. That exemption from taxation be granted to any limited-dividend housing corporation organized to construct, hold and manage houses built as a low-rental housing project and subject to conditions as to limitation of dividends set out in or pursuant to the National Housing Act, 1938, or any subsequent act of the parliament of Canada designed to encourage the building of houses or the providing of adequate housing accommodation at low rentals.
18. That with respect to returns filed in 1944 and subsequent years the penalty for failure to file a return be reduced to a penalty of five per cent of the amount of the tax unpaid at the date when the return was due with a minimum penalty of \$5 and a maximum penalty of \$500.
19. That the deduction in respect of tax paid to Great Britain or any of its self-governing dominions or dependencies or any foreign country for income tax in respect of income derived from sources therein, be made from the tax other than the refundable portion.
20. That the right of the minister to reassess or make additional assessments in respect of

any tax year be limited to a period of six years from the date of the original assessment, except where the taxpayer has made any misrepresentation or committed any fraud in making his return or supplying information under the act.

21. That the interest payable on taxes not paid when due be reduced from five per centum to four per centum.

22. That losses sustained in 1944 and fiscal periods ending therein and all subsequent periods by any person carrying on a business may be deducted from profits derived from the business either in the year immediately preceding or in the three years immediately succeeding the taxation year.

23. That expenditures in respect of scientific research directly or indirectly related to the taxpayer's business, whether of a current or capital nature, be allowed as a deductible expense, in the case of expenditures of a current nature, in the year when the expenditures are made and, in the case of expenditures of a capital nature, over a three year period commencing with the year of expenditure.

24. That the minister may allow depreciation at double the rates normally allowed in respect of bona fide new investments made after a date to be declared by the governor in council; and, in such event, the taxpayer will be required to charge in any subsequent year at least one-half the rates normally allowed: Provided, however, in the case of a sale of assets in respect of which special depreciation has been so allowed, the Minister may revise the assessments of the vendor for the years when the special depreciation was allowed, by disallowing as a deduction a *pro rata* portion of the special depreciation allowed, to the extent of the excess of the selling price over the depreciated cost of the said assets, less the amount of the depreciation normally allowed on the said assets, and less the excess, if any, of the selling price over the undepreciated cost of the said assets: Provided further that the portion of any loss attributable to the allowance of special depreciation shall not constitute a loss for purposes of resolution number twenty-two.

25. That the provision permitting a taxpayer to deduct from tax the amount paid to any foreign country for income tax in respect of the income of the taxpayer from sources therein, be amended by deleting the requirement that such foreign country in imposing tax allow a similar credit to persons in respect of income thereof from sources within Canada.

26. That the provision whereby a special payment by an employer to make up a deficiency in an employees' superannuation or pension fund or plan may be deducted from income over a ten-year period be amended to permit annual payments of one-tenth, or less, of such deficiency to be deducted from income in the year of payment.

27. That dividends paid by a wholly-owned subsidiary non-resident company to a Canadian parent company be exempt from tax when received by such parent company.

28. That persons authorized by law to accept deposits be required to file information returns showing interest credited to depositors in 1944 and subsequent years.

29. That with the approval of the governor in council upon the recommendation of the Minister of Mines and Resources there be allowed a tax credit of fifty per centum of expenditures incurred by a corporation, association or syndicate or exploration partnership whose principal business is the production, refining or marketing of petroleum or the exploration or drilling for oil, on a well spudded in between June 26, 1944, and March 31, 1945, which proves to be unproductive, provided that such well is a deep-test well the drilling of which is deemed desirable in the interest of extending the petroleum resources of Canada and which could not reasonably have been expected to be undertaken without such tax credit.

30. That the tax credit allowed to a taxpayer of forty per centum of contributions made by him in the year 1943 to associations, syndicates or mining partnerships organized for the purpose of prospecting in Canada for base metals or strategic minerals be extended to include a tax credit in respect of contributions in the year 1944.

31. That one-half of expenditures on maintenance and repairs incurred by any taxpayer carrying on a business (or on underground development, in the case of a taxpayer operating a mine) in a period to be fixed by order in council be regarded as deferred maintenance and repairs and be deductible as an expense, at the option of the taxpayer, either in the year or fiscal periods when incurred or in years or fiscal periods ending subsequent to December 31, 1942.

32. That the provision allowing deductions by a corporation from income of amounts paid by way of donations to charitable organizations in Canada be amended to provide that the amount of the donations made in excess of the average of the taxpayer's donations in the last two fiscal periods ending before July 1, 1942, shall be allowed as a deduction for purposes of the Income War Tax Act and the Excess Profits Tax Act, 1940, only to the extent that the total taxes payable by the taxpayer under the said acts are thereby diminished by forty per centum of the said excess, unless made before February 1, 1944, and paid or evidenced in writing before the said date or evidenced by a payment before the said date which is one of a series of payments to be made thereafter and accompanied by proper evidence of the undertaking.

33. (a) That any enactment founded on resolutions 20 and 29 be brought into force on enactment; and

(b) That any enactments founded on resolutions 1 to 19 inclusive, resolutions 21 to 28 inclusive and resolutions 30 to 32 inclusive be applicable, unless otherwise stated, to the income of the 1944 taxation period and fiscal periods ending therein and all subsequent periods.

#### EXCESS PROFITS TAX ACT

Resolved, that it is expedient to amend the Excess Profits Tax Act, 1940, and to provide:

1. That expenditures in respect of scientific research directly or indirectly related to the taxpayer's business, whether of a current or capital nature, be allowed as a deductible expense, in the case of expenditures of a current nature, in the year when the expenditures are

made and, in the case of expenditures of a capital nature, over a three-year period commencing with the year of expenditure.

2. That in the computation of capital employed for the taxation year and subsequent periods the requirement to reduce capital by one-half of the dividends paid in cash during any taxation year be altered to provide that such reduction shall be made only to the extent that earned surplus at the end of the taxation year is less than earned surplus at the beginning of the year.

3. That the refundable portion in respect of which a taxpayer is entitled to repayment may in case of bankruptcy, liquidation, winding-up or dissolution, be repaid in accordance with regulations made by the governor in council.

4. That the refundable portion in respect of which a taxpayer is entitled to repayment may be assigned by way of security in cases where the governor in council is satisfied that the purpose of the assignment is to enable the taxpayer to make capital expenditures that will contribute to the post-war conversion of the taxpayer's business and will provide substantial employment.

5. That the rate of tax provided in the second part of the second schedule to the Excess Profits Tax Act, 1940, be inapplicable in respect of the first fiscal period of taxpayers who, in the opinion of the minister, commence business after the twenty-sixth day of June, 1944.

6. That a taxpayer, whose income in the taxation period is, in the opinion of the minister, derived from the carrying on of a business substantially different from the class of business carried on by such taxpayer in the standard period, be required to have its standard profits ascertained by the board of referees as if they had not commenced business before the second day of January, 1939.

7. That the provision permitting a taxpayer to deduct from tax the amount paid to any foreign country for income tax in respect of the income of the taxpayer from sources therein, be amended by deleting the requirement that such foreign country in imposing tax allow a similar credit to persons in respect of income thereof from sources within Canada.

8. That the standard profits be adjusted upwards to the extent of five per centum of the increase of the capital employed at the commencement of the 1944 taxation period over the capital employed—

- (a) at the commencement of the 1939 taxation period; or
- (b) at the commencement of the first fiscal period after 1939 in respect of the taxation of the profits of which the board of referees have determined a standard profit:

Provided that such increase in capital employed shall be reduced by the amount of any increase in capital employed accompanied by an equivalent increase in capital stock on which an adjustment of seven and one-half per centum has been made to the standard profits as already provided in the act.

9. That companies which elect or have elected since January 1, 1940, under the Income War Tax Act to file consolidated returns be not

permitted to file such returns under the Excess Profits Tax Act in respect of fiscal periods ending on or after January 1, 1944.

10. That the provision allowing deductions by an unincorporated taxpayer from income of amounts paid by way of donations to charitable organizations in Canada be amended to provide that the amount of the donations made after January 31, 1944, by a taxpayer carrying on business, in excess of the average of the taxpayer's donations in the last two fiscal periods ending before July 1, 1942, shall be allowed as a deduction for purposes of the Excess Profits Tax Act, 1940, only to the extent that the tax payable by the taxpayer under the said act is thereby diminished by fifteen per centum of the said excess, unless made before February 1, 1944, and paid or evidenced in writing before the said date or evidenced by a payment before the said date which is one of a series of payments to be made thereafter and accompanied by proper evidence of the undertaking.

11. That any enactments founded on—

(a) Resolutions 3, 4, 5, 8, 9 and 10 come into force on enactment; and

(b) Resolutions 1, 2, 6 and 7 be applicable to the income of 1944 taxation period and fiscal periods ending therein and all subsequent periods.

#### DOMINION SUCCESSION DUTY ACT

Resolved, that it is expedient to amend the Dominion Succession Duty Act, and to provide:

1. That the definition of "child" be extended to include that child to whom the deceased stands *in loco parentis*.

2. That when a person is given a general power of appointment or disposal over property, such property be subject to duty as if it were given directly to him, and, upon his death, the person then benefitting be regarded as his successor for purposes of taxation.

#### WAR EXCHANGE CONSERVATION ACT

Resolved, that it is expedient to amend the War Exchange Conservation Act, 1940, and to provide:

1. That sections 2, 3, 4, 5 and 6 of the said act and schedule one thereto, which prohibit the importation of specified goods from countries outside the sterling area, be repealed.

2. That schedule two to the said act be amended by:

(a) substituting the phrase "synthetic textile fibres or filaments" for each of the phrases "artificial silk", "artificial silk or similar synthetic fibres", and "artificial silk or similar synthetic fibres produced by chemical processes" wherever they appear in items 524a, 548, ex 553, 558b, 558d, ex 560c, 561, 561a, 562a, ex 564, ex 565, 567a and ex 568;

(b) substituting the phrase "yarns of synthetic textile fibres or filaments" for the phrase "artificial silk yarns" in item 558d.

3. That any enactment founded on:

(a) Resolution 1 come into force on August 1, 1944; and

(b) Resolution 2 come into force on June 27, 1944.

## SPECIAL, WAR REVENUE ACT

Resolved, that it is expedient to introduce a measure to amend the Special War Revenue Act, and to provide:

1. That the excise tax of twenty-five per cent on furs be extended to cover the fur content of imported articles.

2. That exemption from sales tax be provided for grain loaders or elevators with a capacity not exceeding forty bushels per minute.

3. That exemption from sales tax be provided for baling twine to be used for baling farm produce and for articles and materials to be used or consumed exclusively in the manufacture of baling twine.

4. That the tax on certain places of entertainment as imposed by part XVI of the said act be levied on the operator in each case where he fails to collect the tax from the patron or fails to affix the excise stamps as required under the provisions of the said act.

5. That the retail purchase tax as imposed by part XVII of the said act be levied on the vendor in each case where he fails to collect the tax from the purchaser or fails to affix the excise stamps as required under the provisions of the said act.

6. That the existing provision for the taxation of cigars in item 1(a) of schedule III to the said act be replaced by a provision imposing an excise tax of three dollars and twenty-five cents on cigars valued at not more than twenty-five dollars per thousand, and six dollars and twenty-five cents on cigars valued at more than twenty-five dollars per thousand but not more than forty dollars per thousand.

7. That any enactment founded on paragraphs one to six inclusive of these resolutions shall come into force on the twenty-seventh day of June, one thousand nine hundred and forty-four.

## CUSTOMS TARIFF

1. Resolved, that Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended, be further amended by adding to subsection (1) of Section 2 the following paragraph:

(n) "rubber" includes synthetic rubber which may be defined by regulations prescribed by the Minister.

2. Resolved, that Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended, be further amended by striking thereout tariff items 156, 158, 188, 216d, 219a (i) and (ii), 220 (a), (b) and (c), 300, 316a, 326b, 326h, 356b, 408, 409, 409a, 409b, 409c, 409d, 409e (i), (ii) and (iii), 409f, 409g, 409h, 409i, 409j, 409k, 409n, 409o, 410s, 431c, 431d, 438j, 442, 442a (1) and (2), 443b, 476b, 476c, 477, 482, 524a, 537, 537a, 537d, 538a, 540 (c) and (d), 542, 542a, 548, 551, 555, 556b, 557, 557a, 557b, 558b (a) and (b), 558d (a) and (b), 558f, 560a, 560c, 561, 561a (i) and (ii), 562a, 564, 567a, 616c, 617, 618, 618c, 619a, 654, 688, 691, 813, 825, and Orders in Council P.C. 2/1245 of July 30, 1925, P.C. 5/296 of February 22, 1927, P.C. 21/2009 of November 5, 1928, P.C. 4078 of August 21, 1940, P.C. 4761 of June 10, 1943, P.C. 6097 of August 3, 1943, P.C. 686 of February 3, 1944, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:



Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Explanatory Notes
2a	Rabbits, pure bred, for the improvement of stock, under regulations prescribed by the Minister.....	Free	Free	Free	The new item provides for duty free entry of all kinds of pure bred rabbits. Pure bred Chinchilla, Angora and Sable rabbits have been admitted duty free under Orders in Council P.C. 2/1245 of July 30, 1925, P.C. 5/296 of February 22, 1927, and P.C. 21/2009 of November 5, 1928, respectively. Pure bred rabbits other than the three mentioned above were formerly dutiable at rates of Free—20—25 pc.
156	<p>Ethyl alcohol, or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; gin of all kinds, n.o.p.; rum; whisky and all spirituous or alcoholic liquors, n.o.p.; amyl alcohol or fusel oil, or any substance known as potato spirits or potato oil; absinthe, arrack or palm spirit, brandy, including artificial brandy and imitations of brandy, n.o.p.; cordials and liqueurs of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, angostura and similar alcoholic bitters or beverages; and wines, n.o.p., containing more than forty per cent of proof spirit, per gallon of the strength of proof.....</p> <p>Provided, (1) that when the goods specified in Item 156 are of greater or less strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased or decreased in proportion for any greater or less strength than the strength of proof.</p> <p>Provided, (2) that bottles and flasks and packages of gin, rum, whisky and brandy of all kinds, and imitations thereof, shall be held to contain the following quantities (subject to the provisions for addition or deduction in respect of the degree of strength) viz.:—</p> <p>Bottles, flasks and packages, containing not more than three-fourths of a gallon per dozen, as three-fourths of a gallon per dozen;</p> <p>Bottles, flasks and packages, containing more than three-fourths of a gallon but not more than one gallon per dozen, as one gallon per dozen;</p>	\$5.00	\$10.00	\$10.00	The words "methyl alcohol, wood alcohol, wood naphth", pyroxylic spirit or any substance known as wood spirit or methylated spirits" have been deleted from Item 156 and are now provided for under Item 158.

	<p>Bottles, flasks and packages, containing more than one gallon but not more than one and one-half gallon per dozen, as one and one-half gallon per dozen;</p> <p>Bottles, flasks and packages, containing more than one and one-half gallon but not more than two gallons per dozen, as two gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than two gallons but not more than two and four-fifths gallons per dozen, as two and four-fifths gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than two and four-fifths gallons but not more than three gallons per dozen, as three gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than three gallons but not more than three and one-fifth gallons per dozen, as three and one-fifth gallons per dozen.</p> <p>Provided, (3) that bottles or phials of liquors for special purposes, such as samples not for sale to the trade, may be entered for duty according to actual measurement, under regulations prescribed by the Minister.</p>				
158	Methyl alcohol, subject to the provisions of the Excise Act, and regulations.....per proof gallon	20 cts.	20 cts.	20 cts.	This Item was formerly limited to methyl alcohol to be used in denaturing alcohol for use in the arts and industries and for fuel, light and power, when imported by the Department of National Revenue, or by a person licensed by the Minister of National Revenue. It is now widened in scope to include "methyl alcohol, wood alcohol, wood naphtha, pyroxylic spirit or any substance known as wood spirit or methylated spirits", previously dutiable under Item 156.
188	Plain basic photographic paper, baryta coated, for use exclusively in manufacturing albumenized or sensitized photographic paper.....	Free	Free	10 p.c.	Two Tariff Items, 188 and 813, are being replaced by one Item. Both covered the same goods. Item 188 carried rates of Free-15 p.c.-15 p.c. and Item 813 carried rates of Free-Free-10 p.c. The new Item, 188, continues the lower rates.
206c	Bottles, and tubes other than rubber, bail bands, labels, corks, stoppers or other closures; for use with bottles, whether or not assembled into units partially filled with anti-coagulating solutions or not; filters, drop counters, clamps; all of the foregoing, when imported to be used exclusively for the collection, preparation, storage, transportation or administration of human blood (whether whole or in the form of liquid or dry serum or plasma); component materials to be used exclusively in making the foregoing articles or anti-coagulating solutions..	Free	Free	Free	This is a new Item to provide for duty free entry from all countries of both the chief articles used for the collection, preparation, storage, transportation or administration of blood serum or plasma, and the materials used in the manufacture of these articles. The goods provided for by this Item were dutiable according to material.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Explanatory Notes
216d	Phthalic anhydride, adipic, abietic, maleic and succinic acids, hexamethylene diammonium adipate, hexamethylene diammonium sebacate, caprolactam, and ethylene glycol, when imported by manufacturers of synthetic resins, for use exclusively in the manufacture of synthetic resins, in their own factories.....	Free	Free	Free	This Item is being widened to include "hexamethylene diammonium adipate, hexamethylene diammonium sebacate, and caprolactam"; three chemicals used in the manufacture of nylon polymers. These chemicals were formerly dutiable at rates of Free—25—25 p.c.
219a	Non-alcoholic preparations or chemicals for disinfecting, or for preventing, destroying, repelling, or mitigating fungi, weeds, insects, rodents, or other plant or animal pests, n.o.p.:— (i) When in packages not exceeding three pounds each, gross weight..... (ii) Otherwise.....	Free Free	20 p.c. 15 p.c.	25 p.c. 15 p.c.	In order to cover new uses and methods of application of insecticides, the words "for disinfecting, or for preventing, destroying, repelling, or mitigating fungi, weeds, insects, rodents, or other plant or animal pests" have been substituted for the words "for disinfecting, dipping, spraying or fumigating, n.o.p.". Formerly the B.P. tariff rate was 5 p.c. and the Intermediate tariff rate was 25 p.c. on goods covered by sub-item (i) of Item 219a.
220	All medicinal and pharmaceutical preparations, compounded of more than one substance, including patent and proprietary preparations, tinctures, pills, powders, troches, lozenges, filled capsules, tablets, syrups, cordials, bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters, essences and oils, n.o.p.:— (i) When dry..... (ii) Liquid, when containing not more than two and one-half per centum of proof spirit..... (iii) All others..... Provided that any article in this item containing more than forty per cent of proof spirit shall be rated for duty at.....per gallon. and Provided, also, that drugs, pill-mass and preparations, not including pills or medicinal plasters, recognized by the British or United States pharmacopoeia, the Canadian Formulary or the French Codex as officinal, shall not be held to be covered by this item.	17½ p.c. 20 p.c. 60 p.c. \$3.00 30 p.c.	25 p.c. 40 p.c. 60 p.c. \$3.00 30 p.c.	25 p.c. 40 p.c. 60 p.c. \$3.00 30 p.c.	This Item formerly covered all medicinal, chemical and pharmaceutical preparations, compounded of more than one substance. These chemical preparations are now provided for in a separate new item, designated as 220a.
220a	Chemical preparations, compounded of more than one substance, n.o.p.:— (i) When dry, or liquid containing not more than two and one-half per centum of proof spirit..... (ii) All others..... Provided that any article in this item containing more than forty per cent of proof spirit shall be rated for duty at.....per gallon. and	15 p.c. 30 p.c. \$3.00 30 p.c.	25 p.c. 30 p.c. \$3.00 30 p.c.	25 p.c. 30 p.c. \$3.00 30 p.c.	This is a new Item covering chemical preparations compounded of more than one substance, which were formerly provided for in Item 220. The B.P. rate of dry preparations is reduced from 17½ to 15 p.c. On liquid preparations not more than 2½ p.c. proof spirit, the B.P. rate is reduced from 20 to 15 p.c. and the Intermediate rate from 40 to 25 p.c. The Tariff on preparations containing over 2½ but not more than 40 p.c. proof spirit is reduced from 60—60—60 p.c. to 30—30—30 p.c.

300	Crucibles, n.o.p., and covers therefor.....	Free	15 p.c.	15 p.c.	Item 300 formerly provided for crucibles of clay, sand or plumbago. The new Item will cover crucibles of all kinds except those made of platinum which have been duty free under all tariffs for many years. Crucibles of silicon carbide and plumbago were dutiable at rates of 10—25—30 p.c.
316a	Incandescent lamp bulbs for use in the manufacture of incandescent lamps; glass tubing for use in the manufacture of incandescent lamps; vials and ampoules; glass tubing, n.o.p., in straight lengths of not less than three feet; mantle stocking for gas light.....	Free	7½ p.c.	10 p.c.	This Item is being widened to include "glass tubing, n.o.p., in straight lengths of not less than three feet" which was formerly dutiable at rates of 10—20—22½ p.c.
326b	Artificial eyes for human use.....	Free	Free	Free	Duty free entry under this Item was limited to "glass eyes for human use". It is now extended to cover artificial eyes of all kinds which were dutiable according to material, mainly at rates of 15—25—25 p.c.
326h	Fresnel type lenses, sections and globes, of glass.....	Free	Free	30 p.c.	This Item formerly read "Fresnel or dioptric lenses—sections and globes". To facilitate administration the Item is being revised by deletion of the words "or dioptric" and by addition of the words "of glass".
356b	Nickel chromium, in bars or rods not more than three-fourths of an inch in diameter, containing more than fifty per cent nickel and more than ten per cent chromium, of a class or kind not manufactured in Canada, when imported by manufacturers of electric resistance wire and electric resistance strip or ribbon for use only in the manufacture of such articles in their own factories.....	Free	Free	Free	The nickel content requirement of the bars and rods described in this Item is being reduced from sixty per cent to 50 per cent in order to cover the type of bar or rod being used at present.
408	Malleable sprocket chain and link belting chain of iron or steel, including roller chain of all kinds for operating on steel sprockets or gears, when imported by manufacturers of agricultural implements for use exclusively in the manufacture of agricultural implements, in their own factories, under regulations prescribed by the Minister.....	Free	Free	Free	The Intermediate and General Tariffs on goods covered by this Item are being reduced from 10 p.c. to Free. (Can.-U.S. Agreement rate 5 p.c.)
409	Cream separators and complete parts therefor, including steel bowls.....	Free	Free	Free	The Intermediate and General Tariffs on goods covered by this Item are being reduced from 25 p.c. to Free. (Can.-U.S. Agreement rate 12½ p.c.)
409a	Milking machines and attachments therefor; centrifugal machines for testing butterfat, milk or cream; complete parts of all the foregoing.....	Free	Free	Free	The Intermediate and General Tariffs on goods covered by this Item are being reduced from 10 p.c. to Free.
409b	Cultivators, harrows, seed-drills, horse-rakes, horse-hoes, scufflers, manure spreaders, garden seeders, weeders, and complete parts of all the foregoing.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Explanatory Notes
409c	Ploughs; farm, field, lawn or garden rollers; soil packers; complete parts of all the foregoing.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.
409d	Mowing machines, harvesters, either self-binding or without binders, binding attachments, reapers, harvesters in combination with threshing machine separators including the motive power incorporated therein, and complete parts of all the foregoing.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.
409e	(i) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; animal dehorning instruments; and complete parts of all the foregoing.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free. (Can.-U.S. Agreement rate 5 p.c.)
	(ii) Fruit and vegetable grading, grating, washing and wiping machines and combination bagging and weighing machines, and complete parts thereof; machines for topping vegetables, and machines for bunching and/or tying cut flowers, vegetables and nursery stock, and complete parts thereof; machines and complete parts thereof for making or lidding boxes for fruit or vegetables; egg-graders and egg-cleaners, and complete parts thereof, not including aluminum parts.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 5 p.c. to Free and the General Tariff from 10 p.c. to Free.
	(iii) Complete parts of aluminum for egg-graders..	Free	Free	Free	
409f	Hay loaders, hay tedders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, grain crushers and grain or hay grinders for farm purposes only, post hole diggers, snaths, stumping machines, grain loaders or elevators with a capacity not exceeding 40 bushels per minute and all other agricultural implements or agricultural machinery, n.o.p., and complete parts of all the foregoing.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 15 p.c. to Free and the General Tariff from 30 p.c. to Free.  The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff is being reduced from 25 p.c. to Free. This Item is also being widened to include "grain loaders or elevators with a capacity not exceeding 40 bushels per minute". These grain loaders or elevators were formerly dutiable at rates of 10—27½—35 p.c.
409g	Incubators for hatching eggs, brooders for rearing young fowl, and complete parts of all the foregoing.	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.

409h	Hay presses and complete parts thereof.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.
409i	Scythes, sickles or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, n.o.p.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.
409j	Fanning mills; peaviners; corn husking machines; threshing machine separators, including weighers, wind stackers, baggers and self-feeders therefor; complete parts of all the foregoing.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.
409k	Windmills and complete parts thereof, not including shafting.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 7½ p.c. to Free and the General Tariff from 25 p.c. to Free.
409n	Portable engines with boilers, in combination, for farm purposes; horse powers; complete parts of all the foregoing.....	Free	Free	Free	The Intermediate Tariff on goods covered by this Item is being reduced from 15 p.c. to Free and the General Tariff from 25 p.c. to Free.
409o	Equipment for generating electric power for farm purposes only, viz.: engine, gas tank, generator, storage battery, and switchboard or panel; and complete parts of the foregoing.....	Free	Free	Free	The Intermediate and General Tariffs on goods covered by this Item are being reduced from 10 p.c. to Free. Provision is also being made in this Item for panels, which usually consist of a metal board with a cut-out, fuses, etc., attached thereto. These panels were formerly dutiable as electric apparatus n.o.p. at rates of 15—25—30 p.c.
410s	Amalgam safes; automatic ore samplers; automatic feeders; retorts; mercury pumps; non-metallic heating elements; pyrometers; bullion furnaces; amalgam cleaners; and integral parts of all the foregoing, for use exclusively in mining or metallurgical operations.....	Free	Free	Free	This Item is being widened to accord free entry to "non-metallic heating elements" such as those made of silicon carbide for use in high temperature electric furnaces. These articles were formerly dutiable as electric apparatus n.o.p. at rates of 15—25—30 p.c.
431c	Machinists' or metal workers' precision tools and measuring instruments, viz.:—Calipers, micrometers, metal protractors and squares, bevels, verniers, gauges, gauge blocks, parallels, buttons, mercury plumb bobs, dividers, trammels, scribers, automatic centre punches, hand speed indicators, straight edges, key seat clamps and other clamps and vises used by toolmakers for precision work, precision tools and measuring instruments, n.o.p.; parts of all the foregoing, finished or not.....	Free	10 p.c.	15 p.c.	In connection with centre punches, the word "automatic" has been inserted before the word "centre". In connection with speed indicators, the word "hand" has been substituted for the word "pocket". The Item has been widened in scope to provide for parts, finished or not. These parts had formerly been dutiable in most cases under Item 462 at rates of 7½—25—30 p.c. They are now dutiable at the same rates as the finished article.



Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Explanatory Notes
431d	Engineers', surveyors' and draftsmen's precision instruments and apparatus, viz.:—allidades; altazimuth surveying instruments; aneroid barometers; engineering, military and surveying; angle prisms; boards, military sketching; box sextants; clinometers; compasses; cross staff heads; curves, adjustable, irregular, railroad and ship; curvimeters; drafting instruments of all kinds, including fitted cases containing the same; dipping needles; drafting machines; heliographs; integrators, levels, tripod and hand or pocket types; levelling rods; liners, section; meters, portable for hydraulic engineering; pantographs; planimeters; protractors, parallel rulers, parallel ruling attachments; poles, ranging; pedometers and paceometers; plane tables, military and topographic; scales, flat and triangular; slide rules; splines; straight edges, steel and wooden; tachometers; tallying machines, pocket; tee squares, steel and wooden; telemeters; theodolites; transits, tripod and hand or pocket types; triangles of all types; tripods for use with any of the foregoing instruments; parts of all the foregoing, finished or not	Free	10 p.c.	15 p.c.	The Item has been widened in scope to provide for parts finished or not. These parts had formerly been dutiable in most cases under Item 462 at rates of 7½—25—30 p.c. they are now dutiable at the same rates as the finished article.
438j	Piston castings of any material, in the rough or semi-finished.....	Free	25 p.c.	35 p.c.	This Item formerly provided for "semi-finished piston castings of any material". Piston castings of any material in the rough are now being accorded the same tariff treatment as semi-finished piston castings.
442	Articles which enter into the cost of manufacture of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409k, 409o and 439c, when imported by manufacturers for use exclusively in the manufacture in their own factories of the goods enumerated in the aforesaid tariff items, under regulations prescribed by the Minister.....  Provided that goods which are entitled to free entry or to a lower rate of duty than is mentioned in this item shall not be entered at the rates specified in this item.	Free	Free	Free	On the goods covered by this Item the British Preferential Tariff of 5 p.c. is being reduced to Free and the Intermediate and General Tariffs of 6 p.c. are being reduced to Free. (Can.—U.S. Agreement rate 5 p.c.)
442a	Notwithstanding the provisions of tariff item 442, materials or commodities as hereunder defined or described, when imported by manufacturers for use exclusively in the manufacture, in their own fac-				On the goods covered by Part (1) of this Item the British Preferential Tariff of 75 cents per ton is being reduced to Free and the Intermediate Tariff of \$1.25 per ton is being reduced to Free.

	tories, of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, 409p and 439c, under regulations prescribed by the Minister:—					On the goods covered by Part (2) of this Item the British Preferential Tariff of \$2.12½ per ton is being reduced to Free and the Intermediate Tariff of \$3.50 per ton is being reduced to Free. The General Tariffs of \$1.25 and \$3.50 are eliminated. (Can.—U.S. Agreement rate \$1.00 per ton on pig iron and \$2.75 per ton on bars or rods).
	(1) Pig iron.....per ton	Free	Free	Free		
	(2) Bars or rods, of iron or steel, hot rolled, per ton	Free	Free	Free		
443b	Oven thermostats, automatic oven lighters and dual valves, for use in the manufacture of apparatus designed for cooking with gas; gas pressure regulators for use in the gas line between the meter and the cooking apparatus or for installation on the cooking apparatus.....	Free	10 p.c.	30 p.c.		This Item is being widened to include "dual valves" and "gas pressure regulators". These articles are not made in Canada and were formerly dutiable at a rate of 25 p.c. when imported from the United States.
476b	Surgical suction apparatus including motive power; prepared surgical sutures; ethylene; operating room lights designed to minimize shadow, not including bulbs; all the foregoing of a class or kind not made in Canada, and complete parts thereof, for the use of any public hospital, under regulations prescribed by the Minister.....	Free	Free	Free		This Item is being revised by substitution of the word "sutures" for the word "catgut". Sutures of silk, artificial silk, nylon and other synthetic materials are being widely used. They were formerly dutiable according to material but will now be admitted duty free.
476c	Chloroform and ethyl chloride for anaesthetic purposes.....	Free	Free	Free		This Item is being amended to include "ethyl chloride" which was formerly provided for in Item 476b but under that Item duty free entry was limited to importations "for the use of any public hospital".
477	Containers and parts thereof, including expelling bulbs; for vaccines including toxoids (anatoxins) and bacterins, toxins, serums containing immune bodies including anti-toxins, glandular extracts and/or antibiotics, when imported by manufacturers of such products for use in their own factories, under such regulations as the Minister may prescribe....	Free	Free	Free		This is a revised wording of a duty free Item that has been in the Tariff since 1906 at least, covering "metallic tubes, glass caps, shells, containers and capillary tubes, rubber bulbs, boxes and corks, when imported by manufacturers of vaccine points. . .".
482	Ear-telephone sets and similar appliances, including batteries therefor, and complete parts, for use by deaf persons, under regulations prescribed by the Minister.....	Free	Free	Free		This Item is being amended to accord duty free entry to complete parts of hearing-aid batteries. These parts were formerly dutiable as "complete parts of electric batteries" at rates of 15—25—27½ p.c.
524a	Fabrics with cut weft pile, wholly of cotton or of cotton and synthetic textile fibres or filaments....	5 p.c.				The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
537	Rovings, yarns and warps wholly or in part of vegetable fibres, not more advanced than singles, n.o.p., not to contain silk, synthetic textile fibres or filaments, nor wool.....	12½ p.c.	17½ p.c.	25 p.c.		The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Explanatory Notes
537a	Rovings, yarns and warps wholly or in part of vegetable fibres, including yarn twist, cords and twines generally used for packaging and other purposes, n.o.p., not to contain silk, synthetic textile fibres or filaments, nor wool.....	17½ p.c.	22½ p.c.	25 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
537d	Rovings, yarns and warps wholly of jute, not more advanced than singles, n.o.p., not to contain silk, synthetic textile fibres or filaments, nor wool.....	Free	17½ p.c.	25 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
538a	Articles which enter into the cost of the manufacture of binder twine, or twine for harvest binders, and twine for baling farm produce, when imported for such use exclusively by manufacturers who manufacture such twine only.....	Free	Free	Free	Duty free entry is being extended to articles entering into the cost of the manufacture of baling twine for farm produce, principally twine for baling hay. These articles were formerly dutiable according to material.
540	(c) Towelling and glass cloth of crash or huck, with or without lettering or monograms woven in, table cloths and napkins of crash with coloured borders, in the web, wholly of flax or hemp; woven fabrics, in the web, composed in part of flax or hemp, not containing silk, synthetic textile fibres or filaments, nor wool..... and, per pound	22½ p.c. 3 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
	(d) Towels and glass cloths of crash or huck, with or without lettering or monograms woven in, table cloths and napkins of crash with coloured borders, wholly or in part of flax or hemp, not containing silk, synthetic textile fibres or filaments, nor wool..... and, per pound	25 p.c. 3 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
542	Woven fabrics, wholly or in part of vegetable fibres, and all such fabrics with cut pile, n.o.p., not containing silk, synthetic textile fibres or filaments, nor wool.....	20 p.c.	27½ p.c.	30 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
542a	Woven or braided fabrics not exceeding twelve inches in width, wholly or in part of vegetable fibres, n.o.p. not to contain silk, synthetic textile fibres or filaments, nor wool.....	22½ p.c.	27½ p.c.	35 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".

548	Clothing, wearing apparel and articles, made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in part of vegetable fibres but not containing wool, n.o.p.; fabrics coated or impregnated, composed wholly or in part of vegetable fibres but not containing silk, synthetic textile fibres or filaments, nor wool, n.o.p..... and, per pound	25 p.c.	30 p.c. 1½ cts.	35 p.c. 4 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
551	Yarns, composed wholly or in part of wool or hair but not containing silk, or synthetic textile fibres or filaments, n.o.p..... and, per pound	15 p.c. 6 cts.	20 p.c. 20 cts.	22½ p.c. 22½ cts.	The words "synthetic textile fibres or filaments" have been substituted for "artificial silk".
555	Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in part of wool or similar animal fibres, but of which the component of chief value is not silk nor synthetic textile fibres or filaments, n.o.p.; fabrics, coated or impregnated, composed wholly or in part of yarns of wool or hair, but not containing silk nor synthetic textile fibres or filaments, n.o.p. and per pound	30 p.c.	40 p.c. 32½ cts.	40 p.c. 35 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
556b	Slipper cloth, woven, napped on one or both sides, wholly or in part of wool, not to contain silk or synthetic textile fibres or filaments, weighing not less than 22 ounces per square yard, when imported by manufacturers of indoor footwear, to be used exclusively in the manufacture of such articles in their own factories..... and, per pound	Free	35 p.c.	40 p.c. 35 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
557	Silk cocoons; raw silk, not more advanced than singles, not to include material wholly or partially degummed; rags and waste wholly of silk or of synthetic textile fibres or filaments, unfit for use without further manufacture, not to include used garments nor waste portions of unused fabrics.....	Free	Free	Free	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes".
557a	Waste portions of unused fabrics, or used garments, wholly of silk or of synthetic textile fibres or filaments, imported by manufacturers to be used exclusively for disintegrating in their own factories....	Free	Free	Free	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes".

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Explanatory Notes
557b	Garnetted material wholly of silk or of synthetic textile fibres or filaments, obtained by disintegrating cocoons, yarns or fabrics, prepared for use; filaments or loose fibres wholly of silk or synthetic textiles, not more advanced than in the form of sliver; waste portions of unused fabrics, wholly of silk or of synthetic textile fibres or filaments, n.o.p., not to include remnants nor mill ends.....	Free	7½ p.c.	10 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes".
558b	Rovings, yarns and warps wholly of synthetic textile fibres or filaments, not more advanced than singles, not coloured, with not more than seven turns to the inch, under such regulations as the Minister may prescribe: (a) Produced from cellulose acetate.....	5 p.c.	30 p.c.	35 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres, produced by chemical processes".
	Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound		28 cts.	28 cts.	
	(b) N.o.p.....	20 p.c.	30 p.c.	35 p.c.	
	Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound		28 cts.	28 cts.	
558d	Rovings, yarns and warps wholly or in part of synthetic textile fibres or filaments, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes, not to contain silk; yarns of synthetic textile fibres or filaments wholly or partially covered with metallic strip, one pound of which shall contain not less than 10,000 yards; under such regulations as the Minister may prescribe:— (a) Produced wholly from cellulose acetate.....	7½ p.c.	30 p.c.	35 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes" and the words "synthetic textile" have been substituted for the words "artificial silk".
	Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound		28 cts.	28 cts.	
	(b) N.o.p.....	25 p.c.	30 p.c.	35 p.c.	
	Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound		28 cts.	28 cts.	
558f	Rovings, yarns and warps wholly of spun synthetic textile fibres or filaments, not coloured, imported by manufacturers for use exclusively in the manufacture of cut-pile fabrics, in their own factories... but not less than, per pound.....	Free	30 p.c. 28 cts.	35 p.c. 28 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes".

560a.	Woven fabrics wholly or in part of silk, not to contain wool, not including fabrics in chief part by weight of synthetic textile fibres or filaments, n.o.p. .... and, per lineal yard .....	22½ p.c.	40 p.c. 10 cts.	45 p.c. 10 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
560c	Woven fabrics with cut pile, whether or not coated or impregnated, wholly or in part of silk or synthetic textile fibres or filaments, but not containing wool, n.o.p. ....	17½ p.c.	32½ p.c.	35 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
561	Woven fabrics wholly or in part of synthetic textile fibres or filaments, not to contain wool, not including fabrics in chief part by weight of silk, n.o.p. .... and, per pound .....	27½ p.c.	40 p.c. 40 cts.	45 p.c. 40 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres, produced by chemical processes".
561a	Fabrics, coated or impregnated, n.o.p.:— (i) Composed wholly or in part of silk. ....	27½ p.c.	30 p.c.	45 p.c.	No change.
	(ii) Composed wholly or in part of synthetic textile fibres or filaments, but not containing silk. ....	30 p.c.	40 p.c.	50 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes".
562a	Woven fabrics not exceeding twelve inches in width, generally known as "ribbons", whether with cut pile or not, wholly or in part of synthetic textile fibres or filaments, but not containing silk nor wool .....	22½ p.c.	32½ p.c.	35 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes".
564	Woven fabrics, of a kind not made in Canada, wholly or in chief part, by weight, of silk or of synthetic textile fibres or filaments, or both, imported in the web in lengths of not less than five yards each by manufacturers of neckties, scarves, or mufflers, for use exclusively in the manufacture of such articles in their own factories. ....	17½ p.c.	20 p.c.	20 p.c.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk".
567a	Clothing, wearing apparel and articles, made from woven fabrics and all textile manufactures, wholly or partially manufactured, n.o.p. of which the component of chief value is synthetic textile fibres or filaments. .... and, per ounce .....	25 p.c.	35 p.c. 5 cts.	50 p.c. 7 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres produced by chemical processes".
616c	Materials, non-alcoholic, in liquid or paste form, when imported by manufacturers of sealing compounds for cans and jars, for use exclusively in the manufacture of such sealing compounds, in their own factories. ....	Free	Free	Free	This Item is being amended to accord duty-free entry to synthetic rubber compounds by substitution of the words "materials, non-alcoholic, in liquid or paste form" for the words "liquid rubber compound, non-alcoholic". This synthetic rubber compound was formerly dutiable at rates of 15-25-25 p.c.
617	Rubber boots and shoes. ....	Free	22½ p.c.	25 p.c.	This Item is being amended by deletion of the word "India". The word "rubber" will henceforth cover both natural and synthetic rubbers.



Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff	Explanatory Notes
618	Rubber cement and all manufactures of rubber and gutta percha, n.o.p.....	15 p.c.	25 p.c.	27½ p.c.	This Item is being amended by deletion of the word "India". The word "rubber" will henceforth cover both natural and synthetic rubbers.
619a	Rubber clothing and clothing made from water-proofed cotton fabrics.....	25 p.c.	30 p.c.	35 p.c.	This Item is being amended by deletion of the word "India". The word "rubber" will henceforth cover both natural and synthetic rubbers.
	And, in addition, on raincoats..... each	—	50 cts.	50 cts.	
654	Bristles and broom corn.....	Free	Free	Free	This Item is being amended by deletion of the words "and hair brush pads" as the trade has no knowledge of the existence of such an article.
688	Artificial teeth, not mounted, and materials for use only in the manufacture thereof.....	Free	Free	Free	This Item is being amended to accord duty free entry to materials for use in the manufacture of artificial teeth. These materials were formerly dutiable at rates of 15-25-25 p.c.
691	Communion sets of metal, glass, wood or other material; oil stocks; crosiers; benitiers; sprinklers; incensers; incense boats; baptismal shells or fonts; missels; scapulars; chapelets; rosaries; religious medals and crosses.....	Free	Free	Free	This Item is being amended to accord duty free entry on imports from General Tariff countries of missels, scapulars, chapelets, rosaries, religious medals and crosses
692b	Trophies of war, being arms, military stores, munitions of war and other articles, which are to be retained for use as bona fide trophies, under such regulations as the Minister may prescribe..... Provided that no article admitted under this item shall be sold or disposed of for use other than as a bona fide trophy without payment of duty. Provided further that any article before disposal thereof may be reduced to scrap and valued and rated for duty accordingly.	Free	Free	Free	This is a new Item established to accord duty free entry to articles brought to Canada as war trophies. These articles were formerly dutiable at various rate.
825	Woven cord tire fabric, wholly or in chief part by weight of synthetic textile fibres or filaments, not to contain silk nor wool, coated with a rubber composition, when imported by manufacturers of rubber, to be incorporated by them in pneumatic tires, in their own factories..... and, per pound.....	Free	17½ p.c. 3½ cts.	25 p.c. 4 cts.	The words "synthetic textile fibres or filaments" have been substituted for the words "artificial silk or similar synthetic fibres".

3. Resolved, that Schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended, be further amended by striking thereout Tariff Items 1001, 1027 and 1057, the enumerations of goods

and the rates of drawback of Customs duties set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of Customs duties in said Schedule B:—

Item No.	Goods	When Subject to Drawback	Portion of Duty (Not Including Special Duty or Dumping Duty) Payable as Drawback
1001	Oil, fuel and other articles not machinery, imported on or after June 1, 1941.	When entering into the cost of twine for baling farm produce, manufactured in Canada on and after June 1, 1944, and when entering into the cost of binder twine manufactured in Canada.....	99 p.c.
1027	Materials.....	When used by manufacturers of malleable iron castings or steel shafting for use exclusively in the manufacture of such articles for use in the manufacture of goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, 409p and 439c...	99 p.c.
1057	Materials.....	When used in the manufacture of articles entitled to entry under tariff item 442, when such articles are sold to manufacturers to be used as specified in said item.....	99 p.c.

4. Resolved, that any enactment founded upon the foregoing resolutions to amend the Customs Tariff or schedules thereto shall be deemed to have come into force on the twenty-seventh day of June, one thousand nine hundred and forty-four, and to have applied to all goods

mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.



APPENDIX  
TO  
THE BUDGET, 1944-45

Budget Papers presented by the  
Honourable J. L. Ilsley, M.P., for the  
information of Parliament on the occasion of the  
Budget of 1944-45

- A. Review of Government Accounts, 1943-44.
- B. Tables on Economic Conditions, 1943-44.



## DOMINION OF CANADA

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### A. GOVERNMENT ACCOUNTS, 1943-44

#### COMPARATIVE SUMMARY STATEMENT OF REVENUES AND EXPENDITURES

1. Although the Dominion's fiscal year ends March 31st, the books of the Dominion for each fiscal year remain open for some time thereafter in order to record expenditures made to April 30th as provided by Section 32 of the Consolidated Revenue and Audit Act, and to provide for adjustments which affect revenue and expenditure accounts as well as asset and liability accounts. Final figures for the fiscal year 1943-44 are not yet available, and accordingly the statements which follow, in so far as they relate to 1943-44 revenue, expenditure, investment and balance sheet items, are preliminary. However, it is expected that when the books of the year are finally closed variations from the figures shown herein will be of slight importance.

2. The following tables show, by main categories and in detail, revenues, expenditures and the increase in net debt for the fiscal year 1943-44 together with comparable figures for the four preceding fiscal years:



## STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
<b>Tax Revenues—</b>					
Customs import duties.....	104,301	130,757	142,392	118,963	167,882
Excise duties—					
Spirits, malt, etc.....	21,267	34,140	46,776	65,594	65,922
Cigars, cigarettes and tobacco.....	40,557	55,417	65,050	76,372	79,906
Licences.....	35	45	40	38	37
	61,859	89,602	111,866	142,004	145,865
Less refunds.....	827	994	1,775	3,283	3,741
	61,032	88,608	110,091	138,721	142,124
Excise taxes—					
Sales.....	141,121	184,536	246,553	250,478	339,256
Manufacturers—					
Automobiles, rubber tires and tubes	1,568	11,206	16,742	3,062	6,001
Furs.....	—	—	—	3,170	4,199
Gasoline.....	—	—	24,752	24,898	24,930
Candy and chewing gum.....	—	—	—	8,184	12,002
Cigarette papers and tubes.....	1,879	3,356	3,948	5,050	6,159
Cigars, cigarettes and tobacco.....	130	245	333	26,295	54,688
Beverages.....	—	—	6,247	14,119	19,059
Matches and lighters.....	2,135	2,173	2,766	2,855	2,874
Sugar.....	12,302	11,894	22,009	14,951	13,048
Toilet preparations and soap.....	1,371	1,542	3,539	4,542	5,327
Trunks, bags, etc.....	—	—	—	2,187	4,170
Electric and gas appliances.....	—	1,886	8,470	5,306	3,302
Phonographs, radios and tubes.....	—	1,289	2,361	1,191	491
Wines.....	420	658	1,445	2,007	1,710
Sundry.....	312	682	877	1,938	2,579
Amusements.....	—	—	8,792	12,066	13,701
Special excise (importations).....	1,979	1,008	861	480	508
Transportation and communication..	1,657	1,848	8,131	10,083	22,379
Stamps, licences, interest, etc.....	4,829	4,747	5,095	12,840	17,065
War exchange.....	—	61,932	100,874	94,553	118,912
	169,703	289,002	463,795	506,261	672,960
Less refunds.....	3,675	4,835	10,370	17,549	34,341
	166,028	284,167	453,425	488,712	638,619
Income Tax—					
Individuals—Graduated.....	45,407	75,863	189,502	453,940	813,047
National Defence Tax.....	—	27,672	106,637	80,198	388
Corporations.....	77,920	131,566	185,836	347,970	311,379
Dividends, interest, etc.....	11,122	13,042	28,269	28,081	26,943
Excess profits tax.....	—	23,995	135,168	454,581	468,718
	134,449	272,138	645,412	1,364,770	1,620,475
Succession duties.....	—	—	6,957	13,273	15,020
Banks, Insurance Companies, etc.—					
Chartered banks.....	949	898	786	665	458
Insurance companies.....	926	972	1,143	10,893	6,481
Miscellaneous.....	540	636	702	723	753
<b>Total Revenue from taxes.....</b>	<b>468,225</b>	<b>778,176</b>	<b>1,360,913</b>	<b>2,136,720</b>	<b>2,591,812</b>
<b>Non-tax Revenues—</b>					
Post Office.....	36,729	40,383	45,994	48,869	61,071
Return on investments.....	14,617	17,902	25,826	41,242	52,152
Bullion and coinage.....	3,756	6,266	4,767	5,884	8,732
Premium, discount and exchange.....	7,939	6,107	11,855	395	2,150
Other.....	10,351	10,921	14,469	19,689	15,760
<b>Total non-tax revenues.....</b>	<b>73,392</b>	<b>81,579</b>	<b>102,911</b>	<b>116,079</b>	<b>139,865</b>
<b>Total ordinary revenues.....</b>	<b>541,617</b>	<b>859,755</b>	<b>1,463,824</b>	<b>2,252,799</b>	<b>2,731,677</b>

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
Special Receipts and Other Credits—					
Consolidated Fund—					
Refunds of previous years' Special					
Expenditure.....	153	78	102	239	220
War Appropriation Acts: refunds, etc.	—	1,542	16,384	18,651	81,000
War and Special donations.....	11	1,410	459	275	217
Canadian National Railways—					
Net income surplus, calendar years	—	—	4,016	25,063	35,640
Capital gain on repatriation of					
Canadian National Railways					
securities.....	—	5,504	99	11,073	2,430
Dominion stock "A" written off....	—	4	—	—	—
Balance of award <i>I'm Alone</i> Case....	—	—	—	—	25
Canadian Wheat Board, Reserve					
Account—Adjustment based on					
operations of the Board calculated					
as at July 31, 1942 and 1943.....	—	—	—	6,660	2,971
Total Consolidated Fund.....	164	8,538	21,060	61,961	122,503
Capital Accounts—					
Refunds of previous years' expenditure	21	20	38	103	95
Net insurance proceeds on the P.E.I.					
Car Ferry.....	—	—	984	—	—
Non-active Accounts—					
Canadian Government Merchant					
Marine, Limited—					
Balance in Contingency Reserve....	—	1	—	—	—
Canadian National (West Indies)					
Steamships Ltd.—					
Reduction in indebtedness.....	—	—	—	—	165
Canadian Pacific Railway—					
Repayment of loan made under					
Unemployment Relief Act, 1932	—	—	—	—	1,000
National Harbours Board—					
Reduction in indebtedness.....	—	—	33	15	—
Write-downs to Consolidated Fund—					
Seed Grain and Relief Loans.....	10	46	58	42	29
Relief Loans to Province of Sas-					
katchewan.....	17,682	—	—	—	—
Canadian National Railways Sec-					
urities Trust Stock—Line aban-					
donments.....	2,600	2,334	2,539	4,576	232
Net capital loss on sale of S.S.					
<i>Prince David</i> and S.S. <i>Prince</i>					
<i>Robert</i> .....	—	1,475	—	—	—
Total Special Receipts and Credits.....	20,477	12,414	24,712	66,697	124,024
Grand Total Revenue.....	562,094	872,169	1,488,536	2,319,496	2,855,701
Less estimated amount of Income					
and Excess Profits Taxes refundable					
after the war.....	—	—	—	70,000	155,000
	562,094	872,169	1,488,536	2,249,496	2,700,701

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS**

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
<b>ORDINARY EXPENDITURE</b>					
Agriculture.....	11,817	8,593	8,430	8,492	8,850
Auditor General's Office.....	459	453	457	441	325
Civil Service Commission.....	398	397	399	427	458
External Affairs, including Office of Prime Minister.....	1,220	1,013	1,052	1,156	1,047
<b>Finance—</b>					
Interest on Public Debt.....	129,315	139,179	155,018	188,556	242,681
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions.....	4,992	6,304	16,350	13,838	19,285
Subsidies to Provinces.....	13,769	13,769	14,409	14,490	14,449
Special Grants to Provinces.....	5,475	5,475	—	—	—
Wartime Prices and Trade Board— Dominion Fuel Board Administra- tion, coal subsidies and subventions	—	—	(1) 4,880	(2) —	(2) —
Miscellaneous Grants and Contribu- tions.....	660	530	531	526	533
Civil Pensions and Superannuation....	567	500	435	391	352
Government contribution to Superan- nuation Fund.....	2,271	2,316	2,347	2,341	2,299
Old Age Pensions, including pensions to blind persons.....	29,977	29,912	29,612	29,076	30,377
Compensation to Provinces under Do- minion-Provincial Taxation Agree- ments—					
Income and Corporation Taxes....	—	—	21,120	85,942	83,078
Gasoline Tax.....	—	—	—	8,273	11,757
Administrative and Sundry Expendi- ture.....	3,906	3,508	3,817	4,188	4,445
Fisheries.....	2,320	1,618	1,679	1,699	1,690
Governor General and Lieutenant Gov- ernors.....	227	213	226	225	223
Insurance.....	195	176	181	182	184
Justice.....	2,725	2,711	2,657	2,667	2,727
Penitentiaries.....	2,941	2,717	2,786	2,772	2,749
Labour.....	738	826	762	698	1,000
Technical Education.....	31	18	41	19	23
Unemployment Insurance Act, 1940— Administration.....	—	69	2,344	4,657	5,187
Government contribution.....	—	—	7,287	11,487	12,344
Government Annuities— Payments to maintain reserve.....	379	111	617	498	50
<b>Legislation—</b>					
House of Commons.....	1,286	2,468	1,408	1,827	1,921
Library of Parliament.....	76	70	72	76	78
Senate.....	432	868	424	555	562
General.....	68	58	47	61	84
Chief Electoral Officer, including elec- tions.....	458	2,469	282	1,447	89
<b>Mines and Resources—</b>					
Administration.....	186	170	178	160	104
Immigration.....	1,338	1,273	1,289	1,268	1,262
Indian Affairs.....	5,675	5,183	5,000	4,978	5,156
Lands, Parks and Forests.....	2,116	1,937	1,959	1,753	1,588
Surveys and Engineering.....	1,301	1,114	1,128	1,129	1,301
Mines and Geological Survey.....	1,324	1,173	1,156	1,140	1,125
Movement of Coal and Subsidies under Domestic Fuel Act.....	4,532	4,408	(3) —	(3) —	(3) —
Munitions and Supply.....	—	9	12	12	13
Dominion Fuel Board Administration, Coal subsidies and subventions.....	—	—	—	4,905	2,160
<b>National Defence—</b>					
Administration.....	178	30	43	44	38
Militia Service.....	5,997	—	—	—	—
Naval Service.....	1,869	—	—	—	—
Air Service.....	4,852	—	—	—	—
Sundry Services.....	295	168	223	371	32
National Revenue (including Income Tax).....	12,064	12,229	13,428	15,190	17,733
National War Services.....	—	—	682	428	461

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—Continued**

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
<b>ORDINARY EXPENDITURE—Con.</b>					
Pensions and National Health—					
Administration.....	182	133	182	162	161
Treatment and after-care of returned soldiers (War 1914-18).....	14,771	13,402	12,667	12,689	14,069
Pensions (War 1914-18) and Military...	42,219	41,515	40,569	39,684	38,908
Health Division.....	1,113	1,111	1,246	1,244	1,615
Post Office.....	36,726	38,700	41,502	44,742	48,484
Privy Council.....	59	54	54	62	80
Public Archives.....	150	126	123	123	124
Public Printing and Stationery.....	199	283	195	245	235
Public Works.....	13,065	11,507	11,937	12,014	12,339
Royal Canadian Mounted Police.....	5,626	5,554	5,985	6,242	6,681
Secretary of State.....	336	772	823	820	831
Soldier Settlement.....	624	582	564	567	837
Trade and Commerce.....	4,999	4,315	(4) 6,200	4,596	4,253
Canada Grain Act.....	1,933	1,908	1,909	1,918	2,089
Mail Subsidies and Steamship Subven- tions.....	1,907	942	616	616	799
Transport—					
Administration.....	358	334	388	375	397
Air Service.....	3,862	3,478	3,386	3,334	3,560
Marine Service.....	4,215	3,795	4,010	4,257	4,408
Canadian Travel Bureau.....	312	470	(5) —	(5) —	(5) —
Railways and Canals.....	3,763	3,527	3,694	3,340	4,089
Maritime Freight Rates Act.....	2,660	3,951	3,935	4,894	5,058
Railway Grade Crossing Fund.....	255	126	25	12	17
Total ordinary expenditure..	308,323	390,629	444,778	561,251	630,215
<b>CAPITAL EXPENDITURE</b>					
Railways.....	23	7	4	38	692
Public Works.....	7,007	3,351	3,426	3,238	1,965
Total Capital Expenditure..	7,030	3,358	3,430	3,276	2,657
<b>WAR EXPENDITURE</b>					
National Defence—Army—					
Army Services.....	67,302	380,345	502,773	1,021,944	1,319,035
Internment Operations.....	287	805	1,370	1,556	1,024
Inspection Board of the U.K. and Canada.....	—	—	4,876	10,946	10,545
Sundry.....	604	2,085	2,150	3,344	4,841
National Defence—Naval Services.....	63,193	333,235	511,169	1,037,790	1,335,445
National Defence—Air Services—	11,341	83,163	129,368	210,182	369,327
Overseas War Establishment.....	—	5,362	13,333	23,666	384,725
Home War Establishment.....	28,561	49,415	109,820	226,550	312,200
Air Training.....	4,257	121,502	247,383	366,897	225,550
Sundry.....	—	—	113	122	125
Munitions and Supply—	32,818	176,279	370,649	617,235	922,600
Administration.....	—	2,068	4,930	9,457	10,000
Expansion of Industry.....	—	77,886	247,761	469,675	710,000
Acquisition of U.K. Assets.....	—	—	—	200,000	5,000
	—	79,954	252,691	679,132	725,000

(1) For previous years included in Departments of Trade and Commerce and Mines and Resources.

(2) For current year see Department of Munitions and Supply.

(3) For relative years see Departments of Finance and Munitions and Supply.

(4) Includes an amount of \$2,615,000 for Census of population of Canada.

(5) Included in Department of National War Services.

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—Continued**

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
<b>WAR EXPENDITURE—Continued</b>					
<b>Agriculture—</b>					
Disposal of agricultural products rendered surplus by the War.....	1,302	4,350	2,260	2,901	1,875
Subsidy to increase export bacon price to secure adequate supplies for the U.K.....	—	—	2,281	—	—
Payments on cheese exports to the U.K.....	—	—	1,784	—	—
Freight assistance on western feed grains.....	—	—	3,792	10,318	17,758
Payment to increase the income of farmers in the spring wheat area of Western Canada.....	—	—	16,299	2,678	19
Fertilizer subventions and freight allowance.....	—	—	—	1,036	893
Subsidy on western wheat used exclusively as feed for live-stock.....	—	—	—	836	4,508
Subsidy on milk and milk products....	—	—	—	—	29,971
Premium on hog carcasses suitable for export to Great Britain.....	—	—	—	—	3,855
To provide for reserve stocks of feed grains.....	—	—	—	—	1,292
Sundry.....	74	140	971	2,211	4,586
	1,376	4,490	27,387	19,980	64,757
<b>Finance—</b>					
Comptroller of the Treasury.....	355	1,602	3,866	6,493	8,365
Payment of premiums on the purchase of Dominion of Canada Registered Stock.....	—	—	8,100	126	13
Wartime Prices and Trade Board—					
Administration.....	(*) —	(*) —	1,437	9,278	13,735
Subsidies due to application of Order placing a ceiling over all prices.....	—	—	3,242	67,715	81,552
<b>Canadian Wheat Board—</b>					
Accountable advances, for payment of drawback claims to millers and other manufacturers of wheat products....	—	—	—	(?) —	20,500
Old Age Pensions, increased benefits..	—	—	—	—	3,062
Sundry.....	216	90	80	1,051	1,243
	571	1,692	16,725	84,663	128,470
<b>Labour—</b>					
Industrial training.....	—	1,400	4,569	4,360	3,528
Training aircraft mechanics.....	—	249	1,489	2,019	1,357
National Selective Service.....	—	—	—	4,737	9,381
Removal of enemy aliens from protected areas.....	—	—	—	4,328	2,450
Sundry.....	55	248	496	1,333	3,538
	55	1,897	6,554	16,827	20,254
<b>Mines and Resources—</b>					
Prince Rupert—Terrace—Cedarvale Highway.....	—	—	10	2,965	5,750
Employment of Japanese.....	—	—	71	1,686	896
Sundry.....	18	292	678	1,626	2,766
	18	292	759	6,277	9,412
<b>National War Services—</b>					
War Charities.....	—	—	1,175	6,499	10,912
National Film Board.....	—	—	10	122	1,109
Censorship.....	—	—	22	(*) 1,070	(*) 1,727
Sundry.....	—	2,370	2,011	954	1,331
	—	2,370	3,218	8,645	15,079
<b>Pensions and National Health—</b>					
Treatment—Defence Forces.....	778	2,144	2,696	4,175	6,456
Pensions—Defence Forces.....	5	189	886	2,760	5,637

(\*) Included under Department of Labour.

(?) See Department of Trade and Commerce.

(\*) Including the censorship of telegrams, cables, etc., which was detailed under National Defence—Army in previous years.

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—Continued**

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
<b>WAR EXPENDITURE—Concluded</b>					
Pensions and National Health— <i>Conc.</i>					
Air Raid Precautions.....	56	140	619	5,027	1,724
Sundry.....	61	897	1,412	2,358	4,143
	900	3,370	5,613	14,320	17,960
Public Works..... <sup>a</sup>	829	4,917	4,497	6,880	6,486
Royal Canadian Mounted Police.....	1,401	2,385	3,001	3,870	4,291
Trade and Commerce—					
Gift of wheat to Greece.....	—	—	—	3,835	8,798
Canadian Wheat Board—					
Accountable advances for payment of drawback claims to millers and other manufacturers of wheat products....	—	—	—	3,000	( <sup>a</sup> ) —
National Research Council.....	121	419	1,125	2,091	2,773
Sundry.....	3	21	80	529	998
	124	440	1,205	9,455	12,569
Transport.....	382	1,464	5,228	5,762	9,485
Acquisition of Airfields and Works from United States Government....	—	—	—	—	66,600
War-time Information Board.....	—	—	—	1,474	764
Other Departments.....	283	1,097	1,610	1,767	2,995
	118,291	752,045	1,339,674	2,724,249	3,711,904
The War Appropriation (U.K. Finan- cing) Act, 1942.....	—	—	—	1,000,000	—
The War Appropriation (United Nations Mutual Aid) Act, 1943.....	—	—	—	—	912,603
<b>Total War Expenditure.....</b>	<b>118,291</b>	<b>752,045</b>	<b>1,339,674</b>	<b>3,724,249</b>	<b>4,624,597</b>
<b>SPECIAL EXPENDITURE</b>					
Unemployment Relief—					
Administration—Relief Acts.....	287	236	106	2	—
Material Aid to Provinces, including municipal improvements projects....	19,534	15,785	—	—	—
Dominion share of joint Dominion- Provincial projects.....	7,147	1,794	2,063	512	128
Dominion projects.....	24,919	9,784	6,331	4,499	3,624
Transportation facilities into mining areas.....	1,121	48	—	—	—
	53,008	27,647	8,500	5,013	3,752
Western Drought Area Relief—					
Direct Relief.....	1,605	—	—	—	—
Prairie Farm Assistance Act, 1939—					
Administration.....	—	346	423	157	217
Advances to Prairie Farm Emer- gency Fund.....	7,500	4,376	11,848	249	2,578
Wheat acreage reduction plan—					
Administration.....	—	—	980	1,342	814
Payments of awards to farmers....	—	—	29,654	24,527	30,097
	9,105	4,722	42,905	26,275	33,706
Provision for reserve against estimated losses on 1938 wheat marketing guar- antees.....	27,000	—	—	—	—
Provision for reserve to meet deficits resulting from the operations of the Canadian Wheat Board calculated as at July 31, 1940 and 1941, respectively, not previously provided for.....	—	10,500	12,571	—	—
<b>Total special expenditure....</b>	<b>89,113</b>	<b>42,869</b>	<b>63,976</b>	<b>31,288</b>	<b>37,458</b>

(<sup>a</sup>) See Department of Finance.

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—Concluded**

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
<b>GOVERNMENT OWNED ENTERPRISES</b>					
Losses charged to Consolidated Fund—					
Canadian National Railway System,					
ex-eastern lines.....	34,850	14,451	—	—	—
Eastern lines.....	5,245	2,514	—	—	—
Prince Edward Island Car Ferry and					
Terminals.....	427	461	424	591	608
National Harbours Board.....	94	40	33	—	29
Trans-Canada Air Lines.....	412	—	—	—	—
Central Mortgage Bank.....	16	—	—	—	—
Total charged to consolidated					
fund.....	41,044	17,466	457	591	727
Loans and advances non-active—					
Canadian National Steamships.....	8	—	—	—	—
National Harbours Board.....	1,027	716	758	657	579
Total non-active advances.....	1,035	716	758	657	579
Total government-owned enter-					
prises.....	42,079	18,182	1,215	1,248	1,306
<b>OTHER CHARGES</b>					
Write-down of assets chargeable to Con-					
solidated Fund—					
Drought Area Relief Loans, 1934-35—					
Province of Saskatchewan.....	1,374	—	—	—	—
Reduction of soldier and general land					
settlement loans.....	1,643	1,011	271	51	553
Yearly established losses in seed grain					
and relief accounts—Department of					
Mines and Resources.....	10	46	58	42	29
Canadian National Railways Securities					
Trust Stock—Reduction due to line					
abandonments during calendar years					
1939, 1940, 1941, 1942, and 1943.....	2,600	2,334	2,539	4,576	232
Canadian National Railways Securities					
Trust Stock—Capital loss (exclusive					
of loss applicable to expired service					
life) on sale of S.S. <i>Prince David</i> and					
<i>Prince Robert</i> .....	—	1,475	—	—	—
Cancellation of Canadian Farm Loan					
Board—					
Capital Stock.....	11	12	10	7	5
Province of Saskatchewan Treasury					
Bills.....	17,682	—	—	—	—
To provide a reserve for possible losses					
on ultimate realization of Active					
Loans and Advances.....	—	25,000	25,000	25,000	25,000
Non-Active Accounts—					
Fulfillment of guarantees—					
Saskatchewan Seed Grain Loans,					
1936 and 1937.....	2,638	7,136	—	—	—
Canadian National Railways Securities					
Trust Stock—					
Increase in Dominion's Equity in the					
Canadian National Railways due					
to capital gain on repatriation of					
Canadian National Railways Sec-					
urities.....	—	5,504	99	11,073	2,430
Increase in Dominion's Equity in the					
Canadian National Railways due to					
surplus earnings of Canadian National					
Railway System for calendar					
years.....	—	—	4,016	25,063	35,640
Total other charges.....	25,958	42,518	31,993	65,812	63,889
Grand total expenditures.....	680,794	1,249,601	1,885,066	4,387,124	5,360,122

## SUMMARY OF REVENUES AND EXPENDITURES

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
	\$	\$	\$	\$	\$
Ordinary revenues.....	541,617	859,755	1,463,824	2,182,799	2,576,677
Capital refunds.....	21	20	1,022	103	95
Special receipts and other credits.....	20,456	12,394	23,690	66,594	123,929
Total revenues.....	562,094	872,169	1,488,536	2,249,496	2,700,701
Ordinary expenditures.....	398,323	390,629	444,778	561,251	630,215
Capital expenditures.....	7,030	3,358	3,430	3,276	2,657
War expenditures.....	118,291	752,045	1,339,674	3,724,249	4,624,597
Special expenditures.....	89,113	42,869	63,976	31,288	37,458
Government-owned Enterprises.....	42,079	18,182	1,215	1,248	1,306
Other charges.....	25,958	42,518	31,993	65,812	63,889
Total expenditures.....	680,794	1,249,601	1,885,066	4,387,124	5,360,122
Total deficit or increase of direct net debt	118,700	377,432	396,530	2,137,628	2,659,421

## REVENUES 1943-44

3. Although not all figures are as yet final for the year it is anticipated that total revenues in 1943-44 will be about \$2,855,701,000, a total which represents a peak never before reached in the Dominion's financial history. The increase over the previous year was \$536,205,000 or 23%, and over the last pre-war year, 1938-39, was \$2,353,530,000, or about 469%. It is interesting to note also that in the six full fiscal years ended on March 31, 1920, which embraced the war and rehabilitation periods of World War I, total revenues of the government amounted to \$1,461,395,000, or only slightly more than one-half the revenue of the single year ended March 31, 1944.

The forecast of revenue given in the Budget of March 2, 1943, after taking account of changes made subsequent to the Budget presentation was for \$2,702,200,000, which figure the actual revenue of the year exceeded by about \$153,501,000. On page 54 there is given a detailed comparison of the forecast and the present estimate of actual revenue for the year. It will be noted that in some instances revenue exceeded the forecast by a considerable margin, while in others it fell short of the forecast. Further comment will be made in this connection in later paragraphs.

A prominent feature of the overall picture for the year was again the large part played by direct taxation. This form of tax is generally recognized as being most equitable, since it is possible in levying it to take account of family responsibilities in the case of the individual and impose a burden in proportion to the taxpayer's ability to meet it. When levied on corporation incomes at high rates under both the excess profits tax and the corporation income tax it assures that no abnormal or unreasonable profits should be derived from production for the war effort.

In 1943-44 the proportion of total revenue derived from direct taxes on incomes and profits was 56.7%, compared with 28.3% in last pre-war year, 1938-39.



Of the total revenue of \$2,855,701,000, it is now estimated that \$155,000,000 will be refunded after the war under the provisions of the Income War Tax Act and the Excess Profits Tax Act. This is in addition to the sum of \$70,000,000 refundable out of taxes collected in the previous fiscal year, making a total to the end of 1943-44 of \$225,000,000 repayable after the war.

4. The five-year table of revenue receipts to be found on pages 42 and 43 is in the same form as that of earlier years. This table is divided to show tax revenues under appropriate headings with considerable detail given in the case of excise duties, excise taxes and income taxes. In the following paragraphs each source is discussed in the order in which it appears in the table.

#### ORDINARY REVENUES

5. Revenue from customs duties for the fiscal year 1943-44 is now estimated at \$167,882,000, which compares with receipts of \$118,963,000 from this source during the preceding fiscal year and with the budget forecast of \$100,000,000.

Prior to April 1, 1943, importations into Canada or purchases in Canada by or on behalf of allied governments were granted exemption from customs duty and as well from sales tax, excise taxes and any other taxes that would normally have applied, although purchases by the Canadian Government for its own account were subject in full to all applicable taxes. With the adoption of the Mutual Aid program, the Canadian Government became the purchaser of a substantial amount of the munitions and other war supplies procured in Canada for the use of other governments. Since the beginning of the 1943-44 fiscal year, therefore, only those supplies which were purchased for cash in Canada by allied governments have been eligible for tax exemption and this exemption is now provided for by a drawback of duties or taxes included in the purchase price. The effect of this change in procedure was to bring within the scope of taxation a substantial volume of war supplies previously exempt from tax. At the time the budget was presented on March 2, 1943, it was not possible to take account of the probable effect of the above change in procedure in making the forecast of probable revenue receipts for the fiscal year 1943-44. This change in procedure is the principal factor explaining the extent to which revenues from customs duties during the year were substantially higher than had been forecast or had been collected during the preceding year. The increase in the volume of imports was also somewhat greater than had been anticipated.

6. Excise duties are levied exclusively on alcoholic beverages and tobacco products. Revenue in the fiscal year 1943-44 amounted to \$142,124,000, some \$3,403,000 in excess of the previous year, which increase arose almost entirely from higher revenue from cigarette and tobacco consumption, particularly cigarettes, consumption of which alone increased some 5% over the peak figure of the previous year. Revenue from alcoholic beverages would have shown some decline from the previous year due to the restrictions on consumption had it not been for the fact that the increased rates of tax imposed in the budget of June 23, 1942, were in effect during the whole of the fiscal year 1943-44 compared with at the most ten months in the fiscal year 1942-43.

The extent of the smokers' contribution to the Federal Treasury is indicated by the fact that revenue from tobacco products, taking account of the additional taxes imposed under the Special War Revenue Act on tobacco, cigars, cigarettes and on cigarette papers and tubes, amounted in the fiscal year 1943-44 to almost \$140,753,000, or a sum almost one-third of the total tax revenue of the government in the last pre-war year, 1938-39.

7. The term "excise taxes" connotes in general the commodity taxes levied under the Special War Revenue Act, including the sales tax, the war exchange tax, and a group of some forty or more miscellaneous taxes on a variety of commodities. The revenue under this general heading in the fiscal year 1943-44 amounted, after deducting refunds, to \$638,619,000, or \$149,907,000 in excess of the previous year, and \$130,419,000 in excess of the forecast. Of this increase the larger part is attributable to the sales tax and the war exchange tax, which both exceeded the forecast figure in considerable part because of the change in tax procedure resulting from the Mutual Aid program which has already been discussed in section 5. It is now estimated that these two taxes contributed almost \$96,345,000 to the increased revenue, whereas a slight decrease had been provided for in the Budget forecast.

The balance of the increase over the previous year arose from the variety of taxes on goods and services of domestic consumption, in the case of many of which the rates either were increased in the Budget of March 2, 1943, or were increased in the Budget of June 23, 1942 and were effective during the full twelve months of the fiscal year 1943-44, compared with at the most ten months of the previous fiscal year. These taxes as a group yielded \$214,792,000, exceeding the revenue of the previous year by \$53,562,000, and the forecast by \$16,592,000. The major increases arose under the following headings (the amount shown is the increase in 1943-44 over 1942-43):—

1. Cigars, cigarettes and tobacco.....	\$ 28,393,000
2. Transportation and communication.....	6,296,000
3. Beverages (soft drinks).....	4,940,000
4. Candy and chewing gum.....	4,418,000
5. Stamps, etc., including payment of taxes on jewellery, chinaware, cabaret attendance, etc.....	4,225,000
6. Tires and tubes.....	4,009,000
7. Purses, bags, trunks, etc.....	1,983,000
8. Amusements.....	1,635,000

Certain of these revenues, on the other hand, suffered some reduction due to curtailment of production or to rationing of domestic consumption. These sources, and the amount by which the revenue decreased, were as follows:—

1. Electric and gas appliances.....	\$ 2,004,000
2. Sugar.....	1,903,000
3. Phonographs, radios and tubes.....	700,000
4. Wines.....	297,000

8. The personal income tax, now the largest single source of tax revenue yielded \$813,435,000 in 1943-44, \$279,297,000 or 52% in excess of the combined revenue from graduated income tax and national defence tax in the previous year. It should be indicated, however, that this revenue fell below the revised budget forecast of \$880,000,000 by \$66,565,000, or about 7%. This discrepancy may be accounted for by two factors: (a) the level of employment and incomes was slightly lower during the year than was anticipated at the time of making the budget forecast; and (b) the amount of taxes refunded during the year as a result of the cancellation of 50% of the 1942 liability under the transition to the "pay-as-you-go" system was larger than had been anticipated. These refunds are deducted from the revenue of the year in which they are repaid, and the amount shown for 1943-44 has thus been reduced by the amount of such repayments.

At the present time it is estimated that the savings portion of personal income taxes levied against 1943 incomes and repayable to the taxpayer after the end of the war is in the neighbourhood of \$110,000,000. It was estimated

in the previous year that the corresponding amount in relation to 1942 incomes would be \$50,000,000, which it is now proposed, on the basis of more complete information, to increase by an additional amount of \$5,000,000. These amounts taken together thus give an estimate of the total amount refundable on the Dominion's books at the end of the fiscal year 1943-44 of \$165,000,000 repayable after the war in respect of the 1942 and 1943 taxation years.

9. Corporate income tax and excess profits tax, both of which are levied on business incomes, may appropriately be discussed together. Revenue from the corporate income tax amounted to \$311,379,000, slightly in excess of the forecast of \$300,000,000, but below revenue of the previous year by \$36,591,000. This decline was due to the fact that in the previous year collections were somewhat above normal because of inauguration of the compulsory monthly plan of tax payment in July, 1942, which brought forward into the fiscal year 1942-43 revenue which under the old system of one single annual payment would not have been received until the following fiscal year. In 1943-44, as the monthly payment plan was in effect for the full twelve months, there was no comparable overlapping of revenue, and collections were reduced to a level closer to normal.

Revenue from the excess profits tax, at \$468,718,000 fell substantially below the forecast of \$550,000,000 for the year. This discrepancy is largely explained by the extreme difficulty of forecasting from the distance of a year in advance not only the total amount of corporation profits during a year but also the extent to which such profits are excess profits, that is, in excess of standard profits. In the present instance it can only be said that because of these difficulties, for which there does not appear to be any ready solution, a substantial error was made in forecasting excess profits tax revenue for the fiscal year 1943-44.

It is now estimated that in respect of excess profits taxes collected in the fiscal year 1943-44 an amount of \$40,000,000 will be refunded after the war. This figure can only be regarded as tentative until assessment of excess profits tax returns has been completed for the year in question, and the refundable amount finally determined in each case. It will be some time however before this work will be completed, and it is felt desirable in the interim to establish on an estimated basis an approximate figure for the amount of such refundable taxes. The addition of this \$40,000,000 to the \$20,000,000 set up in the previous fiscal year brings to \$60,000,000 the total amount of refundable taxes as at March 31, 1944.

10. Revenue under the heading of dividends, interest, etc., is derived from the special taxes imposed on certain income under Section 9b of the Income War Tax Act. In 1943-44, this revenue amounted to \$26,943,000, reduced by \$1,138,000 from the previous year, and was derived for the most part from the 15% tax levied on dividends and interest paid to non-residents.

11. The Dominion Government has levied succession duties only since 1941, and revenue from this source is only gradually reaching its full anticipated level. Such revenue amounted to \$15,020,000 in 1943-44, compared with \$13,273,000 in the previous year.

12. Small amounts of tax revenue are derived from the tax on note circulation of the chartered banks, which decreases from year to year with the decline in such circulation as provided by statute; from taxes on the net premium income of insurance companies, reduced considerably in 1943-44 from the previous year because in the previous year two years' revenue was collected in one following certain arrangements made under the Dominion-Provincial Tax

Agreements; from a tax on the export of electrical energy from Canada; and from a tax on the export of furs from the Northwest Territories. Revenue from all these taxes amounted in 1943-44 to \$7,692,000.

13. Total non-tax revenues are estimated at \$139,865,000, an increase of \$23,786,000 over 1942-43. Receipts from the Post Office total \$61,071,000, an increase of approximately \$12,200,000 which was due to the one cent increase in letter rates effective April 1, 1943, as well as to a greater volume of post-office business during the year. The receipts from the Post Office will, it is expected, exceed cost of operations by about \$12,587,000 without taking into account any credit for services rendered other departments free of charge and without adding to the cost of operations, rentals and other costs of premises occupied by the Post Office. Returns on Investments are expected to realize \$52,152,000, an increase over the previous year of about \$10,910,000. The larger items making up this total are: interest on advances to Canadian National Railways, \$18,724,000; Bank of Canada profits, \$14,118,000; interest on loans to Foreign Exchange Control Board, \$3,467,000; interest on loans to National Harbours Board, \$3,250,000; interest on loans to Provinces, \$2,861,000; interest on loans to Canadian Farm Loan Board, \$1,092,000; Soldier Land Settlement loans, \$992,000; and interest on advances made by the Department of Munitions and Supply to commodity companies, \$3,970,000.

#### SPECIAL RECEIPTS AND CREDITS

14. The total amount shown for the fiscal year 1943-44 under this heading is \$124,024,000. The main items making up this total are: Special Receipts, War Appropriation Acts, \$81,000,000 (divided as follows: refunds of previous years' war expenditure, \$32,500,000; sale of surplus war assets, \$6,000,000; profits on certain war operations and miscellaneous war revenues, \$42,500,000); operating surplus of the Canadian National Railways for the calendar year 1943, \$35,640,000 and the capital gain on repatriation of Canadian National Railways securities, \$2,430,000. These last two items increase the book valuation of the Canadian National Railways Securities Trust Capital Stock, and accordingly are offset by contra amounts appearing on the expenditure side under the heading "Other Charges".

The Canadian Pacific Railway Company repaid a loan of \$1,000,000 advanced under the authority of the Relief Act, 1932. This loan which was non-interest bearing was charged to Non-active Account and accordingly the repayment is shown as a Revenue item.

Another item which is recorded under the heading of Special Receipts and Credits is an amount of \$2,971,000 representing a reduction in the reserve account established to meet the operating deficits of the Canadian Wheat Board. This adjustment is occasioned by a further improvement in the Board's balance sheet based on calculations made as at July 31, 1943 with respect to the 1939 and 1940 crop accounts. This reserve account now stands at \$8,816,210.36.

15. The table which follows gives a summary of the forecasts made at the time of the last budget of the probable receipts from the various sources of revenue during the fiscal year 1943-44, and a comparison of these forecasts with presently estimated receipts for the fiscal year. A comparison of presently estimated receipts with the original forecasts has already been given in respect of the major items of revenue. The increase in total receipts over the amount forecast, in terms of percentage, excluding estimated refundable portion of income and excess profits taxes, is 5.6%.

**DETAILED STATEMENT OF BUDGET FORECASTS COMPARED WITH PRESENT  
ESTIMATE FOR RECEIPTS FOR 1943-44**

Source of Revenue	Budget Forecast of Receipts		Receipts now estimated for 1943-44	Increase (+) or decrease (-) in receipts as compared with final budget forecast	
	From tax structure before Budget changes	From tax structure as changed by proposals made in Budget of March 2, 1943			
		(Thousands of Dollars)			
Tax revenues					
Customs duties.....	100,000	100,000	167,882	+	67,882
Excise duties.....	130,000	135,000	142,124	+	7,124
Excise taxes:					
Sales tax.....	225,000	225,000	304,915	+	79,915
War Exchange tax.....	85,000	85,000	118,912	+	33,912
Other excise taxes.....	165,000	198,200	214,792	+	16,592
Total excise taxes.....	475,000	508,200	638,619	+	130,419
Income taxes:					
Tax on personal incomes.....	825,000	*880,000	813,435	-	66,565
Corporate income tax.....	300,000	300,000	311,379	+	11,379
Excess profits tax.....	550,000	550,000	408,718	-	81,282
Interest and Dividends.....	26,000	26,000	26,943	+	943
Total income taxes.....	1,701,000	1,756,000	1,620,475	-	135,525
Succession duties.....	18,000	18,000	15,020	-	2,980
Miscellaneous taxes.....	7,000	7,000	7,692	+	692
Total Tax Revenues.....	2,431,000	2,524,200	2,591,812	+	67,612
Non tax Revenues.....	130,000	138,000	139,865	+	1,865
Total.....	2,561,000	2,662,200	2,731,677	+	69,477
Special Receipts and Credits.....	40,000	40,000	124,024	+	84,024
Total Revenue.....	2,601,000	2,702,200	2,855,701	+	153,501
Less Refundable Taxes.....	210,000	225,000	155,000	-	70,000
Net Total Revenue.....	2,391,000	2,477,200	2,700,701	+	223,501

\* The actual revenue forecast given in the Budget Speech at March 2, 1943, was \$930 millions for personal income tax revenue. The moving back of the date for filing annual returns from March 31 to April 30, which was provided for subsequent to the Budget Speech, however, resulted in a reduction in the revenue expectation for the fiscal year 1943-44 amounting to \$50 millions. The figure given in the table has been adjusted to take account of this reduction.

## EXPENDITURES, 1943-44

16. The comments which follow will deal with expenditures classified by the usual main categories: (1) Ordinary Expenditures; (2) Capital Expenditures; (3) War Expenditures; (4) Special Expenditures; (5) Operating Deficits of, and Non-active Advances to, Government-owned Enterprises; and (6) Other Charges. All disbursements under these headings, with the exception of active loans and investments chargeable to War Appropriation Acts, are included as expenditures in arriving at the over-all deficit or increase in net debt.

## ORDINARY EXPENDITURES

17. It is estimated that ordinary expenditures for the year will total \$630,215,000. Of this total a few of the larger contractual and uncontrollable items, such as interest and other charges on the public debt, pensions, unemployment insurance, post office, subsidies and payments to Provinces under the Dominion-Provincial taxation agreements represent \$509,891,000 or approximately 81%.

The above total of \$630,215,000 is greater than the actual amount of ordinary expenditure during the previous fiscal year by \$68,964,000. Some of the larger items making up this increase are:

Increased interest and charges on Public Debt.....	\$ 59,572,000
Increase in Post Office Expenditure.....	3,742,000
Increase in administrative cost of Department of National Revenue, including Income Tax.....	2,543,000
Increase in Unemployment Insurance.....	1,387,000
Increase in cost of treatment and after-care of returned soldiers (war 1914-18).....	1,380,000
	<u>\$ 68,624,000</u>

Less important increases, as well as decreases effected during the year, are readily ascertained by referring to the five-year table. It may be noted, however, that the increase in ordinary expenditures is due to increased expenditures made necessary by or arising out of the war.

## CAPITAL EXPENDITURES

18. Total expenditures charged to capital are estimated at \$2,657,000 compared with \$3,276,000 in the previous year. The main items in this category are expenditures arising out of dredging the St. Lawrence Ship Channel, improvements in connection with civil airways and airports, and a payment in connection with the construction costs of a new Prince Edward Island car ferry.

## WAR EXPENDITURES

19. Of the \$4,890,000,000 appropriated by the War Appropriation Act, 1943, and the War Appropriation (United Nations Mutual Aid) Act, 1943, \$4,665,192,113 was disbursed. Of this sum, \$40,595,500 was for loans, advances and investments treated as active assets, and the remainder, \$4,624,596,613 was classed as war expenditure. The following table lists the same classifications for the last five fiscal years.

Fiscal Year	Charged to Active Assets	War Expenditures	Total
	\$	\$	\$
1939-40.....	9,092,742	118,291,022	127,383,764
1940-41.....	26,379,066	752,045,326	778,424,392
1941-42.....	42,816,676	1,339,674,152	1,382,490,828
1942-43.....	65,231,622	3,724,248,890	3,789,480,512
1943-44.....	40,595,500	4,624,596,613	4,665,192,113
	<u>184,115,606</u>	<u>10,558,856,003</u>	<u>10,742,971,609</u>

20. The following is a summary of the estimated disbursements from the war appropriations for the fiscal year 1943-44, distinguishing amounts classed as expenditure from those classed as active assets.

#### WAR APPROPRIATION ACTS—EXPENDITURE

Department of National Defence—Army Service.....	\$1,335,445,000
“ “ Naval Service.....	369,827,000
“ “ Air Service.....	922,600,000
“ Munitions and Supply.....	725,000,000
Miscellaneous Departments:	
Agriculture.....	64,757,050
Auditor General's Office.....	198,000
Civil Service Commission.....	497,000
External Affairs including Prime Minister's Office.....	671,000
Finance.....	128,470,313
Fisheries.....	234,040
Justice.....	78,000
Labour.....	20,254,000
Legislation—House of Commons.....	20,000
Mines and Resources.....	9,411,700
National Harbours Board.....	453,000
National Research Council.....	2,773,000
National Revenue.....	4,000
National War Services.....	15,079,400
Pensions and National Health.....	17,959,760
Post Office.....	281,000
Privy Council.....	851,000
Public Works.....	6,486,000
Royal Canadian Mounted Police.....	4,291,000
Secretary of State.....	413,250
Soldier Settlement of Canada.....	58,000
Trade and Commerce.....	9,795,800
Transport.....	76,085,300

Total estimated direct war expenditure under War Appropriation Act, 1943.....	\$3,711,993,613
The War Appropriation (United Nations Mutual Aid) Act, 1943.....	912,603,000
Total war expenditure.....	\$4,624,596,613

#### ACTIVE ASSETS

Purchase of railway equipment:	
1941 Order.....	3,295,000
1942 Order.....	17,366,500
Acquisition of all issued capital stock of Eldorado Mining and Refining, Limited.....	5,272,000
King's Printer Advance Account.....	883,000
Canadian Wool Board, Limited.....	13,779,000

Total active loans, advances and investments from the war appropriation, 1943-44.....	\$ 40,595,500
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Total disbursements from war appropriations, 1943-44.....	\$4,665,192,113
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21. The table in the preceding section does not include recoverable outlays made under the provisions of section 3 of the War Appropriation Act which are also classed as active assets rather than expenditure. Under this section, the Government of Canada may act as the agent of an allied government for any purpose which will aid directly or indirectly in the prosecution of the war and any obligations or costs incurred temporarily or assumed may be paid out of unappropriated monies in the Consolidated Revenue Fund. Furthermore, any expenditure required to be made by the Government under any contract for war supplies entered into for the purpose of enabling any company wholly owned by the Government to fulfil its obligations in respect of orders received by such company from an allied government may also be paid out of unappropriated monies. The amounts disbursed under this authority during the fiscal year 1943-44 are included in the loans and investments described in sections 33 to 48.

22. The principal items of war expenditure have already been detailed in the table on page 45, where the comparable items for the last five fiscal years are also shown. In this connection there are two points worth noting in comparing 1943-44 expenditures with the corresponding figures of the previous year—both of which concern the Department of National Defence for Air. The first is the large increase in the expenditure for the Overseas War Establishment, from \$23,666,000 in 1942-43 to an estimated \$384,725,000 in 1943-44. This is largely explained by the increase in the number of squadrons for which the Dominion has assumed responsibility, involving an increased expenditure of approximately \$308,000,000, and by the arrangement whereby Canada has assumed the responsibility for the pay of all R.C.A.F. personnel overseas, resulting in a further increase in expenditure approximating \$50,000,000. The second point is the substantial decrease in the charges under the British Commonwealth Air Training Plan—from \$366,897,000 in 1942-43 to \$225,550,000 in 1943-44. This apparent decrease merely reflects the apportionment of the costs as between Canada and the United Kingdom; the gross expenditure for the Plan for 1943-44 totals approximately \$496,500,000 but approximately \$270,950,000 has been deducted and treated as a recoverable advance to the Government of the United Kingdom in accordance with the responsibilities assumed by the two governments under the terms of the Agreement. This sum of \$270,950,000 is an adjustment for the United Kingdom's share of the expenditures made by Canada between July 1, 1942 and March 31, 1944; offsetting it there is an estimated total of \$93,000,000 in credits to the United Kingdom in this account for other adjustments during the same period under the terms of the Agreement.

23. The table which follows gives a more detailed account of the estimated expenditures during 1943-44 from the war appropriation (excluding Mutual Aid, of which more will be said later). The expenditures of the three armed services and their supply department, the Department of Munitions and Supply, are of course the principal components; they are estimated at 90.3 per cent of the total. It is not possible, however, to fight an all-out war without involving nearly every department of government in war activities of one kind or another as this table clearly shows.



ESTIMATED WAR EXPENDITURES BY DEPARTMENTS AND SERVICES, FISCAL  
YEAR 1943-44

*Agriculture—*

Agricultural Supplies Board—

Administration.....	\$ 31,000
Programmes to encourage production of essential war supplies.....	719,000
Assistance in disposal of agricultural products ren- dered surplus by the war..	1,875,000
Feeds administrator.....	23,697,000
Flax fibre administrator.....	27,000
Fertilizers and pesticides ad- ministrator.....	1,129,000
Seeds administrator.....	260,000

\$ 27,738,000

Meat Board..... 4,019,000

Dairy Products Board..... 32,000

Special Products Board..... 1,754,050

Agricultural Food Board..... 31,195,000

Special farm income payments..... 19,000

\$64,757,050

*Auditor General—*

Auditing and checking war appropriation accounts.....	198,000
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*Civil Service Commission—*

Supply of personnel for war services.....	\$ 488,000
Payment of minimum rate railway fare re stenographers and typists.....	9,000

497,000

*External Affairs—*

Departmental administration and passport offices.....	316,000
Representation abroad.....	85,000
United nations relief and rehabilitation administration.....	55,000
Legation building and residence—Chung- king, China.....	127,000
Sundries.....	88,000

671,000

*Finance—*

Payment of premium on purchase of Domin- ion of Canada registered stock.....	13,000
Comptroller of the Treasury's Office.....	8,365,000
Wartime Prices and Trade Board—	
Administration.....	\$ 13,735,000
Canadian Wool Board, Ltd.	221,000
Commodity Prices Stabiliza- tion Corporation — Ad- ministration and Subsidies	81,552,000
	95,508,000
Payments to millers and manufacturers of wheat products.....	20,500,000
Old Age Pensions including pensions to the blind.....	3,062,000

*Finance—Concluded*

Conversion of large dwellings into multiple housing units.....	\$ 846,000	
Administration of Employees Instalment Purchase Plan, Victory Loans.....	126,000	
Freight on shipments of scrap steel.....	29,000	
Sundries.....	21,313	
		\$ 128,470,313

*Fisheries—*

Subsidies for the construction of packer-seiner vessels.....	122,000	
Subsidies for the construction of dragger vessels.....	22,000	
Construction, etc. of experimental long line vessel.....	47,000	
Expenses <i>re</i> supply of frozen fish for British Ministry of Food.....	11,000	
Bonus to crews of fisheries vessels in war zones.....	15,000	
Salt Fish Export Regulations—administration.....	15,000	
Sundries.....	2,040	
		234,040

*Justice—*

Defence of Canada regulations.....	20,000	
War Measures Act.....	4,000	
Penitentiaries Branch—		
Purchase of materials <i>re</i> manufactures for war departments.....	54,000	
		78,000

*Labour—*

Industrial training for war work.....	3,528,000	
Training of young men for aircraft manufacturing, etc.....	1,361,000	
War emergency training—administration..	39,000	
Vocational training for discharged members of the Canadian armed forces.....	137,000	
National War Labour Board.....	453,000	
Wartime Bureau of Technical Personnel....	169,000	
Personnel management training.....	20,000	
National Selective Service—		
Office of Director.....	\$ 726,000	
Mobilization Division.....	3,224,000	
Manpower records.....	162,000	
Expenses of work done by Unemployment Insurance Commission.....	4,875,000	
National Registration—administration.....	390,000	
Payments to Post Office <i>re</i> delivery of mobilization orders.....	4,000	
		9,381,000
Co-ordination of shiploading and unloading operations—		
Halifax.....	67,000	
Stabilization of longshore labour, Halifax...	461,000	

*Labour—Concluded*

Universities—Accelerating courses and loans to students.....	\$ 205,000	
Construction of central dispatching office, Halifax.....	56,000	
Canteen for longshoremen at deepwater terminals, Halifax.....	20,000	
General labour transference in war industries and agriculture.....	312,000	
Harvest assistance to provinces.....	519,000	
British Columbia Security Commission.....	2,450,000	
Organization and operation of day nurseries, etc.....	99,000	
Japanese Wood Projects Account—Revolving fund.....	500,000	
Prisoners of War Labour Projects Account—Revolving fund.....	225,000	
Army Labour Account—Revolving fund....	100,000	
Compulsory transfer of ex-coal mine workers back to the coal industry.....	99,000	
Sundries .....	53,000	
	<hr/>	\$ 20,254,000

*Legislation—*

Accountable advance to Empire Parliamentary Association.....	20,000
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*Mines and Resources—*

Mines and Geology—		
Development of tar sands...\$	900,000	
Geological surveys.....	32,000	
Oil explorations.....	154,000	
Strategic minerals—exploration and development work.....	118,000	
New metallurgical laboratory.....	189,000	
Explosives division—Administration of regulations <i>re</i> explosives.....	25,000	
Assistance to provinces <i>re</i> transportation facilities to various wartime mining projects.....	136,000	
Metallic Minerals Division—Services to war departments.....	236,000	
Sundries.....	5,000	
	<hr/>	1,795,000

*Lands, Parks and Forests—*

National Parks Bureau—	
Alternative service work camps.....	162,000
Dominion Forest Service—	
Alternative service work camps.....	89,000
Alternative service work camps, B.C.....	249,000

*Mines and Resources—Concluded**Lands, Parks and Forests—  
concluded*

Internment and prisoners of war operations.....\$	37,000
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Forest Products Labora- tories.....	30,000
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*Bureau of Northwest Terri-  
tories and Yukon Affairs—*

Expenses of liaison officers	6,000
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Alcan and Canol projects.	7,000
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Sundries.....	
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\$ 580,000

*Surveys and Engineering—**Engineering and Construc-  
tion Service—*

Alternative service work camps.....	10,000
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Prince Rupert-Terrace- Cedarvale highway....	5,750,000
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Employment of persons of the Japanese race and Japanese nationals....	896,000
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Sundries.....	29,100
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6,685,100

*Immigration—*

Canadian interests in enemy and enemy controlled territory.....	245,000
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Canadian interests abroad apart from enemy or enemy controlled territory	7,000
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Grants to National Advisory Committee for children from overseas.....	4,000
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Repatriation of wives and dependents of members of the Canadian forces over- seas.....	39,000
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Evacuation of Canadian citi- zens from the Far East...	16,000
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Sundries.....	40,600
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351,600

*Munitions and Supply—*

Administration.....	10,000,000
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Expansion of war industry.....	710,000,000
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Acquisition of United Kingdom interest in war plants.....	5,000,000
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725,000,000

*National Defence—Army Services*

Departmental administration.....	1,421,000
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Dependents' Allowance Board.....	673,000
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Dependents' Supplementary Grants Fund..	2,747,000
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Army.....	1,319,035,000
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Internment operations.....	1,024,000
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Inspection Board—United Kingdom and Canada.....	10,545,000
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1,335,445,000

*National Defence—Naval Services*

Navy.....	\$369,400,000	
Royal Canadian Sea Cadets.....	393,000	
Temporary Building—Cartier Square, Ottawa.....	34,000	
		\$ 369,827,000

*National Defence—Air Services*

Home War Establishment.....	312,200,000	
Overseas Establishment.....	384,725,000	
Departmental administration, Air.....	125,000	
British Commonwealth Air Training Plan..	225,550,000	
		922,600,000

*National Harbours Board—*

Halifax—Operation of fire boat "Rouille"..	58,000	
Extension of pier 9, Richmond Terminal.....	4,000	
Moorings for ships under repairs..	8,000	
Installation of additional car dump- pers at terminal grain elevator	128,000	
Special fire protection.....	102,000	
Saint John—Acquisition, etc., of heavy lift crane equipment.....	151,000	
West side wooden pile dock.	2,000	
		453,000

*National Research Council—*

Special war activities.....	2,690,000	
Extension of heating plant at Montreal Road Laboratories.....	83,000	
		2,773,000

*National Revenue—*

Censorship of newspapers and other publi- cations.....		4,000
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*National War Services—*

Departmental administration.....	71,000	
War Charities—general.....	56,000	
War Charities—Auxiliary Services.....	10,912,000	
Salvage Division.....	172,000	
Women's Voluntary Services.....	35,000	
Canadian Firefighters for United Kingdom.	755,000	
Canadian Prisoners of War Next-of-Kin Division.....	12,000	
Committee on Co-operation in Canadian Citizenship.....	9,000	
Censorship Division.....	1,727,000	
Government Office Economies Control.....	11,000	
Canadian Broadcasting Corporation—Short Wave Station.....	210,000	
National Film Board—		
Special War Library.....	32,000	
Purchase of supplies revolving fund.....	13,000	
Wartime Information film programme....	815,000	
Training and equipping cameramen for active service.....	118,000	
Purchase of equipment for the production of war films.....	54,000	
Sundries.....	77,400	
		15,079,400

*Pensions and National Health—**Treatment—*

Defence Force.....	\$ 6,456,000
Royal Canadian Mounted Police.....	96,000
Pensions—Defence Forces.....	5,637,000
Air Raid Precautions.....	1,724,000
Investigations—Dependents' Allowance	
Board.....	70,000
Inspection of industrial plants.....	19,000
Laboratory of hygiene.....	20,000
Public Health Engineering.....	30,000
Food and Drugs.....	10,000
Quarantine Service.....	74,000
Committee on demobilization.....	5,000
Rehabilitation benefits.....	473,000
Processing of blood for dried serum.....	601,000
Maintenance of non-residence seamen.....	34,000
Detention Allowances—Canadian seamen...	370,000
Additions, alterations and improvements to	
departmental hospitals.....	1,564,760
Reserve Stores—Revolving account.....	40,000
Addition—John Street Laboratories, Ottawa.	11,000
Grants to the Canadian Nurses Association.	200,000
Hospital Unit adjacent to Ottawa Civic	
Hospital.....	158,000
Acquisition of land—Westminster Hospital,	
London, Ont.....	203,000
Chlorination of water systems—	
Pacific Coast.....	38,000
Dawson Creek—Water Supply.....	90,000
Sundries.....	36,000

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\$ 17,959,760
*Post Office—*

Canadian Postal Corps.....	281,000
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*Privy Council—*

Statutory Orders and Regulations Division.	36,000
Committee on reconstruction.....	41,000
Wartime Information Board.....	764,000
Expenses of Special Commissioner for de-	
fence projects in the Northwest.....	10,000

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851,000
*Public Works—**Chief Architect's Branch—*

Calgary—Purchase of the	
Traders' building, and	
alterations.....	\$ 64,000
Edmonton—Purchase of Mas-	
sey-Harris building, etc..	71,000
Ottawa—	
Extension to Jackson build-	
ing (including purchase	
of land).....	7,000
To provide for completion	
of temporary buildings	
Nos. 5, 6, 7 and addition	
to No. 1.....	4,000

*Public Works—Continued*

## Chief Architect's Branch—

*Concluded*

## Ottawa—

Temporary building No. 8 (Carling Avenue).....\$	159,000	
Hostels for junior employees in the public service —construction and furnishings.....	151,000	
Temporary building for Royal Canadian Mounted Police, north of Justice building.....	6,000	
Office building, shooting range, etc., for National Research Council.....	9,000	
Temporary Building for W.P.T.B., Sussex Street	271,000	
Addition to film vaults, John and Sussex Streets	14,000	
Armoury accommodation for Canadian Officers' Training Corps Units.....	53,000	
Converting furnaces in public buildings from oil to coal firing.....	12,000	
Repairs, alterations, operation and maintenance of buildings.....	2,222,000	
Rental of premises occupied for war purposes.....	1,766,000	
Furniture, etc. for war employees.....	618,000	
Sundries.....	15,000	
		\$ 5,442,000

## Chief Engineer's Branch—

Saint John Harbour (Courtenay Bay), N.B.—dredging.....	195,000	
Ste. Anne de Bellevue, Que.—Military Hospital.....	11,000	
Esquimalt, B.C.—Dry Dock	35,000	
Seymour Narrows, B.C.—Removal of ripple rocks and construction of dam.	345,000	
North Sydney, N.S.—Reconstruction of wharf and terminal facilities.....	43,000	
Post-War Construction Programme—Preparation of plans.....	11,000	
Sundries.....	8,000	
		648,000

*Public Works—Concluded**Telegraph Branch—*

To provide for a 24-hour telegraph service on the Pacific Coast.....	\$ 78,000	
Telephone service and unforeseen.....	318,000	
	<u>\$</u>	396,000

6,486,000

*Royal Canadian Mounted Police—*

Increased activities of the force due to the war.....	4,193,000	
Securities control.....	98,000	

4,291,000

*Secretary of State—*

Board of Management—Hostels for female employees.....	50,000	
Expenses in connection with the Quebec conference.....	355,000	
Sundries.....	8,250	

413,250

*Soldier Settlement—*

Purchase of right-of-way, etc. re Canada-Alaska Highway.....	58,000	
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*Trade and Commerce—*

Canadian Shipping Board.....	70,000	
Export Permit Branch.....	137,000	
Shipping Priorities Branch.....	41,000	
Revolving Chartering Fund.....	250,000	
Gift of wheat to Greece.....	8,798,000	
Steamship Stabilization Fund.....	499,000	
Canadian Export Board.....	800	

9,795,800

*Transport—*

Departmental administration.....	25,000	
Transport Controller's Office.....	291,000	
Director of Merchant Seamen, including administration, Manning Pools, nautical schools and welfare facilities.....	1,316,000	

*Air Service—Special radio interception and monitoring services, etc.—*

Radio service.....	1,740,000	
Meteorological service.....	1,388,000	
Municipal terminal airports...	325,000	
Moncton-Newfoundland air-line.....	877,000	
Montreal (Dorval) airport, additional facilities.....	658,000	
Civil Aviation—Extra airport control.....	411,000	
Canadian Government Trans-Atlantic Air Service.....	200,000	
Acquisition of airfields and works from United States Government.....	66,600,000	

72,199,000



*Transport—Concluded*

Canals service.....	\$ 15,000	
Marine service—		
Aids to navigation, including		
lightships.....	\$ 101,000	
Refloating and repairing "Corn-		
wallis".....	544,000	
Marine Service Steamers.....	253,000	
Reconditioning "Chesterfield".	36,000	
Nautical services.....	47,000	
Degaussing equipment for		
Canadian vessels.....	380,000	
Compensation to crews of		
Canadian vessels for loss		
of personal effects.....	55,000	
Expenses <i>re</i> C.G.S. Mont-		
calm to Russia.....	1,000	
Purchase, etc., of machinery		
and equipment for l'Ecole des		
Arts et Metiers de Rimouski.	45,000	
Repatriation of Canadian		
seamen.....	300	
		1,462,300
Railway Service—		
Additional harbour and ter-		
minal facilities at Halifax.	393,000	
Construction of buildings at		
St. John for the United		
Kingdom.....	72,000	
Construction of explosives		
pier, Halifax, N.S.	182,000	
Acquiring properties in Can-		
ada for U.S. Government.	130,000	
		777,000
		<u>\$ 76,085,300</u>

Total estimated direct War Expenditure, 1943-44,  
under War Appropriation Act.....\$3,711,993,613

24. Out of the \$1,000,000,000 appropriated for Mutual Aid purposes, \$912,603,000 was spent by March 31, 1944. Of this amount \$723,754,000 was for the United Kingdom, \$20,960,000 for Australia, \$874,000 for the British West Indies, and \$482,000 for India. Expenditures for Russia were \$23,282,000, and for China \$4,102,000 despite the difficulties of transportation to that country. The remainder, except for a relatively small sum (\$25,472.14) for administrative expenses, was spent for goods that were still in transit at March 31st, and not finally allocated among the recipient nations. The table on the following page gives some further details as to both the distribution among countries and the type of aid involved in each case.

# ANALYSIS OF EXPENDITURES IN 1943-44 UNDER THE MUTUAL AID ACT

(Thousands of Dollars)

	United Kingdom	Australia	India	British West Indies	U.S.S.R.	China	In Transit	Total
<i>Munitions—</i>								
Aircraft and parts.....	34,532	742						35,274
Automotive equipment and mechanical transport.....	81,139	556			702	159	129,713	212,269
Tanks and other fighting equipment.....	43,522				617	93	5,082	49,314
Chemicals and explosives.....	12,275	102			4,134			16,511
Guns and small arms.....	61,262	1				364		61,627
Shells and ammunition.....	80,341	6				2,346	3,480	86,173
Merchant vessels—construction, repairs and servicing.....	159,048	1,300						160,348
Naval vessels and equipment.....	12,298						105	12,403
Miscellaneous equipment and stores.....	59,703	3,789			3,004	1,129	554	68,179
Aluminum.....		1			6,821			6,822
Other base metals.....	3,097	211			3,951			7,259
Locomotives and railway rolling stock.....	822							822
Freight.....	6,681	600			119	11		7,411
Total Munitions.....	554,720	7,308			19,348	4,102	138,934	724,412
<i>Food and Farm Products—</i>								
Meat and meat products.....	89,613							89,613
Fish.....	7,569							7,569
Dairy products.....	18,535							18,535
Wheat and flour.....	44,396		482	874	2,791			48,543
Eggs and other foods, etc.....	8,921							8,921
Total Food, etc.....	169,034		482	874	2,791			173,181
<i>Services—</i>								
Shipping services.....					1,143		190	1,333
Training of Airmen under the B.C.A.T.P.....		13,652						13,652
Total Services.....		13,652			1,143		190	14,985
Total Aid, excluding administration.....	723,754	20,960	482	874	23,282	4,102	139,124	912,578
Administration.....								25
Grand Total.....								912,603

### SPECIAL EXPENDITURES

25. Expenditures classified as Special Expenditures for the fiscal year 1943-44 are estimated to total \$37,458,000 compared with \$31,288,000 for 1942-43. The largest single item, \$30,097,000, represented payments of awards to farmers under the wheat acreage reduction plan administered by the Department of Agriculture. Administration costs of the plan amounted to \$814,000. Advances to the Prairie Farm Emergency Fund and the costs of administration under the Prairie Farm Assistance Act are estimated at \$2,578,000 and \$217,000 respectively. Expenditure for Dominion relief projects and the Dominion's share of outstanding Dominion-Provincial relief projects amounting to \$3,752,000 accounted for the remainder of the expenditures under this heading.

### GOVERNMENT-OWNED ENTERPRISES

This classification of expenditures comprises the losses of and non-active advances to Government-Owned Enterprises which were established before the war and are operated as separate corporations. As the Canadian National Railways has shown substantial annual surpluses since 1940, charges to this account since the fiscal year 1940-41 have been of minor importance, the total for 1943-44 being \$1,306,000.

#### *Canadian National Railways*

26. The operating revenues of the Canadian National Railways for the calendar year 1943 totalled \$440,616,000, an increase of \$64,961,000, or 17.3% over the former high record established in 1942.

Operating expenses of the railway amounted to \$324,476,000, an increase of \$35,477,000 or 12.3% over the preceding year. In addition to the normal operating expenses for the year, the sum of \$19,069,000 was appropriated from revenue for Pension Reserve.

After deducting the appropriation of \$19,069,000 above referred to from the net operating revenue of \$116,140,000, there remained a balance of \$97,071,000. Various accounts consisting of taxes, equipment and joint facility rents totalled \$15,437,000, leaving the net railway operating income at \$81,634,000. Other income, less deductions, amounted to \$3,668,000, and accordingly the net income available for payment of interest amounted to \$85,302,000. After payment of interest charges of \$30,998,000 on debt held by the public and interest charges of \$18,665,000 due to the Government in respect of temporary loans for capital and refunding purposes, there was a net cash surplus of \$35,639,000. This cash surplus was paid over to the Government in redemption of loans and advances.

The operating deficit of the Prince Edward Island Car Ferry and Terminals during 1943 was \$698,000.

#### *Canadian National Steamships*

27. The operations of the Canadian National (West Indies) Steamships Limited in the calendar year 1943 resulted in an operating profit of \$1,303,610. After payment of \$521,700 for bond interest and exchange, the remainder, \$781,910, was paid to the Government as interest on advances (current and arrears). The amount received on account of 1942 profits was \$781,215.

#### *National Harbours Board*

28. The operating income of the National Harbours Board for the calendar year 1943, after payment of interest to the public but before depreciation and interest on Government advances totalled \$4,596,917 compared with \$4,118,127 in 1942. Interest on government advances received during the year amounted to \$3,250,069.

Financial assistance provided by the Government to the National Harbours Board and charged as expenditure under the heading of Government-owned

Enterprises totalled \$608,000, made up as follows: \$29,000 for the operating deficit of the Churchill Harbour; \$370,000 for non-active advances in respect of the deficit of the Jacques Cartier Bridge at Montreal; \$41,000 for the retirement of maturing debentures of the Saint John Harbour Commission; and for capital expenditures, Saint John Harbour, \$153,000; Halifax Harbour, \$14,000 and Three Rivers, \$1,000. Expenditures charged to the War Appropriation are shown under "War".

The elevators at Port Colborne and Prescott operated at a profit during 1943 and the Government received \$97,905 from these sources.

#### OTHER CHARGES

29. The total of Other Charges, the final main category of expenditures, is estimated at \$63,889,000.

Included in this total is \$25,000,000 which has been added to the reserve to meet possible losses on ultimate realization of assets treated as "active" in the Dominion balance sheet. This is the same amount as was provided for in the Public Accounts for the last three fiscal years and the total now provided to meet such possible losses is therefore \$100,000,000. The annual write-off from active assets of Soldier and General Land Settlement Loans amounted to \$553,000, and cancellation of Canadian Farm Loan Board Capital Stock amounted to \$5,000. These two write-offs, and the provision for the further reserve of \$25,000,000 resulted in a proportionate increase in the net debt of the Dominion.

The total write-off from non-active assets includes two items: (a) \$232,000 written off from the Canadian National Railways Securities Trust Stock representing line abandonments for the calendar year 1943; and (b) \$29,000 representing the estimated yearly established losses on Seed Grain and Relief account administered by the Department of Mines and Resources. As both these items are non-active assets and are therefore already included in the net debt of Canada they are offset by similar amounts on the Revenue side under "Other Receipts and Credits".

The remaining debit items, classified as Other Charges, and totalling \$38,070,000, relate to the Canadian National Railways Securities Trust Stock. The value of this stock which represents the Dominion's equity in the Canadian National Railways was increased by \$35,640,000 due to the surplus earnings of the System for 1943 and also by \$2,430,000 due to the capital gain in respect of Canadian National Railways sterling securities redeemed during the year at a price below par in Canadian funds. The Canadian National Railways Securities Trust Stock is carried in the Dominion's books as a non-active asset, and as the two items just mentioned necessarily appear as credits under the heading Special Receipts and Credits, the net debt of Canada is not thereby changed.

#### SUMMARY OF EXPENDITURES

30. The grand total of expenditure for the fiscal year 1943-44 under the various categories enumerated, namely Ordinary Expenditures, Capital Expenditures, War Expenditures, Special Expenditures, Losses of and non-active advances to government-owned enterprises, and Other Charges, is estimated at \$5,360,122,000.

31. The following table shows the percentage distribution of estimated revenues and expenditures for a number of important items. Receipts from various taxes and other revenue sources, after deducting the \$155,000,000 of income and excess profits taxes estimated as refundable after the war, are shown as percentages both of total revenues and of total expenditures. Similarly, several of the main items of expenditure or groups of such items are shown as percentages both of total expenditures and of total revenues. The purpose of this table is to enable broad conclusions to be drawn as to the relative burdens imposed on the public treasury by the war and the main services or obligations of government.

PERCENTAGE DISTRIBUTION OF ESTIMATED REVENUES AND EXPENDITURES,  
1943-44  
(Thousands of Dollars)

Revenues	Amount (estimated)	Percentage of total Revenues	Percentage to total Expendi- tures
Ordinary Revenue—	\$	%	%
Income Tax.....	1,036,757	38.39	19.34
Excess Profits Tax.....	428,718	15.88	8.00
Sales Tax (net).....	304,915	11.29	5.69
Manufacturers', transportation and communication, stamp taxes, etc.....	214,792	7.95	4.01
Customs Import Duties.....	167,882	6.22	3.13
Excise Duties.....	142,124	5.26	2.65
War Exchange Tax.....	118,912	4.40	2.22
Succession Duties.....	15,020	0.56	0.28
Other tax revenues.....	7,692	0.28	0.14
Total revenue from taxes after deducting refundables..	2,436,812	90.23	45.46
Non-tax revenues.....	139,865	5.18	2.61
Total ordinary revenues.....	2,576,677	95.41	48.07
Special receipts and other credits.....	124,024	4.59	2.31
Grand Total Revenues.....	2,700,701	100.00	50.38

PERCENTAGE DISTRIBUTION OF ESTIMATED REVENUES AND EXPENDITURES,  
1943-44  
(Thousands of Dollars)

Expenditures	Amount (estimated)	Percentage of total Expendi- tures	Percentage to total Revenues
Ordinary Expenditure—	\$	%	%
Interest on Public Debt.....	242,681	4.53	8.99
Cost of loan flotations and amortization charges.....	19,285	0.36	0.71
Public Debt Charges.....	261,966	4.89	9.70
Subsidies to provinces.....	14,449	0.27	0.53
Compensation to provinces under taxation agreements.....	95,435	1.78	3.53
Old Age Pensions.....	30,377	0.56	1.12
Pension and after-care of soldiers (War 1914-18)—			
Pensions, war and military.....	38,098	0.74	1.44
Treatment and after-care of returned soldiers.....	14,069	0.26	0.52
Total.....	53,067	1.00	1.96
Agriculture.....	8,856	0.16	0.33
Labour.....	18,604	0.35	0.70
Legislation.....	2,734	0.05	0.10
Mines and Resources.....	10,596	0.20	0.39
National Revenue.....	17,733	0.33	0.66
Post Office.....	48,484	0.91	1.80
Public Works.....	12,339	0.23	0.46
Royal Canadian Mounted Police.....	6,681	0.12	0.25
Transport.....	17,520	0.33	0.65
All other.....	31,365	0.58	1.16
Total Ordinary Expenditure.....	630,215	11.76	23.34
Capital Expenditure.....	2,657	0.05	0.10
War Expenditure.....	4,624,597	86.28	171.23
Special Expenditure—relief, prairie farm assistance including wheat acreage reduction.....	37,453	0.70	1.39
Government Owned Enterprises.....	1,306	0.02	0.05
Other Charges—			
Write down of assets.....	25,819	0.48	0.95
Canadian National Railways Securities Trust Stock.....	38,070	0.71	1.41
Total Other Charges.....	63,889	1.19	2.36
Grand Total Expenditures.....	5,360,122	100.00	198.47

It should be noted that many expenditures attributable to the war are not charged to the war appropriation; for example all the interest on the public debt and practically all the expenses of war-expanded departments like the Post Office and National Revenue are charged to Ordinary Expenditure. So-called non-war expenditures have therefore increased substantially during the war despite the fact that the controllable portion has been cut from \$112,900,000 in 1938-39 to an estimated \$106,400,000 in 1943-44—a decrease of 5.8%—as the following table shows:—

ANALYSIS OF NON-WAR EXPENDITURE <sup>(1)</sup>  
(Millions of Dollars)

	Fiscal Years Ended March 31:					
	1939	1940	1941	1942	1943	1944 <sup>(2)</sup>
1. Grand Total Expenditure.....	553.1	680.8	1,249.6	1,885.1	4,387.1	5,360.1
2. Less War Expenditure <sup>(3)</sup> .....		118.3	752.0	1,339.7	3,724.2	4,624.6
3. Total Non-War Expenditure <sup>(1)</sup> .....	553.1	562.5	497.6	545.4	662.9	735.5
<i>Deduct Uncontrollable Items: <sup>(4)</sup></i>						
4. Unemployment Insurance <sup>(5)</sup> .....			0.1	9.6	16.1	17.5
5. Public Debt Charges.....	133.1	134.6	145.7	171.6	202.5	262.0
6. Pensions, Superannuation, etc.....	74.1	75.0	74.2	73.0	72.4	72.0
7. National Revenue Department.....	11.9	12.1	12.2	13.4	15.2	17.7
8. Post Office Department.....	35.5	36.7	38.7	41.5	44.7	48.5
9. Subsidies, and Payments to Provinces under Taxation Agreements.	21.2	19.2	19.2	35.5	108.7	109.9
10. National Defence Department.....	34.4	13.2	0.2	0.3	0.4	0.1
11. Special Expenditure.....	71.9	89.1	42.9	64.0	31.3	37.5
12. C.N.R. Operating Deficits.....	54.3	40.1	17.0			
13. Adjustment of C.N.R. Securities Trust Stock for Net Income Surpluses and Capital Gains.....			5.5	4.1	36.1	38.1
14. Write-down of Assets.....	3.8	23.3	29.9	27.9	29.7	25.8
15. Total to be Deducted (4 to 14).....	440.2	443.3	385.6	440.9	557.1	620.1
16. All Other Non-War Expenditure, <sup>(6)</sup> (3 minus 15).....	112.9	119.2	112.0	104.5	105.8	106.4

<sup>(1)</sup> All expenditure not charged to war appropriations.

<sup>(2)</sup> Estimated amounts.

<sup>(3)</sup> Expenditure charged to war appropriations.

<sup>(4)</sup> Including services initiated or expanded during the war as a matter of policy, such as Unemployment Insurance; certain expenditure showing increases largely attributable to the war, such as those of the Departments of National Revenue and Post Office; contractual items; expenditures classed as "Special" (mostly for relief purposes); and certain bookkeeping adjustments.

<sup>(5)</sup> The Government's contribution and the cost of administration.

<sup>(6)</sup> Controllable expenditures not specially affected by the war. Note, however, that the war has increased the costs of many of the services concerned, for example by necessitating cost-of-living bonuses.

### OVER-ALL DEFICIT

32. As total revenues for the fiscal year 1943-44 have been shown as \$2,700,701,000 and total expenditures as \$5,360,122,000, the estimated over-all deficit (or increase in net debt) for the year is \$2,659,421,000.

### LOANS AND INVESTMENTS

#### ACTIVE ASSETS

33. In addition to the estimated expenditures for the year as already outlined, disbursements are made for the acquisition of investments which are treated as active assets in the Public Accounts. The active assets are deducted from the total direct debt in arriving at the figure of net debt. The net increase in active loans and investments for 1943-44 was \$119,314,000 compared with an increase of \$523,791,000 in 1942-43. The net increase is fully itemized in the table in section 48.

### *Loans to Provinces*

34. As was shown in the Public Accounts for the fiscal year ended March 31, 1943, loans made to the Western Provinces under authority of relief legislation and outstanding at the close of that year totalled \$156,775,604.70. Repayments received during the year totalled \$312,548.70 as follows: Manitoba \$153,589.82; Saskatchewan \$42,648.83; Alberta \$26,500 and British Columbia, \$89,810.05. The repayments left the net amount outstanding as of March 31, 1944, at \$156,463,056.00, divided by Provinces as follows:—

Manitoba.....	\$ 24,774,950 27
Saskatchewan.....	71,247,784 25
Alberta.....	25,907,000 00
British Columbia.....	34,533,321 48
	<hr/>
	\$ 156,463,056 00

35. During the year the Province of Nova Scotia repaid \$37,000, the last of its indebtedness to the Dominion on account of Housing Loans made at the close of the last war (1914-18). This repayment by Nova Scotia completely liquidates all such loans made following the last war.

36. Subsidy overpayment to the Province of Alberta secured by a Treasury Bill of the Province was reduced during the year by a payment by the province of \$50,000, thereby reducing this indebtedness to \$350,000.

### *Canadian National Railways*

37. In the fiscal year the Canadian National Railways made net repayments to the Government in the amount of \$3,907,096, classified as follows:—

#### *Repayments—*

##### *Application of 1943 Net Income Surplus—*

Advances—Financing and Guarantee Act, 1941.....	\$ 6,634,425
Advances—Financing and Guarantee Act, 1942.....	5,754,914
Advances—Refunding Act 1938.....	22,622,073
Advances—War Appropriation Acts—Capital purposes in connection with oil drilling campaign.....	628,000

Total Net Income Surplus.....	<hr/> \$ 35,639,412
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Surplus available from Depreciation Reserves and Debt Discount Amortization after providing for capital expenditures during 1943—Applied to advances under the Refunding Act, 1938.....	5,877,327
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Financing and Guarantee Act, 1941—Purchase of securities from Canadian holders.....	1,323,604
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Total Repayment of Loans.....	<hr/> \$ 42,840,343
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#### *Repayments of instalments under Hire—*

##### *Purchase Agreements:—*

1936 Agreement.....	\$ 517,173
1940 Agreement.....	991,968
1941 Agreement.....	1,382,634

Total Equipment Repayments.....	<hr/> \$ 2,891,775
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Total Repayments of Loans and Equipment Repayments.....	<hr/> <hr/> \$ 45,732,118
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*Advances—*

Under Canadian National Railways Refunding Act, 1938— for retirement of maturing issues.....	\$ 17,200,637
Under Canadian National Railways Financing and Guarantee Act, 1940—Purchase of Grand Trunk Railway Company of Canada 4% Perpetual Consolidated-Debenture Stock.	1,180,150
Under Canadian National Railways Financing and Guarantee Acts 1941 and 1942—Purchase of Securities from Cana- dian holders.....	78,022
Under the War Appropriation (United Kingdom Financing) Act, 1942—Purchase of Securities from Government of the United Kingdom.....	2,111,460
Under the War Appropriation Act, 1943—for capital purposes in connection with oil drilling campaign.....	593,000
Total Advances by way of loan.....	\$ 21,163,269

## Equipment purchased by Government and leased to Railway under

## Hire-Purchase Agreements:—

1941 Agreement.....	\$ 3,295,250
1943 Agreement.....	17,366,503

Total Equipment Purchased.....\$ 20,661,753

Total Loans and Equipment Purchased.....\$ 41,825,022

Net Repayments of Loans and Equipment Purchased.....\$ 3,907,096

*Other Loans and Investments*

38. Additional advances totalling \$185,000,000 were made to the Foreign Exchange Control Board during the fiscal year bringing its total indebtedness to the Dominion to \$585,000,000, this amount being shown as an active asset on the Dominion's balance sheet.

39. The Canadian dollar obligation of the Government of the United Kingdom under authority of The War Appropriation (United Kingdom Financing) Act, 1942 totalling \$700,000,000 was reduced during the year by \$42,392,000 leaving a balance outstanding of \$657,608,000.

40. Pursuant to an agreement between Canada and the Union of Soviet Socialist Republics for the purchase of Canadian wheat and flour, a further advance on credit was made during the year of \$9,083,000. In 1942-43, \$917,000 was advanced. Thus, the total credit of \$10,000,000 has now been made use of.

41. Accountable advances were made during the year to the Commodity Prices Stabilization Corporation Limited, the Canadian Wool Board Limited and Wartime Salvage Limited. The amounts which have been taken into the accounts as Active Assets represent cash and inventory holdings of the corporations as at March 31, 1944. The balance of advances made are included as war expenditures. The assets with respect to each corporation as of March 31, 1944 were:

The Commodity Prices Stabilization Corporation...	\$ 19,505,000
The Canadian Wool Board.....	23,745,000
Wartime Salvage Limited.....	321,000

42. Advances to Commodity Corporations and other Companies by the Department of Munitions and Supply were reduced during the year by repayments of \$7,272,000, leaving a balance outstanding of \$44,474,000.

43. The Canadian Farm Loan Board during the fiscal year repurchased from the Government out of surplus funds \$5,000,000 of its 3½% bonds due



January 2, 1960, reducing the total amount of its bonds held by the Government to \$21,700,000.

44. In the period from April 1, 1943, to March 31, 1944, 1,647 loans were approved under the National Housing Act for an amount of \$5,209,745, bringing the total approvals to March 31, 1944, to \$83,995,217. In this period the Dominion advanced \$921,730, and borrowers' repayments amounted to \$1,454,032.28, making net repayments for the period of \$532,302.28. The net amount of loans under the authority of the National Housing Act and the Dominion Housing Act, estimated to be outstanding on the books of the Dominion at March 31, 1944, is \$15,960,689.67. Loans under the authority of the National Housing Act are made jointly by the Government and approved lending institutions, and are secured by first mortgage or hypothec, running jointly to the Government and an approved lending institution. Previous to December 8, 1942, loans were normally made not in excess of 80 per cent of the cost or appraised value of the completed property whichever was the lesser. In the case of owner-occupied houses, where the lending value did not exceed \$2,500, a loan might be made up to 90 per cent of the said lending value. On December 8, 1942, an Order in Council was passed enabling loans to be made up to 90 per cent of the lending value for any house where the lending value does not exceed \$3,200, and on a sliding scale down to 80 per cent when the lending value does not exceed \$4,000. Since January 1, 1940, new applications for loans are received only in respect of the construction of houses containing one self-contained dwelling place and where the loan does not exceed \$4,000.

45. Under the Municipal Improvements Assistance Act, 1938, total loans approved to March 31, 1944, less amounts not required to complete projects, aggregated \$7,036,000. The net amount outstanding as at March 31, 1944 totalled \$5,711,000, being a net reduction from the previous fiscal year of \$30,000. These loans bearing interest at the rate of 2 per cent per annum are amortized over a period not longer than the estimated useful life of the project. The province in which the municipality is situated guarantees the payments for interest on, and amortization of, each loan.

46. Small amounts only were advanced during the fiscal year to the National Harbours Board for capital construction purposes at the ports of Montreal and Vancouver, totalling in all \$14,000. Repayments of loans made in previous years amounted to \$141,000, leaving a net credit for the year of \$127,000. In addition, \$140,000 was advanced for Churchill Harbour under Section 28 of the National Harbours Board Act, 1936, and repaid six days later with interest at the rate of three per cent per annum.

47. Loans for Soldier and General Land Settlement were reduced during the fiscal year by payments of \$1,537,000. In addition, \$553,000 was written off and charged to Consolidated Fund.

48. The following statement shows in summary form the net estimated changes in active investments for the current year, together with comparable figures for the four preceding years. It should be noted, however, that this statement does not include certain of the recoverable advances made under authority of section 3 of the War Appropriation Acts, as described in section 21 on page 19; they are excluded from the statement because they will be substantially offset by amounts payable by Canada to allied governments. Accounts of this nature which show increases during the year with the increase in each case, were: (1) Department of Agriculture, purchase of food for United Kingdom, \$13,246,000; (2) Department of Munitions and Supply, purchase of munitions for India, \$2,782,000; (3) Department of National Defence for United Kingdom and other Allied Governments, (a) Army, \$8,987,000, (b) Navy, \$8,839,000 and (c) Air, \$203,586,000 and (4) Department of Transport for British Air Ministry, \$94,000. On the other hand, the Department of Munitions and Supply account for War Supplies, Limited, was reduced during the year by \$11,884,000.

## LOANS AND INVESTMENTS, ACTIVE

(Thousands of Dollars)

	1939-40	1940-41	1941-42	1942-43	Estimated 1943-44
Foreign Exchange Control Board.....	—	325,000	400,000	Cr. 325,000	185,000
Government of The United Kingdom, The War Appropriation (United King- dom Financing) Act, 1942.....	—	—	—	700,000	Cr. 42,392
Government of The Union of Soviet Socialist Republics.....	—	—	—	917	9,083
Canadian Wool Board, Limited.....	—	—	—	9,966	13,779
Wartime Salvage Limited.....	—	—	—	560	Cr. 239
Commodity Prices Stabilization Cor- poration.....	—	—	—	21,056	Cr. 1,551
Department of Munitions and Supply— Advances to commodity corporations and other companies.....	—	9,891	24,657	17,198	Cr. 7,272
Canadian Farm Loan Board.....	2,288	838	Cr. 975	Cr. 2,500	Cr. 5,000
Dominion and National Housing Acts— Loans.....	4,393	3,805	2,644	239	Cr. 532
Municipal Improvements Assistance Act, 1938—Loans.....	3,111	1,718	332	Cr. 236	Cr. 30
Provinces—Housing Loans, 1919.....	Cr. 699	Cr. 1,634	Cr. 740	Cr. 94	Cr. 37
Provinces—under relief legislation.....	12,566	1,514	Cr. 217	Cr. 499	Cr. 313
Province of Saskatchewan Power Com- mission.....	—	58	Cr. 4	Cr. 4	Cr. 4
Province of Alberta—Subsidy overpay- ment.....	—	—	—	Cr. 69	Cr. 50
National Harbours Board.....	947	Cr. 333	Cr. 980	Cr. 267	Cr. 127
Canadian National Railways.....	21,479	105,573	251,723	127,632	Cr. 21,676
Soldier and General Land Settlement Loans.....	Cr. 1,116	Cr. 1,139	Cr. 1,521	Cr. 1,641	Cr. 1,537
Railway equipment purchased.....	8,135	14,781	Cr. 1,586	2,094	17,770
Sinking Funds.....	Cr. 2,798	Cr. 61,963	Cr. 5,233	—	—
Canadian Broadcasting Corporation.....	700	Cr. 364	Cr. 283	Cr. 503	—
Canadian Pacific Railway.....	Cr. 211	Cr. 211	Cr. 981	—	—
Central Mortgage Bank Capital Stock...	250	—	—	—	—
Canadian Government Merchant Marine	—	750	Cr. 750	—	—
Net Advances.....	49,045	398,284	666,086	548,849	144,872
Less write-offs— Soldier and general land settlement loans.....	-1,643	-1,011	-271	-51	-553
Canadian Farm Loan Board—Capital stock.....	-11	-12	-10	-7	-5
Loans to Province of Saskatchewan— Drought Area Relief, 1934-35.....	-1,374	—	—	—	—
Reserve for possible losses on ultimate realization of active loans and advances	—	-25,000	-25,000	-25,000	-25,000
Net change in active investments.....	46,017	372,261	640,805	523,791	119,314

## LOAN FLOTATIONS

49. In the fiscal year ended March 31, 1944, the Dominion issued in the domestic market securities in an estimated amount of \$3,680,737,146. This amount includes the net increase of \$60,000,000 in Treasury Bills outstanding and the net decrease of \$30,000,000 in Deposit Certificates outstanding, but does not include the amount of recurring issues of Treasury Bills and Deposit Certificates made to refund similar securities during the year. It is estimated that in the fiscal year \$894,951,042 of Dominion obligations matured or were called for redemption, leaving the sum of \$2,785,786,104 less cost of flotations, available for direct and indirect war expenditures.

50. The following table gives the details of the issues sold during the year, divided as to original issue by sales to the Bank of Canada, the chartered banks and the general public (it does not include the \$33,293,471 4% School Lands Debentures which were again renewed for one year):

LOAN FLOTATIONS, 1943-44

	Issue Date 1943	Maturity Date	Interest Rate	Price to Government	Yield at Price to Government	Total Amount Issued	Renewals or Conversions included in Amount Issued	Amount Issued for cash
			%	\$	%	\$	\$	\$
Treasury Bills (net increase).....						60,000,000		60,000,000
<i>Sold to Bank of Canada</i>								
One Year Notes.....	April 15.....	April 15, 1944.....	1	100 00	1-00	250,000,000	250,000,000	
Two Year Notes.....	July 2.....	July 2, 1945.....	1½	100 00	1-50	56,000,000	56,000,000	
						306,000,000	306,000,000	
<i>Sold to Chartered Banks</i>								
Two Year Notes.....	July 2.....	July 2, 1945.....	1½	100 00	1-50	394,000,000	194,000,000	200,000,000
Deposit Certificates (net decrease) (¹).....			¾	100 00	0-75	-30,000,000		-30,000,000
						364,000,000	194,000,000	170,000,000
<i>Sold to General Public</i>								
Fourth Victory Loan.....	May 1.....	Nov. 1, 1946.....	1½	99 50	1-90	197,455,000		197,455,000
Fourth Victory Loan.....	May 1.....	May 1, 1957.....	3	99 29	3-06	1,111,261,650		1,111,261,650
Fifth Victory Loan.....	Nov. 1.....	May 1, 1947.....	1½	(²)	(²)	(³) 373,259,000		
Fifth Victory Loan.....	Nov. 1.....	Jan. 1, 1959.....	3	(²)	(²)	(³) 1,197,318,300	195,591,500	(³) 1,374,985,800
War Savings Certificates and Stamps.....			(⁴) 3	100 00	(⁴) 3-00	37,157,202		37,157,202
Non-Interest Bearing Certificates.....				100 00		992,523		992,523
						2,917,443,675	195,591,500	2,721,852,175
Grand Total.....						3,647,443,675	695,591,500	2,951,852,175

(¹) Deposit Certificates—

Amount outstanding March 31, 1943.....	\$ 820,000,000
Amount issued April 1, 1943-March 31, 1944.....	1,630,000,000
	2,450,000,000
Less Amount redeemed April 1, 1943-March 31, 1944.....	1,660,000,000
Amount outstanding March 31, 1944.....	790,000,000
Decrease during year.....	\$ 30,000,000

(²) Final costs of Fifth Victory Loan not yet available.

(³) Estimated amount issued.

(⁴) Yield to investor if held to maturity, seven and one-half years after issue date.

51. In the fiscal year under review the Fourth and Fifth Victory Loans were sold, both being larger than any previous loan sold for cash in Canada. The Fourth Victory Loan was sold entirely for cash in the amount of \$1,308,716,650, the number of subscriptions being 2,668,420. The Fifth Victory Loan was sold in the amount of \$1,374,985,800 for cash and \$195,591,500 in conversion of bonds maturing or called for redemption on October 15, 1943. The number of cash subscriptions was 3,008,336 and the number of conversion subscriptions was 24,715.

52. The following table gives the details of Dominion of Canada estimated bond redemptions in the fiscal year ended March 31, 1944:

DOMINION OF CANADA BOND REDEMPTIONS, 1943-44

Maturity or Call Date	Interest Rate	Where Payable	Amount
	%		\$
April 15, 1943.....	1	Canada.....	250,000,000
June 1, 1943.....	2½	Canada.....	20,000,000
July 1, 1943.....	4	Canada.....	33,293,471
July 2, 1943.....	1½	Canada.....	250,000,000
August 16, 1943 (¹).....	2½	New York....	30,000,000
August 15, 1943 (²).....	2½	New York....	76,000,000
October 15, 1943.....	5	Canada.....	147,000,100
October 15, 1943 (³).....	4	Canada.....	88,337,500
October 1, 1947 (⁴).....	2½	London....	86,184
May 1, 1955 (⁵).....	3½	London....	74,619
Sept. 1, 1958 (⁶).....	4	London....	96,001
July 1, 1963 (⁶).....	3½	London....	63,187
Total.....			894,951,042
Less amounts renewed or converted (⁷).....			728,884,971
Provided from cash resources.....			166,066,071

(¹) Maturity date January 15, 1944, called for redemption on August 16, 1943

(²) Maturity date August 15, 1945, called for redemption on August 15, 1943.

(³) Maturity date October 15, 1945, called for redemption on October 15, 1943.

(⁴) This issue was vested by the Treasury of the United Kingdom in January, 1942. The amount (at par of exchange) purchased in the fiscal year 1943-44 was cancelled.

(⁵) These issues were vested by the Treasury of the United Kingdom in August, 1941. The amounts (at par of exchange) purchased in the fiscal year 1943-44 were cancelled.

(⁶) Total from previous table \$695,591,500 and School Lands Debenture Stock viz. \$33,293,471.

53. The fortnightly issue of three months' Treasury Bills was continued during the fiscal year. The last issue in the fiscal year was sold at a discount of .387 per cent. The lowest rate on this class of financing was obtained on the March 3, 1944 issue, viz., .386 per cent. The amount of Treasury Bills outstanding at the close of the fiscal year was \$360,000,000, an increase of \$60,000,000 during the year.

54. The average rate of interest on the Dominion's direct funded debt (including Treasury Bills and Deposit Certificates) outstanding on March 31, 1944, was estimated at 2.57 per cent. This compares with 2.60 per cent on the debt outstanding at the close of the preceding year.

### CASH DEFICIENCY

55. It may be in order here to summarize the cash transactions of the Dominion before going on to the final sections, which will deal with the national debt and the statement of estimated assets and liabilities at March 31, 1944. The purpose is, firstly, to correlate the information already given, and, secondly, to show the total requirements for cash during 1943-44 and the ways in which those requirements were met. The table which follows gives such a summary. In general, it differs from what has already been given in the way that a statement of receipts and payments differs from a statement of revenue and expenditure; the footnotes give such information as is required for reconciliation. It

should be noted that it includes as "active loans, advances, investments, etc." some items that do not appear in the statement of active loans and investments on page 75. That statement treated only items which may properly be described as investments, in the sense that they represent agreed contractual amounts; whereas this table includes such items as recoverable advances and payments on behalf of other governments, where the total liability may not yet be finally determined and without any allowance for possible offsetting claims which the other party may have to present.

The table follows:

ESTIMATED REQUIREMENTS FOR AND SOURCES OF CASH, FISCAL YEAR 1943-44<sup>(1)</sup>  
(Millions of Dollars)

REQUIREMENTS FOR CASH	
<i>Non-War Requirements</i> <sup>(2)</sup> —	
Expenditure—	
Interest on the public debt.....	\$ 242.7
Payments to provinces under the tax agreements.....	95.4
Other Ordinary Expenditure <sup>(3)</sup> .....	281.4
	\$ 619.5
Capital Expenditure.....	2.7
Special Expenditure.....	37.5
Government Owned Enterprises.....	1.3
Total Non-War Cash Expenditure <sup>(3) (4)</sup> .....	661.0
Outlay that increased Assets or Decreased Liabilities—	
Active loans, advances, investments, etc.—	
Bond Holding Account (including repatriated securities and bonds held under instalment purchase plans).....	150.4
Canadian National Railways <sup>(5)</sup> .....	-24.1
Other (net).....	-7.4
Sub-total.....	118.9
Cost of loan flotations, portion to be amortized.....	17.1
Reduction of New York indebtedness <sup>(6)</sup> .....	126.8
Less purchase price of decrease in holdings of gold and U.S. dollars <sup>(7)</sup> .....	-115.6
	147.2
	\$ 808.2
<i>War Requirements</i> <sup>(2)</sup> —	
Expenditure—	
Department of National Defence—	
Army.....	\$ 1,335.4
Navy.....	369.8
Air Force.....	922.6
Department of Munitions and Supply.....	725.0
Other departments.....	359.2
Total War Appropriation Act.....	\$ 3,712.0
The War Appropriation (United Nations Mutual Aid) Act 1943... ..	912.6
	\$ 4,624.6
Outlay that Increased Assets or Decreased Liabilities—	
Active loans, advances, investments, etc.—	
Department of National Defence recoverable advances.....	221.4
Foreign Exchange Control Board.....	185.0
Canadian National Railways <sup>(5)</sup> .....	20.3
Other (net).....	-27.3
Sub-total.....	399.4
Reduction in revolving fund balances <sup>(8)</sup> .....	30.8
Reduction of London indebtedness <sup>(9)</sup> .....	0.4
Less purchase price of decrease in holdings of sterling balances <sup>(7)</sup> .....	-22.1
	408.5
	\$ 5,033.1
Total Requirements for Cash.....	\$ 5,841.3

FOOTNOTES

(1) "Cash" and "non-cash" transactions are sometimes difficult to define; for example, interest payments to certain trust and other accounts are left on deposit with the Receiver General. Those here treated as non-cash are limited to adjustments to the valuation of assets and liabilities, and the amortization of loan flotation charges.

(2) War requirements means outlays under the war appropriation acts and such other accounts as obviously relate to the war; non-war means all other requirements.

(3) Excluding the amortization of bond discounts and commissions, \$10.7 million.

(4) Excluding the write-down of assets, \$25.8 million, and adjustments of the valuation of C.N.R. Securities Trust Stock due to the net income surplus and capital gain, \$38.1 million.

(5) For details see page 72. The advances treated as relating to the war are those for the repatriation of sterling securities, those for the oil drilling campaign, and the purchase of equipment leased to the railway under the terms of the 1940 and subsequent agreements.

The significant thing is that, whereas the budgetary deficit for 1943-44 is estimated at \$2,659,400,000, the cash deficiency (that is, the excess of cash outlays over cash receipts other than from borrowing) was approximately \$2,935,100,000. It is the latter sum, and not the former, which had to be met by borrowing from the Canadian people. (It is true that in fact, some of the deficiency appears to have been met by drawing down free cash available at the start of the year, but when cash requirements exceed cash receipts the change in cash is a residual item dependent largely on the timing of borrowing operations.)

ESTIMATED REQUIREMENTS FOR AND SOURCES OF CASH, FISCAL YEAR 1943-44.  
(Millions of Dollars)

SOURCES OF CASH	
<i>Revenue—</i>	
Ordinary Revenue—	
Customs duties, excise duties, and excise taxes.....	\$ 948.6
Personal income tax.....	813.4
Corporate income tax.....	311.4
Excess profits tax.....	468.7
Other tax revenue.....	49.7
Total tax revenue.....	\$ 2,591.8
Post Office revenue.....	61.1
Return on investments.....	52.2
Other Ordinary Revenue <sup>(9)</sup> .....	20.3
Gross Ordinary Revenue <sup>(9)</sup> .....	\$ 2,734.4
Less estimated refundable portion of personal income tax and excess profits tax.....	—155.0
Capital Refunds.....	0.1
Special Receipts and Credits <sup>(10)</sup> .....	32.6
	\$ 2,662.1
<i>Other Receipts—</i>	
Estimated refundable portion of personal income tax and excess profits tax.....	\$ 155.0
Net receipts in trust, insurance, and superannuation accounts.....	50.1
Miscellaneous receipts and credits—net.....	39.0
	244.1
<i>Borrowing in Canada—</i>	
New Issues of Funded Debt—	
Treasury Bills, net increase.....	\$ 60.0
Chartered banks, net.....	170.0
General public <sup>(11)</sup> .....	2,732.0
	\$ 2,962.0
Less Maturities paid off in cash.....	—59.7
Net increase in funded debt.....	\$ 2,902.3
Less net decrease in floating debt.....	—8.8
Net increase in funded and floating debt.....	\$ 2,893.5
Decrease in Cash Balances held in domestic currency.....	41.6
Total of borrowing plus decrease in cash balances (equals "cash deficiency").....	\$ 2,935.1
Total sources of Cash.....	\$ 5,841.3

FOOTNOTES—Concluded

(9) Including both matured and unmatured funded debt, and the premium or discount on foreign funds.

(7) This represents that portion of the outlays that was met out of foreign exchange previously accumulated, and therefore was not a requirement for Canadian dollars during 1943-44. The figures exclude changes in funds held for special purposes.

(8) In effect this is expenditure deferred from 1942-43.

(9) Adjusted by the addition of \$2.7 million (net) with respect to Premium, Discount and Exchange, arising out of the fact that foreign exchange is valued at par on the balance sheet, but is valued at current levels for the purpose of this table.

(10) Excluding the adjustment of the reserve against losses of the Canadian Wheat Board, the entry recording the increase in value of the C.N.R. Securities Trust Stock as a result of the net income surplus and the capital gain, and the contra to the write-down of non-active assets, all of which total \$41.3 million.

(11) Includes the increase in value of War Savings Certificates during the year due to interest accruals, \$10.2 million.

## NATIONAL DEBT

56. It is estimated that the gross unmatured funded debt (including Deposit Certificates and Treasury Bills) of the Dominion outstanding at the close of the fiscal year 1943-44 will amount to \$10,689,491,000. Other liabilities consisting chiefly of Annuities, Superannuation and Insurance Funds, Post Office Savings Bank deposits, and various trust and contingent funds outstanding as at the same date are estimated at \$1,841,097,000. The gross liabilities of the Dominion therefore are expected to total \$12,530,588,000 as at March 31, 1944. On the other side of the balance sheet will be found active assets estimated at \$3,688,318,000, consisting of cash and various active loans and investments, less a reserve of \$100,000,000 to provide against ultimate loss on their realization. If, therefore, we deduct the amount of the net active assets from the amount of the gross liabilities, we arrive at a figure of \$8,842,270,000, representing the estimated net debt of the Dominion as at March 31, 1944. This net debt shows an increase over the corresponding figure for the close of the preceding fiscal year of \$2,659,421,000, which of course is the estimated amount of the over-all deficit for the fiscal year 1943-44.

57. The following is a preliminary statement showing the liabilities and assets of the Dominion at March 31, 1944 as estimated:

## LIABILITIES—MARCH 31, 1944

(estimated)

(Thousands of Dollars)

Bank Circulation Redemption Fund.....	\$	3,273	
Post Office Money Orders, Postal Notes, etc., outstanding.....		6,554	
Post Office Savings Bank Deposits.....		28,287	
Insurance and Superannuation Funds—			
Government Annuities.....	\$	213,000	
Insurance Fund—Civil Service.....		17,002	
Insurance Fund—Returned Soldiers.....		22,102	
Retirement Fund.....		10,004	
Superannuation Funds.....		60,472	
Unemployment Insurance Fund.....		190,299	
			531,479
Trusts Funds—			
Indian Funds.....		15,793	
Common School Funds.....		2,678	
Contractors' Securities Deposits.....		4,997	
Other Trust Funds.....		38,000	
			61,468
Contingent and Special Funds.....			843,000
Department of Munitions and Supply—			
United Kingdom Cash Receipts—Canadian Mutual Aid Board.....		27,511	
United Kingdom—Ministry of Supply.....		3,771	
Department of National Revenue—			
Income and Excess Profits Taxes refundable after the war.....		224,981	
Province Debt Accounts.....		11,920	
Funded Debt, Treasury Bills and Deposit Certificates unmatured.....		10,689,491	
Floating Debt—			
Funded Debt matured and outstanding.....		19,613	
Interest due and outstanding.....		19,240	
Outstanding cheques.....		60,000	
			10,788,344
	\$		12,530,588

## ASSETS—MARCH 31, 1944

(estimated)

(Thousands of Dollars)

Cash, working capital advances and other current assets.....	\$	563,274	
Special Deposits.....		2,895	
Bank of Canada Capital Stock.....		5,020	
Central Mortgage Bank Capital Stock.....		520	
Foreign Exchange Control Board Loan.....		585,00	
Government of The United Kingdom—Loan under The War Appropriation (United Kingdom Financing) Act, 1942.....		657,60	
Department of Munitions and Supply—			
Advances to commodity corporations and other companies.....		44,474	
Recoverable Advances—War Supplies Limited.....		71,158	
Government of India—Munitions.....		2,782	
Wartime Prices and Trade Board—			
Commodity Prices Stabilization Corporation, Limited.....		19,505	
Canadian Wool Board, Limited.....		23,745	
Wartime Salvage, Limited.....		321	
Recoverable Advances from United Kingdom and other Allied Governments—			
Agriculture.....		20,000	
National Defence—Army.....		12,700	
Navy.....		16,750	
Air.....		370,000	
Transport—British Air Ministry.....		303	
Canadian Farm Loan Board—Advances and Capital Stock.....		29,025	
Canadian National (West Indies) Steamships, Limited—Loan.....		450	
Dominion and National Housing Acts—Loans.....		15,961	
Municipal Improvements Assistance Act, 1938 Loans.....		5,711	
New Westminster Harbour Commission—Loan.....		275	
Loans to Provinces—			
Unemployment Relief Loans.....	\$	156,463	
Province of Saskatchewan—Power Commission.....		46	
Province of Alberta—Subsidy overpayment.....		350	
			156,859
Loans to National Harbours Board—			
Montreal.....		60,000	
Vancouver.....		25,023	
			85,023
Loans to Foreign Governments—			
Greece.....		6,525	
Roumania.....		24,329	
Government of The Union of Soviet Socialist Republics.....		10,000	
			40,854
Railway Accounts—			
Canadian National Railways—			
Advances, Refunding Act, 1938.....		99,842	
Advances, Financing and Guarantee Act, 1940—Grand Trunk Railway Debenture Stock.....		107,597	
Advances, Financing and Guarantee Act, 1941—Purchase of securities.....		8,643	
Advances, Financing and Guarantee Act, 1942—Purchase of securities.....		18,263	
Temporary Loan, The War Appropriation Act, 1941.....		13,907	
Advances, The War Appropriation (United Kingdom Financing) Act, 1942—Purchase of securities.....		255,036	
			503,288
Purchase of equipment leased to—			
Canadian National Railways—			
1936 Agreement.....		3,620	
1940 Agreement.....		11,904	
1941 Agreement.....		19,357	
1942 Agreement.....		17,366	
			52,247
Soldier and General Land Settlement Loans.....		30,107	
Seed Grain and Relief Advances.....		2,357	
Canadian Government Railways Working Capital.....		16,772	
Bond Holding Account (including repatriated securities and bonds held under instalment purchase plans).....		184,624	
Province Debt Accounts.....		2,296	
Unemployment Insurance Investment Account—Bonds and accrued interest.....		184,368	
Unamortized Discount and Commission on Loans.....		81,416	
			3,788,318
Less—Reserve for possible losses on ultimate realization of active loans and advances.....		100,000	
			3,688,318
Net Debt, March 31, 1944 (estimated).....	\$	8,842,270	



## NET DEBT—MARCH 31, 1944

(estimated)

(Thousands of Dollars)

Net Debt represented by—

## (A) Expenditures for Capital Purposes and Non-Active Assets (estimated) March 31, 1944—

## Public Works—

Canals.....	240,257
Railways.....	426,384
Miscellaneous.....	313,213
Military Property and Stores.....	12,617
Territorial Accounts.....	9,896
Canadian Pacific Railway (old).....	62,791
Canadian National Railways Securities Trust Stock.....	336,681
Canadian National Railway Stock.....	18,000

## Loans—Non-Active—

Canadian National Steamships.....	13,707
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## National Harbours Board—

Chicoutimi.....\$	3,838
Churchill.....	10
Halifax.....	12,486
Montreal (Jacques Cartier Bridge).....	5,565
Quebec.....	27,766
Saint John.....	16,999
Three Rivers.....	3,742
	70,406
Soldier and General Land Settlement.....	16,526
Seed Grain and Relief Advances.....	275
Saskatchewan Seed Grain Loans Guarantee Act, 1936.....	2,637
Seed Grain Loans Guarantee Act, 1937.....	7,136
Miscellaneous Non-Active Accounts.....	2,536

1,533,062

## (B) Consolidated Fund—

Balance, Consolidated Fund brought forward from March 31, 1943..\$	4,689,572
Excess of expenditure over revenue, less amounts charged under A above, fiscal year ended March 31, 1944 (estimated).....	2,619,636
	7,309,208
	\$ 8,842,270

58. The following table shows the various obligations included in the un-matured funded debt of the Dominion estimated to be outstanding as at March 31, 1944, and the annual interest charges thereon:

## UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1944 AND ANNUAL INTEREST THEREON

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan	Annual Interest Charges
1944, April 15.....	1	Canada	\$ 250,000,000 00	\$ 2,500,000 00
April 15.....	1½	Canada	100,000,000 00	1,500,000 00
June 1.....	2	Canada	90,625,000 00	1,812,500 00
July 1.....	4	Canada	33,293,470 85	1,331,738 83
Sept. 1.....	1½	Canada	150,000,000 00	2,250,000 00
Oct. 15.....	4½	Canada	50,000,000 00	2,250,000 00
Oct. 16.....	1½	Canada	200,000,000 00	3,000,000 00
Nov. 15.....	2½	Canada	20,000,000 00	500,000 00
1945, Mar. 1.....	2	Canada	105,000,000 00	2,100,000 00
July 2.....	1½	Canada	450,000,000 00	6,750,000 00

**UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1944 AND  
ANNUAL INTEREST THEREON—Concluded**

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan	Annual Interest Charges
1946, Feb. 1.....	4½	Canada	45,000,000 00	2,025,000 00
May 1.....	1½	Canada	144,253,000 00	2,524,427 50
Nov. 1.....	1½	Canada	197,455,000 00	3,455,462 50
Dec. 15.....	2	Canada	193,286,000 00	3,865,720 00
1947, May 1.....	1½	Canada	*373,259,000 00	6,532,032 50
Oct. 1.....	2½	London	172,030 01	4,300 75
1948, Jan. 15.....	2½	New York	30,000,000 00	750,000 00
Feb. 1.....	3½	Canada	50,000,000 00	1,625,000 00
Mar. 1.....	2½	Canada	269,879,000 00	6,072,277 50
1949, Feb. 1.....	3½	Canada	50,000,000 00	1,625,000 00
June 1.....	3½	Canada	33,500,000 00	1,088,750 00
Oct. 15.....	3½	Canada	138,322,000 00	4,841,270 00
1950, Feb. 1.....	3½	Canada	50,000,000 00	1,625,000 00
1951, Feb. 1.....	3½	Canada	50,000,000 00	1,625,000 00
June 15.....	3	Canada	643,534,250 00	19,306,027 50
Nov. 15.....	3½	Canada	60,000,000 00	1,950,000 00
1952, Feb. 1.....	3½	Canada	50,000,000 00	1,625,000 00
Oct. 1.....	3	Canada	324,945,700 00	9,748,371 00
Oct. 15.....	4	Canada	56,191,000 00	2,247,640 00
1953, Jan. 15.....	3	New York	30,000,000 00	900,000 00
1954, Mar. 1.....	3	Canada	669,658,900 00	20,089,767 00
1955, May 1.....	3½	London	5,092,478 51	165,505 55
June 1.....	3	Canada	40,000,000 00	1,200,000 00
June 1.....	3	Canada	55,000,000 00	1,650,000 00
1956, Nov. 1.....	4½	Canada	43,125,700 00	1,940,656 50
Nov. 1.....	3	Canada	847,136,050 00	25,414,081 50
1957, May 1.....	3	Canada	1,111,261,650 00	33,337,849 50
Nov. 1.....	4½	Canada	37,523,200 00	1,688,544 00
1958, Jan. 15.....	3	New York	30,000,000 00	900,000 00
June 1.....	3	Canada	88,200,000 00	2,646,000 00
Sept. 1.....	4	London	3,435,663 63	137,426 55
Nov. 1.....	4½	Canada	276,687,600 00	12,450,942 00
1959, Jan. 1.....	3	Canada	*1,197,313,300 00	35,919,549 00
Nov. 1.....	4½	Canada	289,693,300 00	13,036,198 50
1960, Oct. 1.....	4	New York	100,000,000 00	4,000,000 00
1961, Jan. 15.....	3½	New York	48,000,000 00	1,560,000 00
1963, July 1.....	3½	London	3,705,478 17	120,428 04
1966, June 1.....	3½	Canada	54,703,000 00	1,777,847 50
Sept. 15.....	3	Canada	55,000,000 00	1,650,000 00
1967, Jan. 15.....	3	New York	55,000,000 00	1,650,000 00
1968, Nov. 15.....	3	New York	40,000,000 00	1,200,000 00
1944, April 14 Treasury Bills.....	.407	Canada	55,000,000 00	223,850 00
April 28 Treasury Bills.....	.401	Canada	55,000,000 00	220,550 00
May 12 Treasury Bills.....	.390	Canada	55,000,000 00	214,500 00
June 2 Treasury Bills.....	.386	Canada	65,000,000 00	250,900 00
June 16 Treasury Bills.....	.387	Canada	65,000,000 00	251,550 00
June 30 Treasury Bills.....	.387	Canada	65,000,000 00	251,550 00
April 4 Deposit Certificates.....	.75	Canada	70,000,000 00	525,000 00
April 11 Deposit Certificates.....	.75	Canada	100,000,000 00	750,000 00
April 18 Deposit Certificates.....	.75	Canada	105,000,000 00	787,500 00
Aug. 29 Deposit Certificates.....	.75	Canada	57,100,000 00	428,250 00
Sept. 5 Deposit Certificates.....	.75	Canada	88,920,000 00	666,900 00
Sept. 12 Deposit Certificates.....	.75	Canada	128,980,000 00	967,350 00
Sept. 19 Deposit Certificates.....	.75	Canada	110,000,000 00	825,000 00
Sept. 26 Deposit Certificates.....	.75	Canada	130,000,000 00	975,000 00
1945, June 15 Non-Interest Bear- ing Certificates.....		Canada	7,738,617 38	—
1947, June 15 Non-Interest Bear- ing Certificates.....		Canada	2,305,907 89	—
War Savings Certificates.....	†3	Canada	232,957,190 30	6,988,715 71
War Savings Stamps.....		Canada	*7,232,271 25	—
			10,689,490,757 99	274,291,929 43
Payable in Canada.....			\$ 10,344,085,107 67	96.77%
Payable in New York.....			333,000,000 00	3.11%
Payable in London.....			12,405,650 32	0.12%
			\$ 10,689,490,757 99	100.00%

\* Preliminary figure.

† 3 per cent on purchase value if held to maturity (7½ years from date of issue).

## INDIRECT LIABILITIES

59. Bonds and debenture stocks bearing the guarantee of the Dominion and outstanding in the hands of the public totalled \$699,443,345 as at March 31, 1944, or a decrease of \$17,466,516 during the fiscal year under review. This decrease is occasioned mainly by the redemption on February 1, 1944 of a Canadian National Railway Company bond issue in the amount of \$15,500,000 by means of a loan from the Government.

60. There were also outstanding at the close of the fiscal year other contingent liabilities assumed under Relief, Seed Grain and other legislation.

61. Guaranteed bank advances to the Canadian Wheat Board outstanding at March 31, 1944, on account of wheat amounted to \$21,622,710. This amount constitutes the Board's gross liability to the banks and is related to the purchase of wheat of the 1943 crop.

62. By Order in Council passed in 1943 the Canadian Wheat Board was empowered to deal in sunflower seed and rape seed. In order to finance these operations, guaranteed bank loans were obtained from certain chartered banks. The amount of such advances outstanding on March 31, 1944, was \$214,783, all in respect of sunflower seed.

63. Under the terms of an Order in Council dated February 16, 1943, the Commodity Prices Stabilization Corporation, a Government-owned corporation, was authorized to guarantee certain advances and interest thereon obtained by any person from a chartered bank in order to purchase coal, coke or briquettes in the summer of 1943. The liability of the Corporation is limited to fifteen per cent of the aggregate amount of advances made by each bank, but the maximum amount of guarantee is \$500,000. The contingent liability of the Corporation at March 31, 1944, was \$51,369.

64. Under the terms of an Order in Council dated August 11, 1943, the Commodity Prices Stabilization Corporation was authorized to guarantee certain advances, obtained by any person engaged in the production of logs or lumber, from a chartered bank. The liability of the Corporation is limited to twenty-five per cent. of the aggregate advances made by each bank. The contingent liability of the Corporation at the close of the fiscal year was \$174,153.

65. Under the terms of an Order in Council dated May 4, 1943, the Government guaranteed bank overdrafts obtained by certain Crown companies and management-fee companies doing business under the Department of Munitions and Supply. Prior to the establishment of this system of financing, funds advanced by the Government to the contractors remained idle for considerable periods. The amounts of the various overdrafts are repaid monthly, so no liability is outstanding at the close of the fiscal year in connection with this guarantee. The maximum amount of guarantees authorized at March 31, 1944, was \$190,985,000.

66. Before operations under the Home Improvement Loans Guarantee Act were discontinued (October 30, 1940) 125,724 loans had been made by banks and other approved loaning institutions to home owners under the terms of this Act and the total amount of such loans was \$49,959,055. The Dominion's contingent liability arising out of these loans is limited to 15 per cent. of the aggregate of such loans made by approved lending institutions, but as the balance of these loans on March 31, 1944, was \$811,652.26, the contingent liability of the Government is limited to this amount. Up to March 31, 1944, 1,224 loss claims for an aggregate amount of \$446,234.17 had been paid. In terms of total losses to total volume of loans, this loss ratio is only .893 of one per cent.

67. Under the provisions of the Appropriation Act No. 5, 1942, the Home Extension Plan was started. It provided for loans not exceeding in the aggregate \$2,000,000 by banks under regulations similar to those of the Home Improvement Loans Guarantee Act for the purpose of financing the creation of additional self-contained housing units by alterations or additions to a building used solely or partially as a dwelling at the time application is made for the loan. To March 31, 1944, 56 loans for a total amount of \$106,475.28 had been made. The Dominion's contingent liability arising out of these loans amounted to 15 per cent. of the aggregate of such loans made by the banks or \$15,971.29. There have been no claims for loss made by the banks.

68. Under the Dominion Housing Act, 1935, and the National Housing Act, 1938, the Dominion has accepted and is accepting certain obligations arising out of its contracts with approved lending institutions which, while not expressed in the form of a guarantee, may nevertheless be regarded as contingent or indirect liabilities.

The manner in which losses in respect of any loan are to be borne by the Dominion and the lending institution is fixed by the contract. The general principle is that the Dominion bears two-thirds of the loss if at the time the loss is sustained the principal amount of the loan repaid, less any other amounts due, is equal to or less than the amount advanced by the Dominion and one-third of the loss if at the time the loss is sustained the principal amount repaid, less any other amounts due, is more than the amount advanced by the Dominion. In the case of small loans (that is, loans not in excess of \$4,000 in the case of a single family dwelling or not in excess of \$700 per habitable room in the case of a multiple family dwelling) the share of the loss to be borne by the Dominion is not more than 80 per cent. and not less than 50 per cent. of the loss. The above provisions apply to loans made under both the National Housing Act, and its predecessor Act, the Dominion Housing Act. Under the National Housing Act, a new provision was added to encourage the making of small loans in such small or remote communities and in such districts of other communities as may be designated by the Minister of Finance in any contract. In respect of such loans, the Dominion has agreed in contracts with certain lending institutions to pay losses sustained by any such lending institution up to certain amounts determined by the contract which are not less than 7 per cent. and do not exceed 25 per cent. of the total amount of such loans made in such areas by each such lending institution.

Order in Council of December 5, 1939, provided that after January 1, 1940, applications would be received only for loans for the construction of houses containing one self-contained dwelling place and where the loan does not exceed \$4,000.

An amount of \$2,000,000 was appropriated for the fiscal year 1943-44, to provide for advances under the National Housing Act, not exceeding with the advance made jointly by the approved lending institution, \$3,200 in respect of any one house, for the construction of houses where the Minister is satisfied that permanent houses can be constructed to relieve a serious housing shortage without threatening to create a post-war surplus. Loans to the number of 20,831 have been approved at March 31, 1944, under the Dominion Housing Act, 1935, and the National Housing Act, 1938, in the amount of \$83,995,217. Losses recorded and paid to March 31, 1944, amounted to \$2,644.78, covering the Dominion's proportion of the loss on seven loans. This amount represents total losses to date under both the Dominion Housing Act, 1935, and Part I of the National Housing Act, 1938. These losses are offset in part by a profit of \$497.74 realized by the sale of eleven properties. The net loss to March 31, 1944, is therefore only \$2,147.04.

69. The following is a statement of bonds and debenture stocks and other indebtedness guaranteed by the Dominion outstanding on March 31, 1944:

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE DOMINION  
GOVERNMENT AS AT MARCH 31, 1944

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	\$
May 1, 1944...	Canadian National.....	3	35,000,000
Jan. 15, 1946....	Canadian National.....	2½	15,000,000
July 1, 1946....	Canadian Northern.....	6½	23,754,000
April 1, 1948....	New Westminster Harbour Commissioners.....	4½	700,000
Dec. 15, 1950....	Canadian National.....	3	50,500,000
Sept. 1, 1951....	Canadian National.....	4½	48,022,000
Feb. 1, 1952....	Canadian National.....	3	20,000,000
Aug. 1, 1952....	Saint John Harbour Commissioners.....	5	667,953
Feb. 15, 1953....	Canadian National.....	3	25,000,000
July 10, 1953....	Canadian Northern.....	3	1,196,227
Feb. 1, 1954....	Canadian National.....	5	50,000,000
Mar. 1, 1955....	Canadian National (West Indies) Steamships Limited.....	5	9,400,000
June 15, 1955....	Canadian National.....	4½	48,503,000
Feb. 1, 1956....	Canadian National.....	4½	67,368,000
July 1, 1957....	Canadian National.....	4½	64,136,000
July 20, 1958....	Canadian Northern.....	3½	5,645,219
Jan. 15, 1959....	Canadian National.....	3	35,000,000
May 4, 1960....	Canadian Northern Alberta.....	3½	551,505
May 19, 1961....	Canadian Northern Ontario.....	3½	4,030,481
Jan. 1, 1962....	Grand Trunk Pacific.....	3	26,465,130
Jan. 1, 1962....	Grand Trunk Pacific.....	4	7,999,074
July 1, 1969....	Canadian National.....	5	56,684,000
Oct. 1, 1969....	Canadian National.....	5	57,728,500
Nov. 1, 1969....	Harbour Commissioners of Montreal.....	5	19,000,000
Feb. 1, 1970....	Canadian National.....	5	17,338,000
Various dates 1944-54.....	City of Saint John Debentures assumed by Saint John Harbour Commissioners.....	Various	637,729
Perpetual.....	Grand Trunk Debenture Stock.....	5	1,538,494
".....	Great Western Debenture Stock.....	5	991,389
".....	Grand Trunk Debenture Stock.....	4	6,548,115
".....	Northern Railway of Canada Debenture Stock..	4	38,529
			\$ 699,443,345

## OTHER GUARANTEES OR CONTINGENT LIABILITIES

	Estimated Principal Amount Outstanding March 31, 1944
Bank Advances, <i>re</i> Province of Manitoba Savings Office.....	\$ 5,635,772
Province of Manitoba Treasury Bill.....	4,805,723
Province of British Columbia Treasury Bill.....	626,534
Bank Advances, <i>re</i> Canadian Wheat Board:	
Wheat.....	21,622,710
Flax.....	15,009,427
Sunflower seed.....	214,783
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1938.....	Not determined
Loans made by approved lending institutions under Dominion Housing Act, 1935, and National Housing Act, 1938.....	Indeterminate
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1935.....	811,652
Loans made by approved lending institutions under the Home Extension Plan.....	15,971
Deposits maintained by the chartered banks in the Bank of Canada.....	359,158,155
Bank Advances, <i>re</i> Government War Contracts—Department of Munitions and Supply.....	2,776,677
Bank Overdrafts — Government War Contracts — Department of Munitions and Supply (closed out monthly).....	—
Bank Advances, <i>re</i> coal, coke or briquette purchases—Commodity Prices Stabilization Corporation.....	51,369
Bank Advances, <i>re</i> production of logs or lumber—Commodity Prices Stabilization Corporation.....	174,153
Guarantee under Dominion-Provincial Taxation Agreements of Provincial receipts from gasoline taxes at amounts received in fiscal years ending nearest December 31, 1940.....	Indeterminate

## (B.) CANADIAN ECONOMIC CONDITIONS

## ANNUAL FIGURES

	Calendar Years						
	1926	1928	1932	1937	1939	1942	1943
<b>Group I.—Comprehensive Indexes</b> (1935-39=100)							
Physical volume of business.....	87	103	69	107	107	202	236
Volume of manufacturing.....	89	100	66	109	105	244	294
Mining.....	55	65	59	104	118	209	242
Forestry.....	84	87	57	117	103	131	123
Carloadings.....	131	148	88	106	102	137	139
Electric power output.....	46	61	61	106	108	142	154
Employment (a).....	100	112	88	114	114	174	184
National income.....	110	129	69	107	112	184	216
Retail sales.....	(e)	(e)	92	105	105	154	160
<b>Group II.—Price Levels and Financial Factors</b> (1926=100)							
Wholesale prices.....	100	96	67	85	75	96	100
Farm product prices.....	100	101	48	87	64	82	96
Cost of living (b).....	122	121	99	101	102	117	118
Common stock prices (b).....	92	147	51	117	92	64	85
Bank deposits.....	100	115	100	120	132	167	199
Active currency circulation.....	100	105	81	103	111	268	353
<b>Group III.—Gross Value of Production in Major Industries (\$ millions)</b>							
Agriculture.....	1,715	1,806	767	1,039	1,205	2,086	(c) 2,120
Forestry.....	556	586	267	494	466	716	(c) 721
Fisheries.....	73	71	34	51	53	103	(c) 125
Mining (including Smelting).....	281	316	238	663	663	940	(c) 940
Construction.....	452	578	271	352	373	630	(c) 577
Manufacturing.....	3,101	3,582	1,980	3,625	3,475	7,554	(c) 8,833
<b>Group IV.—Foreign Trade and International Transactions (\$ millions)</b>							
Exports (gold excluded).....	1,277	1,364	498	1,012	936	2,386	3,601
Net non-monetary gold exports (d).....	30	40	70	145	184	184	142
Total exports, including non-monetary gold.....	1,307	1,404	568	1,157	1,120	2,570	3,143
Imports (gold excluded).....	1,008	1,222	453	809	751	1,644	1,735
Total trade.....	2,315	2,626	1,021	1,966	1,871	4,214	4,878
Export balance.....	+299	+182	+115	+348	+369	+926	+1,408
Net tourist receipts.....	53	79	65	79	68	55	(e)
Net interest and dividends going abroad.....	201	221	262	226	249	203	203

(a) 1926=100.

(b) 1935-39=100.

(c) Estimated.

(d) Adjusted for changes in stocks of earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

(e) Not available.

**CANADIAN ECONOMIC CONDITIONS**  
**MONTHLY FIGURES**

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Group I.—Comprehensive Indexes (a)</b> (1935-39=100)												
Physical volume of business.....	1941	144	145	145	153	156	164	167	172	178	179	184
	1942	192	193	196	198	196	200	204	206	206	207	208
	1943	226	227	232	237	232	232	236	241	237	240	243
Volume of manufacturing.....	1941	151	153	157	164	165	169	176	179	191	192	200
	1942	223	226	226	231	233	236	246	249	253	263	263
	1943	279	291	294	297	287	286	285	291	299	304	307
Mining.....	1941	158	157	183	186	183	182	172	169	187	186	180
	1942	196	196	206	210	213	209	216	217	207	211	209
	1943	224	218	245	248	255	245	253	254	243	240	232
Forestry.....	1941	131	131	134	132	127	128	137	138	149	141	133
	1942	138	148	148	138	133	131	129	121	116	127	117
	1943	106	121	124	116	119	132	127	127	127	114	126
Carloadings.....	1941	126	123	125	129	139	134	140	128	119	121	124
	1942	150	140	136	140	142	141	148	130	118	125	126
	1943	131	140	144	144	143	147	148	139	123	122	139
Electric power output.....	1941	117	116	116	126	129	123	131	126	136	137	138
	1942	143	138	142	144	146	147	146	143	140	139	137
	1943	143	142	147	153	161	162	167	164	161	151	149
Employment (b).....	1941	139	140	141	150	151	153	155	156	156	158	160
	1942	172	172	172	175	174	172	173	172	172	173	175
	1943	191	188	189	191	185	181	180	181	179	179	181
Retail sales (c).....	1941	102	102	119	136	143	134	122	134	137	153	147
	1942	128	120	145	155	159	154	137	148	154	174	165
	1943	129	131	151	168	163	160	148	143	158	174	174
<b>Group II.—Price Levels and Financial Factors—</b> (1926=100)												
Wholesale prices.....	1941	85	85	86	87	89	90	91	92	93	94	94
	1942	94	95	95	95	95	96	96	96	96	97	97
	1943	97	98	99	99	99	100	100	100	101	102	103
Farm product prices.....	1941	67	68	69	70	70	71	72	72	73	74	74
	1942	77	78	79	80	80	82	81	81	84	86	86
	1943	88	89	91	92	93	94	96	98	98	104	104



**CANADIAN ECONOMIC CONDITIONS—Concluded.**  
**MONTHLY FIGURES**

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Group II.—Price Levels and Financial Factors— (1936=100)—Concluded</b>												
Cost of living (d).....	1941 108	108	108	109	109	111	112	114	115	116	116	116
	1942 115	116	116	116	116	117	118	118	117	118	119	119
	1943 117	117	117	118	118	119	119	119	119	119	119	119
Common stock prices (d).....	1941 71	66	67	66	64	64	68	68	71	69	69	67
	1942 67	65	62	61	62	63	62	62	63	65	68	71
	1943 76	79	79	83	84	86	91	89	89	86	80	81
Bank deposits (e).....	1941 146	150	149	151	154	155	154	154	153	151	153	154
	1942 156	160	166	166	160	156	156	163	169	178	189	181
	1943 178	176	184	193	203	203	202	199	205	204	221	218
Active currency circulation (e).....	1941 169	175	182	186	187	194	198	206	211	217	222	230
	1942 225	234	241	245	250	254	265	278	291	305	309	317
	1943 312	320	331	341	341	344	352	362	372	382	382	394
<b>Group III.—Other Significant Factors</b>												
Exports (f) (\$ millions).....	1941 89	100	103	118	163	147	171	150	143	140	164	152
	1942 152	158	177	170	263	205	199	178	208	213	209	271
	1943 179	169	207	229	253	251	307	295	247	263	293	308
Imports (f) (\$ millions).....	1941 98	90	108	106	128	115	128	138	137	141	134	126
	1942 142	120	145	142	148	146	139	132	126	140	126	138
	1943 127	114	146	151	154	147	151	149	137	163	160	135
Net non-monetary gold exports (g) (\$ millions).....	1941 19	15	20	14	16	18	17	13	21	17	15	17
	1942 15	17	16	14	16	17	16	13	15	19	13	14
	1943 14	13	13	14	13	12	10	10	12	11	9	12
Construction contracts awarded (\$ millions).....	1941 27	25	14	24	41	86	32	36	39	29	23	19
	1942 13	11	18	23	24	47	32	32	30	21	22	10
	1943 12	19	11	16	23	20	16	24	19	19	14	12
War contracts awarded (h) (\$ millions).....	1941 87	56	67	192	124	80	128	96	54	134	59	103
	1942 84	113	58	113	108	133	129	118	128	141	106	230
	1943 117	96	349	113	84	104	101	83	74	180	69	65
Canadian war expenditure (\$ millions).....	1941 88	83 (i)	104	46	90	65	108	99	91	111	120	124
	1942 145	133 (i)	208	142	205	138	190	173	207	176	210	219
	1943 185	200 (i)	679	137	272	256	264	436	247	355	271	543

(a) Indexes seasonally adjusted unless otherwise indicated.

(b) As at first of month. 1926=100.

(c) Unadjusted.

(d) 1935-39=100.

(e) Based on daily average figures; index unadjusted.

(f) All gold excluded; includes exports of foreign produce.

(g) Adjusted for changes in stocks of earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

(h) Contracts awarded by Department of Munitions and Supply on Canadian Account, including Capital Assistance; subject to revision.

(i) Includes year-end expenditure.

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