

# Milestones in Canadian taxation

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## Segment 1

Before 1650 – The colonial governments collect taxes, usually through customs duties, and send them to the two mother countries, England and France.

## Segment 2

1650 – Louis XIV of France imposes the first recorded tax in Canadian history. It is an export tax on beaver pelts and moose hides leaving his colonies; 50% on pelts and 10% on hides.

## Segment 3

1867 (Collecting) – The British North America Act is passed, allowing the Canadian government to raise money by taxation. For almost 50 years, the federal government uses only taxes such as customs duties and excise taxes to raise the money it needs.

## Segment 4

1867 (Spending) – The Fathers of Confederation divide the governmental responsibilities between the federal and provincial governments. The most expensive areas of responsibility – building railways, roads, bridges, and harbours, become the responsibility of the federal government. The provincial governments assume responsibility for education, health, and welfare.

## Segment 5

1914 – August 4, Britain declares war on Germany. As a British colony, Canada joins the Great War at Britain's side. The pressures of financing World War I result in increasing customs and excise taxes, and soon bring major changes to the Canadian tax system.

## Segment 6

1916 – The Business Profits War Tax Act passes and the federal government begins collecting corporation tax. Although the temporary business profits war tax is not the income tax we know today, it is the beginning of taxation of income by the federal government.

## **Segment 7**

1917 – Due to the increasing pressure of financing the war, the federal government, led by Sir Robert L. Borden, introduces the Income War Tax Act, covering both personal and corporate income. Sir Thomas White, Minister of Finance, says: “I have placed no time limit upon this measure...a year or two after the war is over, the measure should be reviewed.”

## **Segment 8**

1920 – Although the war is over, the federal government introduces a sales tax to help pay for war-related expenses such as veterans’ pensions and debt interest. In 1924 this temporary tax is replaced with the federal sales tax.

## **Segment 9**

1948 – After 30 years, federal income tax is no longer considered temporary and the Income War Tax Act is replaced with the Income Tax Act.

## **Segment 10**

1991 – The federal government replaces the federal sales tax with the goods and services tax (GST). Later, in many Canadian provinces, the GST will combine with provincial sales tax to create the harmonized sales tax (HST).