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Corporations Tax Rise Is Seen by Mining Men As Disturbing Influence

(By SIDNEY NORMAN.)
(Mining Editor, The Globe and Mail)

While closer study of the details of the amendments to the Corporations Tax Act will be necessary before definite effect upon mining companies can be gauged, it is very certain that the net effect upon profitable mining operations will be burdensome.

While the tax on employed capital is halved, from one-tenth of 1 per cent to one-twentieth of 1 per cent, the tax on net incomes is increased from 1 per cent to 2 per cent.

In printed figures, that does not look like a very important change, but if the increased tax on net income is applied to the dividend-paying companies of this province, it can readily be seen that there will be a large accretion.

As a matter of fact, the increased impost, though somewhat more modest in its demands, at least to start with, is reminiscent at first blush of the undistributed profits tax of United States, which, in the opinion of leading business men of that country, has done more to hold back recovery than any other one piece of legislation in New Deal history.

Last year, as indication of the profits earned by mining corporations in Ontario, the records show that over $64 million was distributed in the shape of dividends. If we read the purport of the amendments correctly, it means that the tax upon that part of net profits represented by dividends last year reached close to $650,000 and will now be lifted to $1,300,000.

While, perhaps, the bigger companies can stand this increase, on the principle that the rich must pay, it must not be forgotten that they are owned, not by a few, but by thousands upon thousands of small investors throughout Canada, United States and Great Britain.

Whatever may be the necessities of the government, the first reaction among mining men and other thousands who realize the importance of mining in its bearing upon the prosperity of this nation will be one of regret that, just at this time, when the capital of other nations is beginning to turn this way in increased amounts, it has been found necessary to throw one more monkey-wrench into the smooth-moving machinery.

The effect of the 10 per cent bullion tax levied by the Dominion Government five years ago has not been forgotten, nor have its effects completely passed. There is little question that disturbance of the tax structure at this time will do nothing to increase the popularity of mine investments in Ontario, to say the least. It is discouraging to be told one year that taxes would be stabilized at former levels and then to wake up to find they have been suddenly doubled in the next. What is needed most to insure continued mining prosperity is encouragement and stabilized taxation for a definite period. About the only reassuring feature of the latest move is that there has been no discrimination. All corporations are affected.

Under an amendment to the Corporations Tax Act, introduced before the Legislature yesterday by Hon. Paul Leduc, Minister of Mines, the levy on the net income of corporations is increased from 1 to 2 per cent, and the tax on employed capital is reduced ' m 1-10 of 1 per cent to 1-20 of 1 per cent.

The amendment, which is expected to add materially to the provincial revenue, is designed to lighten the capital tax, which is payable whether or not a corporation is earning profits and to transfer a heavier burden on the income-earning companies. An appreciable increase in the tax load of mining companies is anticipated by the change.

The revision ..lso abolishes the special treatment heretofore accorded loan, trust, gas and electric companies. These now become subject to the ordinary provisions of the statute. Banks, insurance companies, railways, telegraph and express companies are not required to pay taxes upon incomes.

The Ontario act is revised also to conform with the provisions of the Dominion Income Tax Act. The possibility is seen that Ottawa will be asked to collect the ' ıx with the machinery that is employed to collect Federal income tax.

For the first time, provision is made for appeal against assessments made by the provincial treasurer. It was also emphasized in explanation, that the rates under the proposed amendment were still lower than those of Quebec, which imposed a levy of one-tenth of 1 per cent upon paid-up capital and 2½ per cent on net increase.

In an amendment to the Highway Improvement Act, Hon. T. B. McQuesten, Minister of Highways, sought authority for the expropriation of any land required for the Canadian approach to the new international bridge at Niagara Falls. The bridge, it is planned, will replace the old "honeymoon bridge," battered down by an ice-jam last year.

Authority is asked also for power to regulate not only the erection of sign boards, but the location of markets and stalls within a quarter of a mile of the King's highways. The section, it is believed, will be made particularly applicable to the new Middle Road between Toronto and Hamilton.