TAXATION IN MANITOBA
PROVINCIAL AND MUNICIPAL

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Prefatory Note.

In the following pages, dealing with Taxation in Manitoba, I have endeavored to present to the mind of the reader, in logical order, the causes of the heavy taxation prevailing in Manitoba at the present time, together with the remedies, which I consider would be most effective in relieving it. I have dealt, also, with the subject of exemptions from taxation, and have made certain recommendations which I consider would greatly aid, both in lessening the burden of taxation and in leading to a more equitable distribution of that burden, if they were put into practical effect.

Dominion taxation in Manitoba has not been dealt with here, as I consider its proper treatment would render this thesis altogether too long.

Thos. P. King.
## CONTENTS

**CHAPTER I. Introduction: The Causes of High Taxation**  
1

**CHAPTER II. Provincial Taxation**  
17

- (a) General Statements regarding Taxation  
- (b) Sources of Provincial Revenue  
- (c) The Automobile Tax  
- (d) The Assessment Tax  
- (e) The Unoccupied Lands Tax  
- (f) The Corporation Taxation Act  
- (g) The Railway Tax  
- (h) The Succession Duties Tax  
- (i) The Provincial Income Tax  
- (j) The Liquor Control Act  

**CHAPTER III. Municipal Taxation**  
46

- (a) General Statements regarding Municipalities  
- (b) The Real Property Tax  
- (c) City of Winnipeg Assessment  
- (d) City of Brandon Assessment  
- (e) City of St. Boniface Assessment  
- (f) City of Portage la Prairie Assessment  
- (g) The Personal Property Tax  
- (h) The Business Tax  
- (i) The Municipal Income Tax  
- (j) The Special Franchise Tax  
- (k) The Poll Tax  
- (l) The License Tax, or Licenses  
- (m) The Statute Labor Tax  
- (n) Manner of making the Assessment  

**CHAPTER IV. Exemptions from Taxation**  
72

**CHAPTER V. Recommendations regarding Taxation**  
76

Bibliography  
79
TAXATION IN MANITOBA.
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Chapter I.

Introduction:
The Causes of High Taxation.

At the present time no other subject is receiving so much attention in Manitoba as that of taxation. In Canada we have taxation in three forms, Federal, Provincial and Municipal, and the burden of it has become so heavy as to be almost unbearable. As a result all forms of industrial employment are at a standstill, with the natural results of stagnation of trade, unemployment on a large scale, great discontent among all classes of society, more especially among the working classes, and a general moving about of people from place to place in an effort to better their conditions.

To the thoughtful mind of the careful investigator, two questions naturally suggest themselves: first, how were these conditions brought about; and secondly, what is their proper remedy? In this short essay I shall try to answer both of these questions.

Dealing with the first of these questions, I am of the opinion that these conditions were produced chiefly, if not solely, by too rapid an expansion of credit, due largely to conditions produced by the Great World War, which was fought mainly on the Continent of Europe from 1914 to 1918 A. D.
inclusive; and to too drastic a contraction (1) of credit in 1920 by the banks and loan companies of the United States and England, more especially by the Bank of England, and the Federal Reserve System of the United States, which, realizing that the credit expansion was becoming too great in 1920, suddenly raised their re-discount rate to seven per cent to check it. The results were the production of panic-like conditions, not only in those two countries but in nearly every civilized country in the world; too rapid a fall in prices, especially of farm products; a drastic drop in the rates of exchange in nearly every country except the United States; the ruin of manufacturers, business men and farmers all over the world; and a large amount of unemployment and poverty throughout the whole world.

The rapid expansion of credit during the period of the Great War, and for nearly two years after its close, led to the development of habits of reckless expenditure, at inflated values caused by this expansion, by nearly every individual, as well as by almost every corporate body, such as the Federal and the Provincial Governments, Municipal Councils and School Boards. In fact, everybody seemed ready and willing to spend every cent he could obtain without thinking that a day of reckoning was coming which might overwhelm him financially, and without making any provision for the repayment of either present or past financial obligations.

Then, owing to the inflation of the currency in

(1) Currency and Credit - Hawtrey.
all countries, caused by an abandonment of the gold standard of value, and the consequent rise in prices which always follows inflation, people imagined themselves wealthier than they really were and wishing to become still wealthier began speculating in everything that permitted speculation, especially real estate, and assumed large new financial obligations instead of trying to meet their former obligations. Such speculations could not last, and in the Autumn of 1920 a violent reaction took place, with a drastic drop in the prices of nearly all farm products.

During the war Europe became impoverished, and after the war closed, could no longer buy the products that she had purchased before and during the war period, from Canada and the United States, with the result that during the Autumn of 1920 there was such a sharp decline in the value of farm products, while the cost of farm implements and of manufactured goods needed by the farmer remained so high, that many farmers were almost financially ruined; because while receiving only a small revenue from their products they had incurred heavy obligations which they could not meet. The results were that many farmers who formerly were wealthy became very poor; some farmers lost their farms, while others were compelled to mortgage theirs; business men and banks were unable to make collections due them; and some business houses, as well as some banks, were forced to close their doors, while a general period of depression set in all over the country.

At present the people are struggling hard to get back to normal pre-war conditions but the period of depression is by no means ended, and is not likely to be, until a large
new grain crop is harvested in Western Canada and sold at a good price.

Since 1920 many people, not only farmers but many others, engaged in different occupations, have been unable to pay their taxes. The results of this non-payment of taxes in Western Canada, have been: First, the closing of many Public Schools; secondly, a sharp drop in real estate values, especially in the values of farm lands; thirdly, in cities the closing down of many industrial plants, and even in those which did not close a great reduction in the number of persons employed. This closing down of industries led to a large number of their employees being thrown upon the cities for support until such times as they could again find profitable employment. Conditions are slowly improving and the amount of unemployment relief is being gradually reduced, but in many cities unemployment has not yet entirely disappeared.

Regarding the extravagant expenditure of money during the time of the war and two years immediately following its close, I wish only to express the opinion, that, in my judgment the two sources of public expenditure most abused were expenditure for the construction of public highways and expenditure for the erection and maintenance of Consolidated Schools throughout Manitoba, especially the erection of expensive school buildings in school districts which were not able to bear the heavy costs of their proper maintenance and operation.

Most of the costs of such improvements were paid with borrowed capital, the debentures sold being spread over a
period of fifteen or twenty years for repayment. In many cases proper value was not given for the amounts expended and great dissatisfaction on the part of the taxpayers has been the result.

Besides this, both the Federal and the Provincial Governments nearly ruined themselves, financially, by undertaking extravagant projects, such as building railroads into districts where they were not needed, or guaranteeing bonds of private companies that built them; by extending the hydro-electric system of light and power; by the construction of the Federal Parliament Buildings at Ottawa and the Provincial Parliament Buildings at Winnipeg, when prices of both material and labor were very high; by the construction of large Agricultural Colleges and buildings to be used in connection with them, than will be needed for many future years; by the purchase of a costly and unprofitable telephone system, that for many years had large annual deficits, and which only in the last few years has been able to pay its way and to show at last a small annual surplus; by the granting of uncalled for credit to the farmers of Manitoba through the systems of Rural Credits and Farm Loans, many of which credits and loans have not and are never likely to be repaid by the borrowers, and as such are a dead financial loss to the Province.

Again, the attempt to provide for returned soldiers by means of a Soldiers' Settlement Board has proven a complete and costly failure, both to the returned soldiers and to the Government. The reasons for this failure are very evident, and are: First, the class of persons selected for such
settlement was such as would never make successful farmers under any possible conditions. They were mostly Old Country people who knew absolutely nothing about either farming or farming conditions in Manitoba, and hence from the beginning were doomed to failure. Secondly, they were sold their lands and farm equipment at the very highest prices and under conditions that even experienced Canadian farmers could not accept and make their agreed annual payments of principal and interest. The results were a rapid abandonment of their farms by the returned soldiers who now flocked to the cities and sought employment for which they were fitted; a large financial loss to the Government which had advanced them the money; and a financial loss to the municipality of the amount of taxes due on such lands, many of which had to be purchased by the municipality, at tax sales, and so removed as a future source of municipal revenue. This has led to a curtailed assessment of property in many municipalities with a consequent higher rate of taxation, and a still larger amount of uncollected and uncollectible taxes.

The Manitoba Government, at present, is taking means to check the evil conditions resulting from extravagance and ill-judgment in public expenditure, but so far it seems to have accomplished very little in the way of real financial reforms. The outstanding levied but uncollected taxes in Manitoba are to-day more than twenty million dollars, while the total municipal levies throughout the Province in 1923 were slightly over nineteen million dollars. Fifty-eight out of one hundred and seventy-five municipalities in Manitoba at
present (1925), have no bonded indebtedness, while the remaining municipalities on December 31, 1924, had a debenture indebtedness aggregating $79,485,463.60, with unpaid taxes amounting to $20,659,597.43. Winnipeg (1) as the chief city of Manitoba is the chief contributor in both instances. The City's bonded indebtedness is $53,987,784.60, while its unpaid taxes exceed $5,760,000.00. Towns of Manitoba show a bonded debt of $3,372,804.49, villages of $89,111.44, and rural municipalities of $12,566,324.51. In connection with the latter, the amount of the bonded indebtedness is in great measure due to the inclusion in this category of the suburban municipalities, St. James having nearly $2,875,000; St. Vital more than $1,000,000; East Kildonan also more than $1,000,000; West Kildonan $900,000; and Fort Garry $1,250,000.

St. Boniface has a bonded debt of $5,003,227.94, and tax arrears of $2,031,464.37; Brandon has a bonded debt of $3,404,510.48 and tax arrears of $764,276.09; Portage la Prairie has a bonded debt of $1,061,700.00 and tax arrears of $187,725.17. If, therefore, those arrears of taxes were all paid, not only the Provincial Government, but all the Municipal Governments, would be placed in very enviable financial positions, and would have no trouble in meeting their financial obligations as they mature.


Now, what is the remedy for such conditions, and how are the Province and the municipalities to get back to sound financial conditions? Different remedies have been suggested but it seems to me that the most sensible and most practical ways to accomplish this end are: To reduce current expenditures to the minimum; to practice strict economy in every line consistent with the maintenance of a proper standard of living; to refuse to undertake any expensive improvements unless such are absolutely necessary, until the present financial burdens are removed; to encourage the investment of outside capital in the Province, by providing industries, such as mills and factories of various kinds that will yield profitable returns on the capital invested; to encourage the raising of large farm crops, and when they are raised to see that the profits derived from them are applied to proper purposes; to lower taxes as much as is consistent with the repayment of debts; and instead of encouraging the immigration of worthless people from Europe, especially from Southern Europe, encourage the immigration of young adults with financial means, who are ready to invest their money in this country and are willing to work hard to build up all kinds of useful industries, in Canada, especially those of Agriculture and Manufacturing.

Despite, to the contrary, the opinions of some of our most gifted statesmen and economists, it seems to me that one of the quickest ways to relieve our present financial distress would be to dispose of, by public auction or otherwise, such public utilities as have proven to be unprofitable undertakings. Among these I would include the Canadian Merchant
Marine, the Canadian National Railway system, the Provincial Hydro-Electric, and the Provincial Telephone systems, as well as the Provincial System of Public Highways. There are people who would object to the sale of the Canadian National system on the ground that if offered for sale it would be purchased by the Canadian Pacific Railway System, and that this would lead to a railway monopoly in Canada. I cannot agree with this view, for if the Canadian Pacific System had really wanted the Canadian National System they had plenty of opportunities to acquire it before the Canadian Government took it over, and the fact that they did not do so proves that the Canadian Pacific System did not want it. Again, if the Canadian National System were offered for sale, provisions could be inserted in the terms of sale barring the Canadian Pacific Railway from becoming a purchaser and thus prevent the railways of Canada from forming a railway monopoly. At present the Canadian National System is annually adding from fifty to seventy-five millions of dollars to the national debt. The country may be able to stand this drain for a few years, but it cannot stand it permanently, and we have no definite assurance as to the length of time we shall have to wait until this railroad will be able to pay its own way or show a profit on the money invested in it. Therefore, if it is not to be disposed of by public sale, there is only one alternative, and that is to reduce its valuation to the exact amount of the cost of its re-building, and add the balance of its present valuation to the national debt of Canada. To do this might make the road show a large profit and lead to
a demand for reduced freight and passenger rates, so the Corporation powers that be, are using all the force they have to prevent either the sale of the system or the reduction of its capitalization, with the result that the road is showing heavy annual deficits. If this is not the monopoly those people who oppose the sale of the system fear, it is its first cousin; for if the Canadian National system is at present controlled by the influence of the officials of the Canadian Pacific, what else is this but monopoly, and what difference does it make whether the road is owned by the Government or by the Canadian Pacific, if its rates are going to be dictated by the Canadian Pacific system?

The Canadian Merchant Marine has proven to be neither a very profitable nor a very serviceable venture to the people of Canada; on the contrary it has not been able to pay its way, but is also adding very much annually to our national debt in the shape of maintenance charges, and it is of no value in aiding in the reduction of ocean rates, because its ocean rates are determined by the North Atlantic Shipping Combine, which has headquarters in New York, and because its Board of Directors has been influenced by this Combine to such an extent that it feels that it dare not oppose the rates fixed by the Combine, but must adopt them as its own, and our Canadian Government has not had backbone enough to withdraw our own Canadian Merchant Marine from this Combine. Therefore, since it is of no value, or service, to the people of Canada, but only an annual expense, it would, in my opinion, be as well to dispose of it as quickly as possible.
Regarding the Provincial System of Public Highways, I am not opposed to the Provincial Government aiding in the construction of public highways, but I am opposed to the system that has been pursued in the past, for instead of the money being spent in the actual construction of the highways, very much of it found its way into the contractor's pocket without very much actual road being constructed in return for the expenditure. I think a much better system could be devised than the present one; and that the Provincial Government should not actually build the roads itself but should advance the money to the various municipalities where it wishes those roads to be built, and should specify the kind and amount of road to be built and the conditions under which it is to be built, but should leave the letting of the contracts for construction to the Reeve and Council of the municipality in which the road is built, and hold them responsible, under heavy bond, for the proper spending of this money, the Provincial Government merely appointing a thoroughly qualified road inspector to see that the work is properly done before any money is paid over by the Province to the municipality. If this were done it would put an end to grafting which too frequently takes place where money is spent by Provincial Government officials, as was the case in Ontario under the late Drury Government.

This country cannot stand such a heavy annual drain on its resources as the annual deficits of the Canadian National Railway System and the Canadian Merchant Marine; but even if it could, there are other serious objections to state-
owned public utilities. First of all, there is too much grafting taking place, and there are too many unnecessary officials who are given employment at large salaries, to reward them for past political services to the party in power. This, in the case of railways, at least, leads to their being operated from a political, rather than from a business standpoint, with resultant extravagant mismanagement, inefficient services, and increasing national, financial burdens.

In Manitoba, it seems to me that all public utilities, such as the Telephone, Hydro-Electric, Rural Credits and Farm Loans Systems, could be more efficiently and economically handled by private firms rather than by the Government. Private companies would either make them pay or else would quickly abandon them. In an attempt to make them yield a profit, all unnecessary employees would be removed, and all expenses reduced to the minimum, while at the same time real and efficient services would be given. Parties employed by the Government, for political reasons, to act as Managers of these utilities, will not do very much to make them pay. The result is graft, extravagance and inefficiency in the management of all publicly owned utilities.

Again, education in this Province is costing too much money for the results obtained and school finance in many parts of the Province is in a deplorable condition. Nobody realizes this more keenly than the officials of the Department of Education at Winnipeg who have to administer the provincial side of this finance so as to keep all, or at least
as many as possible of the Public Schools in the Province in operation for at least eight months of the year. The trouble with most of these Schools is that they are situated in municipalities that are practically bankrupt, and conditions are such that the amount of collectible school taxes is not sufficient to meet current school expenses and so these districts are forced to appeal to the Provincial Government to aid them in maintaining their schools in operation. The Government of Manitoba has aimed to do so by giving to those districts double the amount of school grants paid to the same class of schools in other districts, and by requesting them to shorten their school year from ten months to eight months, and also in other ways besides these. But such relief is only a temporary matter. Something more permanent must take its place. Anyone can find fault and condemn the Government for not doing things, but what is required is some real constructive criticism which will lift the Province out of this abyss. In an endeavor to offer such I would suggest the following: First, that the present indebtedness of these districts be amortized and gradually paid off in equal amounts, including both interest and principal of the present indebtedness, and the time of payment be extended over a period of twenty-five years; secondly, that a debt limit be established at five per cent of the assessed valuation of the school district; and that no school district in the Province be permitted to exceed this limit of indebtedness; thirdly, that all school monies levied by the Council of each municipality be turned over to the School Treasurer of that
municipality as soon as the money has been collected, payments to be made by the Treasurer of the municipality to the Treasurer of the school district monthly. At present in many municipalities this is not done. In rural municipalities a levy of sixty dollars per month for twelve months of the year, for each teacher in a Public School district is made by the Council in which that school district is situated; but the amount of taxes turned over to the school district is only sixty dollars per month for the time school is actually in session, and the balance of the levy is retained in the treasury of the municipality and used for general municipal purposes. This is not right. Either the money should be turned over to the School Treasurer in full or else the levy should be for only the time school is actually in session. Those weak school districts should be taught to rely upon themselves instead of continually seeking Government aid, and in order to become self-supporting districts there should be greater attention given to the matter of tax collection, locally. Fourthly, the building of more Consolidated Schools should be discouraged by the Department of Education, and this could easily be accomplished by cutting the amount of grants paid to such schools, and especially by cutting the percentage paid by the Department of Education to these Consolidated School districts for the maintenance of vans in connection with these schools. At present the Department pays forty per cent of their upkeep. Formerly they paid fifty per cent of their upkeep. If this amount were cut to twenty-five per cent, very few Consolidated Schools would be built, and the country would rejoice at being saved a useless tax burden, both
Provincial and local. While Consolidated Schools are excellent in some respects, they are the biggest curse that has ever struck the country in other respects. In many districts they have sent local taxes sky-high, to such an extent indeed in some districts that where farm lands were formerly considered very valuable, they can now scarcely find a buyer, on account of the high school taxes. Secondly, the little children who have to ride in a cold school van are kept too long on the road in cold weather, especially in chilly months when it is impossible, for various reasons, to have a heated van. These months include October, November, April and part of May. Thirdly, Consolidated Schools aid in bringing together all the evil spirits of the community served by the vans, and instead of the welfare of pupils being advanced, it is really retarded, discipline is harder to enforce, and many pupils who have no idea of what they wish to be in the future, spend their time in merely occupying seat space, instead of trying to acquire an education.

Fourthly, Consolidated Schools are encouraging all farm boys and girls to leave the farm, in fact to hold farming in contempt, with the result that our farm population is being depleted, while our cities are being crowded with boys and girls seeking an easy living, but really leading lazy, useless lives, who would have become prosperous young farm men and women had they been encouraged to remain on the farm and given a grade eight education which would have been sufficient to last them all their lives.

If all the useless students at present attending the various High Schools, Intermediate Schools and Collegiate Institutes of Manitoba were forcibly removed from such
schools, at once, the cost of constructing and maintaining our educational institutions would be cut in two immediately; our taxes would be very much lightened, and the standard of our citizenship much raised above what it is at present.

Before entering fully into a discussion of taxation in Manitoba, I deem it best to divide the subject into two main divisions, namely, Provincial Taxation and Municipal Taxation, and shall deal with each separately, beginning my next chapter with Provincial Taxation.
Chapter II.

Provincial Taxation.

Any study of Provincial taxation must take into account the relationship between Federal and Provincial taxation; and to arrive at a proper appreciation of this relationship we must consult the British North America Act of 1867 and its subsequent amendments. By that Act and its amendments the extent of the field available for exploitation is definitely determined, and only its intensive development is left to the Provincial Legislatures and the Municipal Councils.

By the British North America Act of 1867 certain things were reserved to the Dominion Parliament and certain other things were reserved to the Provinces, but any things not specifically reserved to the Provinces come under the control of the Dominion Government.

This is just the very opposite to the Constitution of the United States, where any powers not specifically conferred on the National Government are reserved to the respective States. Disputes over these matters have frequently led to litigation, not only in the United States but also in Canada. In the United States, all such disputes are finally settled by the decisions of the United States Supreme Court, which is the supreme legal and judicial authority of that country, and its decisions become the fundamental laws of the whole country; while in Canada any dispute between Federal and Provincial authorities is settled by an appeal to the
Judicial Committee of the British Privy Council, and its decisions become the fundamental laws of Canada because, being the highest Court in the realm, there is no appeal from its decisions.

Among other powers vested in the Dominion Parliament, more especially as regards the subject of taxation, was the power to legislate in regard to the following subjects: (1)

(1) The public debt and property of the Dominion;
(2) Trade and commerce;
(3) The raising of money by any kind of taxation;
(4) The borrowing of money;
(5) The payment of the "civil service", that is the clerks and other officials employed by the Government;
(6) Currency and coinage;
(7) Banking and paper money;
(8) Savings Banks;
(9) Interest;
(10) Legal tender, that is, what shall be accepted as money in payment for anything; and
(11) Matters expressly stated as not belonging to the Provinces. Among the subjects reserved to the Provincial Governments for Provincial legislation, as far as the subject of taxation is concerned, are the following; and no Provincial Government can legislate about any matter not mentioned in this

(1) British North America Act 1867.
list; but they alone can legislate about those matters which are included in it. This list includes:

(1) The changing of the Constitution of the Province except in regard to the office of Lieutenant-Governor;
(2) Direct taxation;
(3) The borrowing of money for the Province;
(4) The Civil Service of the Province;
(5) The public lands, if the Province owns its lands;
(6) The prisons and reformatories of the Province;
(7) Hospitals, asylums and charitable institutions;
(8) Municipal institutions;
(9) Licenses, such as those of taverns, shops, auctioneers, hunting and marriage licenses;
(10) Local works and undertakings, except lines of steamboats, railways, canals, telegraphs and other works and undertakings extending outside the province; and such works which although wholly within the Province are declared by the Dominion Parliament to be for the general advantage of Canada;
(11) Punishment by fine and imprisonment in case any provincial law is broken.

In the above I have enumerated some of the powers conferred upon both the Dominion and the Provincial Governments. For the purpose of showing that both Governments have power over the question of taxation; and also to show the relationship existing between these Governments on such an important subject as taxation.
As the Dominion Parliament has reserved to itself the exclusive right of levying and collecting Customs and Excise duties, and as one Province is not allowed to tax the products of another Province passing through it, nor to tax the imports or exports of any Province, it was found necessary to make other provisions for the financial needs of the Provincial Governments. This was done in two ways: First, by means of a Dominion subsidy consisting of three parts, - (a) the debt allowance, that is, the agreement to relieve the Province of a certain amount of debt, or to pay interest to it, on a certain assumed indebtedness. At the time of their entrance into Confederation, the older Provinces had public debts which they had incurred in the construction of public works of various kinds. The Dominion assumed this indebtedness. Other Provinces, such as Manitoba, when they were created were without debts, and without public works. Therefore, to make matters fair for these new Provinces, it has been arranged that there shall be paid five per cent on a certain sum of money that is taken to represent what its debt would have been if either Manitoba or any other of these debt-free Provinces had been long in existence, like the other Provinces.

(b) An allowance of eighty cents per head for each person resident in the Province.

(c) A specific allowance to meet the general expenses of the Government; and in the case of the three Prairie Provinces an allowance in lieu of their public lands, which are at present under the control and management of the Dominion Government.
Secondly, by the British North America Act the Provincial Legislatures are given the exclusive authority in respect to, - (a) direct taxation within the Province, in order to raise a revenue for Provincial purposes; (b), shop, saloon, tavern, auctioneer and other licenses, in order to raise a revenue for provincial, local or municipal purposes. This does not, however, prohibit the Dominion Parliament from levying direct taxes on licenses for Dominion purposes, since by the British North America Act it is given the right of raising money, "by any mode or system of taxation."

But while the Provinces were granted the right of direct taxation, it appears to have been thought, by almost everyone at the time, that the various subsidies enumerated, supplemented by the revenue from the public domain, where the Provinces possessed public domain, would be almost sufficient to meet their financial requirements. Actual experience has proved otherwise.

By the Confederation Act of 1867 the Provinces had been assigned certain important functions of government, the cost of which tends to increase rapidly with the growth of the community, and with the progress of science and its applications for men's service. These functions include not only the administration of justice and the establishment and maintenance of prisons, asylums, and hospitals, but also education, in all its branches, and the provision of municipal institutions, of roads, bridges, etc.

Some of these are functions that should be taken
care of by the Dominion Government, but as they are not, the burden of their cost falls upon the Provincial Governments.

For a long time in Canada there was a prejudice against direct taxation, and this led the Provincial Governments to shun the unpleasant duty of imposing it, and to seek relief from financial pressure, first in demands for increased subsidies from the Dominion Government, and secondly by handing on to the municipalities certain expensive functions properly belonging to the Province. But lately the growth in numbers and expensiveness of Provincial public services, has driven the Provincial Governments to make use to a far greater extent of their privilege of direct taxation.

British Columbia was the pioneer Western Province to introduce direct taxation, because in 1873 she levied a direct Wild Lands Tax, and a little later, in 1876, a direct Real Estate Tax. British Columbia, almost from the moment she entered Confederation derived a large part of her revenues from the development of her natural resources - public lands, timber limits, mines, fisheries, etc.; but in Manitoba and the other Prairie Provinces, the natural resources have been managed by the Dominion Government and many of these resources have been permanently alienated; and in lieu of them or the profits arising from their development, each of the three Prairie Provinces has been given an increased Dominion subsidy. At present these Prairie Provinces are trying to recover their remaining natural resources, and to obtain compensation from the Dominion for the resources that have been alienated, but the Dominion Government seems very unwilling to surrender them.
Alberta has almost succeeded in regaining here, at a certain sacrifice to that Province; but Manitoba and Saskatchewan have rejected the terms offered them, and in a recent speech Premier Dunning of Saskatchewan said that Saskatchewan prefers the cash subsidy in lieu of lands, to the resources which are left, as he considers the remaining Saskatchewan natural resources as of very little value to either Government.

The result of these different systems of handling natural resources in Western Canada is that British Columbia has a much more elastic and complex system than her sister Western Provinces, Manitoba, Saskatchewan and Alberta. While British Columbia thus benefits greatly by having control of her natural resources, she receives a much smaller Dominion subsidy than the other Western Provinces; and it is very much smaller proportionately to her total provincial revenue than are the Dominion subsidies in the other Provinces relatively to their total provincial revenues.

Elasticity is a desirable characteristic of a good revenue system; and a good revenue system should be such as will provide a self-acting increase in the revenue in proportion as wealth, population and the demands of governmental expenditure increase. British Columbia years ago introduced the Provincial Income Tax. Within the last few years Manitoba has also introduced the Provincial Income Tax, and both Provinces find that from the standpoint of elasticity it is a most convenient system of taxation. One of the cardinal axioms of taxation is that the tax levied should be in accordance with ability to pay, and a properly graduated Income Tax does this. It is also certain
convenient and economical, and so fulfils our modern conceptions of what a just and equitable tax should be.

But an elastic revenue system and particularly one that grows by leaps and bounds in times of prosperity, through the exploitation of the public domain, may not be the very best thing for the state, especially in the absence of sound principles of public expenditure. Western Canada in the past five or six years has learned, through bitter experience, that good finance consists more in the proper spending than in the collecting of revenue.

All over Western Canada there are striking examples of hasty and ill-considered expenditure of public funds, especially in the construction of highways, and in extravagant city, town and village improvements, in which public funds were scandalously squandered, generally in providing for needs of a remote and uncertain future. Public utilities have been constructed, and improvements carried out, on such a vast scale, that the mere upkeep of these is now felt to be an unbearable burden. To discount the future at a low rate is the characteristic mark of the provident individual or community. But it is possible for bodies to discount the future at a rate altogether too low, when they are dealing with the funds of the taxpayers.

SOURCES OF PROVINCIAL REVENUE:

The sources of Provincial Revenue are:

(a) Special sources which include the Dominion subsidy,
    School lands and Provincial lands;
(b) Sources under which there are equal expenses for upkeep, etc., such as interest, telephone rentals, licenses and other local revenues;

c) Taxes derived from certain amusements, corporations, etc., including succession duties, Insurance Act fees, corporation, railway, automobile, and public amusement taxes;

d) Taxes by direct levy on the whole Province, which include Municipal Commissioner's levy, Unoccupied Lands Tax and Patriotic Fund levy.

Besides the above mentioned taxes, Manitoba has added a Provincial Income Tax and a tax of three cents a gallon on all gasoline used in the Province except when used by farmers in gas-engines, on farms, in the production of crops.

Any one having a knowledge of the early history of Manitoba is aware that almost from the time that Manitoba entered Confederation, and for many years afterwards, claims for more equitable consideration by the Dominion authorities were urged upon the latter, in order to provide for the pressing necessities of the Province. It was not long after the responsibilities of local self-government were assumed that it became evident that the revenues derived from the Dominion Government were entirely inadequate for the requirements of the Province. This condition became more and more acute as time passed, and it was only by the greatest struggle that conditions could be met and Government maintained. While the Province increased rapidly in population, causing greater demands upon the exchequer, the revenues, except for meagre additions thereto, from
license receipts, were practically at a standstill, and at all times insufficient to satisfy the actual necessities of responsible government.

To a very limited extent the revenue or subsidy from the Dominion Government was slightly augmented at infrequent periods, yet at all times and for many years the financial position of the Province was most unsatisfactory; and the energies of successive governments were severely taxed to meet the ordinary and reasonable demands of the people.

Up to the time when certain financial adjustments between the Provincial and the Dominion Governments were arrived at in the year 1913, - when the boundaries of the Province were extended to Township forty-four, Northward to Hudson's Bay, - the relations of the Province with the Dominion were most unsatisfactory, and in so far as affecting the former, most unjust, when viewed in the light of the treatment that was extended to the other Provinces.

The whole of the relations between the three Prairie Provinces and the Dominion will be subjects for negotiations and corrections in the future. In the meantime and until this shall take place, the annual provincial subsidies to the Provinces referred to, from the Dominion, will continue to be, as they now are, of a limited and contracted character.

The Dominion subsidy to Manitoba for 1918, including the amount allowed for interest on the school lands' fund, amounted to $1,760,035.00. In 1919 it was $1,470,991.37, while the amount received from school lands was $541,603.32.
making a total subsidy for 1919 of $2,012,594.69; while the
total revenue of the Province for 1919 was $10,482,471.84,
and the total expenditure for 1919 was $10,942,608.65, leaving
a deficit for that year of $460,356.81.

The expenditure of the Province on Consolidated
Revenue account by ten year periods from 1873 to 1919 inclusive,
was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1873</td>
<td>$138,657.73</td>
</tr>
<tr>
<td>1880</td>
<td>146,271.91</td>
</tr>
<tr>
<td>1890</td>
<td>1,031,641.70</td>
</tr>
<tr>
<td>1900</td>
<td>1,437,687.68</td>
</tr>
<tr>
<td>1910</td>
<td>3,234,941.36</td>
</tr>
<tr>
<td>1919</td>
<td>10,942,608.65</td>
</tr>
</tbody>
</table>

The statement following shows the nature and
extent of expenditures relating to certain objects for five
year periods from 1909 to 1918 inclusive:

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Education and Immigration</th>
<th>Aids to Municipalities and Public Works</th>
</tr>
</thead>
<tbody>
<tr>
<td>1909</td>
<td>$267,322.83</td>
<td>$430,409.25</td>
<td>$149,785.93</td>
</tr>
<tr>
<td>1914</td>
<td>422,634.99</td>
<td>724,650.40</td>
<td>459,998.50</td>
</tr>
<tr>
<td>1916</td>
<td>583,015.39</td>
<td>1,371,485.00</td>
<td>249,904.21</td>
</tr>
</tbody>
</table>

Below is given the population of Manitoba in
the year 1870 and at periods of ten years since according to
the compilations of the Dominion Census:

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870</td>
<td>13,000</td>
</tr>
<tr>
<td>1880</td>
<td>65,954</td>
</tr>
<tr>
<td>1891</td>
<td>152,506</td>
</tr>
<tr>
<td>1901</td>
<td>255,211</td>
</tr>
<tr>
<td>1911</td>
<td>461,630</td>
</tr>
<tr>
<td>1921</td>
<td>610,118</td>
</tr>
</tbody>
</table>
The foregoing statements will give a fair outline of the growth and the responsibilities of the Province since its union with the Dominion in 1870. The population of 12,000 in 1870 was composed largely of French Metis, and this population had in 1916 increased to 553,850, and in 1921 to 610,118, mostly of British or Canadian extraction, with some foreigners from Central and Southern Europe, as well as many former citizens of the United States.

While the population increased from 12,000 to 553,850, the annual expenditure of the Province increased from $138,657.73 in 1873, to $7,307,727.61 in 1919, and to $10,823,340.88 in 1924. Just take, for example, one item of expenditure alone. In 1873 the expenditure for Education was $5,346; while in 1919 the expenditure for the same purpose was $1,371,485, and in 1924 it was $2,063,755.

For the past fifteen years the annual increases of expenditure for Agriculture, Education and Aids to Municipalities and Public Works, are most significant. In 1909 there was expended for Agriculture $267,332.53; for Education and Immigration $450,409.25; and for Aid to Municipalities and Public Works $149,785.93. In 1918 these expenditures were: For Agriculture $503,015.39; for Education and Immigration $1,371,485; for Aid to Municipalities and Public Works $249,904.21; a total of $2,206,404.60, or $1,358,675.39 increase over 1909. In 1920 these expenditures were: For Agriculture $937,322.00; for Education and Immigration $1,347,022.57; and for Aid to Municipalities and Public Works $324,966.41, or an increase over 1918 of $1,103,506.26.
that no matter how one may view this subject, the fact is
evident that the requirements of the Government are steadily
increasing, and can be met only by supplementing the revenues
of the Province by means within its constitutional authority
to do so, or else by making drastic cuts in the Provincial ex-
penditures, or by both means.

The question with which an investigator is met
is this: If the total Dominion revenue received by the Province
is, approximately, two million dollars annually, and the expendi-
tures are nearly ten million dollars annually, how is the differ-
ence derived? It is made up largely of Land Titles and other
fees, fines, corporation taxes, including railway, amusement
and automobile taxes, and the Municipal Commissioner's levy;
also, lately, from the Provincial Income Tax, the Gasoline Tax,
and the profits from the sale of liquor under Government Control.
All these taxes are imposed strictly within the rights given
to the Province by the British North America Act and follow
practically the same lines as prevail in the other Provinces.

The Province of Manitoba, therefore, for all
purposes of effective government, - which includes general adminis-
tration; the maintenance of, and grants to, public institutions
affording, and advancing education; the dispensing of chari-
table grants; the development and fostering of local industries;
the care of public health; aid to municipalities; and many
other kindred objects of essentially public character, - must
have the required revenue.

If the Government of the country, owing to lack
of adequate revenue, cannot be substantially and successfully carried on, then all our efforts are in vain, to so develop Manitoba that it shall afford contentment and security to the people here, and yet to come, and to make it, as Nature intended it to be, the greatest area for agricultural and other industries on the North American Continent.

Manitoba has passed through many vicissitudes and its financial responsibilities have been many and onerous, and the time is at hand for the people of the whole Province to realize that the necessary financial support must be extended to the Government to enable it to successfully "carry on" and to provide for the essential requirements of the people. In no other way can this be accomplished until the period arrives that further substantial recognition of the claims of the Province are acceded to, and given effect by the Dominion authorities. There is no open sesame in the matter of dollars and cents. The age is a practical one, and vastly different from that mythical age when song and story held full sway.

In considering the benefits derived from Government expenditure it must be borne in mind, and admitted, that such expenditure ensues to the public advantage. A greater appreciation of this fact is desirable. For instance, every dollar expended, whether it be for one purpose or another, is of a public character and of general benefit. Such expenditure as is made in rural communities for roads, bridges, education, charitable and benevolent grants, cheese and dairy objects, public health and many other purposes, all tend or eventually
will tend towards the advancement and upbuilding of urban centres. Without settlement and industry in rural parts the cities and towns would, to all intents and purposes, be non-existent, or incapable of progress. Similarly, public expenditure of many varieties in urban communities benefit the rural parts, resulting in public good, and tending towards the development and welfare of all the units. The one relies upon the other. The benefits are too broad to be narrowed or circumscribed. All must, therefore, assume the attaching responsibilities.

In the early history of the world the only aim of government was security and defence; but, as civilization advanced, private property developed, interchange of commodities increased, various classes of society differentiated, and old sources of revenue became no longer adequate, and so the need for greater revenues arose. At present the people everywhere are demanding as a right, at the hands of the Government, more attention to all matters concerning the public welfare. Expenditure for the developing and fostering of industry and commerce, must be made. The need for more and better roads; for improved methods of communication, must be satisfied; education in the most modern and effective form must be provided; public institutions - corrective, preventative and curative - must be erected and maintained; health and sanitary conditions must receive attention; finally, many other classes of expenditure, due to the growth of civilization and modern conditions, and the recognition in legislation of the preventative as
against the repressive principle, are rendered absolutely necessary.

All these new functions of government mean fresh expenditures. These expenditures require increased revenue and to obtain this, increased taxation becomes necessary.

Without revenue, organized society would lapse rapidly into confusion and anarchy. No thoughtful person today believes for a moment that government can exist without revenue. Revenue is as essential to the life of the Government as blood is to the life of the human body. We must take a broad view of government expenditure. It cannot be narrowed, or estimated, as to benefits here and there, but deemed to be one expenditure for and tending towards the advancement and promotion of the whole area of governmental jurisdiction.

We, therefore, can have no hesitation in expressing our views, as aforesaid, and further stating that we are satisfied that the Government of the Province, in exercising certain of the provisions of the British North America Act relating to direct taxation, for the purpose of supplementing the revenue of the Crown, to satisfy necessary public expenditure for the public good and welfare, acted within its right; and in so doing, and in the application of such revenues, was and is supported by precedent and reason.

As mentioned above the Provincial Government, in addition to its subsidy in lieu of its public lands, and interest on its school funds, kept at Ottawa - which funds now exceed five million dollars in amount - receives its revenue from certain direct taxes. Therefore, in the concluding
paragraph of this essay on Provincial Taxation, I shall deal
briefly with each of these sources of revenue in turn, and shall
begin with the Automobile Tax.

THE AUTOMOBILE TAX:

This tax has been levied in Manitoba since 1908, when an Act was passed by the Provincial Legislature, to which
there have since been several amendments. The tax at first
fixed upon all motor vehicles was five dollars each per annum,
but this has been increased until a tax, or license fee, of ten
dollars was charged. Then the tax was raised still further,
and was levied on each motor vehicle according to the horse
power of its engine. This was thought to be an unfair method
of levy, and so another change was made, and the tax levied ac-
cording to wheel-base measurement. At the last session of the
Provincial Legislature another change was made, and the Auto-
mobile Tax was lowered although the basis of levy was left un-
changed. To make up the deficit in Provincial revenue caused
thereby a tax of three cents a gallon was levied on all gasoline
sold in the Province, except when sold to farmers to be used only
in gas tractors or other farm machinery used in the production
of crops.

The net revenue derived from this tax, it seems
to me, should, exclusive of the cost of collection, be ear-marked
by legislation for expenditure wholly upon good roads throughout
the Province. So far this has not been done, and the receipts
from the tax go into the general funds of the Province to meet
any or all Provincial expenditures.
In 1908 the revenue derived from this source was $1,900; in 1911 this had increased to $14,500; while in 1915 it had increased to $90,000. After two more years it had more than doubled again, and was $194,697; while the estimated revenue from it in 1924 was $750,000, which is a surprising increase over that of 1917.

THE AMUSEMENT TAX:

This tax is the next of which I wish to speak. As a source of Provincial revenue, it is only in the experimental stage, but bids fair to bring in a considerable sum each year, and as financial conditions improve the amount of tax received will greatly increase in volume. It is levied upon the proper classes in the community, namely, those seeking amusement, and those making profits out of pleasure-seekers. Much time and labor were spent in the preparation of the Act, in the first place, and on details in the application of the intentions of the Act, in the many and varied classes of amusement that have to be dealt with.

The revenue from this tax is derived from two sources, - first, from the man who is making a business of catering to the amusement of the public, and the tax is collected in the form of a direct levy on such places of amusement according to their seating capacity, in the case of theatres; in other cases, such as film exchanges, there is a fixed tax on the exchange, in addition to a license fee of five dollars. This is collected under "The Public Amusements Act", and presents very little trouble or difficulty in collection. Secondly, revenue
is derived under "The Amusement Taxation Act", from persons seeking amusement, and is collected by a tax on the price of admission or fee, paid for the game, or amusement, participated in by the parties paying the tax. There is a certain amount of difficulty in collecting this tax, in some cases, owing chiefly to the different methods of charging the public for these amusements.

In the case of theatres or concerts, or in places where a definite charge is made for a seat, there is practically no difficulty, as a person entering the same pays one fee for his amusement and a certain fixed tax according to the amount of the same, and this can be handled by the sale of tax tickets.

In the case of pool-rooms, the person seeking amusement pays no definite fee to enter, but pays according to the number of games of pool that he plays. Owing to this there is nothing in the nature of a ticket office, and this makes it impossible to collect the tax by sale of tickets. It has to be collected in cash, on a ten per cent basis. We have to rely on the honesty of the proprietor, when he makes his sworn statement of the tax collected. This again presents difficulties, chiefly in urban pool-rooms, as a great number of them are conducted by men with very little education, who keep no books, or accounts, and consequently it is sometimes very difficult to get accurate returns.

The proceeds from this tax are devoted to the general public purposes of the Province, which appears to be the
general practice in other Provinces where a similar tax has been imposed. In 1918 the proceeds from this tax amounted to $134,934.19, while in 1924 it amounted to $230,000.00. The Tax Commission appointed in 1918 recommended the abolition of this tax, but to the present time - 1925 - it has not been abolished, and the revenue from it is steadily increasing.

THE UNOCCUPIED LANDS TAX:

This tax, also called the Wild Lands Tax, is a tax which is imposed on all wild lands not under cultivation to the extent of one-half of one per cent of their assessed valuation. To escape the tax, absentee owners, or non-resident owners, of the land must see that at least twenty-five per cent of their land, or at least forty acres of each quarter section of their lands, are kept under cultivation annually.

This tax was first levied in Manitoba in 1918, and its object was to kill speculation in wild lands, and to promote cultivation of lands of this character. The revenues derived from this tax in 1918 was $137,500, while in 1924 it had dropped to $75,000. This revenue is of a Provincial character and the object aimed at has been to a great extent achieved. This object is not so much the obtaining of revenue as the hastening of the cultivation of large areas in the Province hitherto untouched by the plow. This increased cultivation will lessen the amount of revenue received, but the increase in farm products will be of great benefit to the Province.

THE CORPORATION TAXATION ACT:

This Act was passed in 1900 for the purpose of
supplementing the revenues of the Crown in the Province, and imposed a tax upon the following classes of corporations:—Banks, Private Banks, Insurance, Loan, Land, Trust, Street Railway, Telephone, Telegraph, Gas, Electric Light, and Express Companies. This tax has yielded revenues to the Province since the Act came into force in 1900, as follows:—In 1900 the revenue was $14,708.54; in 1912 it was $115,092.76; in 1917 it was $285,670.18; while in 1924 the estimated revenue was $425,000.00. The revenue derived from this tax is of a purely Provincial character, and is used by all the Provinces for purely Provincial purposes. The power of chartered cities, towns, and villages under the Business Tax Act, to tax various kinds of companies and corporations is in no way interfered with.

The Act from the date of its passing has been applied only to Limited Liability Companies; and the advisability of bringing manufacturing and commercial businesses under the Act might be a subject for consideration. Since its passage, the Act has undergone many changes. Basic principles of assessment have been altered, and added to; and many of the sections dealing with its administration have been changed and added to. If a careful comparison of the methods of taxation of the several classes of companies coming under its scope is made, it will be found that there is a great lack of uniformity in the method of assessment or computation of the tax, as follows: Banks are taxed on their head-office and number of branches in the Province; Gas Companies are taxed a flat rate;
Electric Light Companies are taxed on the population of the city, town or village in which the Company is being operated; Express Companies, incorporated, are taxed on their head-office and branches, in cities, towns and villages; Telephone, Commercial Telegraphs, Loan and Trust Companies are taxed on their gross income; Street Railways are taxed on the mileage operated; Insurance Companies are taxed on the premiums received; Land Companies are taxed on the value of the property held by the Company and on cash owing to the Company; Special Brokers are taxed upon the amount of gross premium charged to policy holders upon all policies secured by them. It will be readily seen that there are nine or ten different methods of assessment, or computation of the tax, which thus easily leads to confusion and complication. Notwithstanding this, as a revenue producer this tax has been a marked success.

THE RAILWAY TAX:

The Railway Tax is a tax levied on the railway corporations whose lines enter or traverse Manitoba. The two main lines affected are the Canadian Pacific Railway and the Canadian National Railway, although the Northern Pacific and the Great Northern Railways are also taxed; but as their mileage is comparatively small, not much revenue is derived from taxing their lines. But regarding the first two lines, the Provincial Treasurer in 1918 issued the following statement:

"The Railway Taxation Act was passed in the year 1900. It provided for a tax to supplement the revenue of
"the Crown in the Province, upon every railway company within the Province, requiring them to pay during the years 1900, 1901 and 1902, a tax of two per cent on their gross earnings, and in each year thereafter such sum as may be determined by the Lieutenant-Governor-in-Council, not exceeding three per cent of their gross earnings. No Company has up to the present, paid more than two per cent of its gross earnings.

"As a bargain was made between the Government and the Canadian Northern Railway Company when it was being encouraged to build railroads throughout the Province, that this tax should not exceed two per cent, the rate fixed by the Lieutenant-Governor-in-Council for all railways was two per cent; but on account of the Canadian Pacific Railway Company putting forward a claim that they could not be taxed upon earnings, on portions of their lines outside of the original boundaries of the Province, at the time they obtained their charter, and contentions that the work involved in dissecting the revenues earned in the Province upon traffic emanating within and terminating without, or emanating without and terminating within, and passing through the Province, would be very difficult and expensive to compile, special arrangements were made with the Canadian Pacific Railway Company from time to time as their revenues or earnings increased; and in order to make the tax on the Canadian Northern Railway Company on an equitable basis with the Canadian Pacific Railway Company their line was also dealt with by special arrangement with the Government from time to time. All other railways paid upon the two per cent basis."
In 1900 the revenue obtained from this tax was $16,000; in 1917 it was $301,586.54; while in 1924 the estimated revenue from it was $525,000.00.

THE SUCCESSION DUTIES TAX:

"The Succession Duties Act", in Manitoba, was passed in 1893. It is a tax on those acquiring property by inheritance, or by will, and usually is progressively graded, either in accordance with the size of the inheritance, or with the degree of remoteness of the relationship between the deceased persons and their beneficiaries, or both. The tax as now understood in most countries is essentially the product of modern democracy, and is to-day found in, and furnishes a large portion of the revenue of the Australian colonies, and Switzerland, where the imposition respecting large estates is very heavy; and in other countries, including America, its development has gone hand in hand with the spread of democratic ideas. It has become engrafted in our own laws, and in other Provinces of Canada, where the revenue derived from the tax, for the most part, may be said to be rather insignificant, and not at all in keeping with what it should be. Why, then, does democracy favor the tax? The answer to this question depends largely upon our viewpoint. If we say that the trend of democracy is towards socialism, the answer would be that democracy is jealous of large fortunes. On the other hand, we hold the view that modern democracies are endeavoring simply to do away with the abuses that have come down to us from the aristocracies of the past, then the Inheritance Tax is the means of equalizing
taxation and of realizing the principle of ability to pay. Because the tax has frequently been urged by those who are opposed to large fortunes, it has usually been overlooked, that it may be defended on purely economic grounds, as a complete harmony with the general principles of equitable taxation.

It must be conceded that the principle of the tax as now recognized is founded on reason and right and is a valid exercise by the state of the power to tax the transmission of property from the dead to the living; for the general rule is, that the tax is not levied upon property but upon the succession, and that the value of the property is merely used to determine the amount of the levy that those receiving the property under and by the laws of succession should and ought to pay for the right or privilege conferred by law.

While the principle of this tax has been everywhere established in the Canadian Provinces, it is very noticeable that there is a lack of uniformity, both in the administrative provisions and in the rates imposed. On this account many difficulties in matters relating to administration are encountered. The rates to be levied should be uniform throughout the whole Dominion, and if this were done the tax would become what at present it is not, a real revenue producer. Only the fringe of its possibilities has been touched, as may be seen by glancing at the rate relating to the more wealthy estates. To overcome this difficulty the rates on estates of high value should be substantially increased, and the following amendments made to the present law:
First, small estates should be taxed at a lower rate than large estates; secondly, widows and children should be taxed at a lower rate than more distant relatives and strangers; thirdly, the tax should be on a sliding scale, so that smaller amounts will be taxed equally in all estates, and surpluses over such amounts will pay higher rates; fourthly, that rates be graded higher on larger estates; and fifthly, that duty be charged on the portion of the estate in Manitoba at a rate to be established on the above principles, based on the total value of the estate no matter where situated.

THE MUNICIPAL COMMISSIONER'S LEVY:

Every year the Municipal Commissioner levies a tax upon all municipalities in Manitoba, to supplement the ordinary revenues of the Province. This tax is known as "The Municipal Commissioner's Levy". The various municipalities of Manitoba are continually seeking aid from the Provincial Government for certain purposes, among others being debenture interest and sinking fund; for maintenance of Court Houses and gaols; for maintenance of hospitals and public health; for soldiers' tax relief; for mothers' allowances; in unorganized districts insurance on district buildings, Court Houses and gaols; and in order that the Government may be able to supply this financial assistance, a levy is made upon every municipality annually by the Municipal Commissioner.

Upon the receipt of the statement or certificate showing the amount duly apportioned upon, or required from, a municipality in each year, by the Municipal Commissioner, the
Clerk of such municipality shall cause a rate to be entered upon the Tax Roll for such year sufficient to produce said amount; and the Council of the municipality shall cause the said amount to be levied and collected in such year with the other sums required for municipal purposes. The same shall be levied and collected in the manner in which other taxes are collected or levied, within the municipality.

It shall be the duty of the municipality and of the Treasurer thereof, to pay over to the Provincial Treasurer the said amount, between the first and tenth day of February in each year; and in case of failure to so levy and raise, or so pay over, the said amount, in addition to any other remedy, it may be collected from the municipality by the Municipal Commissioner in an action of debt, as upon an account stated; and in such action a duplicate or certified copy of such certificate under the hand and seal of the Municipal Commissioner shall be conclusive proof of his right to recover the amount therein stated. Such amount when paid to the Provincial Treasurer shall be expended for the purposes for which it was demanded.

One of the most important of these purposes, as stated above, is for meeting the expenses of the Law Courts. In 1924 the estimated revenue for the year from this tax was $1,401,464.00.

THE PROVINCIAL INCOME TAX:

Besides the above mentioned taxes, the Provincial Government has lately levied a Provincial Income Tax, which
it is estimated will yield annually a revenue of over half a million dollars. The Income Tax Law was passed in 1923, and the first collections under the Act were made for the year 1924. There was considerable opposition to its passage by the business people of Winnipeg, who thought that they were already taxed heavily enough, and the imposition of a new tax would injure business. However that may be, the tax as a revenue producer seems to be a success and to have fulfilled all favorable expectations.

THE LIQUOR CONTROL ACT:

Another important source of Provincial revenue is profits derived from the sale of intoxicating liquors under Government control. In the Spring of 1923 the people of Manitoba, by a very large majority, voted for the repeal of the Liquor Prohibition law, and for the sale of intoxicating liquors under Government control. The Provincial Government thereupon held a session of the Provincial Legislature and passed the Manitoba Liquor Control Act, and set up the Manitoba Liquor Control Commission, with full powers to put this legislation into force. This Commission began its duties in the Autumn of 1923, and the profits from the sale of liquor were over a million dollars per year for the next year. This was a welcome addition to the Provincial revenue, and to the revenue of every municipality in the Province, as half of the net profits from the sales of liquor goes to the Provincial Treasury, and the other half is divided among the various municipalities on a certain fixed basis. The Province collects the whole profit, and the offi-
cials of the Provincial Government attend to its distribution.

This ends my discussion of Provincial Taxation so I shall now pass on to Municipal Taxation in Manitoba.
Chapter III.
MUNICIPAL TAXATION.

In Manitoba, municipalities are formed in accordance with laws passed by the Provincial Legislature. At present there are four chief classes of municipalities, namely, cities, towns, villages and rural municipalities. When a large number of people, - over ten thousand, - are living closely together, as in Winnipeg or Brandon, the municipality is called a city. When the number of people is smaller - over fifteen hundred - the municipality is known as a town. A municipality with still smaller population - over five hundred - is named a village. As the country districts become sufficiently settled they are formed into divisions of quite large areas, known as rural municipalities. As each of these different classes of municipalities has a distinct form of municipal government, I shall deal with each class separately, bearing in mind that the general principles of municipal government extend to them all, and are changed only to suit local conditions and desires.

Under the Canadian system of municipal taxation, the available sources of municipal revenue have been, the Real Property, the Personal Property, or its modern substitute, the Business, the Municipal Income, the Special Franchise and the Poll taxes, and Licenses, and in rural municipalities the Statute Labor Tax. In British Columbia municipalities have the right to levy a Wild Lands Tax, but very few do so. While the Statute Labor Tax still exists in
the rural municipalities of Manitoba, and in the district municipalities of British Columbia, it is really a survival, the wastefulness of which is now everywhere admitted, and its abolition is only a question of time. I shall, therefore, consider, one by one, only those taxes which are levied in Manitoba, for the purpose of producing municipal revenue, and shall begin with the Real Property Tax.

**THE REAL PROPERTY TAX:**

Real property, or real estate, includes land and buildings only, while personal property is taken to include among other things the stock-in-trade of a business, machinery, and the like. If a municipality desires, it may receive permission to impose on personal property, instead of the usual tax based on assessed value, a Business Tax, calculated on the annual rental value of the premises occupied. The taxation of real property, however, in Western Canada, as elsewhere, has always been the financial mainstay of the municipal governments. Abstract reasoning and historical experience both show that real property - land and buildings - is the most appropriate source of local revenue. It is the one form of property which cannot be concealed and cannot be moved; and thus, where different localities have to be taxed at different rates, it stands out clearly as the most convenient object of taxation. Local administration is in this case likely to be more effective, since to the assessment and taxation of real estate a knowledge of local conditions is essential, such as only the municipal authorities are likely to possess. But there are certain forms
of opposition to this form of taxation. First there is a lack of uniformity, or inequality of assessment, and difficulties of Boards of Equalization, in adjusting the assessment, so that each individual shall bear his fair share of the burdens of taxation. Secondly, there is the difficulty of the shifting and incidence of the Real Property Tax.

If it is levied on the building value of the property the owner will, by raising the rent, shift it on to the tenant, and the tenant, if the property is used for business purposes, will shift it on to the customers of the commodity or service supplied. If the owner does not obtain his ordinary rate of profits, the supply of buildings will gradually fall short of the demand, and the rents will rise to cover the tax.

These taxes might conveniently be divided into two main classes, namely, onerous rates and beneficial rates, of taxation. By onerous rates of taxation are meant those rates which yield no compensating benefit to the persons who pay them, an example being that of paying interest on a loan incurred by a municipality for an enterprise which failed and has been abandoned; or of a poor rate levied mainly from well-to-do persons. By beneficial or remunerative rates are meant those rates which yield or confer a corresponding compensating benefit on those who pay them. Such taxes include those specifically for local services, such as exclusively concern the inhabitants of the locality, and which services prove a distinct benefit to the people concerned. Examples of such taxes are those levied for to provide water supply, fire protection, public lighting, drainage, and
the building and maintaining of streets and public highways. Onerous taxes are levied for the more general services of the Province, or for the national interest, and they are of a distinctly burdensome character, from the standpoint of the local tax-payer. Besides those mentioned above, they also include such taxes as those for education, relief of the poor, police protection, care of the public health, and the administration of justice. Between these two classes no rigid line of division can be drawn, but nearly all services are of both local and national interest. The taxes levied to pay for the first kind of services are, however, always spoken of as beneficial taxes; while those levied for the last mentioned purposes are called onerous taxes.

If the Real Property Tax is levied on the site value, the expenditure of the revenue which it yields enhances the differential advantages, and so the rest of the site and the tax is ultimately shifted to the occupier but is not a real burden on him. But so far as the tax on site value is an onerous tax it rests on the owner of the land. No matter whether the tax is levied on owner or on occupier, in the first place, the ultimate incidence is the same. The tax finally rests on the owner. If the owner could throw the tax on the occupier, that would mean that he could exact a higher rent, in which case he would have done so, before.

Again, if owner and occupier together could shift an onerous tax on site value, to the consumer, in the case of business premises, that would mean that they could exact a mono-
poly price, in which case they would have done so before.

On account, however, of municipal authorities having a definite knowledge of local conditions, the taxation of real estate is often considered the best for revenue purposes. Administrative reasons alone, apart altogether from considerations of equity, would be sufficient to account for the tendency to rely for the revenue necessary for the maintenance of local government chiefly upon the taxation of real estate.

But this result, which economic forces have brought about, is also on the whole that which consideration of equity would seem to dictate. For the owners of real property, while by no means the only beneficiaries, are in a very special sense the beneficiaries of local expenditure, much of which goes to increase their ability to pay. In the sphere of local finance the benefit basis of taxation is certainly not to be ignored. The Real Property Tax is often, in a great degree, a beneficial tax, and in so far as this is so it is no real burden on the property owners. This is true, not only of property in land, but of property in buildings, and other improvements. For if municipal expenditure in general tends to enhance the value of urban land it is an essential condition of the value of buildings and improvements. The benefit principle, therefore, affords no justification for the policy of exempting buildings and improvements, and restricting the basis of the real estate tax to the unimproved value of land. Nor can such a policy be better grounded on the principle of ability to pay; for the ability to pay of the owner of a large business, or
residential block, may well be much greater than that of the owner of many vacant lots.

Throughout Western Canada, while land is legally if not always actually assessed at its full value, it has long been the generally accepted policy to assess buildings and improvements, for taxation, at considerably less than their actual value. In Winnipeg they have been assessed at two-thirds of their value, and at a recent session of the Provincial Legislature this was made the law for all cities, towns and villages in the Province.

The basis of assessment in rural municipalities is somewhat different. In rural municipalities it is provided that all lands improved for farming, stock-raising and gardening purposes, shall be assessed at the same value as such lands would be if unimproved. Then follow the provisions that farm residences, and other farm buildings shall be considered as improvements. Farm residences and buildings being included as improvements, are not assessable. The effect of this provision is that no assessment of land of the character above set forth is allowable to a greater extent than what the value of the land would be in a virgin state. The farmer, stock-raiser or market gardener is exempt from assessment with respect to his produce, live stock, farming implements and household effects. The assessment, therefore, really means that a land tax only is levied in rural communities.

The basis of assessment in cities, towns and villages, varies. In Manitoba there are four cities, and as
in no two of them the basis of assessment is exactly alike, I shall deal with the assessment in each separately.

CITY OF WINNIPEG ASSESSMENT:

In the City of Winnipeg the assessment is made by a Board of Valuation and Revision, comprising the Assessment Commissioner and three other persons not members of the Council. Land is assessed at full value, and in some cases at considerably more than its present market value. In assessing land having buildings thereon, the value of the land is set down in one column. In another column is set down the sum which shall represent two-thirds of the value of the buildings thereon. The value of the land, and the said proportion of the value of the buildings, together form the assessment in respect to the property.

A certain class of persons, also coming within the Business Tax provisions of the Act, are assessed for a sum equivalent to the annual rental value of the premises occupied. The tax imposed is six and two-thirds per cent of the amount of the business assessment. Separate rolls are made in each case. Gas, Electric Light, Street Railway, Telegraph and Telephone Companies, are assessed at a flat rate, on the value of their property, based on population of the city, as it increases from time to time. There is no assessment and taxation of Personal Property. Appeals against the assessment are made to, and decided by, the Board of Valuation and Revision, whose decisions are final, except as relating to matters of law, in which cases reference may be made by the Board of Valuation and Revision to a judge of the Court of King's Bench.
CITY OF BRANDON ASSESSMENT:

The assessment of property in the City of Brandon, by special statutory provisions, follows very closely those relating to the City of Winnipeg. The assessment is prepared and revised by a Board of Valuation. Lands are assessed at full valuation, and buildings at two-thirds valuation. A Business Tax is imposed. A limited Personal Property Tax is also imposed upon the owners of horses, cattle and vehicles.

CITY OF ST. BONIFACE ASSESSMENT:

In the City of St. Boniface lands are assessed to a pro rata value. Buildings are considered as real estate, it is provided, so that taxation shall fall equally upon the same. A Business Tax is also imposed, the rate being fixed by the City Council.

CITY OF PORTAGE LA PRAIRIE ASSESSMENT:

In the City of Portage la Prairie, the provision relating to land assessment is that all lands, subject to certain taxes, shall be liable to assessment and taxation. A Business Tax is imposed of a sum not exceeding twenty per cent of the annual rental value of the premises assessed. Gas, Electric Light, and Telephone Companies may be taxed certain specific sums. Horses, cattle and vehicles not kept for business purposes, are subject to assessment and taxation.

THE PERSONAL PROPERTY TAX:

The Personal Property Tax is of small and ever diminishing importance in the fiscal system of Western Canada. In British Columbia, where it is a Provincial tax, it continues to
exist, as it were, under suspended sentence, its abolition having been strongly recommended by a Royal Commission in 1912 and approved by the Government, on the ground of its inequitable incidence and its administrative defects.

In the three Prairie Provinces the Personal Property Tax was formerly in general use as a Municipal Tax; but now it exists only in a very few of the towns and villages of Alberta; in the villages of Saskatchewan; and in certain unincorporated village centres within the rural municipalities of Manitoba.

The reasons for its disappearance are that personal property is elusive; that its basis under modern conditions is no longer local; and that it cannot be effectively subjected to local taxation. There is a general rule in taxation that if a tax can be evaded it ought to be evaded, and this rule is applied to Personal Property taxation without scruple. Intangible property in particular easily escapes taxation; and in the case of tangible personal property there are important exemptions such as household effects, grain, etc.

Thus the productiveness of the tax is not only seriously diminished by practical difficulties of administration, but it becomes grossly inequitable in its incidence. Since it fails to reach the owners of many classes of personal property, the tax falls with excessive weight upon the few that it does reach. In particular it tends to become a burdensome tax on the stock-in-trade of the merchant.

For these and other reasons, especially the fact
that when an effort is made to enforce a tax on personality it results in evasion and deception, the Personal Property Tax has been displaced by the Business Tax, in both Alberta and Saskatchewan, and throughout the urban municipalities of Manitoba it has either been formally abandoned or has fallen in practice into desuetude.

In the cities and in many of the towns and villages its place has been taken by the Business Tax. Where it still survives in Manitoba, in the unincorporated village centres, its displacement by a tax on net profits of business is recommended.

This Personal Property Tax leads to dishonesty for two reasons: First, whole classes of personality are exempt from Provincial taxation, such as the importation of merchandise in original packages, Canadian Government Bonds, notes, cheques; and the temptation for the taxpayer to convert his property temporarily into tax free securities, is irresistible. Not only does the law hold out inducements to individuals to practice fraud, but it sustains them in its commission. Secondly, wherever any pretense of enforcing the law on personality, and especially where the taxpayers are required to fill out, under oath, detailed blanks covering every item of their property, the inducements to perjury are increased so greatly as to make its practice universal. The honest taxpayer would be willing to pay his fair share of the burden, but even he, cannot concede his obligation to pay other men's taxes. When an effort is made to introduce
still more drastic methods by the employment of so-called
tax-inquisitors, the situation becomes worse. The only
result of more rigid execution of the law is a more systematic
and widespread system of deception, and the tax, upon personal
property, becomes a tax upon ignorance and honesty.

THE BUSINESS TAX:

The Business Tax is the substitute in cities and
towns for the Personal Property Tax. Economic theory and fiscal
practice both support the position that the taxation of local
business forms a suitable source of municipal revenue. The
local government by its expenditure helps to provide the economic
environment suitable for business. Indeed, a great part of
municipal expenditure is directed towards the protection and
promotion of business. Therefore, under a sound system of
municipal finance, business taxes are really beneficial taxes,
which are no real burden to the dealer or merchant. Urban
municipalities are really economic unions, and the local govern-
ment is really a partner in every industrial concern, and as
such, is entitled to share in the profits of the business, in
return for the contribution it has made to establish and main-
tain that business.

The Business Tax is in no sense a new form of
taxation. It has been in existence for quite a few hundred
years. The earliest form of this taxation is found in licenses
for trade, so common in earlier times. Traders at first were
supposed to pay the import and export duties imposed on their
commodities, and besides, were subjected to duties for pursuing
their particular avocation. The whole mediaeval system of
commerce placed certain burdens on those engaged in industry.

In France the Business Tax was introduced in
1791 as one of four principal direct taxes or imposts on product.
Since that time this tax has been often amended, and at present it
applies to all occupations and professions not expressly exempted,
and is designed as a tax on the profits of business. The French
system of taxation is built up entirely on the idea of substitut-
ing known for unknown factors, and while it has certain disadvan-
tages in that it does not attain the ideal of precise approxima-
tion to the exact conditions of the individual, it possesses the
advantage of avoiding the haphazard guesses and arbitrary esti-
mates which are almost inseparable from democratic administra-
tion of personal or individual valuations. The charge per unit
is fixed, but the total yield is uncertain, and it is a national
rather than a municipal tax.

In Germany the Business Tax dates back to 1810,
but it was radically modified in 1891 when the basis of classifi-
cation of business was made either the annual earnings of the
business or the capital employed, the rate of tax in either case
being graduated with reference to annual earnings.

Business taxes are as old as organized business.
They are all but universal throughout the world, and show no
tendency to disappear with the passage of time. There are
hundreds of them in the United States. In the municipalities
of Western Canada, at present, three different species of Busi-
ness taxation are in operation; first, the rental value tax,
at a uniform rate per cent; secondly, the rental value tax,
with classification of businesses and at a different rate for each class; thirdly, a tax based on floor space measurement, with classification of businesses and a different rate for each class, per foot of floor space occupied.

None of these seem to be entirely satisfactory, and it seems to me that a better way would be to levy the business tax on the net profits of the business. However, in the following pages I shall discuss these forms of taxation, one by one, beginning with the Rental Value Tax at a uniform rate.

**RENTAL VALUE TAX AT A UNIFORM RATE:**

This species of tax has long been in use in the urban municipalities of Manitoba. The break-down of the Personal Property Tax is admitted everywhere. Very early in the history of Manitoba it gave rise to serious inequalities. Owing to its failure to reach all classes of personal property it fell with excessive weight upon those that it did reach, and in particular it became a burdensome tax on the stock-in-trade of the merchant. So in 1893 it was abandoned by the City of Winnipeg and in its place a Business Tax such as already existed in Montreal and Quebec, was substituted. It was not, however, based as in those cities on the rental value of the premises. At first the tax rate was the same as the tax rate on realty, and was levied on an assessment of capitalized annual rental value of the premises occupied; and the assessment of the capitalized rental value was determined by taking into consideration a combination of floor space and rental values with different rates per square foot, according to the class of business.
The principle of floor space measurement was introduced to meet the objection that under a system of rental value only, the wholesale merchants would escape lightly, compared with the retail merchants. But in practice it was found to result in a tax which had no perceptible relation to either the amount of capital invested, or to the net profits of the business. Accordingly, after the year 1906 it was discarded in favor of a tax on rental value. In 1907 the City Council procured legislation enabling it to impose a tax at the uniform rate of eight and one-third per cent of the annual rental value of the business premises occupied; but this gave rise to certain difficulties in connection with assessment, and lasted only one year. The Hippers Commission, in 1908, reported in favor of rental value, as the proper basis for business assessment, and against discrimination in the tax rate between different classes of business. Accordingly, in 1909 the present tax rate of six and two-thirds per cent on the annual rental value of the premises occupied, was introduced. The flat rate rental value tax now exists in all four Manitoba cities - Winnipeg, Brandon, St. Boniface, and Portage la Prairie. In Brandon, which adopted it in 1900, the present maximum legal rate is fifteen per cent; and in Portage la Prairie it is twenty per cent. In 1906 an Act of the Legislature made this tax available to all towns and villages of the Province, and it has been generally adopted. The present maximum legal rate is fifteen per cent of the annual rental value of the premises.

RENTAL VALUE WITH CLASSIFICATION:

The second species of Business Tax - the Rental
Value with Classification - is now in use in Alberta cities.
In 1917 Edmonton obtained authority to levy a tax not exceeding six per cent of the full annual rental value of the premises; and in 1918 this was amended so as to make it a tax on a graduated scale running from six to twenty-five per cent of an assessment of the rental value, according to the class of business.

Similarly, Calgary, which in 1915 had secured an amendment to its Charter, abolishing the Personal Property Tax, and substituting for it a Business Tax at a uniform rate not exceeding six per cent of the rental value, had this altered in 1918 to a rate of not less than six and not greater than ten per cent.

The Council has authority to fix by By-Law a different rate per cent for different classes of business on which the taxes are respectively six, eight and ten per cent.

FLOOR SPACE MEASUREMENT WITH CLASSIFICATION:

The third species of Business Tax - that which combines the principles of floor space measurement with classification of business - is in use in the cities and towns of Saskatchewan. This system was introduced in 1904, when Edmonton was incorporated as a city, and lasted until 1911 when it was supplanted by the Single Tax System. The superiority of the Edmonton system over the old Personal Property Tax led to its adoption in 1906 by the cities of Regina and Saskatoon; and in 1908-9 legislation was passed by which the system was extended to all the cities and towns of Saskatchewan. In 1919 the Business Tax in Regina represented nine and one-half per cent of the total tax levy.
The Business Tax in any of these three forms is greatly superior to the Personal Property Tax; but none of these are anything but rough approximations to an equitable tax. Under
the Edmonton system as now followed in Saskatchewan, the differentiation between classes of business and the adjustment of the different assessment rates are purely arbitrary processes. The
tax fails to conform to the principle of ability to pay, because it falls alike on the prosperous and the decaying businesses; on businesses in the centre of the city and in the outskirts, if only they belong to the same schedule, and occupy the same floor space. Besides this, there is no uniformity in the systems of classification adopted in the different cities and towns. Each has its own business assessment schedule and the consequence is not only a reasonable inequality in the tax rates, but a wholly unjustifiable inequality in the assessment of the same type of business in different places.

On the other hand, the Winnipeg system, now general throughout the urban municipalities of Manitoba - that of a uniform rate on the assessed annual rental value - is admitted to operate inequitably in the large centres at least, as between those engaged in different classes of business, and in particular to favor the wholesale merchant as compared with the retail trades.

This objection may be lessened, but not removed, by differentiating between different classes of business, as is done in Alberta cities; for the differentiation is inevitably an arbitrary process in which to attain anything approaching equity clearly passes the wit of man. But apart from this, the
tax based on rental value is open to serious objection from the fiscal standpoint. It lacks elasticity, for it cannot be varied as the profits vary, and it thus fails in productiveness. Of the general tax revenue in 1919 in Winnipeg, only about six per cent was collected from the Business Tax.

Rental value, floor space measurement, and similar devices, are simply adopted as external indices of the net profits of business, taken as the measure of fiscal obligation. Such external signs at best are but poor guides to the average profits of any class of business, and no guide whatever to the profit earned in any individual enterprise. Such imperfect signs are usually abandoned when their defects are considered; and the Business Tax is levied directly on the net profits of the business.

Besides the above mentioned business taxes there is also statutory provision for the imposition of a special tax on the owners of lumber yards; also for a special tax on the owners of horses, cattle and vehicles not kept for business purposes; and for the taxation of Telephone, Telegraph and Electric Light Companies, on the value of their personal property; and also on certain occupations and professions.

The rental paid is not an exact index of the prosperity of the business, but it is as close an approximation as the Personal Property Tax. The assessment of the stock-in-trade, proceeds on the assumption that the larger the stock the more prosperous the merchant. The business rental assessment proceeds on the assumption that the larger the stock the greater will be the stock required, and therefore the higher the rental;
and while the business rental tax is not inferior to the stock-in-trade tax, in theory, it possesses the advantage of working automatically instead of spasmodically or not at all. It can be collected easily, certainly, and without due inquisition, and with reasonable fairness. While this Business Tax may not always be a correct measure of the proper contribution to public revenue, it is so far superior to the old haphazard Personal Property Tax that in the Canadian Provinces, where the system has been long in vogue, no one desires a return to former conditions.

It is true that the Business Tax is much superior to the Personal Property Tax, but it is far from being a satisfactory tax. While it works fairly satisfactory as far as operation is concerned, it does not produce the revenue necessary for requirements as a supplement to the tax on land and buildings; and in many cases it works very unjustly and inequitably as between those engaged in certain classes of business, noticeably the retail merchant as compared to the wholesale merchant, and fails to adequately reach many persons in the community. The retail merchants by the nature of their business are compelled to occupy highly rented premises, on the leading thoroughfares, while the wholesale merchants, although doing a much larger business, may rent buildings in a part of the city where rent is much lower, and so earn relatively much higher profits.

The rental value tax has the further serious defect that it fails in productiveness. Relying on an external index of business profit, it cannot be made to vary as the profit varies, and, therefore, cannot be levied at a high rate without
the risk of seriously aggravating the existing inequalities incidental to its character. To avoid the defects the Tax Commission appointed by the Manitoba Government in 1918 made the recommendation that the Business Tax should be levied on the net profits of the business for the following reasons: First, such a tax is highly productive and wholly practicable; secondly, this basis satisfies, not only our sense of equity but affords the best test of the benefits which the tax-payer derives from the community; thirdly, the criticisms that it is inquisitorial, makes possible the leakage of trade secrets and confidential business information, and is likely to be evaded, are not confirmed by actual experience. These statements simply are not true of a sane tax formulated in the spirit of reasonableness, and reasonably well administered; fourthly, the committee appointed by the National Tax Association, after exhaustive discussion, recommended that the Business Tax should be levied upon the net income derived from the business carried on within the state levying the tax.

But there are disadvantages of other business taxes. Rental value is difficult to estimate, and bears no relation either to the benefit derived by the tax-payer from government activity or to the ability of the tax-payer to pay. Secondly, as to a tax on gross receipts, unless the rate be kept very low it becomes necessary to adopt different rates for different classes of business, and this is likely to involve class conflict, and bring grave political difficulties; and a tax on gross receipts, if many different classes with different rates be adopted, is not easy to administer.
For these reasons it is recommended that the substitution in the urban municipalities in the Province, of a Business Tax levied on the basis of a fixed percentage of the net profits of the business, for the present Rental Value Tax, of business, and for the Personal Property Tax, when it still exists, the percentage to be charged being fixed by the Legislature of the Province.

THE MUNICIPAL INCOME TAX:

Such a tax does not exist in Manitoba at the present time, nor is it likely to be levied for many years to come. In its stead there is a Provincial Income Tax which was first enacted by the Provincial Legislature in 1923 and first levied for the year 1924. As this tax is already dealt with under Provincial Taxation in the preceding pages, I shall give it but scant discussion here. Ever since it has been levied the various municipalities have been trying to induce the Provincial Government to share its revenues with them, but so far have been unsuccessful, and their chances of receiving any of its revenues at any time seem very remote.

Alberta and Saskatchewan have tried out the experiment of a Municipal Income Tax, but they find it yields very little revenue, and is unsatisfactory. A Municipal Income Tax under local administration is always open to objection. In Saskatchewan, besides other objections, the law allows those assessed and taxed in respect to land and buildings to set off their Real Property Tax against their Income Tax, and no person assessed on any business or special franchise is to be assessed
on the income therefrom. The Municipal Income Tax thus in practice becomes reduced to a tax on salaries, and even then, no adequate machinery has been prepared by law for its assessment and collection.

**THE SPECIAL FRANCHISE TAX:**

The income derived by the cities of Manitoba from the taxation of special franchises, is greatly restricted by the extent to which the policy of municipal ownership and operation of public utilities has been adopted, notable exceptions, however, being the Winnipeg Electric Railway, and, in Vancouver, the British Columbia Electric Railway. There appears to be much force in the argument that the price charged for the use of a municipally owned utility should be such as will cover its fair share of municipal taxation.

**THE POLL TAX:**

The Poll Tax still exists as a municipal tax in Manitoba and Saskatchewan. It is approved by some people on the ground that it compels everyone to contribute something towards the municipal revenue. But its enforcement in any year is at the discretion of the Council, and in most cases it is not considered worth the trouble of collection. It is really a survival from by-gone economic ages, and its abolition has been recommended by the Manitoba Tax Commission. It provides that all male persons in municipalities, between the ages of twenty-one and sixty, not assessed, and whose taxes do not amount to four dollars a year, are liable for the payment of a Poll Tax of four dollars. The Assessor prepares a list showing the
persons liable for Poll Tax when making the general assessment of the municipality. The time for payment of the tax is fixed by By-Law of the Council. The Assessor may at any time after the return of the Poll Tax Roll add any omitted, and also names of new residents in the municipality. In my opinion this form of tax should be abolished as soon as possible.

THE LICENSE TAX, OR LICENSES:

With regard to licenses it may be said that in general the consideration of revenue from this source has, until lately, played a subordinate part to that of police regulation, and the protection of the public.

In no case have the licenses yielded more than a very small fraction of the municipal revenue. But the financial situation of some cities in Western Canada which has tried other forms of taxation, has caused them to return to the license system of taxation, and they have linked licenses up with Business taxes, the one being set off against the other and the heavier being taken.

In Manitoba, hotels, pool halls, drays and several other businesses, are still licensed; but the revenue derived forms a very small percentage of the total municipal tax. All municipalities are given the power to impose license fees for certain local purposes.

THE STATUTE LABOR TAX:

The law of Manitoba provides that every person assessed in a rural municipality for a property not exempt from taxation, and not otherwise exempted, shall be liable to perform
statute labor on the basis of the assessed value of property as follows: On an assessment not exceeding two hundred dollars, one day statute labor; on an assessment from two hundred to five hundred dollars, two days statute labor; and one day for each additional five hundred dollars or fraction thereof. In lieu of performing statute labor the same may be commuted at the rate of two dollars per day. Statute labor is required to be performed within three miles of the property liable to the tax; and all commutation monies are required to be expended within the township or parish in which the property charged is situated, or within six miles thereof, by the nearest public road. This form of taxation has been authorized by our municipal laws, ever since the establishment of municipal institutions in this Province.

This principle of taxation is a relic of the past and should be abolished in this Province. Instead of this tax the Council of a rural municipality should be given the power to levy a limited amount annually against all rateable property in the municipality for expenditure on road improvements in such portions of the municipality where road improvements are most needed. The authority which exists to divide rural sections into "Road Beasts" presided over by indifferent pathmasters to supervise the involuntary efforts of many rate-payers, is certainly not of a character to produce results. Waste of money and effort to a very large extent are about the only things accomplished by the prevailing statute labor provision in rural municipalities, and therefore, this form of taxation should be abolished. A few
years ago many municipalities gave up levying a Statute Labor Tax, and instead voted debentures for large sums of money supposed to be spent by contract for good roads, their expenditure being supervised by the Council and Reeve of the municipality. In many cases the money so voted was either recklessly or extravagantly spent, without very many miles of good roads being built. This reckless expenditure of money for good roads, has financially ruined many municipalities, and in the case of other municipalities has made it very difficult for them to meet their other financial obligations, especially their expenditure for schools. At the present time many of the municipalities which did away with their Statute Labor Tax have again restored it.

Having dealt with the various forms of municipal taxation, I wish in the conclusion of this chapter to deal with the basis of assessment in both urban and rural municipalities. The former of these has already been quite fully discussed, so I shall limit this discussion chiefly to rural municipalities.

MANNER OF MAKING THE ASSESSMENT:

All property liable to assessment is required to be assessed for the purpose of taxation at least every second year. The assessment roll is any year may be adopted by the Council as the assessment roll for the next ensuing year, but not oftener. Assessors are appointed by the respective municipal Councils, who, also, fix the amount of their remuneration.

In cities, towns and villages coming under the
general law, the assessment rolls are required to be returned by the first day of March following the making thereof. In rural municipalities it is necessary for assessments to be made between the first day of April and the first day of November in each year, for the next calendar year, and for the rolls to be returned to the clerk of the municipality not later than the thirty-first day of December next following.

Every Assessor is required at least ten days prior to the return of his assessment roll, as aforesaid, to send notices to each person assessed showing the land assessed to him, and the valuation placed upon the same; also the information as to date and place when the Court of Revision will be held, to consider the appeals against the assessment. After the return of the assessment roll, in the case of rural municipalities it is provided that the same shall remain open to the inspection of all parties until the fifteenth day of February, and that all persons desirous of appealing against any assessment must lodge their complaints with the clerk at least ten days before the date of the sitting of the Court of Revision. Due public notice is required to be given as above, and also, as to the date and place of the sittings of the Court of Revision, which is fixed for the first Wednesday in March. The procedure is much the same in cities, towns and villages, except the period allowed for the inspection of the assessment roll, and the date of holding the Court of Revision, vary somewhat as to time. Provisions follow for the revision of the roll, by the Court of Revision, which consists of a quorum of the Council; and also, for appeal from the latter to a County
Court Judge, by any person dissatisfied with the decision of the Court of Revision; also for the revision, amendment and adoption of the last revised assessment roll for the then current year, when a new assessment roll has not been made, in the case of cities, towns and villages; and for the adoption of the assessment roll last prepared and revised, as the assessment roll for the next subsequent year, in the case of rural municipalities.

After the Assessment roll is finally revised by the Court of Revision, if no complaints have been lodged, or by the Judge, after all complaints have been dealt with, it is effective. The Council is then in a position to pass what is called "The Rate By-Law", providing for the several amounts required to be levied against all the rateable property in the municipality, including the requirements for special school purposes. When this step has been taken it becomes the duty of the clerk for the municipality to prepare what is known as the Tax Collector’s Roll, and for the Treasurer to send out notices containing a statement and demand of the taxes due by each person whose name appears on the Collector’s Roll, stating the time when the amounts demanded are required to be paid. The taxes are deemed to be due by all taxpayers, from the date provided in a By-Law of the Council, or if not so provided, then on the first day of October, of the year of the tax imposition. Provisions follow respecting the discounts and penalties, on taxes, and for the collection of the same by distress, suit and tax sale; also as to redemption, in the case of sale, and the disposition of the surplus tax sale monies.
Chapter IV.

EXEMPTIONS FROM TAXATION.

Under the general law all property is defined to include both Real Property and Personal Property, and is liable for municipal taxation subject to the following exemptions: First, Crown, Municipal, Indian and Municipally Exempted Lands; secondly, Educational Institutions, including Public Schools, High Schools, Colleges, Universities, Public Libraries, and the property of Agricultural Societies; thirdly, Public Hospitals, Cemeteries, Churches; fourthly, Household effects and agricultural stock and produce, also, Creameries and Cheese Factories; fifthly, Militia Horses, Ships and certain Railway property which is exempted under the Railway Taxation Act.

For the year 1918 the exemptions from taxation in the four cities of Manitoba were:

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<th>City</th>
<th>Exemption</th>
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<td>Brandon</td>
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<tr>
<td>Portage la Prairie</td>
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<td>St. Boniface</td>
<td>1,668,586.00</td>
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</tbody>
</table>

An analysis of these exemptions will show them to be divided into two main classes, namely, exemptions of land and exemptions of buildings. Of the forty-one million dollars exemptions in Winnipeg, over twenty-one millions are of land and twenty millions of buildings. The exemptions in Winnipeg in 1919 were a little more than one-sixth of the assessed value.

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of the real property of the city. In Brandon the exemptions of land in 1918 were $1,941,842.00, while those of buildings were $2,650,125.00. A further analysis of Winnipeg exemptions shows that a large amount of these exemptions were of property belonging to the Dominion and the Provincial Governments, to various Railway Companies entering the city, and to the City itself. Below is a table of the details of the City of Winnipeg exemptions:

<table>
<thead>
<tr>
<th>Property</th>
<th>Land</th>
<th>Buildings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Churches</td>
<td>$2,062,500</td>
<td>$1,974,500</td>
<td>$4,036,800</td>
</tr>
<tr>
<td>Winnipeg School Board</td>
<td>1,936,500</td>
<td>2,516,950</td>
<td>4,453,450</td>
</tr>
<tr>
<td>City Property</td>
<td>4,783,040</td>
<td>2,691,600</td>
<td>7,474,640</td>
</tr>
<tr>
<td>Provincial Government</td>
<td>1,410,720</td>
<td>2,882,450</td>
<td>4,293,170</td>
</tr>
<tr>
<td>Dominion Government</td>
<td>1,498,560</td>
<td>1,282,350</td>
<td>2,780,910</td>
</tr>
<tr>
<td>Railways</td>
<td>8,595,690</td>
<td>6,706,080</td>
<td>15,301,770</td>
</tr>
</tbody>
</table>

Besides the above there are certain other exemptions for smaller amounts, such as Colleges, Private Schools, Hospitals, etc. Opinions vary regarding the amounts of tax exemptions that should be allowed. Some people claim that the exemptions allowed are too many, and of too large amounts; while others claim the present exemptions are all right and should not be interfered with. Others again, suggest a drastic revision of the whole list of exemptions. The Manitoba Tax Commission appointed in 1918, however, recommended a modification in only two of the existing exemptions, namely, churches and dairies and cheese factories.

In regard to exemption of churches, strong pleas on the ground of eminent public service, have been made on be-
half of the majority of the churches, in favor of maintaining unimpaired their existing privileges in the way of exemption from taxation of their buildings and land. On the other hand, it has been urged on behalf of the Baptist Church, that it is of the essence of religion that it shall be voluntary, that the individual shall be under no compulsion to support the faith and the worship, in which he does not believe, whereas the exemption of church property from taxation involves a grant from all the people of a community, irrespective of their faith, to the supporters of a particular faith.

In a country where there is no State Church, the exemption of church property from taxation is not logically defensible. Nevertheless, in the prevailing state of public opinion, it would be difficult to remove the exemption. It should, however, be shorn of the possibility of abuse, and the exemption of church property in urban municipalities should be limited to the church building itself, and the land on which it stands, which, of course, includes the church yard surrounding the church.

If occasion arises for church property to be sold, at a tax sale, for arrears of taxes, the exempted portion should also be liable to sale, along with the portion not exempted.

Regarding creameries and cheese factories, the Manitoba Tax Commission recommended that the exemption in the case of creameries and cheese factories be restricted to five thousand dollars of the assessed value, and that they shall be taxed on any excess of capital over that limit, and that this provision shall apply to existing creameries and cheese factories.
The Commission also recommended that, hereafter, the power of Municipal Councils by By-Law to grant exemptions for any purpose, be conditional upon the By-Law being first submitted to, and receiving assent of, the duly qualified municipal ratepayers, as in the case of Money By-Laws.

Having investigated and discussed the different phases of Provincial and Municipal Taxation, as well as exemptions from taxation, in Manitoba, I shall conclude my essay by making a few recommendations, which I would like to see incorporated into the tax laws of Manitoba, and shall deal with these recommendations in the next chapter.
CHAPTER V.

RECOMMENDATIONS REGARDING TAXATION.

In discussing so important a subject as Taxation in Manitoba, I feel that I should be doing the subject an injustice if I left it without making certain recommendations regarding taxation, which if adopted by the Government, and enacted into law, would, in my opinion, greatly improve financial conditions in the Province. I, therefore, wish in this, my concluding chapter, to make the following recommendations:

First, that all real property in Manitoba be assessed; land at its full value; buildings and other improvements at two-thirds of their value. Secondly, in the case where land has buildings on it, that the value of the buildings be the amount by which the value of the land is thereby increased. Thirdly, that both the Personal Property Tax and the Poll Tax be abolished, as soon as possible, in all parts of Manitoba, and that instead of the Personal Property Tax, a Business Tax be imposed in all cities, towns and villages. Fourthly, that in all urban municipalities the basis of taxation shall be: (a) the assessed value of real property; (b) business; (c) income; (d) special franchises; and (e) licenses. Fifthly, that the Government grants to Public Schools be increased, and the grants to Intermediate and High Schools, and Collegiate Departments, be greatly reduced, as far as these grants are given for the encouragement of the teaching of High School subjects; and that in lieu of the loss on these grants, the various School Boards of these institutions be permitted, and encouraged, to charge a
system of High School fees, ranging from two and one-half dollars per month, for resident pupils, to five dollars per month for non-resident pupils; also that the building of Consolidated Schools in Manitoba be discouraged, by the complete withdrawal of the Government grant for the payment of van drivers. Consolidated Schools have certain advantages over the one-room school, but the disadvantages overshadow and completely destroy the advantages. The three chief defects are: First, they are too expensive, for the results obtained; secondly, where the van system is in vogue they keep little children too long on the road in cold and disagreeable weather, especially during the months of October, November, December and April, when heating the van is an impossibility; and, thirdly, they encourage too many boys and girls, who are naturally adapted to farm life, to leave the farm, idle their time for three or four years in High School, mostly occupying seat room with no object in life, whatever, in view, and finally, turn them into useless city loafers. These schools, therefore, do more than anything else to destroy the basic industry of Manitoba, which is farming. Our school coach needs to be turned completely around and started on a new road. Our boys and girls adapted for farm work should be encouraged to remain on the farm instead of being continually encouraged to leave it. A good grade eight education is all that is needed to fit them for their duties in life, and this may be obtained in the one-room country school without the country being ruined financially in building expensive Consolidated Schools. Sixthly, that
the exemption of church property in urban municipalities be limited to the church building itself, and the land upon which it stands; and that the exempted portion be liable to be sold, along with the non-exempted portion of the site, for arrears of taxes upon the latter. Seventhly, that "The Succession Duties Act" be so amended as to ensure greater revenues from larger estates. Eighthly, that the annual revenue from automobile licenses and from the gasoline tax be ear-marked for expenditure upon roads constructed under the provisions of "The Good Roads Act". Ninthly, that in connection with applications by municipalities for titles to lands purchased at tax sales, the procedure be simplified and the cost reduced in such cases, in Land Titles Offices. Tenthly, that the Statute Labor provisions of "The Assessment Act" be repealed, and that there be substituted therefor the power, and only the power, to rural municipalities to levy for a limited amount annually against all the rateable property within their respective limits, for expenditure on road improvements, where, in the opinion of the Council, it is most needed. Eleventhly, that the Municipal Council be compelled by law to turn over to the School Treasurers of all schools in the municipality, all monies levied for school purposes. At present this is not always done.
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