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EXCISE TAXES:
UNITED STATES, CANADA AND UNITED KINGDOM.

U.S. TREASURY DEPARTMENT.

Division of Tax Research

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This report describes the Federal excise taxes imposed in the United States and compares them with the excise taxes imposed by the central governments in the United Kingdom and Canada. It was prepared during 1943 in the Division of Tax Research for use in connection with legislation concerning Federal excise taxes. The study has been brought up to date as of August 15, 1944, and is now made available for distribution. The sources used in preparing the study are listed in a bibliographical note on page 41.

The report was prepared by Mr. John Copeland, with the assistance of Mr. Arthur Jaffe, under the supervision of Mr. Marius Fariolletti.

Roy Blough
Director of Tax Research

October 1, 1944

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UNITED STATES, CANADA AND UNITED KINGDOM

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EXCISE TAXES:

UNITED STATES, CANADA AND UNITED KINGDOM

I. Introduction

It is the purpose of this study to compare the excise taxes imposed by the central governments in the United Kingdom, Canada and the United States, and to indicate in so far as possible the relative tax rates on the taxed articles and services in the respective countries. 1/ Comparable to the Federal excise taxes of the United States are the duties of excise and some of the customs duties of the United Kingdom. Comparable Canadian Dominion taxes are the duties of excise assessed under The Excise Act, 1934, and its amendments, and the excise taxes and retail purchase tax levied under The Special War Revenue Act. Excluded from the scope of this study are State excises and sales taxes in the United States, Provincial sales and excise taxes in Canada, the Canadian federal manufacturers' sales tax of 8 percent, and the British Purchase Tax. 2/

While no consideration is given to the United States or Canadian customs duties on articles subject to excises, it is necessary to refer to the British customs duties where articles subject to excises are wholly or largely imported. In the United States and Canada, excise taxes or excise duties are imposed on both domestically produced and imported articles and customs duties represent an additional levy upon the imported articles. 3/ The United Kingdom, following a different procedure, limits duties of excise to home-produced goods and taxes imported goods by means of customs duties somewhat higher than the comparable excise duties.

The taxes for all three countries, when not expressed as percentages of selling prices, are quoted as dollar amounts per taxable unit. Conversion of British and Canadian taxes to United States dollars at the levels of the official rates of exchange does not give a completely accurate picture of the comparative level of the taxes because of differences in internal prices in the three countries and wartime controls over exchange rates. Nevertheless, some form of conversion is necessary for British duties, and may be made for Canadian duties. Official exchange rates offer the most convenient first approximation to representative conversion factors.

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- 1/ See appended table for a summary of the comparative rates in the three countries.
 - 2/ See Treasury Department study "Considerations Respecting a Federal Retail Sales Tax," the parts on "Canadian Federal Sales Tax," and "British Purchase Tax," Hearings Before the Committee on Ways and Means, Revenue Revision of 1943, pp. 1095 - 1272.
 - 3/ One exception is the tax on beer imported into the United States. Imported beer is subject only to the customs duty.

In addition to currency conversion and customs duties' problems, there are also other problems of comparability which have precluded exact tax comparisons in every case. The data in this study, however, give a reasonably accurate view of the excise tax structures in the three countries.

The following units of measurement are used:

- Pound = \$4.00
- Canadian dollar = 90.9 cents
- Imperial or Canadian gallon = 277.418 cubic inches
- Wine gallon (standard gallon of the United States) = 231 cubic inches
- Imperial or Canadian proof gallon = 277.418 cubic inches containing 57.1 percent of alcohol by volume at 60° F.
- United States proof gallon = 231 cubic inches containing 50 percent of alcohol by volume at 60° F.
- British hundredweight = 112 pounds

A wine gallon is equivalent to 0.833 Imperial or Canadian gallon, and a United States proof gallon is equivalent to 0.73 Imperial or Canadian proof gallon.

All Canadian specific tax rates are given in terms of Canadian dollars unless stated as being in United States dollars.

British and Canadian tax conversions are rounded to the nearest half-cent for amounts of less than \$1 and to the nearest cent for amounts of \$1 or more.

No reference is made in the text to the years in which the current tax provisions were put into effect. In the case of Canada and the United Kingdom these may be ascertained from the footnotes which give the enacting or amending laws. Since the legal source for the United States tax provisions is the Internal Revenue Code, as amended, originally enacted in February 1939, the dates of the latest changes are not indicated by mere reference to the law. As an aid to the reader, the footnotes indicate both the Internal Revenue Code section and the latest amending Revenue Act.

II. Comparable taxes - United States, United Kingdom, and Canada

A. Admissions

1. General admissions

The United States tax on the amount paid for admission to any place is 1 cent for each 5 cents or major fraction of 5 cents. ^{1/} The actual tax liability under this provision is equivalent to that which would prevail if the tax were 20 percent of the admission price.

^{1/} Internal Revenue Code, sec. 1700(a), amended by Revenue Act 1943, sec. 302. (Hereafter, Internal Revenue Code is abbreviated as I.R.C. and Revenue Act as R.A.) Persons having the permanent use or lease of box seats are taxed 20 percent of the amount for which a similar box or seat is sold for individual performances.

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Entertainments duty of the United Kingdom

Admission charge : (before duty) :		Duty :	Admission charge : (before duty) :		Duty :	Duty as a percent of admission charge	
Over :	Not over :		Over :	Not over :		Lower limit :	Upper limit :
British currency			United States currency			of bracket :	of bracket :

I. Full rates

3d.	5d.	1d.	5¢	8¢	1¢	20%	12%
5d.	6½d.	3/4d.	8¢	10¢	1¢	12%	10%
6½d.	7½d.	1d.	10¢	12¢	2¢	24%	20%
7½d.	8d.	2d.	12¢	13¢	3¢	28%	26%
8d.	8-3/4d.	3d.	13¢	14¢	6¢	44%	41%
8-3/4d.	10½d.	7d.	14¢	17¢	12¢	86%	71%
10½d.	1s.	8d.	17¢	21¢	14¢	80%	67%
1s.	1s.	4d.	21¢	27¢	17¢	83%	64%
1s.	4d.	1s.	27¢	33¢	21¢	78%	64%
1s.	8d.	1s.	33¢	35¢	25¢	75%	71%
1s.	9d.	2s.	35¢	40¢	30¢	86%	75%
2s.	0d.	2s.	40¢	43¢	31¢	79%	72%
2s.	2d.	2s.	43¢	50¢	40¢	92%	80%
2s.	6d.	3s.	50¢	60¢	50¢	100%	83%
3s.	0d.	3s.	60¢	68¢	51¢	86%	75%
3s.	5d.	4s.	68¢	83¢	66¢	97%	80%
4s.	2d.	4s.	83¢	98¢	83¢	100%	85%
4s.	11d.	5s.	98¢	\$1.08	91¢	93%	84%
5s.	5d.	5s.	\$1.08	1.18	\$1.00	92%	84%
5s.	11d.	6s.	1.18	1.28	1.03	87%	81%
6s.	5d.	6s.	1.28	1.38	1.17	91%	84%
6s.	11d.	5s.	1.38		\$1.17 for		
		5s.			the first		
		6s.			\$1.38 and 8¢		
					for each 10¢		
					or fraction		
					thereof over		
					\$1.38		

II. Reduced rates

3d.	11½d.	1d.	5¢	19¢	1¢	20%	5%
11½d.	1s.	3d.	19¢	26¢	4¢	21%	15%
1s.	3d.	1s.	26¢	29¢	6¢	23%	21%
1s.	5d.	1s.	29¢	32¢	7¢	26%	23%
1s.	7d.	1s.	32¢	36¢	9¢	28%	25%
1s.	9d.	2s.	36¢	39¢	11¢	31%	28%
1s.	11½d.	2s.	39¢	41¢	14¢	36%	34%
2s.	1d.	2s.	41¢	45¢	15¢	37%	33%
2s.	3d.	2s.	45¢	51¢	18¢	41%	36%
2s.	7d.	3s.	51¢	56¢	23¢	46%	42%
2s.	10d.	2d.	56¢	63¢	26¢	47%	42%
3s.	2d.	1s.	63¢		27¢ for the		
					first 63¢		
					and 4¢ for		
					each 11¢ or		
					fraction		
					thereof over		
					63¢		

The entertainments duty of the United Kingdom is levied on all payments for admission to any exhibition, performance, amusement, game or sport. There are two sets of duties, designated as reduced rates and full rates. Reduced rates apply "where all the performers whose words or actions constitute the entertainment are actually present and performing, and the entertainment consists of one or more of the following items, namely, a stage play, a ballet, . . . a performance of music, . . . a lecture, a recitation, a music hall or other variety entertainment, a circus or a traveling show." 1/ All other taxable payments for admission, the most important of which are those to outdoor sports and motion picture theaters, are subject to the full rates.

The schedules of British rates are shown in the table on page 3. British duties generally are much higher than the United States tax. In the case of stage plays and concerts, if the admission charge is over 39 cents, the British duty averages one and one-half to two times the United States excise tax. Entertainments chargeable at the full rates, except the very cheapest, are subject to a duty in the United Kingdom two to five times as high as in the United States. For instance, the average admission charge to a motion picture theater in the United States is about 32 cents, upon which the Federal tax is 6 cents, but in the United Kingdom a comparable admission charge would be taxed 21½ cents.

In Canada the excise tax on the amount paid for admission to any place of amusement is 20 percent, 2/ the same, in effect, as the United States tax.

2. Cabarets, roof gardens, and similar places of entertainment

The United States taxes at 20 percent all amounts paid for admission, refreshment, service, or merchandise at any roof garden, cabaret, or other similar place furnishing a public performance for profit. 3/ The term cabaret, etc., covers any public place where dancing privileges or entertainment, except instrumental or mechanical music alone, are afforded patrons in connection with the sale of food, refreshment, or merchandise. 4/

In Canada an excise tax of 25 percent is levied on the charge made to any patron of any place of entertainment. 5/ "Place of entertainment" means any place which offers a combination of any of the following: provision for dancing by the patrons, the sale of alcoholic beverages, or entertainment, ~~except purely instrumental music,~~ by paid performers. "Charge" means any entrance charge or fee, cover charge, charge for meals, services or merchandise, or any other fee or amount collected from or charged to a patron. 6/ In effect, the 25-percent tax applied

- 1/ Finance Act, 1935, sec. 1(3)
- 2/ The Special War Revenue Act, June 1943, sec. 122.
- 3/ Public Law 333, 78th Congress, sec. 3.
- 4/ I.R.C., sec. 1700(e)(1) amended by R.A. 1942, sec. 622.
- 5/ The Special War Revenue Act, June 1943, sec. 134.
- 6/ Ibid., sec. 133 (a) and (d)

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to the total bill paid by a patron of a place of entertainment, so that the taxable charges are similar in the two countries. There are some slight differences, however, in the types of entertainment or sales that create a taxable charge. For instance, provision for dancing in a restaurant which serves no alcoholic beverages and which has only instrumental music would create a taxable charge in the United States but apparently not in Canada. In actual practice both laws produce about the same tax base.

The British have no duty on this type of entertainment unless there is an admission charge, in which case the regular entertainments duty schedule is applicable.

B. Alcoholic beverages

1. Distilled spirits

The excise tax on distilled spirits in the United States is \$9 per United States proof gallon. ^{1/} An additional tax of 30 cents per proof gallon is levied on spirits (and wines) produced by rectification. ^{2/} Neither the United Kingdom nor Canada places a tax on the privilege of rectification.

In the United Kingdom spirits are taxed at the rate of £7 17s. 6d. per Imperial proof gallon, ^{3/} the equivalent of \$23 per United States proof gallon.

The Canadian excise duty on distilled spirits, except brandy, is \$11 per Canadian proof gallon, ^{4/} or \$8.03 (\$7.30 in United States currency) per United States proof gallon. For brandy the duty is \$9 per Canadian proof gallon. ^{5/} This is equal to a tax of \$6.57 (\$5.97 in United States currency) per United States proof gallon.

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- ^{1/} I.R.C., sec. 2800 (a) (1), amended by R.A. 1943, sec. 302. If the product is below proof, i.e., if it contains less than 50 percent alcohol, the tax is \$9 per wine gallon. When above proof, the tax is proportionate to the alcoholic content. The United Kingdom and Canada follow a different procedure and provide that the tax shall vary in proportion to the proof gallon rate for any greater or less strength than the strength of proof.
- ^{2/} I.R.C., sec. 2800 (a) (5). The rectification tax varies in proportion to the proof-gallon rate for any greater or less strength than the strength of proof. Rectification includes a wide variety of processes used subsequent to the termination of the initial production operation to prepare spirits and wines for consumption. The processes are described in Regulations 15, Article XXVII.
- ^{3/} Finance Act, 1943, sec. 2. This rate is applicable to spirits which have been warehoused for at least 3 years. Immature spirits are subject to an additional tax. See Finance Act of 1920, sec. 3(2) and First Schedule, Part III.
- ^{4/} 7 George VI, chapter 9, An Act to Amend the Excise Act, 1934, sec. 41.
- ^{5/} Ibid., sec. 43.

While the above taxes apply to distilled spirits used for beverage purposes, all three countries accord special treatment to distilled spirits used for non-beverage purposes. In the United States licensed manufacturers of food products and medicines for internal use are allowed a drawback of \$6 on each proof gallon of tax-paid distilled spirits used. 1/ Alcohol which has been denatured so as to destroy its character as a beverage and render it unfit for liquid medicinal purposes may be withdrawn from bond tax free. 2/

In the United Kingdom domestically produced spirits used for industrial or scientific purposes, or for domestic heating, cleaning, etc., are exempted from duty, while imported spirits used for such purposes in some instances are subject to a small customs duty. 3/

Distilled spirits used for non-beverage purposes in Canada are taxed at rates ranging from 15 cents to \$1.50 per Canadian proof gallon, 11 cents to \$1.10 (10 cents to \$1 in United States currency) per United States proof gallon, depending upon the purposes for which they are used. For instance, spirits used in the manufacture of chemical preparations designated by the Governor-in-Council are taxed 15 cents per Canadian proof gallon. Spirits used in the manufacture of pharmaceutical preparations and perfumes, however, are subject to a duty of \$1.50 per Canadian proof gallon. 4/

2. Fermented malt liquors

The United States tax on fermented malt liquors is \$8 per barrel of not more than 31 wine gallons. 5/

Beer brewed in the United Kingdom is taxed according to the specific gravity of the worts used. The rates per 36 Imperial gallons of worts are as follows: 6/

Specific gravity of worts:	Duty	
	British currency	United States currency
1,027 degrees or less	£7 Os. 7½d.	\$28.12
Every additional degree in excess of 1,027 degrees	5s. 2½d.	1.04

1/ I.R.C., sec. 3250 amended by R.A. 1943, sec. 309.
 2/ I.R.C., sec. 3070.
 3/ Thirtieth Report of the Commissioners of His Majesty's Customs and Excise for the Year ended 31st March 1939, pp. 18-19.
 4/ 6 George VI, chapter 27, An Act to Amend the Excise Act, 1934, p. 96.
 5/ I.R.C., sec. 3150, amended by R.A. 1943, sec. 302.
 6/ Finance Act, 1944, sec. 1, and First Schedule, Part I.

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In terms of a barrel of 31 wine gallons, the basic rate is \$20.17 and the extra duty for each additional degree of specific gravity is 75 cents.

The British duty on beer comparable to United States beer is about five times as great as the United States tax. Worts used in the manufacture of beer in the United States have a wide range of specific gravities, but apparently the most typical have a specific gravity of 1055 degrees. On this beer the British tax would be \$41.09 per barrel of 31 wine gallons. British beer, however, is lighter than United States beer so that actually the tax on British beer probably is about three and one-half times the American tax. A common British beer uses worts of 1038 degrees specific gravity 1/, upon which the tax is \$28.39 per barrel of 31 wine gallons.

The Canadian duty on beer or malt liquor, brewed in whole or in part from any substance other than malt, is 45 cents per Canadian gallon, 2/ or \$11.62 (\$10.56 in United States currency) per barrel of 31 wine gallons. This type of beer, while constituting a very small part of the total beer produced in Canada, is the type most comparable to the beer produced in the United States, since here both malt and small grains are used in brewing.

Most beer produced in Canada is brewed from malt with only hops added and is taxed on the basis of the malt used. The Canadian duty on malt is 16 cents per pound and on malt sirup 24 cents per pound. 3/ On the usual type of Canadian beer the duty probably is \$8.68 (\$7.89 in United States currency) per barrel of 31 wine gallons. This conversion assumes that on the average 2.1 pounds of malt are used in the production of a Canadian gallon of beer. 4/

3. Wines 5/

a. Still wines

The United States tax on still wines varies according to the alcoholic content. Wines containing not over 14 percent alcohol by volume are taxed 15 cents per wine gallon; over 14 percent but not over 21 percent, the tax is 60 cents; over 21 percent but not over 24 percent, the tax is \$2 per wine gallon. 6/

1/ G. Findlay Shirras and L. Rostas, The Burden of British Taxation, Cambridge, 1943, p. 144.

2/ 6 George VI, chapter 27, An Act to Amend the Excise Act, 1934, p. 97.

3/ Ibid.

4/ Letter of February 9, 1943, from David Sim, Commissioner of Excise, (now Deputy Minister of National Revenue for Customs and Excise), Dominion of Canada. In files of Division of Tax Research.

5/ In the United States in addition to the basic excises on wines, a rectification tax of 30 cents per proof gallon is levied on wines processed or produced in rectifying plants (I.R.C., sec. 2800 (a) (5)). Only a small proportion of the wine output is processed in a manner requiring payment of this tax (See Annual Report of the Commissioner of Internal Revenue for the Fiscal Year Ended June 30, 1943, pp. 169, 184. Hereafter, this report is cited as Annual Report).

6/ I.R.C., sec. 3030(a)(1), amended by R.A. 1943, sec. 302. Wine containing over 24 percent alcohol by volume is classified as distilled spirits and taxed as such.

British domestic still wines are subject to an excise duty of 14s. 6d. per Imperial gallon, 1/ the equivalent of \$2.42 per wine gallon. Most still wines are imported, however, and therefore subject to customs duty rather than excise duty. The customs rates are shown in the following table. 2/

Description of wine <u>a/</u>	:	Duty per	:	Duty per
	:	Imperial	:	wine
	:	gallon	:	gallon
I. Non-Empire products				
Not exceeding 25° proof.....		17s. Od.		\$ 2.83
Exceeding 25° proof but not exceeding 42° proof.....	£l	14s. Od.		5.66
For every degree or fraction thereof above 42°.....		2s.10d.		.47
Bottled, additional duty.....		3s. 6d.		.58½
II. Empire products				
Not exceeding 27° proof.....		15s. Od.		\$ 2.50
Exceeding 27° proof and not exceeding 42° proof.....	£l	10s. Od.		5.00
For every degree or fraction thereof above 42°.....		2s. 6d.		.41½
Bottled, additional duty.....		2s. 6d.		.41½

a/ Proof is Imperial proof.

The Canadian excise tax on wines containing not more than 40 percent of proof spirit is 50 cents per Imperial gallon, 3/ or 41½ cents (38 cents in United States currency) per wine gallon. Wines cannot be fortified to a strength exceeding 40 percent of proof spirit, 4/ that is, an alcoholic content of 22.8 percent by volume.

Because of the differences in the classification of wines the tax rates in the three countries cannot be compared exactly, but the comparison in the following table is fairly accurate.

1/ Finance Act, 1943, sec. 4(1)(b).
2/ Ibid., sec. 3, and Third Schedule.
3/ The Special War Revenue Act, June 1943, sec. 83(1)(a).
4/ Circular No. 220-C, 2nd Revision, September 8, 1938.

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Description of wine	Tax per wine gallon				
	United States	Canada Canadian currency	United States currency	United Kingdom a/ Empire products	Non-Empire products
Alcoholic content:					
Not over 14%	\$.15	\$.41½	\$.38	\$ 2.50 b/	\$ 2.83
Over 14% but not over 21%	.60	.41½	.38	5.00	5.66
Over 21% but not over 24%	2.00	.41½ c/	.38 c/	5.00	5.66

- a/ Wine imported in bulk.
b/ Not over 15.4% alcohol.
c/ Not over 22.8% alcohol.

About 70 percent of the tax-paid withdrawals of still wines in the United States contain over 14 percent but not over 21 percent alcohol. 1/ The tax on this wine is 60 cents per wine gallon. The British tax on comparable wine is generally about eight or nine times as great. The Canadian tax is about one-third less.

b. Sparkling wines

On each bottle or other container of natural sparkling wine the United States excise is 15 cents per half pint or fractional part of a half pint, and for artificially carbonated wines the tax is 10 cents per half pint or fractional part. 2/ These rates are approximately equivalent to taxes of \$3 and \$2 per wine gallon. 3/

The British excise on domestic sparkling wines, whether artificially carbonated or not, is £1 10s. per Imperial gallon 4/ or \$5 per wine gallon. Most wines consumed in the United Kingdom are imported, however, and therefore subject to customs duty rather than excise duty. The basic customs duties vary according to the alcoholic content of the wine and are the same as those for still wines. In addition, a special customs duty is levied on sparkling wines. For non-Empire products the duty is £1 2s. Od. per Imperial gallon, and for Empire products, 15s. 9d. per Imperial gallon. 5/ These rates are respectively equivalent to \$3.67 and \$2.62 per wine gallon.

In Canada the tax on sparkling wines, whether naturally or artificially carbonated, is \$2.50 per Imperial gallon, 6/ the equivalent of \$2.08 (\$1.89 in United States currency) per wine gallon.

- 1/ Annual Report, 1943, p. 177.
2/ I.R.C., sec. 303(a)(2), amended by R.A. 1943, sec. 302. 'If the wine contains over 24 percent of alcohol by volume, it is classified as distilled spirits and taxed as such, with a few exceptions.
3/ The average number of half-pint units per wine gallon is twenty.
4/ Finance Act, 1943, sec. 4(1)(a).
5/ Ibid., sec. 3, and Third Schedule.
6/ The Special War Revenue Act, June 1943, sec. 83(1)(b).

The comparative tax rates in the three countries are given in tabular form below:

Description of wine	Tax per wine gallon					
	United States	Canada	United Kingdom	United States	United Kingdom	United Kingdom
	Naturally carbonated	Artificially carbonated	Canadian currency	United States currency	United Kingdom products	Non-Empire products
Alcoholic content: a/						
Not over 15.4%	\$3.00	\$2.00	\$2.08	\$1.89	\$5.12	\$6.50
Over 15.4% but not over 24%	3.00	2.00	2.08	1.89	7.62	9.33

a/ No differentiation by alcoholic content is applicable in the United States or Canada.

4. Liqueurs and cordials

Liqueurs and cordials generally are considered to be a type of distilled spirits and are taxed as such in Canada and the United Kingdom. In the United States liqueurs and cordials are subject to the taxes on the distilled spirits and wines used in their production, and also are subject to a container fee included in the group of taxes on wines. 1/ If the liqueurs and cordials are prepared from distilled spirits plus certain designated types of wines fortified with brandy made from the same fruits or berries as the wines, the products are subject to two taxes: (1) a container fee or 10 cents per half pint or fractional part, and (2) the taxes on the still wine and distilled spirits contents. 2/ The taxes on still wines and distilled spirits are those previously outlined. 3/ Because of the container fee, which in actual practice amounts to about \$2 per gallon, most liqueurs and cordials are not made from still wines fortified with their respective brandies. Instead they are prepared in one of three ways: (1) from distilled spirits, (2) from distilled spirits and unfortified wine, and (3) from distilled spirits and still wines fortified with brandies made from fruits or berries other than those from which the wine was made. In these cases the finished products are subject to the rectification tax of 30 cents per proof gallon 4/ and the distilled spirits and wines used are subject to the respective taxes on these products. The tax on the distilled spirits is usually the most important element of the tax on liqueurs and cordials, so that the method of taxation in the United States in practice is not greatly different from that in Canada and the United Kingdom.

- 1/ In the United States cordials and liqueurs are defined as products obtained by mixing or redistilling distilled spirits with or over fruits, flowers, plants, or pure juices therefrom and to which sugar or dextrose or both have been added in an amount not less than 2½ percent by weight of the finished product. Regulations 5, sec. 21, class 6.
- 2/ I.R.C., sec. 3030 (a) (2), amended by R.A. 1943, sec. 302.
- 3/ Supra. Brandy used for the fortification of wine is not subject to the distilled spirits tax, but when added to wine is taxed as still wine.
- 4/ I.R.C., sec. 2800(a)(5).

The British excise duty on liqueurs and cordials is the same as the duty on distilled spirits, that is, £7 17s. 6d. per Imperial proof gallon or \$23 per United States proof gallon.

Canada also classifies liqueurs and cordials as distilled spirits and taxes them at the rate of \$11 per Canadian proof gallon or \$8.03 (\$7.30 in United States currency) per United States proof gallon.

Comparative tax rates on these products are difficult to obtain because of the wide variety of effective rates which may occur in the United States. The following example indicates the possible difference in rates. The United States tax on a wine gallon of benedictine, which contains about 44 per cent alcohol, is 26 cents for rectification and \$7.92 for the distilled spirits used, or a total of \$8.18. The British duty on a comparable product is \$20.24 per wine gallon, while the Canadian duty is \$7.07 (\$6.43 in United States currency).

C. Gasoline

The United States Federal excise tax on gasoline is $1\frac{1}{2}$ cents per gallon.^{1/}

Nearly all motor fuel (gasoline and diesel oil) used in the United Kingdom is imported or prepared from imported petroleum. The customs duty on hydrocarbon oils (petroleum oils, coal tar, etc.) is 9d. per Imperial gallon, but there is a rebate of 8d. per gallon on "heavy oil" used for purposes other than fuel in motor vehicles.^{2/} Therefore, gasoline, which is a "light oil," and diesel oil, which is a "heavy oil" but not eligible for the rebate, are subject to the full duty which is equivalent to $12\frac{1}{2}$ cents per wine gallon. Not only is the British tax on gasoline slightly over eight times the United States tax, but diesel oil is taxed. This product is not subject to an excise tax in the United States or Canada.

Alcohol used for making motor fuel is taxed at the same rate as gasoline, 9d. per Imperial gallon.^{3/}

The Canadian excise tax on gasoline is 3 cents per Imperial gallon,^{4/} or about $2\frac{1}{2}$ cents (2.3 cents in United States currency) per wine gallon.

D. Matches

In the United States the excise tax on matches is 2 cents per thousand, excepting fancy wooden matches and wooden matches with a colored stem which are taxed $5\frac{1}{2}$ cents per thousand.^{5/}

^{1/} I.R.C., sec. 3412 (a), amended by R.A. 1941, sec. 521.

^{2/} Finance Act, 1938, sec. 1.

^{3/} Ibid., sec. 3.

^{4/} The Special War Revenue Act, June 1943, sec. 80, and Schedule II.

^{5/} I.R.C., sec. 3409, amended by R. A. 1941, sec. 547.

Matches manufactured in the United Kingdom are taxed as follows: 1/

	Duty
For every 1,000 containers in which there are not more than 10 matches.....	12s. 0d.
For every 1,000 containers in which there are more than 10 but not more than 30 matches..	16s. 0d.
For every 144 containers in which there are more than 30 but not more than 50 matches..	8s. 4d.
For every 144 containers in which there are more than 50 matches:	
For the first 50 matches.....	8s. 4d.
For every additional 5 matches or fraction thereof in excess of 50 matches	10d.
And so in proportion for any less number of containers	

If the containers are filled to the maximum level permitted for each classification, the British duty amounts to from 23 to 24 cents per thousand matches.

The stamp tax on matches in Canada is as follows: 2/

Per package of	Tax
Less than 21 matches	1/5¢
21 to 25 matches	1/4¢
26 to 30 matches	3/10¢
31 to 50 matches	1/2¢
Over 50 matches	1¢ for each 100 matches or fraction thereof

For a thousand matches the Canadian tax is 10 cents (9 cents in terms of United States currency), if the packages are filled to the limit for any one tax class.

1/ Finance Act, 1940, sec. 4(2), and Fourth Schedule, Part II.

2/ The Special War Revenue Act, June 1943, sec. 76(1) and (2).

E. Mechanical lighters

Mechanical lighters sold in the United States are not taxed unless they are made of, or ornamented with, precious metals or imitations of precious metals in which case they are subject to the jewelry tax of 20 percent of retail sales price. 1/

The excise duty on mechanical lighters in the United Kingdom is 2s. 6d., 2/ or 50 cents, per lighter.

Canada taxes mechanical lighters at the rate of 25 percent of the manufacturers' sales price. 3/

F. Playing cards

Playing cards are subject to a United States excise tax of 13 cents for each pack of not more than 54 cards. 4/

The British duty of excise on playing cards is 3d. (5 cents) per pack. 5/

The Canadian excise tax on playing cards is 20 cents (18 cents in United States currency) per pack of not more than 54 cards. 6/

G. Issuance and transfer of stock and bonds

1. Bonds

a. Issuance

For the privilege of issuing corporate bonds and similar securities, the United States imposes a stamp tax of 11 cents on each \$100 of face value or fractional part of \$100 of each bond. 7/

The United Kingdom's stamp tax on the issuance of bonds varies according to the type of security. Registered bonds and debentures are subject to the following duties: 8/

- 1/ I.R.C., sec. 2400, amended by R.A. 1943, sec. 302. Imitations of precious metals include plated ware and alloys of precious metals.
- 2/ Finance Act, 1940, sec. 5(2).
- 3/ The Special War Revenue Act, August 1942, sec. 80, and Schedule I.
- 4/ I.R.C., sec. 1807, amended by R.A. 1941, sec. 531.
- 5/ This rate has been in effect since 1862. Thirtieth Report of the Commissioners of His Majesty's Customs and Excise for the Year ended 31st March 1939, p. 104.
- 6/ The Special War Revenue Act, June 1943, sec. 82.
- 7/ I.R.C., sec. 1801, amended by R.A. 1941, sec. 521.
- 8/ United States Department of Commerce, Company Law and Business Taxes in Great Britain, Washington, 1933, p. 117.

Face value of bond				Duty	
British currency		United States currency		British	United States
Exceeding	Not exceeding	Exceeding	Not exceeding	currency	currency
	£ 10		\$ 40	3d.	\$.05
£ 10	25	\$ 40	100	8d.	.13 $\frac{1}{2}$
25	50	100	200	1s. 3d.	.25
50	100	200	400	2s. 6d.	.50
100	150	400	600	3s. 9d.	.75
150	200	600	800	5s. 0d.	1.00
200	250	800	1,000	6s. 3d.	1.25
250	300	1,000	1,200	7s. 6d.	1.50

For every £100 or fraction thereof in excess of £300 For every \$400 or fraction thereof in excess of \$1,200 2s. 6d. .50

Bearer bonds are liable to a duty sixteen times the basic duty on registered bonds and debentures, that is, 4s. for every £10 or fraction of £10 or 80 cents for every \$40 or fractional part of \$40. ^{1/} Strictly speaking, the above taxes apply to "marketable securities" made or issued by or on behalf of any company or body of persons, corporate or incorporate, whether domestic or foreign. The term "marketable securities" is believed to encompass ordinary bonds and debentures. ^{2/}

Complementing the tax on marketable securities is the duty payable on the issuance of "loan capital," 2s. 6d. for £100 or fractional part of £100. ^{3/} The term "loan capital" refers to funded debt of any type other than marketable securities as well as to mortgages and other similar legal covenants. Unlike the United States tax, which is levied only on corporate bonds, the British tax is applicable to municipal securities and loans.

The basic tax of 2s. 6d. per £100 levied upon loan capital and registered bonds is equivalent to 12 $\frac{1}{2}$ cents per \$100 and is only slightly higher than the similar tax in the United States. But the tax on bearer bonds is equivalent to \$2 per \$100, or more than eighteen times the United States tax.

^{1/} Ibid.

^{2/} The exact scope of the term is unknown because the regulations are not available.

^{3/} United States Department of Commerce, *op. cit.*, pp. 115-116.

Canada does not tax the issuance of bonds.

b. Transfer

Transfers of corporate bonds, including gifts, are taxed by the United States at the rate of 5 cents per \$100 of face value or fractional part of \$100 of the aggregate value of the bonds. ^{1/}

The British stamp duty on transfers, and inter vivos gifts of registered bonds and debentures, that is, "marketable securities," is as follows: ^{2/}

Value of transaction		Duty	
British currency	United States currency	British currency	United States currency
Not exceeding £ 5	\$ 20	1s.	\$.20
" " £10	40	2s.	.40
" " £15	60	3s.	.60
" " £20	80	4s.	.80
" " £25	100	5s.	1.00
For every additional £25 or fraction thereof up to £300	For every additional \$100 or fraction thereof up to \$1,200	5s.	1.00
For every £50 or fraction thereof in excess of £300	For every \$200 or fraction thereof in excess of \$1,200	10s.	2.00

There is no transfer tax on bearer bonds.

The relative level of the United States and British transfer taxes depends upon the relationship between the face value of the bond and its selling price. When a bond of \$1,000 face value is transferred at its face value, the United States tax is 50 cents and the British tax is \$10. If the bond sells for less than its face value, the United States tax does not change, but the British tax decreases; and when the bond costs between \$20 and \$60 the tax is approximately the same in both countries, 50 cents in the United States and 40 or 60 cents in the United Kingdom.

^{1/} I.R.C., sec. 3481, amended by R. A. 1941, sec. 521; Regulations 71, sec. 113.33, 113.63.

^{2/} United States Department of Commerce, op. cit., p. 118.

The Canadian stamp tax on transfers of bonds, 3 cents for every \$100 or fractional part of \$100 of the par value of each bond transferred, is 40 percent less than the United States tax. Transfers of Dominion and Provincial bonds, inter vivos gifts, and gifts to religious, charitable or educational institutions are not taxed. ^{1/}

2. Stock

a. Issuance

Corporate stock (including stock of investment trusts) is taxed in the United States at the time of issuance at the following rates: ^{2/}

Type of stock	Tax
Par value stock.....	11 cents on each \$100 of par or face value or fraction thereof of the certificates issued
No-par-value stock....a)	11 cents on each \$100 or fraction thereof of the actual value of each certificate, where the actual value of each share is \$100 or more
b)	3 cents on each \$20 or fraction of the actual value of each certificate, where the actual value of each share is less than \$100

The British stamp duty on corporate stock is 10s. per £100 of the nominal stock capitalization of the company. ^{3/} The tax is payable upon the registration of a new company or the authorization of an increase in the capital stock of an existing company, and therefore is not strictly comparable to the tax in the United States which is levied only when stock is issued. The British tax also is applicable to the amount contributed by limited partners to limited partnerships. ^{4/} In terms of United States currency the British tax is equivalent to 50 cents per \$100 or about four and one-half times the United States tax on par value stock. ^{5/}

There is no Canadian excise tax on the issuance of stock.

^{1/} The Special War Revenue Act, June 1943, Part VII.
^{2/} I.R.C., sec. 1802(a), amended by R.A. 1941, sec. 521; Regulations 71, sec. 113.33.
^{3/} Finance Act, 1933, sec. 41(1).
^{4/} Ibid., sec. 41(2).
^{5/} No-par-value stock is rarely used in the United Kingdom.

b. Transfer

In the United States, stock transfers, including gifts, are taxed as follows: ^{1/}

Type of stock	Tax
Par value	5 cents on each \$100 of par or face value or fraction thereof of the certificates. If the selling price per share is \$20 or over, the rate is 6 cents.
No-par-value	5 cents on each share. If the selling price per share is \$20 or over, the rate is 6 cents.

Transfers for a consideration and inter vivos gifts of stocks in the United Kingdom are taxed under the same schedule of rates as transfers of registered bonds and debentures.

The United States tax on transfers varies for par value stock according to the par value of the stock and the selling price, while for no-par-value stock the tax varies according to the selling price. The British tax varies according to the actual value of the transaction. In the case of par value stock, the United States tax is always less than the British tax, unless the stock sells for less than one-twentieth of its par value, in which case the relative level of the taxes is reversed. For instance, a hundred shares of \$10-par-value stock sold at par are subject to a tax of 50 cents in the United States and \$10 in the United Kingdom. If the same stock is sold for 40 cents per share, the tax is still 50 cents in the United States but only 40 cents in the United Kingdom. No-par-value stock is rarely used in the United Kingdom so that a comparison of the taxes on this type of security has little meaning. However, to complete the comparison it may be noted that for no-par-value stock selling for less than \$5 per share the tax in the United Kingdom is less than in the United States. ^{2/} As soon as the price exceeds \$5 per share, the British tax rapidly exceeds the United States tax because the former varies according to the selling price and the latter is a fixed levy per share. A transfer of a hundred shares of no-par stock at \$50 per share would be taxed \$6 in the United States and \$50 in the United Kingdom.

^{1/} I.R.C., sec. 1802(b), amended by R.A. 1941, sec. 521.

^{2/} Round-lot transfers assumed.

The Canadian stamp tax on stock transfers varies according to the selling price, or value for which the stock is transferred, as follows: ^{1/}

Sales price per share	Tax per share
Less than \$1	1/10 of 1% of sales price
\$1 or over but not more than \$5	1/4¢
Over \$5 but not over \$25	1¢
Over \$25 but not over \$50	2¢
Over \$50 but not over \$75	3¢
Over \$75 but not over \$150	4¢
Over \$150	4¢ plus 1/10 of 1% of sales price in excess of \$150

Securities considered "stock" include capital stock, mineral deeds, oil royalties, syndicate units and fixed investment trust shares of any association, company, fund or trust. The Canadian tax is broader in its application than the United States tax, which is applicable only to shares of corporations, investment trusts, and similar organizations. Taxable transfers in the United States include gifts, but the Canadian transfer tax does not apply to gifts of many types, as was indicated above in the case of the bond transfer tax.

The United States stock transfer tax rates are sometimes higher, sometimes lower, and sometimes equal to the Canadian tax rates. ^{2/} For no-par-value stock, the Canadian tax is lower than the United States tax if the market value per share of stock is less than \$170, but the Canadian tax is higher if the market value per share is in excess of \$170. For par value stock, the following general statement can be made: if the stock sells at its par value, the Canadian and American taxes are equal for stock selling at \$275 a share; the Canadian tax is greater for stock selling for more than \$275 a share; and the United States tax is greater for stock selling for more than \$33 a share but less than \$275 a share. Where par value stock sells for other than its par value or sells for a par value less than \$33 per share, the tax in the United States may be higher, lower, or the same as the tax in Canada.

H. Sugar

The United States excise tax on the manufacture of sugar varies according to the percentage of pure sugar contained in the product, but

^{1/} The Special War Revenue Act, June 1943, Part VII.
^{2/} Examples assume round-lot transfers.

in general the tax is about .5 cent per pound. For ordinary granulated sugar which usually tests about 99.8 sugar degrees, the tax is 0.53 cent per pound. The exact rates are: 0.465 cent per pound for manufactured sugar testing by the polariscope 92 sugar degrees, and 0.00875 cent per pound additional for each additional sugar degree. Manufactured sugar testing less than 92 sugar degrees is taxed 0.5144 cent per pound on the total sugars therein. ^{1/} Unlike the British and Canadian taxes on sugar, the United States tax is applicable only to sugar produced from sugar beets and sugar cane. The United States tax also provides for a refund of the tax paid if the sugar, or any article manufactured therefrom, is used as livestock feed or for the distillation of alcohol. ^{2/}

The British duty on sugar varies according to the purity of the product and its geographical origin. The customs duties and home-grown sugar excise are constructed so that the consumer, in effect, pays the highest rate of duty applicable to foreign refined sugar (23s. 4d. per cwt.) less the protective surtax of 2s. 4d. per hundredweight imposed to safeguard the British refining industry. ^{3/} Lower tax rates are levied on home-grown and Empire sugars, but the consumer does not get the benefit of these rates. In practice the lower rates represent subsidies to producers. The effective rate of 21s. per hundredweight is equivalent to 3-3/4 cents per pound.

The tax rates on various classes of sugar are as follows: The excise duty on home-grown sugar varies from 16s. 3d. per hundredweight on sugar testing over 99 sugar degrees to 7s. 5.1d. per hundredweight on sugar of a polarization not exceeding 76 degrees. ^{4/} The tax amounts to 3 cents per pound for ordinary granulated sugar.

There are three schedules of customs duties on imported sugar. The taxes per hundredweight for sugar of a polarization exceeding 99 degrees are: 23s. 4d. for sugar in general; 17s. 6.8d. for sugar entitled to the general preferential rate; and 14s. 0.7d. for colonial sugar. ^{5/} These rates are equivalent to duties of 4 cents, 3 cents, and 2 1/2 cents per pound. ^{6/}

The Canadian tax on sugar varies from 1 to 2 cents per pound, the tax on refined cane and beet sugar being 1 cent (.9 cent in United States currency) per pound. ^{7/}

^{1/} I.R.C., sec. 3490. This provision was originally part of sec. 402 of the Sugar Act of 1937.

^{2/} I.R.C., sec. 3494. This provision was originally part of sec. 404 of the Sugar Act of 1937.

^{3/} Shirras and Rostas, *op. cit.*, p. 118.

^{4/} Finance (No. 2) Act, 1939, sec. 6, and Fifth Schedule, Part III.

^{5/} *Ibid.*, sec. 6, and Fifth Schedule, Parts I and II.

^{6/} Colonial sugar, although subject to a lower rate than home-grown sugar, does not monopolize the market since its importation is restricted by a quota system. See Thirtieth Report of the Commissioner of His Majesty's Customs and Excise for the Year ended 31st March 1939, p. 62.

^{7/} The Special War Revenue Act, June 1943, sec. 80, and Schedule II; Order in Council P. C. 545. See also Commerce Clearing House, Canadian Tax Service, 93-226 to 231.

As was indicated before, the British and Canadian sugar taxes are more comprehensive than the United States tax. The United Kingdom taxes molasses, glucose, and saccharin, while Canada taxes glucose and grape sugar, corn sugar, molasses, and all other forms of sugar.

I. Tobacco products

1. Cigarettes

The excise tax on cigarettes in the United States is \$3.50 per thousand, 7 cents per package of twenty, for cigarettes weighing not more than 3 pounds per thousand. On cigarettes weighing over 3 pounds per thousand and not more than 6½ inches in length, the tax is \$8.40 per thousand; if over 3 pounds per thousand and more than 6½ inches in length, the tax is \$3.50 per thousand, counting each 2-¾ inches or fractional part of 2-¾ inches of the length of each as one cigarette. 1/ The effective tax rate is \$3.50 per thousand since only a fraction of one percent of all cigarettes weighs more than 3 pounds per thousand. 2/

The British excise on manufactured tobacco products is in effect the customs duty on imported unmanufactured tobacco, for the production of tobacco in the United Kingdom is practically nil, 3/ and imports of manufactured tobacco products are unimportant. 4/ Customs duties on unmanufactured tobacco are as follows: 5/

Description of tobacco	Duty per pound			
	British currency		U. S. currency	
	Full rates	Preferential rates	Full rates	Preferential rates
Containing 10% or more of moisture				
Unstripped.....	£1 15s. 6d.	£1 13s. 11½d.	\$7.10	\$6.79
Stripped.....	£1 15s. 6½d.	£1 13s. 11-7/8d.	7.11	6.80
Containing less than 10% of moisture				
Unstripped.....	£1 16s. 6d.	£1 14s. 9½d.	7.30	6.96
Stripped.....	£1 16s. 6½d.	£1 14s. 9-7/8d.	7.31	6.96

1/ I.R.C., sec. 2000(c)(2), amended by R.A. 1942, sec. 605(b).
 2/ Annual Report, 1943, p. 133.
 3/ Shirras and Rostas, op. cit., p. 127.
 4/ Ibid., p. 133.
 5/ Finance Act, 1943, sec. 5(1), and Fourth Schedule, Part I.

In order to minimize the duty, importers bring in as much as possible of the tobacco with a moisture content just slightly above 10 percent. Therefore, the effective rates of duty on tobacco are about \$7.10 and \$6.79 per pound for non-Empire and Empire products respectively.

Most tobacco used in British cigarettes is non-Empire leaf ^{1/} and thus is taxed at about \$7.10 per pound. It has been estimated that in the period 1941-42, 520 small-sized British cigarettes or 420 middle-sized cigarettes weighed one pound. ^{2/} On this basis, the British duty per thousand small cigarettes is \$13.65, or nearly 27½ cents per package of twenty, and on middle-sized cigarettes it is \$16.90, or 34 cents per package. The actual duty, of course, is somewhat less because a small amount of Empire tobacco is used. Popular priced brands of United States cigarettes are comparable in terms of weight to the middle-sized British cigarettes and, consequently, the British cigarette duty is almost five times the United States tax.

Canada imposes the following taxes on cigarettes:

- a. An excise duty: ^{3/}
 - 1) of \$6 per thousand on cigarettes weighing not more than 2½ pounds per thousand,
 - 2) of \$11 per thousand on cigarettes weighing more than 2½ pounds per thousand,
- b. An excise tax of 2 cents for each 5 cigarettes or fraction of 5 cigarettes in a package. ^{4/}
This is equivalent to a tax of \$4 per thousand.

The minimum excise in Canada for cigarettes weighing 2½ pounds or less per thousand ^{5/} is therefore \$10 per thousand (\$9.09 in terms of United States currency) or 20 cents (18 cents in terms of United States currency) per pack of 20 cigarettes, but the tax is more than \$10 per thousand if the packages do not contain an exact multiple of 5 cigarettes. Apparently a certain proportion of the packages do not contain the number of cigarettes necessary to produce the minimum tax. ^{6/}

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- ^{1/} Shirras and Rostas, op. cit., p. 127.
 - ^{2/} Ibid., p. 132.
 - ^{3/} 6 George VI, chapter 27, An Act to Amend the Excise Act, 1934, p. 97.
 - ^{4/} The Special War Revenue Act, June 1943, sec. 80, and Schedule II.
 - ^{5/} The popular brands of cigarettes in the United States weigh on the average about 2½ pounds per thousand.
 - ^{6/} Federation of Tax Administrators, Tax Administrators News, February 1943, p. 21.

2. Cigars

The United States excise tax on small cigars (weighing not more than three pounds per thousand) is 75 cents per thousand. ^{1/} Small cigars are of minor importance and need not be considered for comparative purposes. ^{2/} On cigars weighing more than three pounds per thousand the United States tax varies according to the intended retail price and ranges from \$2.50 to \$20 per thousand. ^{3/}

The schedule of rates is given in the following table:

Intended retail price per cigar:		Tax per thousand
Over	: Not over	
	2½¢	\$ 2.50
2½¢	4 ¢	3.00
4 ¢	6 ¢	4.00
6 ¢	8 ¢	7.00
8 ¢	15 ¢	10.00
15 ¢	20 ¢	15.00
20 ¢		20.00

The British duty on cigars depends upon the customs duty on unmanufactured tobacco since most cigars consumed in the United Kingdom are produced from imported tobacco. The customs duty varies according to the source of the tobacco and, since different brands of cigars vary greatly in weight, it is difficult to compare the levies on cigars in the United Kingdom with those in the United States. However, some approximations can be essayed. The average quantity of unstripped leaf tobacco used per thousand large cigars manufactured in 1942 in the United States was 24 pounds. ^{4/} If British cigars average the same weight of leaf, the duty would be about \$171.47 or \$163.98 per thousand, 17 cents or 16½ cents apiece, depending on whether all non-Empire or Empire tobacco was used. It is quite likely that the high rate of tax has the effect of keeping the weight of the cigars used in the United Kingdom below the average of those used in the United States. The most popular cigars in the United States sell for between 2½ cents and 4 cents, and between 4 cents and 6 cents apiece. ^{5/} The taxes on these cigars are 3 and 4 mills per cigar, respectively, or approximately one-fortieth to one-sixtieth the

^{1/} I.R.C., sec. 2000(c)(1).
^{2/} Annual Report, 1943, p. 133.
^{3/} I.R.C., sec. 2000(c)(1), amended by R.A. of 1942, sec. 605 (c)(1).
^{4/} Annual Report, 1943, p. 121.
^{5/} In the fiscal year 1943 about 25 percent of the tax-paid withdrawals were in the 2½-to 4-cent price bracket and 50 percent in the 4-to 6-cent bracket.

probable taxes on British cigars. It should be noted that cigars are not a popular form of tobacco consumption in the United Kingdom, and that less than 1 percent of the total consumption of tobacco is used in cigars. ^{1/} In the United States, over 10 percent of the tobacco is so used.

Canadian taxes on cigars comprise an excise duty and an excise tax. The excise duty is a flat rate of \$3 (\$2.73 in United States currency) per thousand cigars, ^{2/} and the excise tax varies from \$3.25 to \$55 (\$2.95 to \$50 in United States currency) per thousand according to the manufacturers' selling price. ^{3/} In determining the value for excise tax purposes, the excise duty of \$3 is required to be included in the manufacturers' selling price.

A comparison of Canadian and United States excises may be made by using manufacturers' prices (net after discounts and excise taxes) prevailing in the United States and computing the United States and Canadian taxes on the selected prices. Although manufacturers' prices undoubtedly are not the same in Canada as in the United States, this method gives a good approximation of the relative magnitude of the taxes. The table on page 24 indicates that the Canadian taxes are appreciably greater, in several cases over three times those in the United States.

3. Manufactured tobacco and snuff

Smoking tobacco, chewing tobacco, and snuff are taxed by the United States at the rate of 18 cents per pound. ^{4/}

These products are taxed in the United Kingdom at about $\text{£} 13\text{s. } 11\frac{1}{2}\text{d.}$ or \$6.79 per pound, that is, the customs duty on Empire leaf containing 10 percent or more of moisture. The rate on Empire leaf is used in this case because these products are mainly made from Empire leaf. Non-Empire leaf generally is used for cigarettes. ^{5/} It is impossible to determine the exact rate of tax on manufactured tobacco since it varies according to the type of tobacco used and the amount of moistening and flavoring agents mixed with the tobacco leaf. For smoking tobacco, which averages roughly 80 percent Empire leaf, ^{6/} the average tax per pound may be slightly in excess of \$6.79 because of the higher tax rate on non-Empire leaf. Available sources of information do not mention the proportion of Empire leaf used in snuff.

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- ^{1/} Shirras and Rostas, op. cit., p. 125.
^{2/} 6 George VI, chapter 27, An Act to Amend the Excise Act, 1934, p. 97.
^{3/} The Special War Revenue Act, June 1943, sec. 80, and Schedule II; Budget Speech delivered by Hon. J. L. Ilesley, June 26, 1944.
^{4/} I.R.C., sec. 2000(a).
^{5/} Shirras and Rostas, op. cit., p. 127.
^{6/} Ibid.

Canadian and United States excises on cigars:
Rate of tax and tax as a percent of manufacturers' net price

Manufacturers' net price <u>1/</u>	United States retail price <u>2/</u>	United States excise tax	Canadian excises	Excises as a percent of manufacturers' net price	
(per M)		(per M)	(per M)	United States	Canada
\$ 14.75	2 for 5¢	\$ 2.50	\$ 6.25	16.9%	42.4%
17.70	3¢ each	3.00	6.25	16.9	35.3
24.60	4¢ each	3.00	9.25	12.2	37.6
37.40	6¢ each	4.00	16.50	10.7	44.1
44.74	2 for 15¢	7.00	16.50	15.6	36.9
52.09	9¢ each	10.00	16.50	19.2	31.7
54.68	10¢ each	10.00	16.50	18.3	30.2
67.62	12¢ each	10.00	16.50	14.8	24.4
88.31	15¢ each	10.00	16.50	11.3	18.7
97.11	3 for 50¢	15.00	16.50	15.4	17.0
110.41	3 for 55¢	15.00	28.00	13.6	25.4
140.41	24¢ each	20.00	28.00	14.2	19.9
181.80	30¢ each	20.00	38.00	11.0	20.9
260.28	3 for \$1.20	20.00	58.00	7.7	22.3
393.95	60¢ each	20.00	58.00	5.1	14.7
600.93	90¢ each	20.00	58.00	3.3	9.7

Treasury Department, Division of Tax Research

- 1/ United States manufacturers' list price less dealers' discounts of 12 percent and 2 percent, less United States excise tax. List prices from Office of Price Administration, Maximum Price Regulation No. 260.
- 2/ Maximum Price Regulation No. 260.
- 3/ Excise tax plus \$3 excise duty.

Canada levies an excise duty of 35 cents (32 cents in United States currency) per pound on manufactured tobacco and snuff. ^{1/} In addition to the excise duty, there must be affixed to each package an excise stamp costing 2 cents (1.8 cents in United States currency) for each ounce or fraction of an ounce of tobacco contained in the package. ^{2/} Hence, the total tax on a pound of manufactured tobacco is 67 cents (61 cents in United States currency) when the tobacco is packaged in full ounces. Tobacco packaged in containers holding fractional parts of an ounce bears a greater tax. For example, the taxes on a pound of smoking tobacco packaged in $1\frac{1}{2}$ -ounce containers are the 35-cent duty plus about 42 cents in stamp tax or a total of 77 cents (70 cents in United States currency).

III. Comparable taxes - United States and Canada

The United States and Canada have some excises which do not exist in the United Kingdom. Those common to both the United States and Canada are outlined below.

A. Automotive vehicles

In the United States the Federal excise on passenger automobiles is 7 percent of the manufacturers' sales price. ^{3/}

Automobiles likewise are taxed on the manufacturers' sales price in Canada. The rates of the excise tax are as follows: ^{4/}

Manufacturers' sales price		Rate of tax
Canadian currency:	United States currency:	(In Canadian currency)
\$900 or less	\$818 or less	25%
Over \$900 but not more than \$1,200	\$818 but not more than \$1,091	25% on \$900 plus 40% on the amount in excess of \$900
Over \$1,200	Over \$1,091	25% on \$900, plus 40% on \$300, plus 80% on the amount in excess of \$1,200

^{1/} 6 George VI, chapter 27, An Act to Amend the Excise Act, 1934, p. 97.
^{2/} The Special War Revenue Act, June 1943, sec. 80, and Schedule II.
^{3/} I.R.C., sec. 3403 (b), amended by R. A. 1941, sec. 544.
^{4/} The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

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These rates are applicable to passenger automobiles with a seating capacity of not more than ten persons. The tax rate on busses is 5 percent.

The Canadian tax rates are three to four times the United States rate, being 25 percent for cars sold by the manufacturer for \$900 or less, 25 to 29 percent for cars sold for \$901 to \$1,200, and somewhat over 29 percent for more expensive cars.

The excise tax on automotive vehicles is much more inclusive in the United States than in Canada. The United States tax on passenger automobiles applies also to motorcycles and trailers and semitrailers suitable for use in connection with passenger automobiles. An excise tax at the rate of 5 percent also is levied on automobile trucks, busses, and truck and bus trailers. Furthermore, automotive parts and accessories, when sold to other than a manufacturer of automobiles or trucks, are taxed at 5 percent of the manufacturers' sales price. 1/

B. Cigarette papers and tubes

The Canadian tax on cigarette papers is 8 cents ($7\frac{1}{2}$ cents in United States currency) per package of one hundred leaves or fraction of one hundred. 2/ In the United States the tax rate is $1/2$ cent per package of twenty-six to fifty sheets and $1/2$ cent per additional fifty sheets or fraction of fifty. 3/

The United States tax applies only to packages containing more than twenty-five sheets, and this privilege provides tax exemption for about nine-tenths of the cigarette papers distributed in the United States.

The Canadian tax on cigarette tubes is 14 cents ($12\frac{1}{2}$ cents in United States currency) per package of one hundred tubes or fraction of one hundred, 4/ compared with the United States tax of 1 cent per package of fifty tubes or fraction of fifty. 5/ There is no tax exemption privilege for cigarette tubes in the United States comparable to that accorded cigarette papers.

C. Communications 6/

1. Telegraph, cable, and radio messages

Telegraph dispatches are taxed in Canada at 7 cents each ($6\frac{1}{2}$ cents

1/ I.R.C., sec. 3403 (a), amended by R. A. 1941, sec. 544.

2/ The Special War Revenue Act, June 1943, sec. 77A.

3/ I.R.C., sec. 2000(d).

4/ The Special War Revenue Act, June 1943, sec. 77A.

5/ I.R.C., sec. 2000(d).

6/ The telephone and telegraph system in the United Kingdom is part of the Post Office Department.

it. in United States currency). 1/ The United States tax is 25 percent of the amount paid, except that in the case of international messages the rate is 10 percent. 2/ It appears that the average charge per United States domestic telegraph message is about 60 cents; assuming a similar average charge per message in Canada, the 7-cent tax would approximate 12 percent of the amount paid.

2. Telephone and radiotelephone messages

a. Calls other than from coin-operated pay stations

The United States taxes at the rate of 25 percent the amount paid for any telephone or radiotelephone message when the toll charge is more than 24 cents. 3/ The Canadian tax on long distance telephone and radiotelephone messages is 15 percent of the charge on all messages costing more than 15 cents (13½ cents in United States currency) with a maximum tax on any one call of 75 cents (68 cents in United States currency). 4/

Available data indicate that about 60 percent of the toll calls (nonlocal messages) in the United States cost less than 25 cents, but about 80 percent of the expenditures for such calls are for messages which cost more than 24 cents. The rate of tax on expenditures for calls above 24 cents and not over \$5 is about 40 percent lower in Canada than in the United States and proportionately lower on calls costing more than \$5.

Not only is the United States tax higher on long distance telephone calls, but there is also a Federal tax of 15 percent on the amounts paid by subscribers for local telephone service. Amounts paid for many leased wire services are taxed at 25 percent. Certain wire and equipment services, however, such as stock-quotation and information services, and burglar-alarm and fire-alarm services, are taxed at only 8 percent. 5/ These services are not taxed in Canada. 6/

b. Calls from coin-operated pay stations

The Canadian tax on long distance calls from coin-operated pay stations is 5 cents (4½ cents in United States currency) per call where the charge is from 16 to 45 cents (14½-41 cents in United States currency),

1/ The Special War Revenue Act, June 1943, sec. 25(1).

2/ I.R.C., sec. 3465(a) (1) (B), amended by R.A. 1942, sec. 606, and R.A. 1943, sec. 302.

3/ I.R.C., sec. 3465(a) (1) (A), amended by R.A. 1943, sec. 302.

4/ The Special War Revenue Act, June 1943, sec. 25(2).

5/ I.R.C., sec. 3465 (a) (2) (B), amended by R.A. 1943, sec. 302.

6/ There is a Canadian tax of 25 cents (22½ cents in United States currency) per month on each telephone extension in a domestic establishment.

and 5 cents for each additional charge of 35 cents (32 cents in United States currency) or fraction of 35 cents. Here, also, the maximum tax on one call is 75 cents (68 cents in United States currency). ^{1/}

In the United States the tax is 25 percent of the charge for calls costing more than 24 cents and is computed to the nearest multiple of 5 cents. ^{2/}

United States and Canadian taxes for a selected group of pay-station calls are shown in the following table. Monetary units in each case are those of the respective countries.

Cost of call	Canadian tax	United States tax
\$.20	\$.05	\$.00
.25	.05	.05
\$.30 - .45	.05	.10
.50 - .65	.10	.15
.70 - .85	.10	.20
.90 - 1.05	.15	.20
1.10 - 1.15	.15	.25
1.20 - 1.25	.20	.30
1.30 - 1.45	.20	.30

If the taxes are compared without converting the Canadian units to United States currency, the United States tax is found to be the same as or greater than the Canadian tax except in the case of 20-cent calls upon which there is no tax in the United States. The United States tax generally is 5 or 10 cents greater than the Canadian tax on the cheaper calls, but becomes progressively greater on the more expensive ones. On a \$4 call, for instance, the Canadian tax is 60 cents and the United States tax is \$1.

D. Electric, gas, and oil appliances; mechanical refrigerators; and light bulbs

In Canada a manufacturers' excise tax of 25 percent is levied on specified electric and gas appliances, chiefly of the type adapted to

^{1/} The Special War Revenue Act, June 1943, sec. 25(2).

^{2/} I.R.C., sec. 3465 (a) (1), amended by R.A. 1943, sec. 302.

household use. 1/ The most comparable taxes in the United States are the manufacturers' excise at the rate of 10 percent on electric, gas, and oil appliances, and the similar excise on household-type mechanical refrigerators and self-contained air-conditioning units. 2/ While the taxes in the two countries cover different articles in a number of cases, many similar articles, such as household electric and gas refrigerators, electric and gas water heaters, and electric stoves and grills, are taxed in both countries.

The Canadian manufacturers' excise tax of 25 percent on electric and gas light fixtures and lamps, shades, and reflectors 3/ has no counterpart in the United States excise tax system. The United States, however, levies a 20-percent manufacturers' excise on electric light bulbs and tubes. 4/

E. Furs

The United States tax on all fur articles and articles of which fur is the component material of chief value is 20 percent of the retail price. 5/ Canada imposes an excise tax of 25 percent on the current market value of dressed and dyed furs. 6/ Finished articles imported into Canada and made in whole or in part from fur are taxed on the basis of their fur content. 7/

As a means of comparison it is possible to convert the Canadian tax to a retail basis by applying the usual United States trade mark-ups for fur garments to the value of dressed and dyed furs. These mark-ups are: fur dealers', 10 percent; manufacturers' and jobbers', 40 percent; and retailers', 40 percent. Fur merchandise is exempt from price ceilings in Canada so that all dealers may, and probably do, calculate their margins on the total cost of the furs including the excise tax. If the value, in Canada, of a group of dressed furs is \$125 (\$100 + \$25 tax), the application of the above mark-ups produces a retail selling price of \$288.75. The Canadian tax of \$25 is equivalent to a tax of 9½ percent on the retail price (exclusive of tax) of \$263.75, provided approximately similar trade mark-ups prevail in Canada and the United States.

Not only is the United States tax about twice as great as the Canadian tax on all-fur articles, but the difference is further increased by the fact that the United States tax is imposed on any article of which fur is the component material of chief value. On a taxable fur-trimmed coat, therefore, the tax of 20 percent of its full retail value is equivalent to more than 20 percent of the retail value of the fur in the coat.

1/ The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

2/ I.R.C., secs. 3405 and 3406, amended by R.A. 1941, secs. 546 and 551, R.A. 1942, sec. 614.

3/ The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

4/ I.R.C., sec. 3406 (a) (10), amended by R.A. 1943, sec. 302.

5/ I.R.C., sec. 2401, amended by R.A. 1943, secs. 302 and 303.

6/ The Special War Revenue Act, June 1943, sec. 80A.

7/ Budget Speech delivered by Hon. J. L. Ilesley, June 26, 1944.

F. Jewelry, clocks and watches,
glassware and pottery

Jewelry, including binoculars and certain clocks and watches, is subject to a tax of 20 percent of the retail price in the United States. 1/ The 20-percent tax applies to the following articles: all articles commonly or commercially known as jewelry; pearls, precious and semi-precious stones, and imitations; articles made of, or ornamented, mounted or fitted with, precious metals or imitations; watches retailing for more than \$65; clocks, except alarm clocks retailing for not more than \$5; gold, gold-plated, silver, or silver-plated ware, except flatware; opera glasses; lorgnettes; field glasses; and binoculars. Watches retailing for not more than \$65 and alarm clocks retailing for not more than \$5 are subject to a tax of 10 percent of the retail price.

Canada imposes a retail purchase tax of 25 percent on the following articles if they retail for more than \$1: clocks and watches and articles made in whole or in part of ivory, jet, amber, coral, jade, onyx, or other semi-precious stones. The tax also applies to the following if they retail for more than 50 cents: articles commonly or commercially known as jewelry including diamonds and other precious or semi-precious stones for personal use; goldsmiths' and silversmiths' products; articles of cut glassware, crystal glassware, and metal-decorated glassware or marble; and articles of china, porcelain, and other pottery ware, except articles for use in the preparation or serving of food or drink. The tax is payable by the purchaser when the goods are delivered by the seller. 2/

The Canadian tax is not only 5 percentage points higher but also is much broader in scope than the United States tax. Opera glasses, lorgnettes, field glasses, and binoculars, however, are taxed in the United States but not in Canada.

G. Luggage, handbags, wallets, etc.

In Canada a manufacturers' excise tax of 35 percent is imposed on luggage, 3/ while the United States imposes a retail excise tax on luggage at the rate of 20 percent. 4/ The items covered by the Canadian and United States taxes are much the same. In addition to luggage they include such items as handbags, wallets, key cases, and toilet cases. In Canada golf bags are also subject to this tax, but in the United States golf bags are classified as sporting goods and taxed at 10 percent of the manufacturers' sales price. 5/

As a means of comparing the two taxes, the margin permitted wholesalers and retailers of luggage by the Office of Price Administration can be used to convert the Canadian tax to a retail basis. Margins on wallets, handbags, and similar articles cannot be used for this purpose, however, since the usual

1/ I.R.C., sec. 2400, amended by R.A. 1943, sec. 302.

2/ The Special War Revenue Act, June 1943, Part XVII, and Schedule VI.

3/ The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

4/ I.R.C., sec. 1651, added by R.A. 1943, sec. 302.

5/ I.R.C., sec. 3406 (a) (1) added by R.A. 1941, sec. 551.

trade margins are not known and the Office of Price Administration does not prescribe any uniform mark-up. Retail luggage prices in the United States, exclusive of Federal excise, are 182 percent of manufacturers' prices. ^{1/} On the assumption that approximately the same mark-up prevails in Canada, the Canadian tax approximates a retail tax of 19 percent. This computation is based on an 82 percent margin exclusive of excise tax, since Canadian dealers are required under their price regulations to compute margins exclusive of tax. For example, if the Canadian manufacturers' price is \$1, the tax is 35 cents, and the retail price is \$1.82 plus 35 cents tax, or \$2.17.

H. Photographic apparatus

Photographic apparatus is subject to a 25-percent manufacturers' excise tax in Canada. ^{2/} The tax applies to cameras, photographic films and plates, and projectors for slides, films or pictures. These articles are tax-exempt, however, when designed exclusively for industrial or professional photographers' use.

The United States imposes a manufacturers' excise of 25 percent on cameras (except cameras weighing more than four pounds exclusive of lens and accessories) and lenses, photographic apparatus and equipment, and any apparatus or equipment designed especially for use in taking photographs or motion pictures or in developing, printing, or enlarging photographs or motion pictures. Unexposed photographic film (including motion picture film but not including X-ray film), photographic plates and sensitized paper are taxed 15 percent. ^{3/} The exemption applicable to cameras weighing more than four pounds excludes from the tax most cameras designed for industrial or professional use. The scope of this tax, therefore, is more extensive in the United States, although film is taxed at a lower rate than in Canada.

I. Radio receiving sets and tubes, phonographs, and record-playing devices

The Canadian excise tax on phonographs, record-playing devices, and radio receiving sets and tubes is 25 percent of the manufacturers' sales price. ^{4/}

In the United States a tax of 10 percent of the manufacturers' sales price is levied on phonograph records and musical instruments as well as on phonographs, radios and radio tubes, and record players. ^{5/}

J. Tires and tubes

Tires and tubes are subject to a Canadian manufacturers' excise tax of 5 cents ($4\frac{1}{2}$ cents in United States currency) per pound. ^{6/} The tax is

^{1/} Office of Price Administration, Maximum Price Regulation 476, sec. 4.
^{2/} The Special War Revenue Act, June 1943, sec. 80, and Schedule I.
^{3/} I.R.C., sec. 3406(a) (4), amended by R.A. 1942, sec. 607.
^{4/} The Special War Revenue Act, June 1943, sec. 80, and Schedule I.
^{5/} I.R.C., sec. 3404, amended by R.A. 1941, sec. 545.
^{6/} The Special War Revenue Act, June 1943, sec. 80, and Schedule II.

computed on the total weight of the articles, except in the case of solid rubber tires for which deductions are allowed for the metal rims or rim bases. 1/ Tires and tubes may be sold tax free for use as original equipment on automotive vehicles of all kinds. If sold with a passenger automobile ~~or bus~~, the value of the tires and tubes is included in the taxable sales price of the automobile ~~or bus~~ and taxed a minimum of 25 percent. When sold with a truck, tires and tubes are not subject to any excise tax since there is no excise tax on trucks.

In the United States the manufacturers' excise on tires is 5 cents per pound and on tubes, 9 cents per pound. 2/ The taxes are computed on the total weight of these articles, except for the metal rims or rim bases of solid rubber tires. 3/ Thus while the excise tax on tires not sold as original equipment is approximately the same in the United States as in Canada, the United States excise on tubes is about twice as great.

Tires and tubes may not be sold tax free to automotive manufacturers, but upon the sale of an automotive vehicle there is credited against the manufacturers' excise tax due on the sale of the vehicle 5 percent of the purchase price of tires and tubes when sold with trucks and busses and 7 percent when sold with other automotive vehicles.

It appears that the effective rate of the Canadian tax is somewhat higher than United States rates when tires and tubes are sold as original equipment with passenger automobiles. A 6.00 x 16 4-ply passenger car tire weighing about 21 pounds and a tube weighing about 2.5 pounds are subject to United States excises of about \$1.05 and 23 cents, respectively. The manufacturers' sales prices of such a tire and tube are about \$6 and \$1.50 including the taxes and \$4.95 and \$1.27 excluding taxes. 4/ Therefore, the taxes represent about 21 percent and 18 percent, for the tire and tube, respectively, of the tire manufacturers' selling prices exclusive of tax. The tax on tires and tubes sold as original equipment would usually be a slightly smaller percentage of the automobile manufacturers' sales price exclusive of tax. 5/ In Canada the excise rate on similar sales is a minimum of 25 percent, the exact rate depending on the selling price of a car.

1/ Commerce Clearing House, Canadian Tax Service, 65-931.

2/ I.R.C., sec. 3400 (1) and (2), amended by R.A. 1941, sec. 535.

3/ I.R.C., sec. 3400.

4/ The maximum retail price for the tire is about \$15 and for the tube \$3.75. (Office of Price Administration, Revised Price Schedule No. 63.) The manufacturers' prices, including tax, are about 40 percent of the retail prices.

5/ This assumes that the automobile manufacturers' sales price includes a mark-up on the tires and tubes. The 7-percent credit does not quite offset the 7-percent tax but this increase in tax is not proportionately as large as the increase in the price of the tires and tubes resulting from the automobile manufacturers' mark-up.

It should be noted that in both countries retreaded tires are taxed in the same manner as new tires, 1/ except that in Canada the excise tax is not collected on tires retreaded for the consumer's own use. 2/

K. Toilet preparations

In Canada toilet preparations are subject to a manufacturers' excise tax of 25 percent. 3/ The manufacturers' sales price includes not only the value of the toilet preparation as such, but also the price of the container. 4/ In addition, Canada taxes toilet soaps (excluding shaving soaps and shaving creams, which are taxed as toilet preparations) at 5 percent of manufacturers' sales prices. 5/ Neither toilet soaps nor shaving soaps and creams are taxed in the United States.

In the United States toilet preparations are taxed at the rate of 20 percent of the retail sales price. 6/

It is possible to make a rough comparison of the Canadian manufacturers' excise and the United States retail excise by converting the manufacturers' tax to a retail basis as was done in the case of furs and luggage. In lieu of information on trade mark-ups for toilet preparations, the provision of one of the Canadian regulations is used. Canadian manufacturers who sell such articles direct to the consumer through their own retail stores, by mail, or by personal canvass, and who have not established manufacturers' sales prices to independent wholesalers, may pay the excise tax on their regular list prices to the consumer less a discount of 50 percent. 7/ Assuming a retail list price of \$1, inclusive of tax, the taxable amount is 50 cents, and the tax is $12\frac{1}{2}$ cents. The effective rate of the tax is thus 14 percent on the retail price less excise tax ($87\frac{1}{2}$ cents).

L. Transportation services

1. Transportation of persons

a. Transportation

In both Canada and the United States the tax on transportation of persons is 15 percent of the charge. 8/ The Canadian tax does not apply where the regular one-way fare is 75 cents (68 cents in United States currency) or less, whereas the United States tax applies to fares in excess of 35 cents. The United States law also exempts amounts paid for

1/ Bureau of Internal Revenue, Cumulative Bulletin, January-June 1935, p. 406. Retreading involves recovering both the tread and sidewall of the used tires. Recapping, a nontaxable operation, consists only of adding a new tread to the used tire.

2/ Circular No. 741-C, Second Revision.

3/ The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

4/ Ibid., sec. 80(7).

5/ Ibid., sec. 80, and Schedule I.

6/ I.R.C., sec. 2402, amended by R.A. 1943, sec. 302.

7/ Circular No. 846-C.

8/ The Special War Revenue Act, June 1943, sec. 32; I.R.C., sec. 3469(a), amended by R.A. 1943, sec. 302.

commutation or season tickets for single trips of less than 30 miles, and amounts paid for commutation tickets for one month or less. 1/

b. Seats and berths

In Canada amounts paid for berths in sleeping cars or for other sleeping accommodations on trains are subject to a 15-percent tax, with a minimum tax of 35 cents (32 cents in United States currency). Purchasers of Pullman or parlor-car seats are taxed 15 cents (13½ cents in United States currency) per seat. 2/ The United States tax on charges for seats and berths in all types of transportation vehicles is 15 percent of the amount paid. 3/

The United States tax on seats is higher than the Canadian tax only when the seat charge in the United States is 90 cents or over. Since the average revenue of the Pullman Company per seat, per passenger, for the year 1942 was \$1.06 4/, the Canadian tax is equivalent on the average to a tax of 13 percent, provided the average seat charge is the same in Canada as in the United States.

2. Transportation of property

There is no Canadian excise on the transportation of property, but the United States imposes a tax of 3 percent on the amounts paid for the transportation of property by rail, motor vehicle, water, or air from one point in the United States to another. Coal, however, is taxed 4 cents per short ton, and the tax is imposed only upon the first movement of the prepared coal. The tax is paid to the carrier by the person paying for the transportation and applies only to amounts paid to a person engaged in the business of transporting property for hire. 5/

3. Transportation of oil by pipe line

The United States taxes all transportation by pipe line of crude petroleum and liquid petroleum products at 4½ percent of the amount paid for the transportation. The tax is payable by the person furnishing the transportation. Provision is made for the determination of the fair value of the transportation in cases where no charge for transportation is made, or in the case of other than an arm's length transaction. 6/

1/ I.R.C., sec. 3469(b), added by R.A. 1941, sec. 554.

2/ The Special War Revenue Act, June 1943, sec. 32.

3/ I.R.C., sec. 3469(c), amended by R.A. 1943, sec. 302.

4/ Interstate Commerce Commission, Preliminary Abstract of Railway Statistics, 1942, p. 60.

5/ I.R.C., sec. 3475, added by R.A. 1942, sec. 620; Regulations 113.

6/ I.R.C., sec. 3460, amended by R.A. 1941, sec. 521.

There is no comparable excise in Canada.

IV. Comparable taxes - United States and United Kingdom

The United States and the United Kingdom have some excises which do not exist in Canada. Those common to both the United States and the United Kingdom are outlined below.

A. Conveyances of realty

Deeds or other instruments whereby realty is sold or transferred to a purchaser are subject to a stamp tax in the United States. The tax is 55 cents on each \$500 or fractional part of \$500 of the consideration for, or the net value of, the realty conveyed, but no tax is imposed if the consideration or value does not exceed \$100. 1/ Liens and encumbrances on the property before the sale and not paid at the time of sale are deductible in determining the net value of the property, but no deductions may be made on account of any lien placed upon the property in connection with the sale. 2/ Conveyances of realty without consideration and bona fide gifts are not taxable. 3/

A deed of any kind is subject to a stamp duty of 10s.0d. in the United Kingdom. 4/ Since this duty of \$2 is levied on a deed of any value, it is more than the United States tax only when the net value of the realty conveyed is less than \$1,500.

B. Lubricating oils

Lubricating oils sold in the United States are subject to a manufacturers' excise tax of 6 cents per gallon. 5/

In the United Kingdom nearly all lubricating oils are produced from imported hydrocarbon oils which are taxed 9d. per Imperial gallon. Since lubricating oils are classed as "heavy oils," they are eligible for the rebate of 8d. per gallon, making the net tax 1d. per Imperial gallon or about $1\frac{1}{2}$ cents per wine gallon. 6/

V. Noncomparable excises

A number of articles or services are taxed in the United States, but not in Canada or the United Kingdom and vice versa. Several of these taxes are described below, and a complete list of noncomparable excises is given on p. 38.

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- 1/ I.R.C., sec. 3482, amended by R.A. 1941, sec. 505.
2/ Regulations 71, sec. 113.82.
3/ Ibid., sec. 113.84.
4/ Department of Commerce, op. cit., p. 125.
5/ I.R.C., sec. 3413, amended by R.A. 1942, sec. 608.
6/ Supra, p. 11.

A. United States excises

1. Business and store machines

A manufacturers' excise of 10 percent is levied by the United States on sales of designated business and store machines and parts and accessories when sold in connection with the sale of those articles. 1/

2. Sporting goods

The United States imposes a manufacturers' excise tax of 10 percent on an extensive list of sporting goods and equipment. 2/ Almost all types of sporting goods and equipment are taxable, but special clothing and uniforms are not included.

B. British excises

1. Cocoa

Cocoa has been taxed by the United Kingdom for about three centuries. The present duty on raw cocoa is 14s. per hundredweight 3/ with a preference for Empire produce of 2s. 4d. per hundredweight. 4/ In terms of United States currency the duty amounts to 2½ cents per pound for non-Empire produce and 2 cents per pound for Empire produce.

2. Tea

Tea is another long-established source of British revenue, having first been taxed over three centuries ago. At the present time the customs duty on tea is 8d., about 13½ cents per pound, for a non-Empire product and 6d. or 10 cents per pound for an Empire product. 5/

C. Canadian excises

1. Candy, confectionery, and chewing gum

The Canadian tax on manufacturers' sales of chewing gum, chocolate, candy, and confectionery which may be classed as candy or a substitute for candy, is 30 percent.

To obviate pricing difficulties, specific taxes of 1, 2, and 3 cents are levied in lieu of the 30-percent tax on chocolate, candy, and confectionery articles regularly retailing at 5 cents, 10 cents, and 15 cents, respectively. 6/

1/ I.R.C., sec. 3406, added by R.A. 1941, sec. 551.

2/ Ibid.

3/ Finance Act, 1924, sec. 2.

4/ Thirtieth Report of the Commissioners of His Majesty's Customs and Excise for the Year ended 31st March 1939, p. 57.

5/ Finance Act, 1938, sec. 5.

6/ The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

In considering the level of the Canadian excises on these articles, it should be remembered that the articles require large quantities of sugar which is also subject to an excise tax of 1 cent (.9 cent in United States currency) per pound.

2. Soft drinks

Carbonated beverages or aerated waters, all other soft drinks, and unfermented fruit juices (where the product consists of less than 95 percent of pure fruit juice), when sold in bottles, are subject to a manufacturers' excise tax of 25 percent ^{1/} and an excise tax of 1 cent (.9 cent in United States currency) a bottle. ^{2/} The sugar used in the manufacture of soft drinks also is subject to excise tax. An excise tax of 50 cents (45½ cents in United States currency) per pound is imposed on carbonic acid gas in order to tax soda-counter sales of soft drinks. ^{3/} Manufacturers are permitted to purchase carbonic acid gas tax free if the gas is to be used in the manufacture of bottled soft drinks. ^{4/}

D. Other excises

The following table lists the noncomparable excises, including those already described. The table is intended only to indicate the type of objects taxed; the tax bases and rates are not shown. Excises which are conceived of as chiefly regulatory rather than revenue measures have been omitted, and for this reason the listing does not include all excises.

Several taxes are levied on somewhat similar items in two of the countries, but the methods of taxation are so diverse that the taxes are really not comparable. For instance, both Canada and the United States tax coin-operated amusement devices. The Canadian tax also includes vending machines. ^{5/} While the Canadian tax is a manufacturers' excise, the United States tax is a yearly license fee payable by the persons who provide the premises for the use of the devices. ^{6/} Although automotive license fees are imposed at the national level in the United Kingdom, there is little comparability between the Federal \$5 auto use tax ^{7/} and the British fees. The important automotive license fees are imposed by the States in the United States.

A number of articles subject to excises in the United States but not in the United Kingdom are classified as luxuries in the latter country and are taxed under the Purchase Tax at the rate of 100 percent of their wholesale value. Some of the items so taxed are trunks, bags, and wallets made of leather; cameras, lenses, accessories, and film; musical instruments and phonograph records; clocks, watches, and jewelry; toilet preparations; and furs. ^{8/}

^{1/} The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

^{2/} Ibid., sec. 80 (9).

^{3/} Ibid., sec. 80, and Schedule II.

^{4/} Ibid., sec. 80(3).

^{5/} The Special War Revenue Act, June 1943, sec. 80, and Schedule I.

^{6/} I.R.C., sec. 3267, amended by R.A. 1942, sec. 617.

^{7/} I.R.C., sec. 3540, added by R.A. 1941, sec. 557.

^{8/} See Treasury Department study, "Considerations Respecting a Federal Retail Sales Tax," the part on the "British Purchase Tax," Hearings Before the Committee on Ways and Means, Revenue Revision of 1943.

Noncomparable excises imposed by the United Kingdom, Canada, and the United States

United Kingdom	Canada	United States
1. Automotive license fees	1. Bank checks, bills of exchange, promissory notes, money orders, and travelers' checks	1. Bowling alleys and billiard tables
2. Bank checks, bills of exchange and promissory notes	2. Candy, confectionery, and chewing gum	2. Business and store machines
3. Cocoa	3. Coin-operated amusement devices and vending machines	3. Club dues and initiation fees
4. Coffee and chicory	4. Fountain pens, propelling pencils, desk sets, and desk accessories	4. Coin-operated amusement and gambling devices
5. Dried fruits	5. Pari-mutuel bets on horse races	5. Electrical energy for domestic and commercial consumption
6. Insurance policies	6. Smokers' accessories: ash trays, pipes, cigar and cigarette holders, etc.	6. Firearms, shells and cartridges
7. Silk and artificial silk	7. Soft drinks	7. Passage tickets for ocean voyages to foreign ports
8. Table waters		8. Safe deposit box leases
9. Tea		9. Sporting goods
10. Various legal documents		10. Use of motor vehicles and boats

Summary comparison of United States, British, and Canadian excises 1/

Article or service taxed	Basis of comparison	Comparable tax rates 2/		
		United States	United Kingdom	Canada
1. Admissions				
a. General admissions	Charge for admission	20%	5%-100%	20%
b. Cabarets, roof gardens, etc.	Total charge to patron	20%	3/	25%
2. Alcoholic beverages				
a. Distilled spirits	U. S. proof gallon	\$9.00	\$23.00	\$8.03
b. Fermented malt liquors	Barrel of 31 wine gallons (type of beer commonly consumed in the respective countries)	\$8.00	\$28.39	\$8.68
o. Wines				
(1) Sparkling	Wine gallon	\$3.00	\$5.00-\$9.33	\$2.08
(2) Artificially carbonated	Wine gallon	\$2.00	\$5.00-\$9.33	\$2.08
(3) Still	Wine gallon containing by volume:			
	Not more than 14% alcohol	\$.15	\$2.42-\$3.42	\$.42
	Over 14% but not over 21% alcohol	\$.60	\$2.42-\$6.25	\$.42
	Over 21% but not over 24% alcohol	\$2.00	\$2.42-\$6.25	\$.42
d. Rectified spirits and wines, additional tax	U. S. proof gallon	\$.30	3/	3/
3. Automotive vehicles				
a. Passenger vehicles	Manufacturers' sales price:			
	\$900 or less	7%	3/	25%
	Over \$900 but not more than \$1,200	7%	3/	25%-29%
	Over \$1,200	7%	3/	Over 2%
b. Busses	Manufacturers' sales price	5%	3/	5%
c. Trucks	Manufacturers' sales price	5%	3/	3/
4. Communications				
a. Telegraph, cable, and radio messages	Charge for domestic messages	25%	3/	12%
b. Telephone and radio-telephone messages	Charge for long distance messages	25%	3/	15%
5. Conveyances of realty	\$10,000 property	\$11.00	\$2.00	3/
6. Electric, gas, and oil appliances	Manufacturers' sales price	10%	3/	25%
7. Furs	Retail price	20%	3/	9 1/2%
8. Gasoline	Wine gallon	\$.015	\$.125	\$.02
9. Jewelry, clocks and watches	Retail price	20% 4/	3/	25%
10. Lubricating oil	Wine gallon	\$.06	\$.015	3/
11. Luggage, handbags, wallets, etc.	Retail price	20%	3/	19%
12. Matches	Thousand matches	\$.02 and \$.055	\$.23	\$.10

(See footnotes next page)

Summary comparison of United States, British, and Canadian excises ^{1/}

Article or service taxed	Basis of comparison	Comparable tax rates ^{2/}		
		United States	United Kingdom	Canada
13. Playing cards	Pack of 54 cards	\$.13	\$.05	\$.20
14. Photographic apparatus and supplies				
a. Cameras, apparatus, and supplies (except films)	Manufacturers' sales price	25%	^{3/}	25%
b. Films	Manufacturers' sales price	15%	^{3/}	25%
15. Radios, phonographs, etc.	Manufacturers' sales price	10%	^{3/}	25%
16. Stocks and bonds				
a. Bonds, registered				
(1) Issuance	\$1,000 bond	\$1.10	\$1.25	^{3/}
(2) Transfer at face value	\$1,000 bond	\$.50	\$10.00	\$.30
b. Stocks, par value				
(1) Issuance	\$100 par value share	\$.11	\$.50	^{3/}
(2) Transfer at par value	\$100 par value share	\$.06	\$1.00	\$.04
17. Sugar	Pound	\$.005	\$.04	\$.01
18. Tires and tubes				
a. Tires	Pound	\$.05	^{3/}	\$.05
b. Tubes	Pound	\$.09	^{3/}	\$.05
19. Tobacco products				
a. Cigarettes	Package of 20	\$.07	\$.275 and \$.34	\$.20
b. Cigars	Thousand cigars	\$2.50- \$20.00	\$164- \$171	\$6.25- \$58.00
c. Manufactured tobacco	Pound	\$.18	\$6.79	\$.67
d. Cigarette papers and tubes				
(1) Papers	Package of 100	\$.01	^{3/}	\$.08
(2) Tubes	Package of 100	\$.02	^{3/}	\$.14
20. Toilet preparations	Retail price	20%	^{3/}	14%
21. Transportation of persons				
a. Transportation	Charge for transportation	15%	^{3/}	15%
b. Berths and seats	Charge for berths and seats	15%	^{3/}	13%

- ^{1/} The rates shown in this table, in many cases, are those which have been derived subsequent to a conversion of the actual excise tax in order to place the taxes on a comparable basis. The actual rate and base of each excise tax may be determined by consulting the text of this study. Does not include central government sales taxes, and State or Provincial and local sales and excise taxes.
- ^{2/} Tax rates of United Kingdom converted on basis of £1 to \$4.00. Canadian taxes are in Canadian currency. British and Canadian taxes rounded to nearest $\frac{1}{2}$ -cent for amounts of less than \$1 and to nearest 1-cent for amounts of \$1 and over.
- ^{3/} No excise tax.
- ^{4/} Watches retailing for not more than \$65 and alarm clocks retailing for not more than \$5 are subject to a 10-percent rate.

Bibliographical Note

Primary sources used in comparing the excise taxes of the United States with those of Canada and the United Kingdom were the revenue laws of the three countries. Interpretations of statutory provisions were obtained from official regulations, private tax services, and government officials. Since excises on certain articles are applied at different stages of distribution or on different physical units in the three countries, it was necessary to use additional sources to put such excises on a comparable basis. The data required to convert these excises to common bases were obtained in some cases from government or trade specialists and in others from official statistics and price regulations. Publications used in preparing the text, and cited therein, are listed below.

I. United States

The revenue law of the United States is codified in the Internal Revenue Code, as amended.

Interpretations of the law used in this study were found in the following sources:

U. S. Treasury Department, Bureau of Internal Revenue, Cumulative Bulletin 1935-1, Washington.

_____, Bureau of Internal Revenue, Regulations, 5 (1940), 15 (1940), 71 (1941), 113 (1943), Washington.

As an aid in converting taxes in the different countries to the same bases, data from these publications were used:

Interstate Commerce Commission, Preliminary Abstract of Railway Statistics, 1942, Washington.

Office of Price Administration, Maximum Price Regulation No. 260, published in Federal Register, Vol. 7, No. 218, November 5, 1942, Washington.

_____, Maximum Price Regulation No. 476, published in Federal Register, Vol. 8, No. 203, October 13, 1943, Washington.

_____, Revised Price Schedule No. 63, published in Federal Register, Vol. 9, No. 33, February 17, 1944, Washington.

U. S. Treasury Department, Annual Report of the Commissioner of Internal Revenue for the Fiscal Year Ended June 30, 1943, Washington.

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II. United Kingdom

The revenue laws of the United Kingdom are not codified. Therefore, the individual finance acts have generally been used to obtain the provisions of the law relative to individual excises. Cited in the text are the Finance Acts of 1920, 1924, 1933, 1935, 1938, 1939 (No. 2), 1940, 1943, and 1944.

For some excises the law has not been changed for many years, and secondary sources were used in lieu of the original acts. These documents were:

Board of Customs and Excise, Thirtieth Report of the Commissioners of His Majesty's Customs and Excise for the year ended 31st March, 1939, London.

U. S. Department of Commerce, Company Law and Business Taxes in Great Britain, Washington, 1933.

A study by G. Findlay Shirras and L. Rostas, The Burden of British Taxation (Cambridge, 1943), was used as an aid in determining the level of taxes in the United Kingdom for purposes of comparison with tax levels in the United States and Canada.

III. Canada

Canadian excise tax laws are published by the Department of National Revenue in "office consolidations". However, the consolidations must be supplemented by recent unconsolidated amendments. For this study the legal source materials were:

House of Commons Debates, Budget Speech, Vol. LXXXIII, No. 85, June 26, 1944, Ottawa.

Order in Council P. C. 545. Published in Canadian War Orders and Regulations, Vol. 1, No. 6, February 15, 1943, Ottawa.

Special War Revenue Act, Chapter 179, R. S., 1927, as amended, Office Consolidations of August 1942 and June 1943, Department of National Revenue, Ottawa.

The Excise Act, 1934, 24-25 George V, Chapter 52 (1934), as amended, Office Consolidation of 1939 by Department of National Revenue, Ottawa; 6 George VI, Chapter 27 1/ (1942), and 7 George VI, Chapter 9 (1943).

1/ A consolidation embodying 6 George VI, Chapter 27 is now available.

Published explanations of the provisions of the laws utilized were the Canadian Tax Service, Vol. I, published by Commerce Clearing House, Inc., Chicago; and Circulars, No. 220-C 2nd Revision, No. 741-C 2nd Revision, and No. 846-C, issued by the Department of National Revenue, Ottawa.

Some information regarding Canadian cigarettes was obtained from the Tax Administrators News, Vol. 7, No. 2, February, 1943, Federation of Tax Administrators, Chicago.