

\$8,000,000 Seen In Added Revenue; Others Falling Off

**Levies Retroactive
Under Conant Bill
Making Them 5 P.C.**

SURTAX AS WELL

Increases in the Corporations Tax Act, contained in amendments introduced in the Legislature yesterday, will enable Premier Hepburn to announce in his budget speech next Thursday that the Government expects to have a surplus at the close of the fiscal year ending March 31, 1941.

The tax on capital employed by corporations remains as at present, but the bill provides for an increase from 2 per cent to 5 per cent in the tax on net income payable by ordinary incorporated companies, and a similar increase in the tax calculated on the net income derived from the operation of hotels by railway companies. In addition, there is a surtax of 25 per cent on taxes now payable by banks, insurance companies, express companies and car companies.

The bill also contains a clause dealing with taxes and penalties imposed by the act upon railway companies, and renders them a special lien against the property of the company.

In his budget speech, Premier Hepburn, in his capacity as Provincial Treasurer, is expected to announce a deficit on the present fiscal year's operations of \$450,000. Last year he budgeted for a surplus of \$150,000, but the war and other factors, notably a sharp falling off in revenue from liquor, gasoline and succession duties, upset the fiscal picture and turned an expected surplus into a comparatively small deficit.

Ordinary Revenue for Relief.

Another point which the Premier will no doubt stress in his budget address is that Ontario continues to finance its unemployment relief contributions out of ordinary revenue instead of making it a capital expenditure. It is expected the Province will spend less in the ensuing fiscal year because of the lightening of the unemployment problem, due to war conditions.

The increased revenue from the corporations tax will become available to the province after April 30, corporations having four months' grace in which to make the payments. Only about 2 or 3 per cent of the revenue will be available for the present fiscal year, which ends March 31 next.

Most corporations follow the calendar year which ends Dec. 31, and the bill makes provision for those companies which end their fiscal year without regard to the calendar. In making the bill retroactive to 1939, the Government is following the same procedure as the Dominion, which taxes on the previous year's income.

In authoritative quarters it is believed the increase in the corporations tax is only a wartime measure and will be lifted as soon as conditions warrant. Premier Hepburn has had three good surpluses in succession and he will inform the House in making his budget speech that had it not been for the outbreak of war and a drop in revenue from various sources, his prediction of a \$150,000 surplus for this year would have been found to be correct.

In his last Budget speech, the Premier budgeted for a revenue of \$10,000,000 from corporations taxes. Obviously this amount was not realized. But with the sweeping increases provided for in the measure introduced yesterday by Attorney-General Gordon Conant, there is a possibility the Government may receive an additional \$8,000,000 in revenue from this source. More than 90 per cent of it will flow into Provincial coffers in the fiscal year ending March 31, 1941.

It is believed Premier Hepburn and Treasury officials are of the opinion that the year ahead is likely to prove a difficult one for Government bodies, and that it is essential, therefore, for the Government to have a balanced Budget. They base their expectation of future dark days on the belief that the war is almost certain to break out in all its fury in the spring and thus place on Governments many added responsibilities. The Premier is likely to allude to the impossibility of predicting with any certainty what may happen in a war year, but that with additional revenues obtained through the Corporations Tax Act amendments, and other tax increases, the Treasury Department will be in a position to budget for a surplus.

The bill sets forth that the new imposts are to apply to all fiscal years which ended on or after Jan. 1, 1939, up to and including Oct. 31, 1939, and to be payable within thirty days of the act coming into force. Any bill, after receiving third reading, may be brought into force by being given Royal assent.

The bill provides: "Every incorporated company upon which taxes are imposed by sections 3 to 9 of the Corporation's Tax Act shall for every fiscal year of such company pay a further tax equal to 25 per centum of the taxes imposed thereupon upon such incorporated company."

5 Per Cent Provided.

In addition to the taxes imposed in sections 10 and 12 of the act "and save as in this section otherwise provided, every incorporated company which has its head or other office in Ontario or which holds assets in Ontario, or which transacts business in Ontario, shall for every fiscal year of such company pay a tax of 5 per centum calculated upon the net income of the incorporated company."

Another clause says: "In addition to the taxes imposed by sections 5, 11 and 13, any incorporated company owning, operating or using a railway which also operates or uses a hotel or hotels in Ontario shall pay a tax of 5 per cent, calculated on the net income derived from the operation of such hotel or hotels

and net income for the purposes of this section shall be determined in the manner provided by subsections 2, 4 and 5, of section 14 in so far as the definition of net income therein applies to the income from the operation of hotels in Ontario."

Another amendment provides: "Every tax and penalty imposed by this act on an incorporated company owning, operating or using a railway shall be a special lien on the property of such incorporated company in priority to every claim, privilege, lien or encumbrance, whether heretofore or hereafter created of every person and the lien and its priority shall not be lost or impaired by any neglect, omission or error of any minister, officer, servant or agent of the Crown or by want of registration."

"Notwithstanding the provisions of Section 20 of the Corporations Tax Act, 1939, the taxes imposed by Section 9A of the Corporations Tax Act, 1939, as enacted by this act and the additional taxes imposed by Subsection 1 of Section 14 and Section 15 of the act, as amended by this act, shall, for fiscal years which ended on and after Jan. 1, 1939, and up to and including Oct. 31, 1939, be payable within thirty days of the day upon which this act comes into force, and the provisions of Section 20 and Subsections 10 and 11 of Section 21 of the Corporations Tax Act, 1939, shall, with respect to the payment of such taxes imposed for fiscal years which ended on and between such dates and of interest thereon, apply as though the thirtieth day following the day upon which this act comes into force were the last of the month which ends four months from the close of each of such fiscal years.

"This act shall come into force on the day upon which it receives Royal assent.

"The provisions of Sections 1, 2 and 3 shall apply to companies in respect of all fiscal years ending in 1939 and subsequent fiscal years.

"The provisions of Section 4 shall apply to companies in respect of all fiscal years ending in 1940 and subsequent fiscal years."