Canada’s Excise Tax on Receipts, 1923-1926

by Christopher D. Ryan
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A tax on receipts other than those issued for bank account withdrawals was introduced on January 1st, 1923, as a means of recouping the revenue lost by the 1922 adoption of a $2 maximum tax for certain types of commercial paper. This maximum had not been included in the original budget proposals. Throughout the period of the receipt-tax (January 1st, 1923, through April 15th, 1926) the rate was a constant 2¢ for every item of $10 and upwards.[1]

The tax on receipts was applied not to documents but to acknowledgements on paper of the payment of money by cash, cheque, draft or promissory note. As a result of this application, receipts contained within other documents such as deeds, mortgages and insurance policies were taxable. In addition, a single document was to be taxed more than once if it acknowledged multiple payments.[1b, 2]

Exceptions to the receipt-tax occurred when the acknowledgement of payment was attached to, or formed part of, a document that was taxed under another section of the Revenue Act. Examples of exempted items include counterfoils for express company money orders and signed acknowledgements on cheques.[1b, 2]

Receipts issued to or by the federal and provincial governments were exempt. ‘Freight bills’ were exempted as of May 27th, 1925. Initially, receipts on the backs of postcards or on folded letters sent by mail without being enclosed in an envelope were exempt due to the tax included in the postage paid. This exemption was revoked as of August 1st, 1923.[1b, 2, 3]

In May of 1925, the Revenue Department ruled that credits shown on periodic (usually monthly) statements of accounts were taxable. The ruling applied even if separate receipts had been duly issued. This double taxation was protested by the public and on May 27th the tax liability for credits was limited to those for which separate receipts had not been issued. Credits represented by properly taxed receipts were to have been marked as ‘stamp tax paid’ and initialled by the issuer of the statement. In August of 1925, the Revenue Department exempted credits on periodic statements for returned goods.[3, 4]

The receipt-tax could be paid by adhesive stamps, embossed stamps or monthly in bulk. In the case of adhesive stamps, either revenue or postage stamps could initially be used. As of October 1st, 1923, postage stamps were no longer permitted.[5] Employers that required employees to sign a ‘pay roll’ for wages paid in cash were permitted to affix stamps for the total amount of the tax owing rather than individual stamps for each signature.[2a]

Advance payment of the tax could be made by means of the embossed 2-cent ‘war tax’ stamp. This option required a minimum order of one thousand forms.[6]

The option of monthly bulk-payment by cash or cheque was available only to municipalities with populations of ten thousand or higher and only for payments of their tax and water bills. Municipalities that paid in bulk were provided with an official ‘Receipt Tax Paid’ rubber-stamp by the local Revenue Collector. All applicable receipts were to be marked by the device as tax-paid. For the privilege of paying in bulk, municipalities were required to post security as a guarantee for payment and maintain detailed records for audit purposes.[2a, 7]

The last day of the receipt-tax was April 15th, 1926. It was revoked due to widespread evasions. Many people were simply ignoring this tax.[1b, 8]

Reference Notes

Figure 1: Receipt of March 6th, 1925, countersigned by the Toronto Agent of the Sun Life Assurance Company of Canada by which the policyholder acknowledged the payment of $17.80 as an annual premium. The 1923-1926 receipt-tax was paid by an embossed 2-cent ‘war tax’ stamp. (The name and street number of the policyholder have been electronically deleted.) (100% of actual size.)
Figure 2: Municipal tax-bill for the year 1923, issued September 10th. Two separate payments are acknowledged at the bottom of the document, requiring the application of two stamps in payment of the 1923-1926 receipt-tax. The tax on the first receipt (September 24th) was paid by a green 2-cent admiral postage stamp. The tax on the second receipt (December 3rd) was paid by a 2-cent Two Leaf excise stamp. These payments fall on either side of the October 1st, 1923, date on which postage stamps were no longer permitted for the payment of the receipt-tax. (The name of the taxpayer has been electronically deleted.) (85%)
This Indenture

made in duplicate the
Sixteenth day of February
hundred and twenty-five
one thousand nine

in pursuance of
The Short Forms of Conveyances Act.

Between

of the City of Toronto in the
County of York, Estate Agent, hereinafter called the Grantor of the First Part;

of the Township of York, in the
County of York, Labourer,

hereinafter called the Grantee of the Second Part; and

, the wife of the said Grantor of the Third Part.

Witnesseth that in consideration of the sum of

ONE THOUSAND Dollars
of lawful money of Canada, now paid by the said grantee to the said grantor
the receipt whereof is hereby by him acknowledged, he the said grantor

both
Grant unto the said grantee in fee simple,

All and Singular the certain parcels or tracts of land and premises,
situate, lying and being in the Township of York in the County of York, and being
composed of Lots Numbers Ninety-Two and Ninety-Three

on the North side of Lenore Avenue,

Figure 3: Land Deed of February 16th, 1925, in which the payment of one thousand dollars was acknowledged by the grantor for the purchase of two parcels of land. The receipt-tax was paid by a 2-cent Two Leaf excise stamp. (The names of the grantors and the grantee have been electronically deleted.) (84% of actual size.)
Figure 4: City of Toronto tax-bill for the year 1923. Three payments are acknowledged by rubber-stamped marks along the bottom of the document. For two of the receipts, the City also marked the bill with its official ‘Receipt Tax Paid’ rubber-stamp. This tax-paid rubber-stamp was issued to the City by Customs and Excise Canada, the title of the day for the federal revenue department. Use of this rubber-stamp was permitted only for municipalities who had been given permission to pay the receipt-tax monthly by cash or cheque in place of affixing stamps. An enlargement of the tax-paid mark is shown at right.

Reference Notes (Continued from page 7)
c- Canada, Debates of the House of Commons, 1925, pp. 3334-3337.
d- Farrow, R.R., Customs & Excise Circular № 449C of August 20th, 1925, National Archives, RG 16, Vol. 888.
b- Farrow, R.R., Customs & Excise Circular № 274C of September 12th, 1923, National Archives, RG 16, Vol. 1057.