

CHANGES IN CANADIAN TAXES SINCE THE OUTBREAK OF THE WAR.

1. An excess profits tax has been imposed levied either on the basis of a graduated scale of rate of profit on capital or on the increase in profits over the average of the past four years, at the election of the taxpayer. Where the taxpayer elects to be taxed on the basis of the percentage on capital, the schedule is as follows:

On part of profits  
between (per cent  
of capital)

5 and 10  
10 and 15  
15 and 20  
20 and 25  
Over 25

Rate  
(Per cent)

10  
20  
30  
40  
60

*These taxes  
are in addition  
to the normal  
18% tax*

Where the taxpayer elects to be taxed on the increase in profits over the average of the past four years the rate is 50 per cent of the increase.

The tax is levied on all businesses whether incorporated or not and whether increased profits are the results of war contracts or not.

Special provisions are made for amortization of the cost of construction of new plant and equipment required for armament purposes.

2. The existing corporate income tax rate has been raised from 15 to 18 per cent.

3. All individuals subject to income tax are required to pay a war surtax equal to 20 per cent of their ordinary income tax.

May 28, 1940  
*Winters*

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<u>On part of profits between (per cent of capital)</u>	<u>Rate (Per cent)</u>
5 and 10	10
10 and 15	20
15 and 20	30
20 and 25	40
Over 25	60

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2. The existing corporate income tax rate has been raised from 15 to 18 per cent.

3. All individuals subject to income tax are required to pay a war surtax equal to 20 per cent of their ordinary income tax.

4. Increases have been made in the excise taxes on alcoholic liquors, tobacco, tea, coffee, and soft drinks.

The changes may be summarized as follows:

	<u>Unit Taxed</u>	<u>Former Rate</u>	<u>Increased Rate</u>
Domestic liquors	gallon	\$ 4.00	\$ 7.00
Imported liquors	gallon	5.00	8.00
Malt	pound	.06	.10
Wines	gallon	.075	.15
Champagne and sparkling wines	gallon	.75	1.50
Cigarettes	thousand	4.00	5.00
Manufactured tobacco	pound	.20	.25
Coffee	pound	none	.10
Tea	pound	.04	.05*
Carbonic acid gas	pound	none	.02

The basis of the existing Canadian sales tax has been broadened by removing the exemption of domestically consumed gas and electricity, salted meats, and canned fish.

\*Increased rates for varieties of higher value.