

# SALES-TAX DATA

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COMPILED BY THE  
STAFF OF THE JOINT COMMITTEE ON  
INTERNAL REVENUE TAXATION  
AND PRINTED PURSUANT TO  
SECTION 5011 (c) OF  
THE INTERNAL REVENUE CODE



NOTE: This compilation contains merely data and reaches no conclusions as to the merits or demerits of a general sales tax.

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## EXPLANATORY NOTE

The data contained herein is presented for the purpose of analyzing general sales taxes. The compilation does not purport to be all inclusive, but it is believed it will be useful to the committee in consideration of the general sales tax problem.

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PART I

ESTIMATES OF SALES TAX BASES

A. RETAIL TAX BASE

B. GENERAL MANUFACTURERS' EXCISE TAX BASE

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## A. ESTIMATE OF RETAIL TAX BASE

[Billions of dollars]

	Calendar years—		
	1939	1941	1942
Sales of retail stores.....	42.0	53.6	52.4
Add: Retail sales of manufacturers, wholesalers, hotels, farmers, etc. <sup>1</sup> .....	3.4	4.0	3.5
Less: Receipts for services and sales to other retailers.....	1.6	2.0	1.8
Commodity sales at retail.....	43.8	55.6	54.1
Retail value of commodities now subject to manufacturers' and retailers' excise taxes <sup>2</sup> .....	17.5	22.4	17.3
Commodity sales excluding those now taxed.....	26.3	33.2	36.8
Food sales:			
For home consumption.....	10.2	12.4	14.3
Restaurant meals, etc.....	2.2	2.7	3.1
Apparel and piece goods (excluding furs).....	6.3	7.9	7.5
Medicines.....	.3	.4	.5

Federal, State and local purchasers from retail stores are relatively negligible and for this reason have not been deducted from this base.

<sup>1</sup> See the following table:

[In billions of dollars]

*Calendar year 1943*

Manufactures.....	1.0
Hotels.....	.4
Farmers.....	.4
Wholesalers.....	1.2
Building contractors.....	} .5
Service establishments.....	
Dining-car sales.....	
Sales of Government cafeterias.....	
Total.....	3.5

<sup>2</sup> See the following table:

*Retail value of commodities now subject to manufacturers' and retailers' excise taxes*

[Billions of dollars]

	Calendar years		
	1939	1941	1942
Alcoholic beverages:			
For on-premises consumption.....	1.4	1.7	2.1
For off-premises consumption.....	2.4	2.9	3.4
Tobacco.....	1.9	2.1	2.4
Gasoline.....	2.9	3.4	2.9
Automobiles, trucks, parts, etc.....	3.5	5.2	2.0
Jewelry, furs, and toilet preparations*.....	.8	1.1	1.3
All other.....	4.6	6.0	3.2
Total.....	17.5	22.4	17.3

Figures for 1939 are based on Census of Manufactures and Census of Retail Trade, Bureau of the Census, except for alcoholic beverages. For the latter group estimates are based on a study made by the Distilled Spirits Institute. Change from 1939 to 1941 estimated by the Bureau of Foreign and Domestic Commerce based on changes in the value of production and of changes in retail sales.

For 1942 the estimates allow for expected price increases and curtailment in production of certain durable goods, rubber tires and tubes, gasoline, etc.

\*Jewelry, 0.5; furs, 0.4; and toilet preparations, 0.4.

Source: Division of Research and Statistics, Bureau of Foreign and Domestic Commerce.

## B. ESTIMATE OF GENERAL MANUFACTURERS' EXCISE TAX BASE

[In billions of dollars]

	Calendar years		
	1939	1941	1942
Gross value of manufactured products.....	56.8	90.0	115.0
Net value of products.....	39.8	63.0	80.5
Deduct: Exports of semifinished and finished manufactures.....	2.5	3.9	3.0
Calculated net value of manufacturing output available for domestic consumption.....	37.3	59.1	77.5
Deduct:			
Net value of items to be exempted from excise taxes—foods, clothing, and medicines available for domestic use <sup>1</sup> .....	11.1	14.8	18.7
Value of products now taxed <sup>2</sup> (excluding exports).....	9.1	11.7	6.6
Government expenditures for commodities.....	5.6	14.3	37.4
Federal Government.....	3.2	12.0	35.2
State and local governments.....	2.4	2.3	2.2
Subtotal: Manufacturers' tax base.....	11.5	18.3	14.8
Add:			
Imports of finished manufactures.....	.3	.3	.2
Unduplicated value of mineral products, excluding petroleum.....	1.1	1.4	1.5
Total tax base.....	12.9	20.0	16.5

<sup>1</sup> Calendar 1942 values are:

[In billions of dollars]

Food and kindred products (excluding alcoholic beverages).....	12.2
Clothing, including shoes (excluding exports).....	6.2
Medicines (excluding exports).....	.3
Total.....	18.7

<sup>2</sup> See the following table (Exports: 1939, 0.6; 1941, 0.7; 1942, 0.5).*Manufacturers' value of commodities now subject to manufacturers' and retailers' excise tax (including exports)*

[Millions of dollars]

Commodities	Calendar years		
	1939	1941	1942
Distilled spirits.....	615	735	770
Wines, cordials, etc.....			
Fermented malt liquors.....			
Cigars.....	1,322	1,481	1,573
Cigarettes.....			
Snuff of all descriptions.....			
Tobacco, chewing and smoking.....			
Cigarette papers and tubes.....	286	304	238
Lubricating oils.....	26	30	32
Matches.....	1,424	1,681	885
Gasoline.....	465	670	770
Electrical energy.....	581	668	200
Tires and inner tubes.....	315	410	200
Rubber articles.....	20	40	20
Phonograph records.....	40	50	50
Musical instruments.....	37	50	60
Luggage.....	170	220	150
Electric, gas, and oil appliances.....	26	30	35
Electric signs.....	150	200	50
Business and store machines.....	54	80	20
Washing machines.....	139	170	200
Optical equipment and photographic apparatus.....	79	100	120
Electric light bulbs and tubes.....	2,334	3,247	270
Automobile trucks.....	459	650	200
Other automobiles and motorcycles.....	276	350	250
Parts and accessories for automobiles.....	279	550	250
Radio sets, phonographs, components, etc.....	65	75	70
Refrigerators, air conditioners, etc.....	47	50	25
Sporting goods.....	144	215	235
Firearms, shells, and cartridges.....	168	200	240
Pistols and revolvers.....	148	175	225
Jewelry.....			
Furs.....			
Toilet preparations.....			
Total.....	9,669	12,431	7,138

Source: Division of Research and Statistics, Bureau of Foreign and Domestic Commerce.

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PART II

CONSUMER INCOMES AND BUSINESS INDICATORS

A. CONSUMER INCOMES AND EXPENDITURES, 1935  
AND 1941

B. NATIONAL INCOME AND BUSINESS INDICATORS

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# A. CONSUMER INCOMES AND EXPENDITURES, 1935 AND 1941, WITH CERTAIN DATA FOR 1942

[For notes see end of table 11B]

TABLE 1.—*Distribution of population among 4 consumer groups and aggregate and per capita income of each group, 1941 and estimated 1942<sup>1</sup>*

Population groups	1941 (calendar year)				1942 (calendar year)					
	Number of persons (in thousands)	Aggregate consumer income (in millions)			Per capita consumer income	Number of persons (in thousands)	Aggregate consumer income (in millions)			Per capita consumer income
		Total	Income payments	Additional income (imputed)			Total	Income payments	Additional income (imputed)	
Military personnel.....	1, 700	\$1, 500	\$1, 500	-----	\$900	3, 500	\$3, 150	-----	\$900	
Civilian population:										
Family members.....	118, 950	75, 801	71, 741	\$4, 050	637	119, 050	81, 980	\$4, 520	727	
Single consumers.....	10, 950	16, 839	16, 639	200	1, 538	10, 050	16, 780	220	1, 692	
All families and single consumers	129, 900	92, 640	88, 380	4, 250	713	129, 100	98, 760	4, 740	802	
Institutional group.....	1, 400	360	120	240	257	1, 495	90	260	250	
All civilian groups.....	131, 300	93, 000	88, 500	4, 500	708	130, 500	98, 850	5, 000	796	
All groups.....	133, 000	94, 500	90, 000	4, 500	711	134, 000	102, 000	5, 000	799	

<sup>1</sup> The average family used throughout these studies was found to consist of 3.9 persons.

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE 2.—Number of families and single consumers and average size and aggregate income of each group, 1941 and estimated 1942<sup>1</sup>

Calendar year and consumer group	Number of consumer units (in thousands)	Number of persons (in thousands)	Average number of persons per consumer unit	Average income per consumer unit	Aggregate consumer income	
					Amount (in millions)	Percent
1941						
Families of 2 or more persons.....	32,067	118,950	3.71	\$2,362	\$75,801	81.8
Single consumers.....	10,950	10,950	1.00	1,538	16,839	18.2
All families and single consumers.....	43,017	129,900	3.02	2,152	92,640	100.0
1942						
Families of 2 or more persons.....	32,650	119,050	3.65	2,649	86,500	83.6
Single consumers.....	10,050	10,050	1.00	1,691	17,000	16.4
All families and single consumers.....	42,700	129,100	3.02	2,424	103,500	100.0

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE 3.—Distribution of families and single consumers and of aggregate income received, by income levels, 1941 and estimated 1942<sup>1</sup>

Income levels	1941 calendar year			1942 calendar year		
	Families and single consumers		Aggregate consumer income	Families and single consumers		Aggregate consumer income
	Number (in thousands)	Percent	Amount (in millions)	Number (in thousands)	Percent	Amount (in millions)
Under \$500	4,089	9.5	\$1,349	2,900	6.8	\$1,044
\$500 to \$750	4,477	10.4	2,825	3,782	8.8	2,424
\$750 to \$1,000	4,563	10.5	3,947	4,571	10.7	4,142
\$1,000 to \$1,250	4,692	10.9	5,279	5,152	12.1	5,887
\$1,250 to \$1,500	4,907	11.4	6,669	4,607	10.8	6,314
\$1,500 to \$1,750	3,659	8.5	5,891	4,289	10.0	6,941
\$1,750 to \$2,000	2,798	6.5	5,120	3,166	7.4	5,848
\$2,000 to \$2,500	4,520	10.5	10,111	3,740	8.8	8,416
\$2,500 to \$3,000	2,755	6.4	7,439	2,863	6.7	7,739
\$3,000 to \$4,000	2,927	6.8	9,894	3,263	7.7	11,180
\$4,000 to \$5,000	1,507	3.5	6,554	1,793	4.2	7,886
\$5,000 to \$10,000	1,378	3.2	9,367	1,529	3.6	10,504
\$10,000 and over	775	1.8	18,115	1,015	2.4	25,155
All levels	43,047	100.0	92,640	42,700	100.0	103,500

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

## SALES-TAX DATA

TABLE 4A.—Aggregate outlay for consumption, gifts and personal taxes, and savings,<sup>2</sup> by income level, 1935-36

Income level	Single individuals		Aggregate income		Aggregate outlay for—					
	Number	Percent	Amount (in millions)	Percent	Current consumption		Gifts and personal taxes <sup>3</sup>		Savings	
					Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent
Under \$500.....	2,532,627	25.2	\$759	6.5	\$872	9.3	\$11	1.1	-\$124	-10.6
\$500-\$750.....	1,972,745	19.6	1,231	10.6	1,201	12.8	63	6.1	-33	-2.8
\$750-\$1,000.....	1,599,030	15.9	1,392	12.0	1,299	13.9	100	9.6	-7	-0.6
\$1,000-\$1,250.....	1,108,551	11.0	1,241	10.7	1,113	11.9	103	9.9	25	2.1
\$1,250-\$1,500.....	877,956	8.7	1,201	10.4	1,036	11.1	109	10.5	56	4.8
\$1,500-\$1,750.....	546,546	5.4	883	7.6	734	7.8	85	8.2	64	5.5
\$1,750-\$2,000.....	398,985	4.0	745	6.4	598	6.4	75	7.2	72	6.2
\$2,000-\$2,500.....	493,751	4.9	1,098	9.5	846	9.0	114	11.0	138	11.8
\$2,500-\$3,000.....	161,275	1.6	436	3.8	321	3.4	47	4.5	68	5.8
\$3,000-\$4,000.....	172,091	1.7	587	5.1	405	4.3	66	6.3	116	9.9
\$4,000-\$5,000.....	61,596	.6	277	2.4	176	1.9	32	3.1	69	5.9
\$5,000-\$10,000.....	85,898	.9	587	5.1	332	3.5	71	6.8	184	15.7
\$10,000-\$15,000.....	20,861	.2	250	2.2	121	1.3	32	3.1	97	8.3
\$15,000-\$20,000.....	9,436	.1	161	1.4	73	.8	20	1.9	68	5.8
\$20,000 and over.....	16,652	.2	731	6.3	244	2.6	111	10.7	376	32.2
All levels.....	10,058,000	100.0	11,579	100.0	9,371	100.0	1,039	100.0	1,169	100.0

Source: National Resources Committee, Consumer Expenditures, p. 88.

TABLE 4B.—Aggregate outlay of single consumers in the United States for consumption, gifts, and personal taxes and savings,<sup>2</sup> by income level, 1941

Income level	Single consumers		Aggregate income		Aggregate outlay for—					
	Number (in thousands)	Percent	Amount (in millions)	Percent	Current consumption		Gifts and personal taxes <sup>3</sup>		Savings	
					Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent
Under \$500	1,774	16.2	\$668	3.4	\$655	5.1	\$6	0.4	-\$83	-4.0
\$500-\$750	1,628	14.9	1,028	6.1	1,006	7.8	50	3.2	-28	-1.2
\$750-\$1,000	1,536	14.1	1,347	8.0	1,263	9.7	91	5.9	-7	-0.3
\$1,000-\$1,250	1,359	12.4	1,531	9.1	1,378	10.6	122	7.9	31	1.3
\$1,250-\$1,500	1,225	11.2	1,675	9.9	1,450	11.1	147	9.5	78	3.2
\$1,500-\$1,750	822	7.5	1,325	7.9	1,110	8.6	122	7.9	93	4.0
\$1,750-\$2,000	538	4.9	983	5.8	798	6.2	93	6.0	92	3.9
\$2,000-\$2,500	791	7.2	1,769	10.5	1,375	10.6	175	11.4	219	9.4
\$2,500-\$3,000	417	3.8	1,123	6.7	838	6.5	111	7.2	174	7.5
\$3,000-\$4,000	397	3.6	1,346	8.0	940	7.3	139	9.0	267	11.4
\$4,000-\$5,000	196	1.8	852	3.1	550	4.2	89	3.8	213	9.1
\$5,000-\$10,000	176	1.6	1,199	7.1	693	5.3	130	8.4	376	16.1
\$10,000 and over	91	.8	2,093	12.4	907	7.0	267	17.4	919	39.5
All levels	10,950	100.0	16,839	100.0	12,963	100.0	1,542	100.0	2,334	100.0

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE 5A.—Average outlay of single individuals for consumption, gift, and personal taxes, and savings,<sup>2</sup> by income level, 1935-36

Income level	Single individuals		Average income per individual	Average outlay per individual for—		
	Number	Percent		Current consumption	Gifts and personal taxes <sup>3</sup>	Savings
Under \$500.....	2, 532, 627	25. 2	\$300	\$345	\$4	—\$49
\$500-\$750.....	1, 972, 745	19. 6	623	608	32	—17
\$750-\$1,000.....	1, 599, 030	15. 9	873	815	62	—4
\$1,000-\$1,250.....	1, 108, 551	11. 0	1, 119	1, 004	93	22
\$1,250-\$1,500.....	877, 956	8. 7	1, 368	1, 180	124	64
\$1,500-\$1,750.....	546, 546	5. 4	1, 617	1, 344	156	117
\$1,750-\$2,000.....	398, 985	4. 0	1, 868	1, 501	187	180
\$2,000-\$2,500.....	493, 751	4. 9	2, 225	1, 714	232	279
\$2,500-\$3,000.....	161, 275	1. 6	2, 703	1, 990	291	422
\$3,000-\$4,000.....	172, 091	1. 7	3, 411	2, 354	380	677
\$4,000-\$5,000.....	61, 596	. 6	4, 491	2, 842	523	1, 126
\$5,000-\$10,000.....	85, 898	. 9	6, 827	3, 863	823	2, 141
\$10,000-\$15,000.....	20, 861	. 2	11, 999	5, 829	1, 517	4, 653
\$15,000-\$20,000.....	9, 436	. 1	17, 052	7, 719	2, 148	7, 185
\$20,000 and over.....	16, 652	. 2	43, 884	14, 671	6, 642	22, 571
All levels.....	10, 058, 000	100. 0	1, 151	932	103	116

Source: National Resources Committee, Consumer Expenditures, p. 32.

TABLE 5B.—Average outlay of single consumers in the United States for consumption, gifts, and personal taxes, and savings<sup>2</sup> by income level, 1941

Income level	Single consumers		Average income per single consumer	Average outlay per single consumer for—		
	Number (thousands)	Percent		Current consumption	Gifts and personal taxes <sup>3</sup>	Savings
Under \$500.....	1, 774	16.2	\$320	\$369	\$3	—\$52
\$500—\$750.....	1, 628	14.9	631	618	31	—17
\$750—\$1,000.....	1, 536	14.1	876	822	59	—5
\$1,000—\$1,250.....	1, 359	12.4	1, 125	1, 014	90	23
\$1,250—\$1,500.....	1, 225	11.2	1, 365	1, 184	120	64
\$1,500—\$1,750.....	822	7.5	1, 610	1, 350	148	113
\$1,750—\$2,000.....	538	4.9	1, 830	1, 483	173	171
\$2,000—\$2,500.....	791	7.2	2, 237	1, 738	221	277
\$2,500—\$3,000.....	417	3.8	2, 700	2, 010	266	417
\$3,000—\$4,000.....	397	3.6	3, 380	2, 368	350	673
\$4,000—\$5,000.....	196	1.8	4, 350	2, 806	454	1, 087
\$5,000—\$10,000.....	176	1.6	6, 800	3, 937	739	2, 136
\$10,000 and over.....	91	.8	23, 000	9, 967	2, 934	10, 099
All levels.....	10, 950	100.0	1, 538	1, 184	141	213

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE 6A.—Aggregate expenditures of single individuals for main categories of consumption,<sup>3</sup> by income level, 1935-36

Income level	Aggregate expenditures (in millions) for—												Education	Other items
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco	Transportation other than auto		
Under \$500	\$872	\$406	\$254	\$30	\$67	(*)	\$12	\$7	(*)	\$23	\$7	\$47	\$18	(*)
\$500-\$750	1,201	465	307	40	144	\$11	28	32	\$3	32	22	62	24	6
\$750-\$1,000	1,289	471	308	73	163	31	36	48	4	31	30	62	25	9
\$1,000-\$1,250	1,113	391	249	66	136	42	33	50	4	24	30	50	21	9
\$1,250-\$1,500	1,036	350	226	64	127	49	34	52	4	22	29	44	18	8
\$1,500-\$1,750	734	239	158	46	91	40	26	39	3	15	21	31	13	5
\$1,750-\$2,000	598	188	129	37	75	36	23	34	2	12	16	25	10	4
\$2,000-\$2,500	846	254	182	52	107	56	36	50	4	16	23	35	14	11
\$2,500-\$3,000	321	93	68	20	40	25	15	20	1	6	9	12	5	5
\$3,000-\$4,000	405	109	89	25	52	33	21	27	2	7	10	16	6	2
\$4,000-\$5,000	176	43	42	10	24	15	10	11	1	3	4	7	2	1
\$5,000-\$10,000	332	72	82	18	44	33	22	23	2	5	6	13	4	1
\$10,000-\$15,000	121	22	33	6	16	13	9	9	1	2	1	5	1	(*)
\$15,000-\$20,000	73	12	20	3	9	9	6	6	(*)	1	1	3	1	(*)
\$20,000 and over	241	37	72	11	29	33	21	19	2	2	2	9	1	(*)
All levels	9,371	3,152	2,219	521	1,124	426	332	427	33	201	211	421	163	54

Source: National Resources Committee, Consumer Expenditures, p. 88.

TABLE 6B.—Aggregate expenditures of single consumers in the United States for main categories of consumption,<sup>2</sup> by income level, 1941

Income level	Aggregate expenditures (in millions) for—														
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco	Transportation other than auto	Reading	Education	Other items
Under \$500.....	\$655	\$304	\$191	\$23	\$49	(4)	\$10	\$6	(4)	\$17	\$6	\$36	\$13	(4)	(4)
\$500-\$750.....	1,006	392	256	51	120	\$10	23	27	\$3	26	19	51	20	\$5	\$8
\$750-\$1,000.....	1,263	458	298	71	158	30	34	46	4	31	31	61	24	9	
\$1,000-\$2,250.....	1,378	485	308	83	169	52	41	61	5	31	38	61	24	11	9
\$1,250-\$1,500.....	1,450	491	317	89	177	69	47	72	5	30	42	62	25	12	12
\$1,500-\$1,750.....	1,110	359	239	69	138	61	40	59	4	23	34	46	19	8	11
\$1,750-\$2,000.....	798	252	170	49	101	48	30	45	3	16	24	32	14	5	9
\$2,000-\$2,500.....	1,375	410	294	85	175	94	57	82	7	27	39	55	23	9	18
\$2,500-\$3,000.....	838	244	175	52	104	68	38	55	3	15	23	33	12	4	12
\$3,000-\$4,000.....	940	252	203	57	123	83	47	64	4	16	23	36	13	4	15
\$4,000-\$5,000.....	550	134	126	31	77	50	31	37	3	9	11	22	7	2	10
\$5,000-\$10,000.....	693	152	165	37	94	74	44	51	5	11	12	26	7	1	14
\$10,000 and over.....	907	153	249	44	117	116	69	68	6	10	10	36	6	2	21
All levels.....	12,963	4,086	2,991	741	1,602	755	511	673	52	262	312	557	207	72	142

Source: Research Division, Office of Price Administration, Consumer Economics Section

TABLE 7A.—Average expenditures of single individuals for main categories of consumption,<sup>2</sup> by income level, 1935-36

Income level	Average expenditure per individual for—											Other items		
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco		Transportation other than auto	Reading
Under \$500	\$345	\$160	\$101	\$12	\$26	( <sup>9</sup> )	\$5	\$3	( <sup>9</sup> )	\$9	\$3	\$19	\$7	( <sup>9</sup> )
\$500-\$750	608	236	155	31	73	86	14	16	\$2	16	11	31	12	\$3
\$750-\$1,000	815	295	193	46	102	19	22	30	3	20	19	39	16	6
\$1,000-\$1,250	1,004	352	225	60	123	38	30	45	4	22	27	45	18	8
\$1,250-\$1,500	1,180	399	258	73	144	56	38	59	4	25	33	51	21	9
\$1,500-\$1,750	1,344	437	291	84	166	73	48	72	5	27	38	57	23	10
\$1,750-\$2,000	1,501	471	323	93	189	90	58	84	6	30	42	62	26	10
\$2,000-\$2,500	1,714	515	369	106	217	114	72	102	8	33	47	70	28	11
\$2,500-\$3,000	1,990	577	423	123	247	154	91	128	8	36	54	78	31	11
\$3,000-\$4,000	2,354	636	514	142	302	195	121	156	11	42	58	92	35	11
\$4,000-\$5,000	2,842	694	667	163	393	237	163	184	17	51	57	116	38	10
\$5,000-\$10,000	3,863	846	947	211	518	382	253	270	24	60	66	153	44	8
\$10,000-\$15,000	5,829	1,070	1,602	295	771	640	430	408	40	74	69	239	49	13
\$15,000-\$20,000	7,719	1,283	2,124	360	932	1,014	638	604	47	78	79	291	52	13
\$20,000 and over	14,671	2,200	4,329	660	1,736	1,976	1,247	1,122	91	-125	114	580	78	25
All levels	932	313	221	52	112	42	33	43	3	20	21	42	16	5

Source: National Resources Committee, Consumer Expenditures, p. 34.

TABLE 7B.—Average expenditures of single consumers in the United States for main categories of consumption, <sup>2</sup> by income level, 1941

Income level	Average expenditures for—											Other items		
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco		Transportation other than auto	Reading
Under \$500.....	\$369	\$171	\$108	\$13	\$28	( <sup>1</sup> ) \$6	\$6	\$3	( <sup>1</sup> ) \$2	\$10	\$3	\$20	\$7	( <sup>1</sup> ) \$2
\$500-\$750.....	618	241	157	31	71	20	14	17	3	16	12	31	12	\$3
\$750-\$1,000.....	822	298	194	46	103	38	22	30	4	20	20	40	16	6
\$1,000-\$1,250.....	1,014	357	227	61	124	56	30	45	4	23	28	45	18	8
\$1,250-\$1,500.....	1,184	401	259	73	144	74	38	59	4	24	34	51	20	10
\$1,500-\$1,750.....	1,350	437	291	84	168	80	49	72	5	28	41	56	23	10
\$1,750-\$2,000.....	1,483	468	316	91	188	80	56	84	6	30	45	59	26	9
\$2,000-\$2,500.....	1,738	518	372	107	221	119	72	104	9	34	49	70	29	11
\$2,500-\$3,000.....	2,010	585	420	125	249	163	91	132	7	36	55	79	29	10
\$3,000-\$4,000.....	2,368	635	511	144	310	209	118	161	10	40	58	91	33	10
\$4,000-\$5,000.....	2,806	643	643	158	393	255	158	189	15	46	56	112	36	10
\$5,000-\$10,000.....	3,937	864	937	210	534	420	250	290	28	63	68	148	40	6
\$10,000 and over.....	9,967	1,681	2,736	484	1,286	1,275	758	747	66	110	110	396	66	22
All levels.....	1,184	373	273	68	146	69	47	61	5	24	28	51	19	7

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE 8A.—Aggregate expenditures of American families for main categories of consumption,<sup>2</sup> by income level, 1935-36

Income level	Aggregate expenditures (in millions) for—											Other items		
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco		Transportation other than auto	Reading
Under \$500	\$1,946	\$848	\$380	\$239	\$146	\$63	\$92	\$23	\$37	\$38	\$12	\$15	\$8	\$8
\$500-\$750	2,687	1,180	475	322	212	107	112	41	60	55	19	21	12	19
\$750-\$1,000	3,910	1,626	691	452	333	187	161	71	116	82	37	37	19	19
\$1,000-\$1,250	4,374	1,683	787	504	387	274	183	96	148	91	43	43	26	22
\$1,250-\$1,500	3,771	1,395	660	426	351	296	164	90	137	78	39	40	27	20
\$1,500-\$1,750	3,544	1,235	627	390	344	287	166	98	132	76	38	34	26	23
\$1,750-\$2,000	3,195	1,058	572	354	312	291	149	94	128	66	35	31	28	14
\$2,000-\$2,500	4,850	1,522	860	525	509	493	225	153	186	104	55	49	49	27
\$2,500-\$3,000	3,026	907	531	343	335	318	143	107	111	64	32	29	39	14
\$3,000-\$4,000	3,226	911	574	377	373	341	156	124	121	64	36	32	44	16
\$4,000-\$5,000	1,319	343	230	161	164	154	64	55	44	27	21	12	23	7
\$5,000-\$10,000	2,271	529	400	208	284	266	126	105	80	46	32	25	42	17
\$10,000-\$15,000	801	160	159	100	109	90	30	45	30	15	15	8	30	3
\$15,000-\$20,000	534	105	87	69	74	54	24	28	16	9	6	4	32	3
\$20,000 and over	1,386	211	254	204	204	164	78	86	43	23	40	12	47	8
All levels	40,843	13,713	7,287	4,764	4,137	3,355	1,873	1,216	1,389	831	463	388	452	220

Source: National Resources Committee, Consumer Expenditures, p. 86.

TABLE 8B.—Aggregate expenditures of all families in the United States for main categories of consumption,<sup>2</sup> by income level, 1941

Income level	Aggregate expenditures (in millions) for—														
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco	Transportation other than auto	Reading	Education	Other items
Under \$500	\$1,173	\$510	\$226	\$142	\$89	\$38	\$56	\$15	\$23	\$23	\$23	\$8	\$10	\$5	\$5
\$500-\$750	2,033	894	358	243	162	81	85	31	45	40	41	14	16	9	14
\$750-\$1,000	2,781	1,158	490	321	239	133	114	50	82	56	58	27	27	13	13
\$1,000-\$1,250	3,781	1,457	678	435	339	236	157	83	127	79	75	37	37	22	19
\$1,250-\$1,500	4,868	1,802	849	548	458	343	211	117	177	101	102	50	50	35	25
\$1,500-\$1,750	4,303	1,501	738	470	422	348	201	120	162	91	84	46	41	32	27
\$1,750-\$2,000	3,840	1,271	683	422	378	355	178	113	155	79	78	41	37	33	17
\$2,000-\$2,500	7,439	2,328	1,310	801	785	771	342	235	288	159	145	83	75	75	42
\$2,500-\$3,000	5,406	1,610	941	606	603	584	253	192	204	114	97	57	51	69	25
\$3,000-\$4,000	6,941	1,947	1,222	804	804	764	333	268	267	137	122	77	68	94	34
\$4,000-\$5,000	4,339	1,112	741	519	539	548	205	181	155	86	70	46	40	74	23
\$5,000-\$10,000	5,380	1,238	931	694	671	672	294	250	203	106	76	57	49	98	41
\$10,000 and over	6,915	1,190	1,250	929	972	842	337	408	249	112	66	102	64	272	32
All levels	59,199	18,017	10,437	6,934	6,461	5,715	2,766	2,063	2,137	1,183	1,038	735	565	831	317

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE 9A.—Average outlay of American families for consumption,<sup>2</sup> gifts and personal taxes, and savings, by income level, 1935-36

Income level	Families		Average income per family	Average outlay per family for—		
	Number	Percent		Current consumption	Gifts and personal taxes <sup>3</sup>	Savings
Under \$500.....	4, 178, 284	14.2	\$312	\$466	\$8	—\$162
\$500-\$750.....	3, 799, 215	12.9	627	707	12	—92
\$750-\$1,000.....	4, 277, 048	14.6	874	914	18	—58
\$1,000-\$1,250.....	3, 882, 444	13.2	1, 120	1, 127	24	—31
\$1,250-\$1,500.....	2, 865, 472	9.8	1, 364	1, 316	34	14
\$1,500-\$1,750.....	2, 343, 358	8.0	1, 612	1, 512	44	56
\$1,750-\$2,000.....	1, 897, 037	6.4	1, 829	1, 684	53	92
\$2,000-\$2,500.....	2, 464, 860	8.4	2, 221	1, 968	71	182
\$2,500-\$3,000.....	1, 314, 199	4.5	2, 715	2, 302	98	315
\$3,000-\$4,000.....	1, 181, 987	4.0	3, 394	2, 729	136	529
\$4,000-\$5,000.....	402, 595	1.4	4, 391	3, 276	211	904
\$5,000-\$10,000.....	510, 010	1.7	6, 874	4, 454	392	2, 028
\$10,000-\$15,000.....	131, 821	.4	11, 353	6, 097	840	4, 416
\$15,000-\$20,000.....	58, 487	.2	17, 331	9, 134	1, 282	6, 915
\$20,000 and over.....	93, 483	.3	41, 871	14, 822	5, 820	21, 229
All levels.....	29, 400, 300	100.0	1, 622	1, 389	69	164

Source: National Resources Committee, Consumer Expenditures, p. 20.

TABLE 9B.—Average outlay of all families in the United States for consumption, gifts<sup>1</sup> and personal taxes, and savings,<sup>2</sup> by income level, 1941

Income level	Families		Average income per family	Average outlay per family for—		
	Number (thousands)	Percent		Current consumption	Gifts and personal taxes <sup>3</sup>	Savings
Under \$500 .....	2,315	7.2	\$337	\$507	\$8	—\$177
\$500—\$750 .....	2,849	8.9	631	714	10	—93
\$750—\$1,000 .....	3,027	9.4	876	919	15	—58
\$1,000—\$1,250 .....	3,333	10.4	1,125	1,134	21	—31
\$1,250—\$1,500 .....	3,682	11.5	1,365	1,322	30	12
\$1,500—\$1,750 .....	2,837	8.8	1,610	1,517	38	55
\$1,750—\$2,000 .....	2,260	7.0	1,830	1,699	46	85
\$2,000—\$2,500 .....	3,729	11.6	2,237	1,995	66	176
\$2,500—\$3,000 .....	2,338	7.3	2,700	2,312	87	303
\$3,000—\$4,000 .....	2,530	7.9	3,380	2,743	120	515
\$4,000—\$5,000 .....	1,311	4.1	4,350	3,310	169	871
\$5,000—\$10,000 .....	1,202	3.8	6,800	4,476	345	1,974
\$10,000 and over .....	684	2.1	23,424	10,110	2,595	10,719
All levels .....	32,097	100.0	2,362	1,844	114	404

Source: Research Division, Office of Price Administration, Consumer Economics Section.

TABLE 10A.—Aggregate outlay of American families for consumption, gifts and personal taxes, and savings,<sup>2</sup> by income level, 1935-36

Income level	Families		Aggregate income		Aggregate outlay for—				Savings	
	Number	Percent	Amount (in millions)	Percent	Current consumption		Gifts and personal taxes <sup>3</sup>		Amount (in millions)	Percent
					Amount (in millions)	Percent	Amount (in millions)	Percent		
Under \$500	4,178,284	14.2	\$1,302	2.8	\$1,946	4.7	\$34	1.7	-\$678	-14.1
\$500-\$750	3,799,215	12.9	2,384	5.0	2,087	6.6	45	2.2	-348	-7.2
\$750-\$1,000	4,277,048	14.6	3,738	7.8	3,910	9.6	75	3.7	-247	-5.1
\$1,000-\$1,250	3,882,444	13.2	4,348	9.1	4,374	10.7	96	4.7	-122	-2.5
\$1,250-\$1,500	2,865,472	9.8	3,908	8.2	3,771	9.2	98	4.8	30	.8
\$1,500-\$1,750	2,343,358	8.0	3,778	7.9	3,544	8.7	102	5.0	132	2.7
\$1,750-\$2,000	1,897,037	6.4	3,469	7.3	3,195	7.8	100	4.9	174	3.6
\$2,000-\$2,500	2,464,860	8.4	5,474	11.5	4,850	11.9	175	8.6	449	9.3
\$2,500-\$3,000	1,314,199	4.5	3,569	7.5	3,026	7.4	129	6.4	414	8.6
\$3,000-\$4,000	1,181,987	4.0	4,012	8.4	3,226	7.9	160	7.9	626	13.0
\$4,000-\$5,000	402,595	1.4	1,768	3.7	1,319	3.2	85	4.2	364	7.6
\$5,000-\$10,000	510,010	1.7	3,505	7.4	2,271	5.6	200	9.9	1,034	21.5
\$10,000-\$15,000	131,821	.4	1,497	3.1	804	2.0	111	5.5	582	12.1
\$15,000-\$20,000	58,487	.2	1,014	2.1	534	1.3	74	3.7	406	8.4
\$20,000 and over	93,433	.3	3,914	8.2	1,386	3.4	544	26.8	1,984	41.3
All levels	29,400,300	100.0	47,680	100.0	40,843	100.0	2,028	100.0	4,809	100.0

Source: National Resources Committee, Consumer Expenditures, p. 86.

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TABLE 10B.—Aggregate outlay of families in the United States for consumption, gifts and personal taxes and savings,<sup>3</sup> by income level, 1941

Income level	Families		Aggregate income		Aggregate outlay for—					
	Number (in thousands)	Percent	Amount (in millions)	Percent	Current consumption		Savings			
					Amount (in millions)	Percent	Amount (in millions)	Percent		
Under \$500	2,315	7.2	\$781	1.0	\$1,173	2.0	\$18	0.5	-\$410	-3.2
\$500-\$750	2,849	8.9	1,797	2.4	2,033	3.4	28	.8	-264	-2.0
\$750-\$1,000	3,027	9.4	2,650	3.5	2,781	4.7	45	1.2	-176	-1.4
\$1,000-\$1,250	3,333	10.4	3,748	5.0	3,781	6.4	71	1.9	-104	-.8
\$1,250-\$1,500	3,682	11.5	5,023	6.6	4,868	8.2	109	3.0	94	.4
\$1,500-\$1,750	2,837	8.8	4,560	6.0	4,303	7.3	108	3.0	155	1.2
\$1,750-\$2,000	2,260	7.0	4,137	5.5	3,840	6.5	104	2.9	193	1.5
\$2,000-\$2,500	3,729	11.6	8,342	11.0	7,439	12.6	245	6.7	658	5.1
\$2,500-\$3,000	2,338	7.3	6,317	8.3	5,406	9.1	203	5.6	708	5.5
\$3,000-\$4,000	2,530	7.9	8,548	11.3	6,941	11.7	303	8.3	1,304	10.1
\$4,000-\$5,000	1,311	4.1	5,702	7.5	4,339	7.3	221	6.1	1,142	8.8
\$5,000-\$10,000	1,202	3.8	8,168	10.8	5,380	9.1	415	11.4	2,373	18.3
\$10,000 and over	1,684	2.1	10,022	21.1	6,915	11.7	1,775	48.6	7,332	56.5
All levels.....	32,097	100.0	75,801	100.0	59,199	100.0	3,645	100.0	12,957	100.0

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE 11A.—Average expenditures of American families for main categories of consumption,<sup>2</sup> by income level, 1935-36

Income level	Average expenditure per family for—														
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco	Transportation other than auto	Reading	Education	Other items
Under \$500	\$466	\$203	\$90	\$57	\$35	\$15	\$22	\$6	\$9	\$9	\$9	\$3	\$4	\$2	\$2
\$500-\$750	707	310	125	85	56	28	29	11	14	14	14	5	6	3	5
\$750-\$1,000	914	380	161	106	78	44	38	17	27	18	19	9	9	4	4
\$1,000-\$1,250	1,127	433	203	130	100	70	47	25	38	24	22	11	11	7	6
\$1,250-\$1,500	1,316	487	230	149	123	93	57	31	48	27	27	14	14	9	7
\$1,500-\$1,750	1,512	527	267	166	147	123	71	42	56	32	29	16	15	11	10
\$1,750-\$2,000	1,684	558	302	186	164	154	79	49	68	35	33	18	16	15	7
\$2,000-\$2,500	1,968	617	349	213	207	200	91	62	76	42	38	22	20	20	11
\$2,500-\$3,000	2,302	696	404	260	255	242	109	81	84	49	41	24	22	30	11
\$3,000-\$4,000	2,729	770	485	319	316	289	132	105	102	54	48	31	27	37	14
\$4,000-\$5,000	3,276	882	571	400	408	382	158	136	110	66	53	35	31	57	17
\$5,000-\$10,000	4,454	1,038	784	584	557	522	248	206	158	89	62	48	41	83	34
\$10,000-\$15,000	6,097	1,214	1,204	761	829	681	227	340	227	114	79	114	57	227	23
\$15,000-\$20,000	9,134	1,785	1,490	1,179	1,265	919	416	486	277	156	104	399	69	537	52
\$20,000 and over	14,822	2,261	2,721	2,177	2,177	1,759	837	921	461	251	126	419	126	502	84
All levels	1,389	467	248	162	141	114	64	41	47	28	26	16	13	15	7

<sup>2</sup>Source: National Resources Committee, Consumer Expenditures, p. 25.

TABLE 11B.—Average expenditures of all families in the United States for main categories of consumption<sup>2</sup> by income level, 1941

Income level	Average expenditures per family for—														
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco	Transportation other than auto	Reading	Education	Other items
Under \$500	\$507	\$220	\$98	\$61	\$38	\$16	\$24	\$6	\$10	\$10	\$10	\$3	\$4	\$2	\$2
\$500-\$750	714	314	126	85	57	28	30	11	16	14	14	5	6	3	5
\$750-\$1,000	919	383	162	106	79	44	38	17	27	19	19	9	9	4	4
\$1,000-\$1,250	1,134	437	203	131	102	71	47	25	38	24	23	11	11	7	6
\$1,250-\$1,500	1,322	489	231	149	124	93	57	32	48	27	28	14	14	10	7
\$1,500-\$1,750	1,517	529	267	166	149	123	71	42	57	32	30	16	14	11	10
\$1,750-\$2,000	1,699	562	302	187	167	157	79	50	69	35	35	18	16	15	8
\$2,000-\$2,500	1,965	624	351	215	211	207	92	63	77	43	39	22	20	20	11
\$2,500-\$3,000	2,312	689	402	259	238	250	108	82	87	49	41	24	22	30	11
\$3,000-\$4,000	2,743	770	483	318	318	301	132	106	106	54	48	30	27	37	13
\$4,000-\$5,000	3,310	848	565	396	411	418	156	138	118	66	53	35	31	56	18
\$5,000-\$10,000	4,476	1,030	775	577	558	559	245	208	169	88	63	47	41	82	34
\$10,000 and over	10,110	1,740	1,827	1,358	1,421	1,231	493	596	364	164	96	281	94	398	47
All levels	1,844	561	325	216	201	178	86	64	67	37	32	23	18	26	10

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

NOTES FOR TABLES 1 THROUGH 11B

<sup>1</sup> The definition of consumer income used followed that of the National Resources Committee. See Consumer Expenditures in the United States, pp. 99-100.

<sup>2</sup> For explanation of items included in each category, see National Resources Committee, Consumer Expenditures in the United States, pp. 93-98.

<sup>3</sup> Taxes shown here include only personal income taxes, poll taxes, and certain personal-property taxes. For further explanations see Consumer Expenditures in the United States, p. 27.

<sup>4</sup> Less than \$500,000.

<sup>5</sup> Less than \$0.50.

## B. NATIONAL INCOME AND BUSINESS INDICATORS

TABLE 1.—National income by major industrial source for selected years

[Billions of dollars]

	1929	1932	1940	1941	1942
Total national income (current dollars).....	83.3	39.9	77.2	94.5	112.7
Agriculture.....	6.8	2.4	5.3	7.4	9.3
Mining.....	1.9	.5	1.7	2.1	2.4
Manufacturing.....	20.9	6.2	20.1	27.6	36.7
Contract construction.....	3.6	.9	2.5	3.7	4.0
Transportation.....	7.0	3.6	5.4	6.4	7.4
Power and gas.....	1.4	1.1	1.5	1.6	1.7
Communication.....	1.0	.7	1.0	1.0	1.2
Trade.....	11.9	5.6	11.6	13.2	12.9
Finance.....	10.1	5.3	7.0	7.5	7.8
Government.....	6.4	6.5	10.2	11.7	15.5
Service.....	8.3	4.7	7.4	8.0	8.7
Miscellaneous.....	4.0	2.4	3.5	4.3	5.1

Source: Department of Commerce.

TABLE 2.—National income in current and 1935-39 dollars and per capita income in 1935-39 dollars, 1929-41

	National income in current dollars (billions)	National income in 1935-39 dollars (billions)	Per capita income in 1935-39 dollars		National income in current dollars (billions)	National income in 1935-39 dollars (billions)	Per capita income in 1935-39 dollars
1929.....	83.3	68.0	560	1936.....	64.9	65.2	509
1930.....	68.8	57.9	470	1937.....	71.5	69.0	536
1931.....	54.4	50.9	410	1938.....	64.1	64.1	494
1932.....	39.9	41.6	333	1939.....	70.8	71.8	549
1933.....	42.3	45.7	364	1940.....	77.2	77.9	590
1934.....	49.3	50.5	400	1941.....	94.5	89.1	669
1935.....	55.7	56.0	440				

Source: Department of Commerce.

TABLE 3.—National income by distributive shares in selected years

[Billions of dollars]

	1929	1932	1940	1941
Total national income (current dollars).....	83.3	39.9	77.2	94.5
Total compensation of employees.....	53.0	31.6	52.7	64.8
Salaries and wages.....	52.5	31.0	49.0	61.2
Total supplements to salaries and wages.....	.5	.6	3.7	3.6
Work relief wages <sup>1</sup> .....		.1	1.6	1.2
Social Security contributions of employers <sup>2</sup> .....			1.4	1.6
Other labor income <sup>3</sup> .....	.5	.5	.7	.8
Net income of incorporated business.....	7.2	-3.7	5.5	7.2
Dividends to stockholders, net.....	5.9	2.7	4.3	4.6
Business savings.....	1.3	-6.4	1.2	2.6
Net income of unincorporated business.....	13.6	4.9	11.5	14.6
Agricultural.....	5.2	1.5	4.4	6.1
Other.....	8.4	3.4	7.1	8.5
Interest, net.....	5.9	5.6	5.2	5.3
Net rents and royalties.....	3.6	1.5	2.3	2.6

<sup>1</sup> Includes pay rolls and maintenance of Civilian Conservation Corps enrollees and pay rolls of Civil Works Administration, Federal Emergency Relief Administration, and the Federal Works Program projects plus administrative pay rolls outside of Washington, D. C., for all except the Federal Works program area office employees and their pay rolls under the Federal Works program are included with the regular Federal Government employment and pay-roll figures.

<sup>2</sup> Includes contributions to railroad retirement and railroad unemployment compensation funds.

<sup>3</sup> Pension payments under private plans and under systems for Government employees, compensation for industrial injuries, etc.

Source: Department of Commerce.

## SALES-TAX DATA

TABLE 4.—Selected business indicators for specified years and percentage changes

Item	Unit or base	Year						Percentage change 1941 compared with—				
		1929	1933	1937	1939	1940	1941	1929	1933	1937	1939	1940
<b>INCOME</b>												
Total income payments.....	Mil. of dol.	82,374	46,808	72,213	71,016	75,706	89,425	+8.6	+91.0	+23.8	+25.9	+18.1
Salaries and wages, total.....	Mil. of dol.	52,202	29,085	45,811	43,772	49,250	59,879	+14.7	+105.9	+30.7	+30.8	+21.6
Commodity producing industries.....	Mil. of dol.	21,703	9,220	17,372	16,610	18,851	26,245	+20.9	+184.4	+51.1	+58.0	+39.2
Distributive industries.....	Mil. of dol.	13,680	7,660	11,165	11,077	11,642	12,929	-3.5	+68.8	+15.8	+16.7	+11.1
Service industries.....	Mil. of dol.	11,913	10,032	10,082	10,082	10,551	11,174	-55.2	+91.7	+11.4	+10.8	+5.9
Government.....	Mil. of dol.	4,906	4,339	5,603	6,133	6,629	8,317	+69.5	+48.4	+4.6	+35.6	+23.5
Work-relief wages.....	Mil. of dol.	60	580	887	1,639	1,577	1,214	-----	-25.9	-30.1	-35.1	-23.0
Direct and other relief.....	Mil. of dol.	935	1,042	1,217	1,070	1,096	1,113	+1,755.0	+91.9	+33.0	+4.0	+1.6
Social security benefits and other labor income.....	Mil. of dol.	11,845	7,331	9,762	8,648	9,085	9,561	-19.3	+30.4	-2.1	+10.6	+5.2
Dividends and interest.....	Mil. of dol.	17,332	8,770	14,586	13,831	14,384	17,059	-1.6	+94.5	+17.0	+23.3	+18.6
Entrepreneurial income and net rents and royalties.....	Mil. of dol.	74,311	43,178	65,123	64,642	69,087	80,790	+8.7	+87.1	+24.1	+25.0	+16.9
Total nonagricultural income.....	Mil. of dol.	104.4	49.1	81.4	72.6	77.0	102.8	-1.5	+109.4	+26.3	+41.6	+33.5
Cash income from farm marketings, crops, and livestock, combined index.....												
<b>PRICES</b>												
Cost of living (U. S. Dept. of Labor).....		122.5	92.4	102.7	99.4	100.2	105.2	-14.1	+13.9	+2.4	+5.8	+5.0
Food.....	1935-39=100	132.5	84.1	105.3	95.2	96.6	105.5	-20.4	+25.4	+2.2	+10.8	+9.2
Prices received by farmers.....	1935-39=100	146	70	121	93	98	122	-16.4	+74.3	+2.8	+31.2	+24.5
Wholesale, combined index.....	1926=100	95.3	65.9	86.3	77.1	78.6	87.3	-8.4	+32.5	+2.2	+13.2	+11.1
Farm products.....	1926=100	104.9	51.4	86.4	65.3	67.7	82.4	-21.4	+60.3	-4.6	+26.2	+21.7
Foods.....	1926=100	99.9	60.5	85.5	70.4	71.3	82.7	-17.2	+36.7	-3.3	+17.5	+16.0
Commodities other than farm products and foods.....	1926=100	91.6	71.2	85.3	81.3	83.0	89.0	-2.8	+25.0	+4.3	+9.5	+7.2
Economic classes:												
Finished products.....	1926=100	94.5	70.5	87.2	80.4	81.6	89.1	-5.7	+26.4	+2.2	+10.8	+9.2
Raw materials.....	1926=100	97.5	56.5	84.8	70.2	71.9	83.5	-14.4	+47.8	-1.5	+18.9	+16.1
Semimanufactures.....	1926=100	93.9	65.4	85.3	77.0	79.1	86.9	-7.5	+32.9	+1.9	+12.9	+9.9
<b>TRADE</b>												
Retail sales:												
All retail stores, total sales.....	Mil. of dol.	48,459	24,517	42,148	42,039	45,694	53,613	+10.6	+118.7	+27.2	+27.5	+17.3
Index, all stores.....	1935-39=100	124.8	63.1	108.5	108.3	117.7	138.1	+10.7	+118.9	+27.3	+37.5	+17.3
Durable goods stores.....	1935-39=100	149.3	51.0	114.6	109.2	128.0	156.7	+5.0	+207.3	+36.7	+43.5	+22.4
Nondurable goods stores.....	1935-39=100	116.8	67.1	106.6	107.9	114.3	132.0	+13.0	+95.7	+23.8	+22.3	+15.5
New passenger automobiles.....	1935-39=100	163	48	120	100	131	155	-4.9	+222.9	+28.2	+55.0	+18.3





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PART III  
STATE SALES TAX DATA

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TABLE 1.—State general sales tax rates

	Percent		Percent
Alabama.....	2	New Mexico.....	2
Arizona.....	2	North Carolina.....	3
Arkansas.....	2	North Dakota.....	2
California.....	3	Ohio.....	3
Colorado.....	2	Oklahoma.....	2
Illinois.....	2	South Dakota.....	2
Indiana.....	(1)	Utah.....	2
Iowa.....	2	Washington.....	3
Kansas.....	2	West Virginia.....	2
Michigan.....	3	Wyoming.....	2
Mississippi.....	2	New York City.....	1
Missouri.....	2	New Orleans.....	3

<sup>1</sup> One-half of 1 percent (until Jan. 1, 1942, rate was 1 percent).

From a low rate of one-half of 1 percent in Indiana, and 1 percent in New York City and New Orleans, the rate ranges to a high of 3 percent, effective in 5 States. While the Indiana rate appears very low, it must be remembered that Indiana has a very comprehensive gross income tax on income from almost every source. The taxpayer in New Orleans paid 2 percent until the State law with its rate of 1 percent was allowed to expire. In 1940 this rate was increased to 2 percent and now it is 3 percent. The most commonly used rate is the 2 percent rate which is effective in 16 sales tax States.

TABLE 2.—State general sales tax collections, fiscal years 1940 and 1941

[In millions of dollars]

State	Collected in 1940	Collected in 1941	State	Collected in 1940	Collected in 1941
Alabama.....	\$7,756	\$9,312	New Mexico.....	\$4,198	\$4,265
Arizona.....	4,010	4,403	New York.....	<sup>1</sup> 1	
Arkansas.....	5,514	6,152	North Carolina.....	12,208	14,247
California.....	93,780	110,372	North Dakota.....	3,099	3,364
Colorado.....	<sup>1</sup> 8,810	9,416	Ohio.....	50,985	63,119
Florida.....	( <sup>2</sup> )		Oklahoma.....	10,952	11,788
Illinois.....	90,818	101,761	Pennsylvania.....	<sup>3</sup> 7	
Indiana.....	<sup>3</sup> 23,538	25,873	South Dakota.....	4,504	5,014
Iowa.....	16,858	17,992	Utah.....	4,199	4,542
Kansas.....	10,080	11,189	Washington.....	20,689	24,364
Kentucky.....	43		West Virginia.....	<sup>4</sup> 18,608	20,874
Louisiana.....	7,473	<sup>5</sup> 4,991	Wyoming.....	1,961	2,296
Michigan.....	60,374	73,632			
Mississippi.....	6,743	7,407	Total.....	490,187	565,890
Missouri.....	23,019	29,515			

<sup>1</sup> Consists of general sales tax, \$7,285,000; use tax, \$331,000; service tax, \$1,193,000.

<sup>2</sup> Collections of the Florida retailers' occupation tax totaling \$2,361,000 are shown as "Taxes on specific businesses and occupations, chain stores," because it includes a license tax on retailers graduated from \$10 to \$400 per store, according to the number of branch stores up to 16 in the chain. The provisions of the tax law levying a sales tax at a higher rate on the sale of chain stores was held invalid by State courts. Over \$2,000,000 of the total collected consists of receipts from the sales tax.

<sup>3</sup> Gross income tax collections levied on sales and services; including gross receipts of public utilities, admissions, etc.

<sup>4</sup> Collections of repealed excise tax.

<sup>5</sup> Repealed.

<sup>6</sup> Collections of repealed sales tax delinquent since 1935.

<sup>7</sup> Collections of emergency relief sales tax delinquent since repeal.

<sup>8</sup> Inclusive of collections of gross income and gross receipts taxes on public utilities and other businesses. General sales tax collections alone totaled \$8,759,000, while business and occupation taxes, exclusive of production taxes shown in category of "Severance taxes," totaled \$9,849,000.

TABLE 3.—Costs of collection, State general sales and use taxes, 1940

State	Administrative costs	Percent of receipts	State	Administrative costs	Percent of receipts
Arizona.....	\$161,300	4	New Mexico.....	.....	1 4
Arkansas.....	170,300	3	North Dakota.....	\$54,370	1.7
California.....	2,558,000	2.52	Ohio.....	.....	2 3
Colorado.....	.....	1 5	Oklahoma.....	\$ 192,500	1.9
Illinois.....	1,788,100	1.9	South Dakota.....	.....	2.6
Indiana.....	439,800	2.5	Utah.....	92,060	2.18
Iowa.....	200,100	2	Washington.....	\$ 445,060	1 1.54
Kansas.....	.....	1 3	West Virginia.....	.....	(5)
Louisiana.....	1 400,000	.....	Wyoming.....	\$ 63,500	6 3.3
Michigan.....	1,052,540	1.74	All State average.....	.....	2.5
Mississippi.....	27,010	4.01			
Missouri.....	480,000	1.98			

<sup>1</sup> Maximum set by law.

<sup>2</sup> Approximate.

<sup>3</sup> Estimate based on cost of sales tax division plus share of general enforcement division.

<sup>4</sup> Includes sales, public utility, liquor, admissions, and use taxes.

<sup>5</sup> Less than 1 percent.

<sup>6</sup> Includes income tax.

Source: State Sales and Use Taxes, Taxes, p. 162, March 1942.

TABLE 4.—Showing percentage of general sales tax collections, by States, to total State collection, fiscal 1941

[In thousands of dollars]

State	Total tax collections in sales-tax States	General sales-tax collection	Percentage of general sales tax to total tax collection
Alabama.....	\$62,049	\$9,312	15.0
Arizona.....	20,135	4,403	21.9
Arkansas.....	36,902	6,152	16.7
California.....	367,796	110,372	30.0
Colorado.....	42,185	9,416	22.3
Illinois.....	280,874	101,761	36.2
Indiana.....	108,490	25,873	23.8
Iowa.....	74,847	17,992	24.0
Kansas.....	44,977	11,189	24.9
Louisiana.....	84,731	1 4,991	5.9
Michigan.....	229,369	73,632	32.1
Mississippi.....	36,376	7,407	20.4
Missouri.....	106,546	29,515	27.7
New Mexico.....	18,519	4,265	23.0
North Carolina.....	99,533	14,247	14.3
North Dakota.....	16,093	3,364	20.9
Ohio.....	300,828	63,119	21.0
Oklahoma.....	62,852	11,788	18.8
South Dakota.....	17,420	5,014	28.8
Utah.....	21,172	4,542	21.5
Washington.....	74,842	24,364	32.6
West Virginia.....	61,615	20,874	33.9
Wyoming.....	8,857	2,296	26.0
Total.....	2,177,008	565,890	26.0

<sup>1</sup> Repealed.

TABLE 5.—Per capita collection of general sales taxes, fiscal 1941

State	Collection of general sales tax	Population	Sales tax per capita
Alabama.....	\$9,312,000	2,833,000	\$3.28
Arizona.....	4,403,000	499,000	8.82
Arkansas.....	6,152,000	1,949,000	3.16
California.....	110,372,000	6,907,000	15.98
Colorado.....	9,416,000	1,123,000	8.38
Illinois.....	101,761,000	7,897,000	12.89
Indiana.....	25,873,000	3,428,000	7.55
Iowa.....	17,992,000	2,538,000	7.09
Kansas.....	11,189,000	1,801,000	6.21
Louisiana.....	4,991,000	2,364,000	1.90
Michigan.....	73,632,000	5,256,000	14.00
Mississippi.....	7,407,000	2,184,000	3.39
Missouri.....	29,515,000	3,785,000	7.80
New Mexico.....	4,265,000	532,000	8.02
North Carolina.....	14,247,000	3,572,000	3.99
North Dakota.....	3,364,000	642,000	5.24
Ohio.....	63,119,000	6,908,000	9.14
Oklahoma.....	11,788,000	2,226,000	5.30
South Dakota.....	5,014,000	643,000	7.80
Utah.....	4,542,000	550,000	8.26
Washington.....	24,364,000	1,736,000	14.03
West Virginia.....	20,874,000	1,902,000	10.97
Wyoming.....	2,296,000	251,000	9.15
Total.....	565,890,000	61,526,000	9.20

Collection and population figures rounded.

## COLLECTIONS

In 1941 the revenue from all State general sales taxes was \$565,890,000, an increase of \$74,703,000 over fiscal 1940, representing a percent change of +15.3. Of all sales taxes collected in 48 States and amounting to \$1,821,800,000, the collection of general sales taxes amounted to 31.06 percent, and to 12.6 percent of total State tax collections.

In the sales tax States the total tax collections were \$2,177,008,000. Of this total, the general sales taxes were \$565,890,000, or 26 percent. The general sales tax collection was larger than the \$422,700,000 collected on net incomes, individual and corporate, in all States; larger than the \$447,700,000 collected on specific businesses in all States; and was exceeded by only the motor fuel tax of \$914,500,000 and the unemployment compensation tax of \$901,400,000 collected in all States.

The per capita collection for all State sales taxes in 1941 was \$13.80. In those States with a general sales tax, the per capita general sales tax collection was \$9.20, with a range from a low of \$1.90 per capita in Louisiana to a high of \$15.98 per capita in California.

TABLE 6.—State tax collections, fiscal 1941

Tax	1941 collection	Percent of total collection
Sales taxes of all kinds.....	\$1,821,800,000	40.5
Unemployment compensation.....	901,400,000	20.0
Taxes on specific business.....	447,700,000	9.9
Net income taxes.....	422,700,000	9.4
Motor-vehicle licenses.....	417,100,000	9.3
Property taxes.....	257,600,000	5.7
Other taxes.....	230,600,000	5.2
Total collection.....	4,498,700,000	100.0

Source: Department of Commerce, Bureau of the Census.

TABLE 7.—State tax collections, fiscal 1941, by distributions

Type of tax	Number of States reporting receipts in 1941	Amount collected (in millions)	Percent distributions of collections by type of tax
Total collections.....	48	\$4,498.7	100
General and selective property taxes.....	45	257.6	5.7
Severance taxes.....	19	58.8	1.3
Sales taxes.....	48	1,821.8	40.5
General sales.....	26	565.9	12.6
Motor-fuel sales.....	48	914.5	20.3
Alcoholic beverages.....	48	215.5	4.8
Tobacco products.....	27	107.2	2.4
Soft drinks.....	9	4.2	.1
Admissions.....	10	5.5	.1
Other commodities.....	22	8.9	.2
Motor-vehicle licenses.....	48	417.1	9.3
Taxes on specific business.....	48	447.7	9.9
Corporations.....	45	101.2	2.2
Public utilities.....	42	106.7	2.4
Insurance.....	48	103.6	2.3
Chain stores.....	20	6.1	.1
Alcoholic beverages.....	39	58.0	1.3
Amusements.....	24	3.6	.1
Betting.....	14	19.0	.4
Other businesses, including banks.....	44	49.5	1.1
Net-income taxes.....	35	422.7	9.4
On corporations.....	19	163.2	3.6
On individuals.....	23	215.7	4.8
Undistributable.....	11	43.8	1.0
Inheritance and estate taxes.....	47	119.2	2.7
Gift taxes.....	9	1.8	.03
Poll taxes.....	8	4.8	.1
Hunting and fishing licenses.....	48	22.6	.5
Documentary and miscellaneous.....	22	23.4	.5
Unemployment compensation.....	48	901.4	20.0

Source: Department of Commerce, Bureau of the Census.

TABLE 8.—Percentage of all States sales taxes to total State taxes, by States, fiscal year 1941

State	Total tax collections	All sales taxes	Percentage of sales taxes to total taxes
Alabama.....	\$62,049,000	\$31,261,000	50.4
Arizona.....	20,135,000	10,998,000	54.6
Arkansas.....	36,902,000	22,181,000	60.1
California.....	367,796,000	175,251,000	47.6
Colorado.....	42,185,000	20,087,000	47.6
Connecticut.....	72,266,000	19,683,000	27.2
Delaware.....	13,067,000	3,185,000	24.4
Florida.....	67,940,000	34,988,000	51.5
Georgia.....	59,922,000	31,859,000	53.2
Idaho.....	14,916,000	5,572,000	37.4
Illinois.....	280,874,000	156,205,000	55.6
Indiana.....	108,490,000	58,117,000	53.6
Iowa.....	74,847,000	38,817,000	51.9
Kansas.....	44,977,000	23,962,000	53.3
Kentucky.....	60,554,000	23,684,000	39.1
Louisiana.....	84,731,000	38,564,000	45.5
Maine.....	25,365,000	7,774,000	30.6
Maryland.....	62,147,000	20,413,000	32.8
Massachusetts.....	171,090,000	39,123,000	22.9
Michigan.....	229,369,000	112,499,000	49.0
Minnesota.....	87,793,000	22,176,000	25.3
Mississippi.....	36,376,000	24,693,000	67.9
Missouri.....	106,546,000	50,084,000	47.0
Montana.....	14,922,000	6,170,000	41.3
Nebraska.....	24,846,000	13,742,000	55.3
Nevada.....	4,865,000	1,753,000	36.0
New Hampshire.....	15,973,000	5,549,000	34.7
New Jersey.....	148,178,000	34,381,000	23.2
New Mexico.....	18,519,000	10,403,000	56.2
New York.....	618,697,000	137,736,000	22.3
North Carolina.....	99,533,000	46,823,000	47.0
North Dakota.....	16,093,000	8,597,000	53.4
Ohio.....	300,828,000	155,284,000	51.6
Oklahoma.....	62,852,000	32,667,000	52.0
Oregon.....	35,963,000	12,768,000	35.5
Pennsylvania.....	357,921,000	95,099,000	26.6
Rhode Island.....	26,860,000	6,739,000	25.1
South Carolina.....	41,150,000	23,606,000	57.4
South Dakota.....	17,420,000	12,572,000	72.2
Tennessee.....	55,247,000	27,864,000	50.4
Texas.....	156,045,000	61,345,000	39.3
Utah.....	21,172,000	9,277,000	43.8
Vermont.....	12,391,000	4,396,000	35.5
Virginia.....	67,427,000	26,312,000	39.0
Washington.....	74,842,000	47,328,000	63.2
West Virginia.....	61,615,000	33,028,000	53.6
Wisconsin.....	105,804,000	31,608,000	29.9
Wyoming.....	8,857,000	5,538,000	62.5
Total.....	4,498,658,000	1,821,761,000	40.5

TABLE 9.—Per capita State tax collections, fiscal year 1941

State	1941 total collections (in millions)	Per capita	State	1941 total collections (in millions)	Per capita
Alabama.....	\$62,049	\$21.90	Nevada.....	\$4,865	\$44.12
Arizona.....	20,135	40.32	New Hampshire.....	15,973	32.49
Arkansas.....	36,902	18.93	New Jersey.....	148,178	35.61
California.....	367,796	53.24	New Mexico.....	18,519	34.82
Colorado.....	42,185	37.55	New York.....	618,697	45.90
Connecticut.....	72,266	42.27	North Carolina.....	99,533	27.86
Delaware.....	13,067	49.03	North Dakota.....	16,093	25.06
Florida.....	67,940	35.56	Ohio.....	300,828	43.55
Georgia.....	59,922	19.18	Oklahoma.....	62,852	26.90
Idaho.....	14,916	28.41	Oregon.....	35,963	33.00
Illinois.....	280,874	35.56	Pennsylvania.....	357,921	36.15
Indiana.....	108,490	31.65	Rhode Island.....	26,860	37.65
Iowa.....	74,847	29.48	South Carolina.....	41,150	21.66
Kansas.....	44,977	24.97	South Dakota.....	17,420	27.09
Kentucky.....	60,554	21.27	Tennessee.....	55,247	18.94
Louisiana.....	84,731	35.19	Texas.....	156,045	24.32
Maine.....	25,365	29.93	Utah.....	21,172	38.47
Maryland.....	62,147	34.12	Vermont.....	12,391	34.49
Massachusetts.....	171,090	39.63	Virginia.....	67,427	25.18
Michigan.....	229,369	43.63	Washington.....	74,842	43.10
Minnesota.....	87,793	31.44	West Virginia.....	61,615	32.55
Mississippi.....	36,376	16.65	Wisconsin.....	105,804	33.72
Missouri.....	106,546	28.15	Wyoming.....	8,857	35.32
Montana.....	14,922	26.67			
Nebraska.....	24,846	18.88	Total State collection...	4,498,658	34.61

TABLE 10.—States imposing both income taxes and general sales taxes, 1942

Alabama.	New Mexico.
Arizona.	New York (New York City, sales tax).
Arkansas.	North Carolina.
California.	North Dakota.
Colorado.	Oklahoma.
Iowa.	South Dakota.
Kansas.	Utah.
Louisiana (New Orleans, sales tax).	Wyoming.
Mississippi.	West Virginia and Indiana have gross receipts tax.
Missouri.	

## STATE SALES TAX

### PYRAMIDING

Sales taxes are usually intended to be single turn-over taxes in that each article is to be taxed only once. The statutes usually provide that the tax does not apply if the property transferred is to be resold by the purchaser. A common type of provision is found in the Illinois<sup>1</sup> statute that—

“Sale at retail” shall be construed to include any transfer of the ownership of, or title to, tangible personal property to a purchaser, for use or consumption by any other person to whom such purchaser may transfer the tangible personal property without a valuable consideration \* \* \*

One of the problems arising under the sale for resale provisions pertains to the taxation of sales when the property purchased is to be used or consumed in manufacturing, processing, and so forth. The general rule is that sales of raw materials to be incorporated into a finished product destined for ultimate sale to the consumer are not taxed, but sales of tools, coal, and so forth, which are used or consumed in the process of manufacture, although not incorporated into the product to be sold, are taxable. A few States, including Ohio and Michigan, have specifically exempted all or some of such sales of tools and equipment, but it appears that the exemption depends entirely upon the statute.

A system of licensing manufacturers is in use in Canada which provides that a tax is payable only when a licensee sells to an unlicensed buyer. The Canadian system appears to have attained a great measure of success in the prevention of pyramiding.

### EXEMPTIONS

There is a wide range in both number and type of exemptions allowed by the States in their sales taxes. The range extends from Illinois, with the tax on all retail sales of tangible personal property with no exemptions except those necessary under the Constitution, to Alabama and California, whose statutes provide so many exemptions that the tax becomes in effect one on selected sales.

Three exemptions are found in practically all States and they are (1) casual sales, (2) sales to the Federal Government, and (3) sales in interstate commerce. We need not be concerned with sales in interstate commerce when considering the Federal sales tax, but casual sales and sales to the Federal Government have their place in this field.

Only two States, California and Ohio, and New York City exempt food except that sold in restaurants. A few States, while not having a complete exemption of food as such, do exempt a limited list of food and food in certain educational cafeterias. For instance, in North Carolina, the tax does not apply to flour, meal, lard, milk, molasses,

<sup>1</sup> Illinois Revised Statutes, ch. 120, sec. 440.

salt, sugar, coffee, bread, and rolls. The majority of sales-tax States, however, make no exemption for foods, and in no case does any State make exemption for food sold in restaurants.

Farm products sold by the farmer to the consumer are exempted in several States. In Alabama, Arizona, Arkansas, Louisiana, Mississippi, New Mexico, and North Carolina, the exemption is by express provision of law, while Utah provides the exemption by regulation. In Arkansas such products are exempt only if they are sold on the farm by the producer or grower. In South Dakota and West Virginia, they are exempt only if the sales are casual. Livestock, fertilizer, feed, and seeds sold to farmers are found among exemptions in many of the States.

Most States exempt sales to religious and charitable institutions while in a few no mention is made of such exemptions.

From considerations of revenue and because of administrative difficulties involved under a long list of tax-free articles, most of the sales-tax States have declined to enact statutes with extensive exemptions, preferring to use the tax for its primary purpose—to raise revenue.

It is important to note the cost of administering the sales tax in those States with few exemptions. In Mississippi, for instance, where a long list of exemptions apply, the cost of administering the tax was 4 percent of the receipts, while in Illinois, with no exemptions except those made necessary by the Constitution, the administration cost was only 1.9 percent of the receipts.

## SALES TAX COMPENDIUMS<sup>1</sup>

### ALABAMA

#### GROSS RECEIPTS (SALES) TAX

*Taxable.*—A license tax, based on gross sales or gross receipts, is imposed on retailers of tangible personal property, operators of places of amusement and entertainment, and automobile dealers.

*Exemptions.*—Receipts from the following are exempt:

- (1) Nontaxable by Federal or State constitutional restrictions.
- (2) Sales to State, or counties and cities within the State.
- (3) Farm products and livestock.
- (4) Fertilizers.
- (5) School textbooks.
- (6) Gasoline, lubricating oils, cigars, cigarettes, alcoholic beverages and utility service on which excise tax is paid.
- (7) Seeds for planting purposes.
- (8) Newsprint paper, newspapers, and religious publications.
- (9) Containers and bagging for agricultural products.
- (10) Coal and coke used in manufacturing of byproducts or other products.
- (11) Railroad rails, cars, and barges of more than 50 tons.
- (12) Used automobiles.
- (13) Machines used in mining, quarrying, and manufacturing.
- (14) Fuels and supplies used or consumed aboard ships on the high seas.
- (15) Fluid milk except when sold by hotels, restaurants, and retail establishments.

*Rates.*—Receipts from sale of automobiles, one-half of 1 percent; receipts from all other taxable sales, 2 percent.

*Collection in 1940.*—\$7,756,000.

*Collection in 1941.*—\$9,312,000.

*Collection.*—Tax to be added to the sales price and collected by vendor from vendee. Tokens may be issued by the Department of Revenue. Remittance to accompany monthly or quarterly report.

#### USE TAX

*Taxable.*—An excise tax is imposed on the storage, use, or consumption of tangible personal property or any automobile vehicle.

*Exemptions.*—The storage, use, or consumption of the following tangible property is exempt:

- (1) Property subject to the sales tax.
- (2) Nontaxable by Federal or State constitutional restrictions.
- (3) Used by nonresidents while temporarily in State.
- (4) Sold to State, counties, or municipalities.

<sup>1</sup> Compiled from State laws and tax services.

(5) Lubricating oil, gasoline, alcoholic beverages, utility services on which excise tax is paid.

(6) School textbooks.

(7) Farm products, fertilizers, and seeds for planting purposes.

(8) Containers and bagging for agricultural products.

(9) Newsprint paper, newspapers, and religious publications.

(10) Coal and coke used in manufacturing of byproducts or other products.

(11) Railroad rails, cars, and barges of more than 50 tons.

(12) Machinery used in mining, quarrying, and manufacturing.

(13) Used automobiles.

(14) Fluid milk.

(15) Fuel and supplies used aboard ships on the high seas.

*Rates.*—Two percent of sales price, except automotive vehicles which are taxed at one-half of 1 percent of sales price.

*Collection in 1940.*—(Included in amount given for sales-tax collection above.)

*Collection.*—Primary liability to collect tax is on the vendor, however vendees are liable for the tax if the vendor does not collect it. Tax remittances to accompany reports.

## ARIZONA

### OCCUPATIONAL GROSS INCOME TAX

*Taxable.*—Every person engaged or continuing in business within the State of Arizona pays a tax based on gross income.

*Exemptions.*—Income from the following are exempted:

(1) Motor fuel on which excise tax has been paid.

(2) Common or contract carriers of persons or property.

(3) Transactions nontaxable by United States law and State constitution.

*Rate.*—Two percent of the gross income from retail sales.

*Collection in 1940.*—\$4,010,000.

*Collection in 1941.*—\$4,403,000.

*Collection.*—Taxpayers report to State tax commissioner on or before the 15th of each month and within 30 days after the end of each year. Tax remittance to accompany report.

## ARKANSAS

### GROSS RECEIPTS (SALES) TAX

*Taxable.*—An excise tax is imposed upon the gross proceeds or gross receipts derived from all sales of—

(1) Tangible personal property.

(2) Natural or artificial gas, electricity, water, ice, steam, or other utility service.

(3) Telephone and telegraph service.

(4) Printing.

(5) Admissions to places of amusement and entertainment.

*Exemptions.*—Sales of the following are exempt:

(1) Intoxicating beverages.

(2) Cigarettes.

- (3) Sales by churches.
- (4) Sales by charitable organizations.
- (5) Sales of food in school cafeterias.
- (6) Newspapers.
- (7) Sales to United States Government.
- (8) Gasoline or motor fuel.
- (9) Sales for resale or for use in manufacturing and processing.
- (10) Advertising.
- (11) Admissions to State, county, or township fairs.
- (12) Sales nontaxable by United States or State constitutional restrictions.
- (13) Isolated sales.
- (14) Cotton or cottonseed, raw products of farms, livestock, and dairy products.
- (15) Foodstuffs for free distribution to the poor.
- (16) Sales to charitable hospitals and sanitarium.
- (17) Sales of second-hand property.
- (18) Unprocessed crude oil

*Rate.*—2 percent of gross proceeds or gross receipts.

*Collection in 1940.*—\$5,514,000.

*Collection in 1941.*—\$6,152,000.

*Collection.*—The tax is paid to the Commissioner of Revenue by the seller at the time the report is filed. Tokens may be issued. The taxpayer is allowed a 2 percent discount for prompt payment of the tax.

## CALIFORNIA

### OCCUPATIONAL RETAIL SALES TAX

*Taxable.*—Retailers pay a tax for the privilege of selling at retail, based on the gross receipts from all retail sales of tangible property, including those affected by exchange, lease, rental, and those in which the title is retained by the vendor for security.

*Exemptions.*—Receipts from the following sales are exempt:

- (1) Nontaxable by prohibitions in United States or State constitutions.
- (2) Gas, electricity, and water.
- (3) Gold bullion.
- (4) Property used for public work in the performance of contracts made prior to August 1, 1935.
- (5) Food products.
- (6) Property sold prior to July 1, 1939, to the United States or any agency except a corporate agency.
- (7) Motor-vehicle fuel.
- (8) Ships of more than 1,000 tons' burden.
- (9) Aircraft and aircraft parts sold to United States for defense purposes.
- (10) Tangible personal property sold to the United States or any agency or instrumentality thereof except a corporate agency or instrumentality.
- (11) Silver bullion sold by producers or refiners.
- (12) Livestock and poultry.

(13) Transfers of publications by publishers or subsequent distributors if issued at not less than monthly intervals.

*Rates.*—Three percent of gross receipts. Retailers' license fee is \$1.

*Collection in 1940.*—\$93,780,000.

*Collection in 1941.*—\$110,372,000.

*Collection.*—Tax remittance to accompany quarterly report. It is unlawful for a retailer to represent that he will assume or absorb the tax or that it will be refunded.

#### USE TAX

*Taxable.*—Every person pays a tax on the storage, use, or other consumption of tangible property in California purchased from a retailer.

*Exemptions.*—

- (1) Property on which the sales tax has been paid.
- (2) Nontaxable by the Constitution or laws of the United States or California.
- (3) Gas, electricity, and water.
- (4) Gold bullion.
- (5) Property used for the performance of a contract on public works executed before August 1, 1933.
- (6) Motor vehicle fuel.
- (7) Food products.
- (8) Newsprint.
- (9) Ships of more than 1,000 tons burden.
- (10) Property of San Francisco Bay Exposition and exhibitors.
- (11) Livestock and poultry.
- (12) Transfers of publications by publishers or subsequent distributors if issued at not less than monthly intervals.

*Rate.*—Three percent of sale price.

*Collection in 1940.*—Included in collection above for occupational retail sales tax.

*Collection.*—Persons storing, using, or consuming tangible personal property pay tax to the retailer or to the State board of equalization at the time of filing the required quarterly report.

#### COLORADO

##### RETAIL SALES TAX

*Taxable.*—Gross receipts from:

- (1) All retail sales of tangible personal property.
- (2) Intrastate telephone and telegraph.
- (3) Gas and electric service to consumers, whether furnished by municipal or private corporations.
- (4) Meals and cover charges furnished at any place where meals are regularly served to the public.

In case of sales on credit, contracts for sale providing for installment payment and title to pass in the future, chattel mortgages, or conditional sales, the tax is to be paid upon each payment as received on account of the purchase price.

*Exemptions.*—The following sales are exempt:

- (1) Commodities on which there is a Federal or State excise or sales tax exceeding 12½ percent.

(2) To United States Government, Colorado, or any of its political subdivisions.

(3) To religious, charitable, or eleemosynary corporations.

(4) Nontaxable by prohibition of United States or Colorado law.

*Rates.*—Two percent of the purchase price excluding the market value of exchanged property if such property is to be sold later and 2 percent of the gross receipts from services. Retailers' annual license fee is \$2.

*Collection in 1940.*—\$8,810,000.

*Collection in 1941.*—\$9,416,000.

*Collection.*—Tax remittance to accompany monthly report. Retailers are to add the tax to the purchase price, and it is unlawful for any retailer to represent that he will assume or absorb the tax.

#### USE TAX

*Taxable.*—An excise tax is imposed on the storage, use, or consumption of tangible personal property.

*Exemptions.*—The storage, use, or consumption of:

(1) Tangible personal property the sale of which is subject to the retail sale tax.

(2) Tangible personal property purchased for resale.

(3) Motor vehicle fuel on which the motor fuel tax of 1933 has been paid.

(4) Tangible personal property brought into the State by a non-resident for his own storage, use, or consumption while temporarily in the State.

(5) Tangible personal property on which a Federal or State excise tax exceeding 12½ percent has been levied or stored, used or consumed by the United States, the State of Colorado, or its institutions, or its political subdivisions in their governmental capacities only, or by religious or charitable corporations in the conduct of their regular religious or charitable functions.

(6) Tangible personal property of a person engaged in manufacturing, compounding for sale, profit, or use, which enters into and becomes a component part of the product, and the container and label.

(7) Electricity, coal, coke, fuel oil, or gas for use in processing, manufacturing, mining, refining, irrigation, building construction, telegraph, telephone, and radio communication, street and railroad transportation services, and all industrial uses.

*Rate.*—Two percent of the purchase price.

*Collection in 1940.*—Included above in retail sales tax collection.

*Collection.*—Tax remittances to accompany reports when the retailer has not collected the tax and issued a receipt therefor.

#### ILLINOIS

##### OCCUPATIONAL RETAIL SALES TAX

*Taxable.*—Persons engaged in the business of selling tangible personal property at retail are taxed on their gross receipts from such sales made in the course of business. Transactions where possession passes but title is retained for security purposes are sales.

*Exemptions.*—

(1) Sales protected by the Federal Constitution.

(2) Isolated or occasional sales by persons other than retailers.

*Rate.*—Two percent of 98 percent of the gross receipts from sales after June 30, 1941; prior to June 30, 1941, the tax was 3 percent of the gross receipts.

*Collection in 1940.*—\$90,818,000.

*Collection in 1941.*—\$101,761,000.

*Collection.*—Tax to be paid to the department of finance at the time of making the monthly report.

## INDIANA

### GROSS INCOME TAX

*Taxable.*—Gross income of all residents of Indiana and gross income of all persons or corporations doing business in Indiana derived from sources within the State are subject to tax.

*Deductions.*—

(1) \$3,000 for retail merchants, \$1,000 for all other taxpayers.

(2) Income from interstate and foreign commerce, salaries, pensions, and interest from United States Government, to the extent State taxation is prohibited by United States Constitution.

(3) State or Federal taxes collected by agent.

(4) Income from sales to United States Government nontaxable under United States law.

(5) Amounts paid under insurance policies or contracts, annuities, or endowments.

*Exceptions.*—

(1) Insurance companies paying a State tax of more than 1 percent on premiums.

(2) Companies, organizations, and corporations not organized for profit.

*Rates.*—The percentage used for computing tax depends on the source of the income as indicated: Display advertising, one-fourth of 1 percent; wholesalers and jobbers, one-fourth of 1 percent; retailers, one-half of 1 percent; public utilities, 1 percent; banks, etc., 1 percent; all other income, 1 percent.

*Collection in 1940.*—\$23,538,000.

*Collection in 1941.*—\$25,873,000.

*Collections.*—Tax remittance must accompany required reports. Taxpayers report on or before the 15th of April, July.

## IOWA

### RETAIL SALES TAX

*Taxable.*—Gross receipts from all sales, transfers, or exchanges, of—  
(1) Tangible personal property, consisting of goods, wares, or merchandise sold at retail in Iowa to consumers or users.

(2) Furnishing or service of gas, electricity, water and communication service, including those made by any municipal corporation in its proprietary capacity.

(3) Tickets or admissions to places of amusement and athletic events.

*Exemptions.*—Gross receipts from sales of—

- (1) Property the State is prohibited from taxing under constitution of laws of United States or under the constitution or laws of this State.
- (2) Furnishing or service of transportation service.
- (3) Tangible personal property used for the performance of a contract on public works executed prior to March 9, 1934.
- (4) Admission to State, county, and local fairs, and gross receipts from religious, educational, or charitable activities.
- (5) Property accepted as part consideration in the sale in Iowa of other property not in excess of the original trade-in valuation.
- (6) Commercial fertilizer or agricultural limestone.
- (7) Electricity or steam used in processing tangible personal property ultimately sold at retail.

*Rates.*—Two percent of gross receipts. Retailers' permit fee is 50 cents; the fee is \$1 if permit has been previously revoked.

*Collection in 1940.*—\$16,858,000.

*Collection in 1941.*—\$17,992,000.

*Collection.*—Tax payment to accompany quarterly reports. Retailers shall, as far as is practicable, include its tax in the sale price, and it is unlawful for a retailer to represent that he is absorbing the tax.

#### USE TAX

*Taxable.*—An excise tax is levied on the use of tangible personal property purchased on or after April 15, 1937.

*Exemptions.*—

- (1) Property subject to the sales tax except new motor vehicles.
- (2) Property used in intrastate commerce.
- (3) Property already subject to a special tax.
- (4) Property brought into the State by nonresidents for their use while within the State.
- (5) Property not readily obtained in Iowa and used in operating a street railway.
- (6) Property exempt under the sales tax.

*Rate.*—2 percent of the purchase price of the property.

*Collection in 1940.*—Included in collections of retail sales tax given above.

*Collection.*—The tax is added to the price of the property and collected by the retailer who remits it to the State Tax Commission at the time returns are required to be filed.

#### KANSAS

##### SALES TAX

*Taxable.*—A tax is levied upon the gross receipts from retail sales:

- (1) Tangible personal property.
- (2) Telephone and telegraph service.
- (3) Furnishing gas, water, electricity and heat.
- (4) Sale of meals or drinks at public places.
- (5) Sale of admissions to any place of amusement.

*Exemptions.*—

- (1) Power, fuel and lubricants used in taxable services.
- (2) Casual or isolated sales.

- (3) Sales to manufacturers, producers, or compounders.
- (4) Sales of livestock, feed, seed or seedlings.
- (5) Sale of like services.
- (6) Admissions to State, county, district and local fairs.
- (7) Sales of property used for State, county, municipal, educational, religious or charitable purposes.
- (8) Commodities bearing a State excise tax.
- (9) Sales to State, etc.
- (10) Constitutional exemptions.
- (11) Property used in the performance of a public work's contract, title to which passes to a political subdivision upon completion.
- (12) Amount allowed for a trade-in of property.

*Rate.*—Two percent of the gross receipts from retail sales of tangible personal property or from the furnishing of taxable services.

*Collection in 1940.*—\$10,080,000.

*Collection in 1941.*—\$11,189,000.

*Collection.*—Tax payment to accompany monthly report. The tax is collected by the retailer from the consumer and it is unlawful for a retailer to represent that he is absorbing the tax.

#### COMPENSATING TAX

*Taxable.*—An excise tax is levied for the privilege of using within the State any article of tangible property which is purchased.

*Exemptions.*—

- (1) Articles brought in by nonresidents for a period not to exceed 60 days.
- (2) Property purchased other than at retail.
- (3) Articles already subject to a tax.
- (4) Purchases less than \$20 a month.
- (5) Articles not subject to the sales tax.

*Rate.*—Two percent of the purchase price paid by the taxpayer.

*Collection in 1940.*—Included above in collection of sales tax.

*Collection.*—The tax is payable to the State commission of revenue and taxation at the time return is made.

#### MICHIGAN

##### OCCUPATION RETAIL SALES TAX

*Taxable.*—Every retailer pays tax for the privilege of carrying on a retail business, based on the gross proceeds from—

- (1) Retail sales in the ordinary course of business in Michigan, including those in which title is retained for security purposes.
- (2) Sales of electricity and gas for heat and light when made to consumer.

*Exemptions.*—

- (1) \$50 of gross sales of each taxpayer per month.
- (2) Sales to United States Government or State of Michigan.
- (3) Sales to charitable, religious or educational institutions not operated for profit.

(4) Commercial advertising produced upon special order.

(5) Vessels designed for commercial use of 1,000 tons or over.

Sales for consumption or use in industrial processing or agricultural producing not included in "retail sales." In case of trade-ins, the

taxpayer is liable for a tax based on the resale price less the credit allowed on account of any trade-in of property of like kind and nature.

*Rates.*—Three percent of gross receipts from retail sales; retailers' license fee is \$1.

*Collection in 1940.*—\$60,374,000.

*Collection in 1941.*—\$73,632,000.

*Collection.*—Tax payment to accompany reports. The retailer is to reimburse himself and it is unlawful for him to represent that the tax does not constitute part of the sale price.

#### USE TAX

*Taxable.*—A tax is imposed on the privilege of using, storing, or consuming tangible personal property in the State based on the price of the property so used.

*Exemptions.*—Use of the following:

- (1) Subject to sales tax.
- (2) Tax on which is prohibited by the State or United States Constitution.
- (3) Purchased from one not engaged in the business of selling tangible personal property.
- (4) Property not purchased at retail sale.
- (5) Used by nonresidents while temporarily in State.
- (6) Already subjected to a State or Federal sales tax equal or in excess of 3 percent with a partial exemption equivalent to the lesser amounts paid.
- (7) Used in industrial or agricultural processing.
- (8) Commercial advertising produced upon special order.
- (9) Sold to United States or State of Michigan.
- (10) Sold to religious, charitable, or educational institutions.
- (11) Ten dollars of property purchased outside the State per month.

*Rate.*—Three percent of purchase price.

*Collection in 1940.*—Included above in collection of occupational retail sales tax.

*Collection.*—Tax remittance to accompany monthly reports.

#### MISSISSIPPI

##### OCCUPATIONAL SALES TAX

*Taxable.*—A tax is imposed on the privilege of doing business based on the gross proceeds from sales of such businesses subject to the following deductions:

- (1) Proceeds from sales to United States or Mississippi, and transportation of materials for building public roads.
- (2) Nontaxable by prohibitions in State constitution and United States law.
- (3) Sums received as taxes on tobacco, gasoline, and oils.

*Exemptions.*—

- (1) Insurance companies paying the State tax on premiums and persons paying sea-foods and amusement tax.
- (2) Building and loan associations, State and national banks, mutual savings banks, not having a capital stock represented by shares which are operated for benefit of their depositors.

- (3) Nonprofit labor, agricultural and horticultural organizations.
- (4) Fraternal benefit or lodge organizations.
- (5) Charitable, religious, or educational organizations.
- (6) Cemetery associations.
- (7) Business, civic, or welfare nonprofit leagues or organizations.
- (8) Hospitals; infirmaries and sanitarium.
- (9) Proceeds from cotton or cottonseed.
- (10) Amounts received under insurance contracts upon death of insured or cash surrender or under annuities.
- (11) Sales to schools or of school books.
- (12) Fertilizers, seeds; boxes and crates used in preparing agricultural products for market.
- (13) Farm or garden products.
- (14) Sales made by persons packing, canning, bottling, or picking fruit, farm, and garden products.
- (15) Proceeds of retail dealers in mules, horses, and other livestock.
- (16) Cooperative nonprofit organizations distributing electrical current.
- (17) All commodities in transit or stored at ports of entry intended for export or import and all freight shipments of commercial fertilizer moving at intrastate rates within the State.

*Rates.—*

Subject to tax:	<i>Rates Percent</i>
Automobile dealers or agents.....	1
Retailers of tangible property.....	2
Wholesalers of tangible property.....	0. 125
Jobbers.....	. 125
Oil.....	2
Natural gas.....	2½
Limestone, sand, gravel, and other minerals.....	2
Manufacturers of brick, building tile, cement, and cement products and clay products.....	1
Manufacturers of drain tile and sewer pipe.....	. 25
Manufacturers of soft drinks.....	1
Ice factories.....	. 25
Cottonseed oil mills.....	. 25
Manufacturers of feed and feed stuffs.....	. 125
Manufacturers not otherwise specifically taxed.....	. 25
Pasteurized or fluid milk.....	1
Water or public sewerage system.....	2
Street railways.....	2
Furnishing electricity or gas; for industrial purposes.....	1
Other purposes.....	2
Telegraph or telephone.....	2
Railroads, sleeping and palace car, intrastate business.....	2
Express transportation, intrastate.....	2
Pipe-line transportation, intrastate.....	2
Motor-vehicle transportation, intrastate regular routes.....	2
Contractors.....	1
Any other business subject to privilege tax law not listed above.....	2

*Collection in 1940.—\$6,743,000.*

*Collection in 1941.—\$7,407,000.*

*Collection.—*Tax remittance to accompany required reports. Tax-payers add the tax to the sale price and collect it from purchasers; tax tokens are issued by the State tax commission to facilitate this collection.

## USE (COMPENSATING) TAX

*Taxable.*—A tax is levied for the privilege of using, storing, or consuming in Mississippi any article of tangible personal property purchased at retail or produced or manufactured for commercial use, or rental or dyed or cleaned or laundered or processed on or after April 1, 1938.

*Exemptions.*—The use of:

- (1) Articles by nonresidents while temporarily in the State.
- (2) Articles the sale of which has already been subject to the gross sales tax.
- (3) Articles sold at retail which have been specifically exempt from the gross sales tax.
- (4) Property owned or used by any person in furtherance of interstate commerce.
- (5) Property purchased, the total of which does not exceed \$50 per month or in the aggregate does not exceed \$300 per year.
- (6) Articles for household purposes.
- (7) Property owned by cooperative nonprofit associations distributing electrical current.

*Rates.*—The tax is levied in an amount equal to the purchase price or rental, dyeing, cleaning, or processing price or service charge of the article paid by the taxpayer, multiplied by the following rates:

Subject to tax:	<i>Rates Percent</i>
Retailers of tangible property .....	2
Wholesalers of tangible property .....	. 125
Jobbers .....	. 125
Automobile dealers or agents .....	1
Pasteurized milk .....	1
Any other business, trade, or profession subject to the privilege-tax law not listed above .....	2

*Collection in 1940.*—(Included above in Collection of Occupational Sales Tax.)

*Collection.*—Remittance to accompany monthly report.

## MISSOURI

## RETAIL SALES TAX

*Taxable.*—A tax based on gross receipts, is levied on sales of the following (including lease or rental consideration where the right to continuous possession or use of any article of tangible personal property would be taxable if an outright sale):

- (1) Tangible personal property.
- (2) Admission to places of amusement, entertainment, recreation, games, and athletic events.
- (3) Electricity, water, gas.
- (4) Telephone services; telegraph transmissions.
- (5) Rooms, meals, and drinks from places regularly offering such to public.
- (6) Railroads, sleeping, dining, and express cars and buses and trucks licensed by Public Service Commission engaged in transportation of persons.

*Exemptions.*—

- (1) Interstate and foreign commerce.
- (2) Nontaxable by State or Federal constitutional restrictions.

(3) Motor fuel, fuel used to produce taxable utility services, feed for poultry or livestock and grain converted into foodstuffs which are ultimately subject to tax.

(4) Made by religious, charitable, eleemosynary and penal institutions and relief agencies.

*Rate.*—2 percent of gross receipts from sales.

*Collection in 1940.*—\$23,019,000.

*Collection in 1941.*—\$29,515,000.

*Collection.*—Tax payment to accompany monthly report. The retailer is to collect the tax from the purchaser and it is illegal for him to represent that he assumes or absorbs it.

## NEW MEXICO

### OCCUPATIONAL GROSS INCOME TAX

*Taxable.*—Every person engaging or continuing in any business in New Mexico pays a tax based on gross receipts.

*Exemptions.*—Receipts from the following are exempt:

- (1) Nonprofit organizations and societies.
- (2) Farm products.
- (3) Premiums collected by insurance companies on which a State tax is levied.
- (4) Salaries and wages.
- (5) School books.
- (6) Hospitals, infirmaries or sanitariums.
- (7) Interest, dividends, or rentals.
- (8) Newspapers and magazine sales, but not advertising space.
- (9) Gasoline or motor fuel.
- (10) Building and loan associations; State and national banks.
- (11) Water for irrigation, domestic, commercial, and industrial purposes.
- (12) Dormitories and dining halls of State educational institutions.
- (13) Sales to United States or New Mexico or its political subdivisions.

*Rates.*—The rates used in computing the tax depend on the source of the income and are:

Mining, quarrying, producing:	
Oil, natural gas, carbon dioxide gas and potash.....	2 percent.
Other mineral products.....	½ of 1 percent.
Manufacturing, smelting, refining, distilling, etc.: Oil, natural gas, carbon dioxide gas, potash, copper, gold, silver, limestone, sand, gravel, or other products.....	½ of 1 percent.
Wholesalers:	
Wholesale merchandising of goods, including alcoholic beverages and electricity to others for resale.....	⅛ of 1 percent.
Retailers selling goods, equipment, and alcoholic beverages (except receipts from livestock, livestock feed, seeds, roots, bulbs, plants, fertilizer, agricultural implements, not including tractors).....	2 percent.
Automobiles, trucks or tractors.....	1 percent.
Public utilities: Electricity, gas, intrastate telephone and radio messages, including local business, transportation of people and property.....	1 percent
Contractors, all receipts.....	2 percent.
Amusements: Theaters, picture shows, radio.....	2 percent.
Professions: All professional services.....	2 percent.
Real estate: Commissions.....	2 percent.

Factors, agents or brokers: Commissions.....	2 percent.
Miscellaneous.....	2 percent.

All taxpayers pay a license fee of \$1.

Collection in 1940.—\$4,198,000.

Collection in 1941.—\$4,265,000.

Collection.—Tax remittance to accompany monthly reports. Tax tokens are used to facilitate reimbursement of persons in business.

#### USE (COMPENSATING) TAX

*Taxable.*—An excise tax is imposed on the storage, use or consumption in New Mexico of tangible personal property purchased from a retailer on or after July 1, 1939.

*Exemptions.*—The following tangible personal property is exempt:

(1) Property subject to the sales tax provisions of the occupational gross income tax.

(2) Nontaxable because of Federal or State constitutional restrictions, or used by U. S. or State Government or any political subdivision thereof or used by any religious, charitable or educational institution.

(3) Property purchased outside New Mexico on which a sales or use tax of another State has already been levied.

(4) Products of farmers when sold by them.

(5) Gasoline or motor fuel.

(6) Property which becomes an ingredient or component part of any manufactured article.

(7) Electricity, gas or fuel consumed in manufacturing.

(8) Livestock, feeds for livestock, seeds, roots, bulbs and plants and fertilizer.

(9) Property brought into the State by nonresidents for their use while temporarily within the State.

(10) Newsprint.

(11) Railroad locomotives and equipment used in railroad transportation.

(12) Chemicals used in mining, milling, or oil refining, except blasting powder or dynamite.

*Rates.*—Two percent of the sales price; sales of automobiles, trucks or tractors are taxed at the rate of 1 percent.

Collection in 1940.—(Included above in collection of occupational gross income tax.)

Collection.—Tax remittance to accompany monthly returns. Retailers maintaining a place of business in New Mexico are required to collect the tax; however, purchasers are liable if the retailer fails to collect.

#### NORTH CAROLINA

##### OCCUPATIONAL SALES TAX

*Taxable.*—Wholesalers and retailers pay a tax on gross receipts from sales for the privilege of doing business. Sales include all transactions in which title ultimately passes and admissions to moving picture shows, theaters, and other exhibitions and sales of tangible personal property used in the construction of buildings.

*Exemptions.*—

- (1) Sales by manufacturers or producers to others for resale.
- (2) Gasoline on which the tax is paid.
- (3) Commercial fertilizer, lime and land plaster used for agricultural purposes.
- (4) Sales to the State or its subdivisions.
- (5) Sales of building material to Federal, State or local governments.
- (6) Sales prohibited from taxation under the constitutions of the United States or North Carolina.
- (7) Worthless accounts.
- (8) Public school books and Holy Bibles.
- (9) Sales of traded-in articles.
- (10) Food and food products for human consumption.
- (11) Ice.
- (12) Medicines.
- (13) Sales of products of farms, forests, waters and mines.
- (14) Horses and mules.
- (15) Coffins and caskets selling for less than \$100.
- (16) Sales to trustees of churches.
- (17) Cotton, tobacco, peanuts and other products sold to manufacturers.

*Rate.*—Three percent of gross retail sales; one-twentieth of 1 percent of gross wholesale sales; and an excise or use tax of 3 percent on sales of all new or used motor vehicles purchased for use on North Carolina streets and highways, if the sales tax has not been paid. Maximum tax for any article is \$15.

Everyone engaged in business on which tax is collected pays \$1 permit fee; wholesalers pay \$10 annual license tax.

*Collection in 1940.*—\$12,208,000.

*Collection in 1941.*—\$14,247,000.

*Collection.*—The payment to accompany monthly report. The tax is to be passed on to the consumer and any contrary representation is illegal.

## USE TAX

*Taxable.*—An excise tax is imposed on the storage, use or consumption in North Carolina of tangible personal property purchased from a retailer on or after July 1, 1941.

*Exemptions.*—

- (1) Property expressly specified and exempted from the retail sales tax.
- (2) Property the sale of which is classified as a wholesale sale under the retail sales tax.
- (3) Property exempt from taxation by the State or United States constitutions.
- (4) Motor fuels upon which the gasoline tax has been paid.
- (5) Property brought into the State by a non-resident while temporarily within the State.

*Rate.*—Three percent of sales price. Credit is allowed for a sales or use tax already paid on such property either in North Carolina or another State.

*Collection in 1940.*—Included above in collection of occupational sales tax.

*Collection.*—Tax payment to accompany return. The tax is collected by the retailer and is added to the sales price. It is unlawful for a retailer to advertise that he is absorbing the tax.

## NORTH DAKOTA

## RETAIL SALES TAX

*Taxable.*—A tax is imposed on the gross receipts from all sales of:

- (1) Tangible personal property sold at retail in North Dakota.
- (2) Furnishing or service of steam, gas, electricity, water, and communication service, including such sales made by municipal corporations in a proprietary capacity.
- (3) Tickets or admissions to places of amusement and athletic events.

*Exemptions.*—

- (1) Sales the State cannot tax because of United States law or State-constitutions prohibitions.
- (2) Transportation service.
- (3) Contracts executed before May 1, 1935.
- (4) Tickets and admissions to State, county, or local fairs and gross receipts from educational, religious, or charitable activities.
- (5) Sales already subject to an excise tax.

*Rate.*—Two percent of gross receipts from retail sales. Retailers' permit fee is 50 cents.

*Collection in 1940.*—\$3,099,000.

*Collection in 1941.*—\$3,364,000.

*Collection.*—Tax to be paid at time of filing monthly report. The tax is to be added to the sale price, and it is unlawful for the retailer to represent that he assumes or absorbs the tax.

## USE TAX

*Taxable.*—An excise tax is imposed on the storage, use, or consumption in North Dakota of tangible personal property purchased at retail.

*Exemptions.*—

- (1) Property subject to the sales tax.
- (2) Motor vehicles subject to the excise tax imposed by chapter 167, Law 1937.
- (3) Property brought into the State by a nonresident while temporarily within the State.
- (4) Property used in interstate commerce.
- (5) Property used to perform a public-works contract executed prior to this act.
- (6) Property subject to a special license or stamp tax.
- (7) Property used in the business of manufacturing.
- (8) Industrial material and supplies used in compounding or manufacturing property ultimately sold at retail.

*Rate.*—Two percent of purchase price.

*Collection in 1940.*—Included above in collection of retail sales tax.

*Collection.*—Tax payments to accompany return. Primary liability to collect tax is on retailer; however, vendees are liable for the tax if the retailer does not collect it.

## OHIO

## RETAIL SALES TAX

*Taxable.*—Each retail sale of tangible personal property excepting sales the purpose of which is—

- (a) To resell.
- (b) To incorporate the property into tangible personal property or to use or consume it directly in manufacturing, processing, refining, mining, farming, horticulture, floriculture, the making of retail sales, or the rendition of a public utility service.
- (c) Security for the performance of an obligation by the vendor.
- (d) To use or consume it in industrial cleaning.
- (e) To resell, hold, use, or consume it as evidence of an insurance contract.

*Exemptions.*—

- (1) Sales to the State or its political subdivisions.
- (2) Food for human consumption off the premises where sold.
- (2a) Sales of feed and seeds.
- (2b) Newspapers and magazines shipped second class.
- (2c) Sales of ice.
- (3) Motor-vehicle fuel, liquid fuel.
- (4) Cigarettes, brewers' wort and malt.
- (5) Sales of beer, wines, and spirituous liquors.
- (6) Artificial or natural gas, electric, water, other sales by utility companies subject to excise taxes.
- (7) Casual and isolated sales.
- (8) Sales exempt under the Federal Constitution and transportation charges.
- (9) Professional, insurance, or personal services involving sales for which no separate charges are made.
- (10) Sales to charitable and religious organizations.
- (11) Explosives used in the shooting of oil or gas wells or coal mines.
- (11a) Sales of food to students in school cafeterias, dormitories, fraternities, and sororities.
- (12) Sales of hearses and ambulances to nonresidents to be used outside of Ohio and sales of ships, gas-filled dirigibles, or vessels used principally in interstate commerce.

*Rate.*—Vendor's license fee, \$1. Sales tax computed on each dollar and/or fraction thereof according to the following:

<i>Price</i>	<i>Tax</i>
1 to 8 cents.....	None
9 to 40 cents.....	1 cent
41 to 70 cents.....	2 cents
71 cents to \$1.....	3 cents

*Collection in 1940.*—\$50,985,000.

*Collection in 1941.*—\$63,119,000.

*Collection.*—Payment by canceling prepaid tax receipts or coupons at the time of sale, such coupons to be purchased by licensed retailers from the Treasurer of State or his agents, or the county treasurers, at such discount, not exceeding 3 percent as the Commissioner, by regulation may allow. Prepayment by vendor and waiver of collection from vendee may be permitted by Commissioner in exceptional instances.

## USE TAX

*Taxable.*—An excise tax is levied on the storage, use, or other consumption in Ohio of tangible personal property purchased after January 1, 1936, except when the use is for the same purposes excepted in the definition of "retail sale" as above.

*Exemptions.*—

(1) Property subject to the sales tax or property to which the sales tax is expressly inapplicable or property used for a purpose which would exempt the sale of such property.

(2) Property protected by the Federal Constitution.

(3) Casual and isolated sales.

(4) Building materials contracted for prior to January 1, 1936.

*Rate.*—Use tax based on purchase price of property at same rates as sales tax.

*Collection in 1940.*—Included above in collection of retail sales tax.

*Collection.*—Payment quarterly by consumer to the State treasurer unless tax receipts have been obtained showing payment of the tax to a seller maintaining a place of business in Ohio or to a retailer having a certificate of registration from the tax commissioner to collect the tax.

## OKLAHOMA

## RETAIL SALES TAX

*Taxable.*—A tax is imposed upon three classes of taxpayers, those regularly engaged in business at an established place, those making occasional sales, and transients making seasonal sales. The tax is levied upon the gross receipts derived from all sales of the following:

(1) Tangible personal property.

(2) Natural or artificial gas, electricity, ice, steam or other public service, except water.

(3) Transportation for hire of persons by common carriers.

(4) Telephone and telegraph service.

(5) Printing of all kinds.

(6) Service of furnishing rooms by hotels, apartment hotels, public rooming houses and tourist camps.

(7) Service of furnishing storage by auto hotels and parking lots.

(8) Food, confection or drinks prepared by dispensers and sold for immediate consumption.

(9) Advertising of all kinds.

(10) Dues, fees or complimentary tickets for admission to places of amusements.

Sales of services and tangible personal property for improving real estate and sales to contractors are sales to consumers and not sales for resale.

*Exemptions.*—Gross receipts from the following:

(1) Non-intoxicating beverages.

(2) Cigarettes.

(3) Farm products of Oklahoma.

(4) Dues paid to religious, etc., societies not operated for profit.

(5) Sales to or by churches or charitable organizations.

(6) Transportation of school children.

(7) Transportation in towns and cities where the fare does not exceed 15 cents.

(8) Food in school cafeterias.

(9) Carrier sales of newspapers and periodicals under 20 cents.

(10) Sales to United States, Oklahoma, or on political subdivision.

(11) Gasoline or motor fuel.

(12) Petroleum or natural gas.

(13) Motor vehicles.

(14) Sales for resale.

(15) Sales of advertising space in newspapers, periodicals, or billboards.

(16) Admission fees at State, county, or township fairs.

*Rate.*—Two percent of gross proceeds or gross receipts.

*Collection in 1940.*—\$10,952,000.

*Collection in 1941.*—\$11,788,000.

*Collection.*—Tax payment accompanies the report. The tax is payable by the seller who collects the tax from the purchaser. Tokens may be issued by the tax commission.

#### USE TAX

*Taxable.*—There is imposed upon every person storing, using, or otherwise consuming, within Oklahoma, tangible personal property purchased or brought into Oklahoma an excise tax on the storage, use, or other consumption in Oklahoma of such property.

*Exemptions.*—

(1) Articles brought into Oklahoma by nonresident visitors.

(2) Tangible personal property purchased for resale.

(3) Tangible personal property already subject to a tax of like nature.

(4) Tangible personal property (other than that used in connection with commercial, industrial, professional, or business pursuits), the purchase price of which does not exceed \$100 monthly.

(5) Property exempt under the sales tax.

(6) Property brought in by individuals about to become residents.

(7) Tangible personal property used in interstate commerce by railroads.

(8) Livestock purchased outside Oklahoma and brought into Oklahoma for feeding purposes.

*Rate.*—Two percent of the purchase price.

*Collection in 1940.*—Included above in collection of retail sales tax.

*Collection.*—Tax payment accompanies the return.

#### SOUTH DAKOTA

*Taxable.*—Retailers pay a tax on the privilege of doing business based on gross receipts from:

(1) Retail sales of tangible personal property, conditional, credit, or otherwise.

(2) Furnishing or service of gas, electricity, water and communication service to consumers, including that sold by municipal corporations in their proprietary capacity.

(3) Tickets or admissions to places of amusement and athletic events.

When the terms of sale extend credit longer than 60 days, the tax is imposed as cash is received.

*Exemptions.*—

(1) Sales on which the tax is prohibited by United States or State laws or constitution.

(2) Furnishing or service of transportation.

(3) Property used for performance of a contract of public works made before July 1, 1935.

(4) Admissions to state, county, or local fairs and receipts of activities of organizations which are used for charitable, educational, benevolent or fraternal purposes.

(5) Sales to United States or South Dakota or any of its political subdivisions or relief agencies.

(6) Sale of gasoline, beer, intoxicating liquors, malt, butter substitutes and cigarettes already taxed.

(7) Resale by dealers of used farm machinery.

(8) Exchange of processed agricultural products for unprocessed agricultural products.

*Rates.*—Two percent on gross receipts; Retailers' permit fee is 50 cents, if a permit has previously been revoked the permit fee is \$1.

*Collection in 1940.*—\$4,504,000.

*Collection in 1941.*—\$5,014,000.

*Collection.*—Tax remittance to accompany report. It is unlawful for a retailer to represent that the tax is not part of the purchase price or to offer to refund the amount of the tax.

#### USE TAX

*Taxable.*—An excise tax is imposed on the privilege of the use, storage, and consumption in South Dakota of tangible personal property purchased on or after July 1, 1939.

*Exemptions.*—

(1) Property subject to sales tax.

(2) Motor vehicles.

(3) Property nontaxable by Constitutions of United States and South Dakota.

(4) Gasoline, beer, liquor, butter substitutes, and cigarettes.

(5) Property brought into the State by nonresidents for their use while within the State.

(6) Property not readily obtainable in South Dakota which is to become a capital asset of any business.

(7) Property used in compounding or manufacturing the finished product to be ultimately sold at retail.

(8) Fuel used in creating power, light, heat, steam, and gas.

(9) Industrial material and equipment not readily obtainable in South Dakota.

*Rates.*—Two percent of gross receipts from sales.

*Collection in 1940.*—Included above in "Collection of retail sales tax."

*Collection.*—Tax remittance is to accompany return. It is unlawful for the retailer to assume the tax or to offer to refund the tax.

## UTAH

## GROSS SALES TAX

*Taxable.*—A tax is levied on the amount of gross receipts or consideration for the following:

- (1) Retail sales of tangible personal property (including fees).
- (2) Transportation, telephone, telegraph, gas, electricity, and heat sales or service.
- (3) Meals furnished.
- (4) Admissions to any place of amusement, entertainment, or recreation.

Transactions where possession passes but title is retained for security purposes are sales; the right to continuous possession under a contract or a lease is taxable as a sale would have been taxable.

*Exemptions.*—

- (1) Commodities, the sale or use of which is subject to a State excise tax, except fees.
- (2) Sales to United States or Utah or its political subdivisions.
- (3) Sales made by charitable, eleemosynary, or religious corporations in their regular functions.
- (4) Sales nontaxable by the Constitutions of United States and Utah.
- (5) Interstate movements of freight and express or street railway fares, newspapers, or newspaper subscriptions.

*Rate.*—Two percent of gross receipts from taxable transactions.

*Collection in 1940.*—\$4,199,000.

*Collection in 1941.*—\$4,542,000.

*Collection.*—Every person receiving any payment or consideration from the sale of property or services subject to tax is responsible for the collection of the tax; tax payment is to accompany bimonthly report.

## USE TAX

*Taxable.*—A tax is levied on the storage, use, or other consumption in the State of tangible personal property purchased after July 1, 1937.

*Exemptions.*—The following property:

- (1) On which sales tax has been paid.
- (2) Not taxable by restrictions of Federal or State constitutions.
- (3) Temporarily within the State owned by a nonresident.
- (4) Subject to a sales or excise tax levied by this or any other State or the Federal Government.
- (5) Mineral bullion, mineral concentrates, or mineral precipitates.
- (6) Property used by the Federal, State, or local Governments.
- (7) Purchased for resale or used in manufacturing, including labels, containers, and shipping cases.

The tax on property purchased on credit, whereby title is to pass in the future or there is a conditional sale, is paid proportionately on each installment.

*Rate.*—Two percent of sale price.

*Collection in 1940.*—Included above in retail sales tax collections.

*Collection.*—Tax remittance is to accompany required bimonthly returns. Retailers are required to register with the State tax commission and collect the tax on all property sold to be put to a taxable

use in the State but the consumer is ultimately liable for all tax payments.

## WASHINGTON

## RETAIL SALES TAX

*Taxable.*—A tax is imposed on all retail sales in Washington, including retail sales of intoxicating liquor by the State liquor stores, and is computed on the basis of the selling price.

*Exemptions.*—The following sales are exempt:

- (1) Isolated or casual.
- (2) Subject to public utilities or admission tax.
- (3) Distribution and newsstand sale of newspapers.
- (4) Nontaxable by prohibitions of Constitutions and laws of United States and Washington.

(5) Motor fuel already subject to an excise tax.

*Rate.*—3 percent of the selling price. All taxpayers pay a permit fee of \$1.

*Collection in 1940.*—\$20,689,000.

*Collection in 1941.*—\$24,364,000.

*Collection.*—It is the duty of the seller, including persons with actual or constructive possession and power to sell, to collect the tax from the buyer and upon failure to do so becomes liable for it himself. It is unlawful for the seller to refund the tax or to represent that he absorbs or pays it.

## USE (COMPENSATING) TAX

*Taxable.*—An excise tax is levied for the privilege of using within the State any article of tangible personal property purchased at retail or produced or manufactured for commercial use, irrespective of whether the article is manufactured within the State or available for purchase within the State, and is based on the value of the article.

*Exemptions.*—The following property is exempt:

- (1) Used by nonresidents while temporarily in the State.
- (2) On which sales tax has been paid.
- (3) Subject to the public-utilities tax.
- (4) Rolling stock, aircraft, or floating equipment which was first used in the State in interstate or foreign commerce.
- (5) Nontaxable by United States and State constitutional limitations.

(6) Motor fuel already subject to an excise tax.

*Rates.*—Three percent of the value. All taxpayers pay a permit fee of \$1.

*Collection.*—Included above in retail sales tax collections.

*Collection.*—Remittance to accompany bimonthly report.

## WEST VIRGINIA

## RETAIL SALES TAX

*Taxable.*—For the privilege of engaging in the business of selling tangible personal property at retail and dispensing services, retail dealers collect a tax from the purchaser on the gross proceeds from all sales. Retail sales of tangible personal property include conditional

sales and any transaction in which title is to ultimately pass but does not include isolated sales; purchasers must pay the tax on a credit sale at the time it is made. Services include the furnishing of all services except professional or personal services and those furnished by corporations subject to the public service or State road commission.

*Exemptions.*—Sales of the following are exempt:

- (1) Gasoline subject to excise tax.
- (2) Electricity, gas, steam, and water.
- (3) School books.
- (4) Made to United States, West Virginia, or its subdivisions.
- (5) Motor vehicles titled by the State road commission.
- (6) Bread, butter, eggs, flour, and milk except when served as a part of a meal by hotels, restaurants, and others.
- (7) Surplus foods secured by blue surplus food order stamps issued by the Federal Surplus Commodities Corporation.

*Rate.*—Two percent of gross proceeds.

*Collection in 1940.*—\$18,759,000.

*Collection in 1941.*—\$20,874,000.

*Collection.*—Tax remittance to accompany monthly report. The tax is to be paid by the consumer and included in the purchase price and it is unlawful for a retailer to maintain otherwise.

#### OCCUPATIONAL GROSS INCOME TAX

*Taxable.*—A tax is levied on all persons and corporations, for the privilege of engaging in business, based on gross proceeds and a surtax is levied on all business except contractors, industrial loan companies, water companies, sales of tangible personal property at retail, and business not otherwise specifically taxed. A deduction of \$25 in amount of tax is allowed to every person.

*Exemptions.*—

- (1) Insurance companies paying a premium tax;
- (2) Persons engaged in the banking business;
- (3) Nonprofit cemetery companies;
- (4) Societies, organizations, etc., organized for the benefit of their members or religious or charitable purposes;
- (5) Building and loan associations and Federal savings and loan associations;
- (6) Persons collecting income from real or personal property paying a net income tax.

*Rates.*—

Product or business	Normal tax gross proceeds of production	With surtax of $\frac{3}{10}$ of normal tax
	Percent	Percent
Coal.....	1	1.3
Oil.....	3	3.9
Natural gas, production (over \$5,000).....	6	7.8
Natural gas, service.....	3	3.9
Blast furnace slag.....	3	3.9
Sand, gravel, or other minerals, not mined or quarried.....	3	3.9
Limestone or sandstone.....	1.5	1.95
Timber.....	1.5	1.95
Manufacturing.....	.3	.39

Product or business	Normal tax gross proceeds of production	With surtax of $\frac{3}{4}$ % of normal tax
	<i>Percent</i>	<i>Percent</i>
Industrial loan companies.....	1	(1)
Sales, retailers (including restaurants, etc., serving food).....	.5	(1)
Sales, wholesalers or jobbers.....	.15	.195
Electric railways (local).....	1	1.3
Water companies.....	4	(1)
Electric companies (domestic, commercial lighting).....	4	5.2
Electric companies (other income).....	3	3.9
Toll bridges.....	3	3.9
Other public utilities.....	2	2.6
Other natural resource products.....	2	2.6
Contractors.....	2	(1)
Amusements, including radio broadcasting.....	5	.60
All other businesses.....	1	(1)
Income from real and personal property (if no personal income tax paid).....	1	(1)

<sup>1</sup> No surtax.

*Collection in 1940.*—\$9,849,000.

*Collection.*—Tax payment to accompany quarterly and yearly reports.

## WYOMING

### RETAIL SALES TAX

*Taxable.*—A tax is levied on retail sales of—

- (1) Tangible personal property;
- (2) Transportation, telephone, and telegraph services;
- (3) Gas, electricity, and heat to consumers by utilities whether privately or municipally owned;
- (4) Meals served at places regularly catering to the public;
- (5) Admissions to places of amusement, entertainment, or recreation.

Rental received under a lease granting continuous possession, if the sale of the article would be taxable, installment payments, when title is to pass in the future, and conditional sales receipts are taxable.

*Exemptions.*—The following sales are exempt:

- (1) Subject to a sale or excise tax in excess of 20 percent under laws of United States or Wyoming;
- (2) Made to United States or Wyoming and its political subdivisions;
- (3) Made to, or in the regular course of activities of religious, charitable, and eleemosynary institutions;
- (4) Nontaxable by prohibitions of the laws of United States or Wyoming;
- (5) Livestock, livestock or poultry feed, seeds, plants, and fertilizer;
- (6) City taxicab and bus fares less than 24 cents;
- (7) Interstate movement of freight, passengers, and express;
- (8) Intrastate or interstate movements of raw farm products to processing or manufacturing plants.

*Rates.*—2 percent of gross receipts. The annual license fee for those paying the tax is \$2.

*Collection in 1940.*—\$1,961,000.

*Collection in 1941.*—\$2,296,000.

*Collection.*—Tax remittance to accompany report. It is unlawful for any retailer to represent that he will assume, absorb, or refund the tax.

## USE TAX

*Taxable.*—Storage, use, or other consumption in the State of tangible personal property purchased from a retailer on or after June 1, 1937.

*Exemptions.*—Storage, use, or consumption of the following property is exempt:

- (1) Sale of which is subject to the sales tax or a 20 percent excise tax;
- (2) Nontaxable by Federal or State constitutional restrictions;
- (3) Used by State or Federal Governments;
- (4) Used by charitable or eleemosynary institutions;
- (5) Products of Wyoming mines or farms;
- (6) Subject to gasoline tax;
- (7) Property or fuel used in manufacturing;
- (8) Livestock, livestock and poultry feed, seeds and fertilizer;
- (9) Gas, electricity, and water;
- (10) Used by nonresidents while temporarily in State;
- (11) Used in public works contracts;
- (12) Machinery, equipment, and industrial materials not promptly purchased in State.

*Rate.*—Two percent of sale price.

*Collection in 1940.*—Included above in collection of retail sales tax.

*Collection.*—Remittance to accompany monthly report.

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PART IV

PROPOSED MANUFACTURERS' EXCISE TAX, REVENUE  
BILL OF 1932, AND WAYS AND MEANS  
COMMITTEE REPORT

A. BILL

B. REPORT



## A. FROM PROPOSED REVENUE BILL, 1932

### TITLE IV—MANUFACTURERS' EXCISE TAX

#### SEC. 601. IMPOSITION OF TAX

(a) In addition to any other tax or duty imposed by law, there shall be imposed a tax of  $2\frac{1}{4}$  per centum of the sale price (except as provided in subsection (d)) on the sale of every article sold in the United States by the manufacturer or producer thereof, if licensed or required to be licensed under this title, except in the case of—

(1) sales by a licensed manufacturer to another licensed manufacturer of articles for further manufacture;

(2) sales by a licensed manufacturer to a registered dealer, of articles for further manufacture to be resold to a licensed manufacturer;

(3) sales by a licensed manufacturer to any person of articles for further manufacture to be resold to a licensed manufacturer, but only if such articles are delivered by the first licensed manufacturer to the second licensed manufacturer;

(4) sales for exportation;

(5) sales to a State or political subdivision thereof, or any agency thereof, of articles for use solely in the exercise of a governmental function; or

(6) sales of articles hereinafter specifically exempted.

(b) In addition to any other tax or duty imposed by law, there shall be imposed a tax of  $2\frac{1}{4}$  per centum ad valorem (except as provided in subsection (d)) on every article imported into the United States, unless—

(1) the consignee (within the meaning of the Tariff Act of 1930) is a licensed manufacturer (or his agent) and the article is an article for further manufacture, or

(2) the consignee (within the meaning of such Act) is a registered dealer (or his agent) and the article is an article for further manufacture to be resold to a licensed manufacturer,

(3) the article is imported by a State or political subdivision thereof, or any agency thereof, for use solely in the exercise of a governmental function, or

(4) the article is specifically hereinafter exempted.

(c) The tax imposed under subsection (b) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that—

(1) the value on which such tax shall be based shall be the dutiable value (under section 503 of such Act) of the article, plus the customs duties, if any, imposed thereon under any provision of law;

(2) for the purposes of section 489 of such Act (relating to additional duties in certain cases of undervaluation) such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article;

(3) such tax shall not be imposed upon any article imported prior to the date on which this title takes effect;

(4) no drawback of such tax (except tax paid upon the importation of an article described in subsection (d) (4) ) shall be allowed under section 313 (a), (b), or (f) of the Tariff Act of 1930 or any provision of law allowing a drawback of customs duties on articles manufactured or produced with the use of duty-paid materials;

(5) such tax shall be imposed in full notwithstanding any provision of law or treaty granting exemption from or reduction of duties to products of any possession of the United States or of any country; and

(6) when he deems such action to be in the interest of the revenue, the Secretary may direct that such tax with respect to any class of articles designated by him shall be levied, assessed, collected, and paid in the same manner and subject to the same provisions of law as the tax imposed by subsection (a).

(d) In the case of the following articles, the tax imposed by this title shall be at the following rates:

(1) Lubricating oils, of the grades designated (at the time of the enactment of this Act) by Society of Automotive Engineers viscosity numbers 20 to 70, inclusive, 4 cents a gallon;

(2) brewer's wort, liquid malt, malt syrup, and malt extract, fluid, solid, or condensed, if containing less than 15 per centum of solids by weight, 5 cents a gallon; if containing 15 per centum or more of solids by weight, 35 cents a gallon;

(3) grape syrup, grape concentrate, and evaporated grape juice, if containing more than 35 per centum of sugars by weight, 40 per centum of the basis on which the tax is computed under subsection (a) or (b) of this section or section 603, as the case may be;

(4) crude petroleum, fuel oil derived from petroleum, gas oil derived from petroleum, and gasoline, imported into the United States, 1 cent a gallon; but no article described in this paragraph shall be exempted upon importation from tax under this title as an article for further manufacture, and no credit or refund of tax imposed upon the importation of any article described in this paragraph shall be allowed under section 605 (a).

(e) Exemption under this section of sales or importations shall be allowed or granted only upon compliance with the regulations.

#### SEC. 602. EXEMPT ARTICLES

No tax under this title shall be imposed on the sale or importation of the following articles:

(1) Farm or garden products produced in the United States;

(2) fertilizers and such grades of articles as are used chiefly for fertilizers, or chiefly as ingredients in the manufacture of fertilizers;

- (3) garden or field seeds;
- (4) bran and shorts and feeds for animals or fowls;
- (5) meat, fish (including shellfish), and poultry, fresh, dried, frozen, chilled, salted, or in brine;
- (6) bacon, hams, pig shoulders, and pig jowls, not cooked or packed in air-tight containers;
- (7) butter, oleomargarine, and other substitutes for butter;
- (8) cheese;
- (9) milk and cream, in any form;
- (10) eggs in the shell;
- (11) bread;
- (12) flour and meal made of grain, and semolina;
- (13) sugar;
- (14) tea;
- (15) coffee;
- (16) salt;
- (17) any article with respect to which an internal-revenue tax is imposed under existing law;
- (18) water not in closed containers;
- (19) newspapers, magazines, and other periodicals;
- (20) books, pamphlets, and music, in raised print, used exclusively by or for the blind;
- (21) textbooks for use in private or public schools or other institutions of learning;
- (22) Bibles, comprising the books of the Old or New Testament, or both;
- (23) rosaries, chaplets, medals, and similar articles of religious devotion; hymn books, prayer books, and manuals of religious devotion; books of religious reading, thought, or action; books of religious statistics; and
- (24) altars, pulpits, communion tables, baptismal fonts, and shrines; parts thereof; religious statuary and pictures; collection envelopes, plates, and baskets; stationery and record books; cassocks, banners, and articles of regalia worn on the person or carried in the hand; tapers, lights, and candles; sanctuary oil; all the foregoing when manufactured exclusively for use in houses of worship.

#### SEC. 603. TAX ON SALES BY REGISTERED DEALERS

(a) There shall be imposed on the sale or other disposition by a registered dealer of any article sold to or imported by him free of tax by virtue of his registration, if not sold to a licensed manufacturer, as an article for further manufacture, a tax of  $2\frac{1}{4}$  per centum of the price (subject to the provisions of section 604 (a)) at which such article was sold to such registered dealer, plus, in the case of an imported article, the amount of customs duties imposed thereon under any provision of law, if not included in such price (except that in the case of an article specified in section 601 (d) the tax shall be at the rate therein provided). If the Commissioner determines that the records with respect to any article are inadequate, such article shall be held to be sold otherwise than to a licensed manufacturer as an article for further manufacture.

(b) If the Commissioner determines that it is not necessary in the interests of the revenue to trace the identity of articles of any class in the hands of registered dealers, the regulations may provide a method of determining the proper tax liability of registered dealers with respect to articles of that class without regard to the identity of the individual articles.

#### SEC. 604. SALE PRICE

(a) **GENERALLY.**—In determining the sale price of an article there shall be included any charge for coverings and containers of whatever nature, and any charge incident to placing the article in condition packed ready for shipment, but there shall be excluded the amount of tax imposed by this title. A transportation, delivery, insurance, installation, or other charge (not required by the foregoing sentence to be included) shall be excluded from the sale price only if the amount thereof is established to the satisfaction of the Commissioner, in accordance with the regulations.

(b) **SALES ON CONSIGNMENT.**—In the case of an article sold by a consignee, the sale price shall be the fair manufacturer's price for the article.

(c) **RETAIL SALES BY LICENSED MANUFACTURER.**—In the case of an article sold by the manufacturer or producer thereof at retail (or directly to the consumer or user), the tax shall be imposed upon the price at which so sold, except that in the case of any such article ordinarily sold at wholesale by manufacturers or producers, the tax shall be imposed upon the fair manufacturer's price for the article.

(d) **INSTALLMENT SALES.**—In the case of a contract for the sale by a licensed manufacturer of an article, wherein it is provided that the sale price shall be paid to the manufacturer by installments, and the title to the article sold does not pass to the purchaser thereof until a future date notwithstanding partial payment by installments, or in the case of a conditional sale, each partial payment shall be regarded as a sale and the tax shall be paid on the portion of the sale price represented by the installment.

(e) **LEASES AND ROYALTIES.**—If a licensed manufacturer leases an article or transfers the right of using the article but not the title thereto or imposes a royalty on the use of an article, each payment with respect to the article shall be treated as a sale and the tax shall be paid on the amount of such payment. Any such lease, transfer, or imposition of royalty on the use of any article by a registered dealer shall be treated as a sale.

(f) **MANUFACTURE UNDER CONTRACT.**—For the purposes of this title, a person who manufactures or produces an article for another person (other than a licensed manufacturer) who furnishes materials and retains title thereto, shall be regarded as the manufacturer or producer of the article, and the tax shall be imposed upon the payment, or, if there is more than one payment, the tax shall be imposed upon each payment.

(g) **USE OR TRANSFER OF ARTICLE IN SPECIAL CASES.**—If a licensed manufacturer—

(1) uses otherwise than as an article for further manufacture (including use as material in repair work) an article manufactured

or produced by him, or sold to or imported by him free of tax by virtue of his license;

(2) transfers the title to an article by gift;

(3) transfers the title to, or the right to use, an article to any person (otherwise than through an arm's-length transaction) at less than the fair market price;

such use or transfer shall be considered a sale for the purposes of this title, and the sale price shall be the fair manufacturer's price for such article, with allowance for any tax previously paid with respect to any materials used in manufacturing or producing the article.

(h) For the purposes of this section, the fair manufacturer's price for an article shall be the sale price for such articles, in the ordinary course of trade, of manufacturers or producers thereof, as determined by the Commissioner.

#### SEC. 605. OVERPAYMENTS, CREDITS, AND REFUNDS

(a) A credit against tax under a later return, or a refund, may be allowed or made—

(1) to a licensed manufacturer, in the amount of any tax under this title which has been paid with respect to an article for further manufacture purchased by him;

(2) to a manufacturer or producer when he becomes licensed, in the amount of any tax paid under this title with respect to articles for further manufacture on hand when the license is granted;

(3) to the exporter, in the case of an article sold for exportation or exported for sale, in the amount of any tax paid under this title with respect to the article; and

(4) to a licensed manufacturer or registered dealer who has paid tax under this title with respect to an article, when the sale price on which the tax was based is readjusted by reason of return or repossession of the article or a covering or container, or by a bona fide discount, rebate, or allowance: in the amount of that part of the tax proportionate to the part of the sale price which is refunded or credited.

(b) Credit or refund under subsection (a) shall be allowed or made only upon compliance with regulations.

(c) In no case shall interest be allowed with respect to any amount of tax under this title credited or refunded.

(d) In no case shall both credit or refund under subsection (a) and remission or drawback under the customs laws of the tax imposed by this title be allowed on account of the exportation of an article.

(e) No overpayment of tax under this title shall be credited or refunded (otherwise than under subsection (a)), in pursuance of a court decision or otherwise, unless the person who paid the tax establishes, in accordance with regulations, (1) that he has not included the tax in the price of the article with respect to which it was imposed, or collected the amount of tax from the vendee, or (2) that he has repaid the amount of the tax to the ultimate purchaser of the article, or unless he files with the Commissioner written consent of such ultimate purchaser to the allowance of the credit or refund.

## SEC. 606. LICENSED MANUFACTURERS AND REGISTERED DEALERS

(a) **MANUFACTURERS AND PRODUCERS.**—Every manufacturer or producer (except as hereinafter provided) is hereby required to take out an annual license, in accordance with regulations, and shall pay a fee of \$2 therefor. Licenses under this section shall expire upon the expiration of one year after the date on which this title becomes effective, and annually thereafter.

(b) **EXEMPTIONS.**—No license shall be required (but a license may be granted upon application) in the case of a manufacturer or producer—

- (1) if a farmer, with respect to his farm or garden products; or
- (2) if for the preceding year the total sale price of all articles (other than exempt articles) manufactured or produced by him was less than \$20,000; or
- (3) if, in the case of a manufacturer or producer not engaged in manufacture or production of articles (other than exempt articles) during the whole of the preceding year, such manufacturer or producer files with the Commissioner a statement under oath that to the best of his belief the probable total sale price of all articles (other than exempt to be manufactured or produced by him during the year for which the exemption is claimed will be less than \$20,000;

but in the case of any manufacturer or producer exempted under clause (2) or (3) of this subsection, if the Commissioner determines, on the basis of sales for any period during the year for which the exemption was granted, that the probable total sale price of all articles (other than exempt articles) manufactured or produced by such manufacturer or producer during such year will not be less than \$20,000, or if the total sale price of all articles (other than exempt articles) manufactured or produced and sold by such manufacturer or producer during such year reaches \$20,000, such manufacturer or producer shall thereupon be required to be licensed.

(c) **DEALERS AND IMPORTERS.**—A dealer in or importer of articles for further manufacture to be sold to licensed manufacturers may be granted an annual registration by the Commissioner, upon application in accordance with regulations and—

- (1) payment of a fee of \$2 and giving bond with sureties approved by the Commissioner and in such form and in such amount (not less than \$2,000 nor more than \$15,000) as the Commissioner shall prescribe, as liquidated damages, conditioned that he will keep adequate books, records, and accounts in accordance with this title and regulations, will render true statements of all sales by him, taxable or nontaxable, of articles sold to him free of tax by virtue of his registration, and will pay any tax imposed by this title; or
- (2) payment of a fee of \$100.

Registrations under this subsection shall expire upon the expiration of one year after the date on which this title becomes effective, and annually thereafter.

(d) **REVOCATION OR CANCELLATION OF DEALER'S REGISTRATION.**—If the Commissioner finds that a registered dealer has violated any provision of law applicable to the tax imposed by this title, he may

revoke his registration. If the registration of any registered dealer is revoked, he shall not be entitled to registration within a period of one year after such revocation. The registration of any registered dealer may be canceled upon application by him.

(e) **TAX ON REVOCATION, CANCELLATION, OR EXPIRATION OF REGISTRATION.**—If a registered dealer's registration is revoked or canceled under subsection (d), or if a registered dealer's registration expires and is not renewed, he shall pay the tax imposed by this title (as if on a taxable sale at the time of revocation, cancellation, or expiration) on all articles purchased or imported by him free of tax by virtue of his registration and not resold by him prior to such revocation, cancellation, or expiration.

(f) **TAX ON REGISTERED DEALER ON DATE TITLE CEASES TO BE IN EFFECT.**—Every dealer or importer registered on the day on which the tax imposed by this title ceases to be in effect, shall pay the tax imposed by this title (as if on a taxable sale on such date) on all articles purchased or imported by him free of tax by virtue of his registration and not resold by him on or before such date.

(g) **TAX ON EXPIRATION OF MANUFACTURER'S OR PRODUCER'S LICENSE.**—If a manufacturer or producer ceases to be licensed before the date on which the tax imposed by this title ceases to be in effect, he shall pay the tax which would be imposed on a sale to him, as of the date on which he ceases to be licensed, of all articles purchased or imported by him free of tax by virtue of such license and not used as articles for further manufacture in the manufacture or production of articles on the sale of which tax has been imposed under this title prior to such date.

#### SEC. 607. RETURNS, RECORDS, AND PAYMENT AND COLLECTION OF TAX

(a) Every licensed manufacturer or registered dealer and every person liable for any tax under this title (other than tax under section 601 (b)) shall make monthly returns under oath and pay the taxes imposed by this title to the collector for the district in which is located his principal place of business, or if he has no principal place of business in the United States, to the collector at Baltimore, Maryland. Such returns shall be made on or before the last day of each month for the preceding month, and shall contain such information and be made in such manner as the regulations prescribe.

#### SEC. 608. EVASION OF TAX

(a) **DIVERSION OF ARTICLES SOLD FOR EXPORTATION.**—No article the sale of which has been exempted from tax under section 601 (a) (4) (relating to sales for exportation) shall thereafter be sold for use, or used, in the United States, unless the person so selling or using it pays the tax which would have been imposed on such sale if it had not been so exempted.

(b) **TAX ON SALES TO OR IMPORTATIONS BY LICENSED MANUFACTURERS OR REGISTERED DEALERS.**—If the Commissioner finds that payment of tax under this title is being evaded or is likely to be evaded by a licensed manufacturer or registered dealer, or a class of licensed manufacturers or registered dealers, he may require that the

tax shall be imposed on the sale of any class of articles (even though articles for further manufacture or for resale to licensed manufacturers as articles for further manufacture) to, or the importation thereof by, such licensed manufacturer or registered dealer, or class of licensed manufacturers or registered dealers. Credit or refund of tax so imposed may be allowed on proof by a licensed manufacturer that such articles have been used as articles for further manufacture in the manufacture or production of articles on the sale of which tax has been paid, or by a registered dealer that such articles have been resold to licensed manufacturers as articles for further manufacture.

(c) SALE OF ARTICLE PURCHASED AS ARTICLE FOR FURTHER MANUFACTURE.—If a licensed manufacturer sells an article purchased or imported free of tax by virtue of his license he shall be liable for tax under this title in the same manner as if such article were an article manufactured or produced by him.

#### SEC. 609. TAX ON MANUFACTURER OR PRODUCER NOT LICENSED

Any manufacturer or producer not licensed or required to be licensed under this title, who sells an article and adds to the price any amount as tax under this title, shall be liable for tax under this title equal to such amount; and any such person who sells an article at a price represented to include tax under this title shall be liable for tax under this title on such sale.

#### SEC. 610. CONTRACTS FOR SALE ENTERED INTO BEFORE MARCH 1, 1932

If a manufacturer or producer required to be licensed under this title has, prior to March 1, 1932, made a contract with any other person for the sale, on or after the effective date of this title, of an article, which sale is taxable under this title, and such contract does not permit the adding, to the amount to be paid thereunder, of the whole of the tax imposed by this title, then the vendee shall be liable for so much of the tax imposed by this title as is not added to the contract price, and the vendor shall collect such amount from the vendee and account therefor to the United States, or in case of failure or refusal by the vendee to pay such amount to the vendor, the vendor shall report the facts to the Commissioner, who shall cause collection of such amount to be made from the vendee.

#### SEC. 611. FINAL AGREEMENTS

The Commissioner (or any officer or employee of the Bureau of Internal Revenue, including the field service, authorized in writing by the Commissioner) is authorized to enter into an agreement in writing with any person relating to the liability of such person (or of the person for whom he acts) in respect of the tax imposed by this title (including the basis or method upon which such liability shall be determined or computed) for any period (past or future) specified in such agreement. If such agreement is approved by the Secretary or the Undersecretary, within such time as may be stated in such agreement, or later agreed to, such agreement shall be final and conclusive, and, except upon a showing of fraud or malfeasance, or misrepresenta-

tion of a material fact, (1) the case shall not be reopened as to the matter agreed upon, or the agreement modified, by any officer, employee, or agent of the United States, and (2) in any suit, action, or proceeding, such agreement or any determination, assessment, collection, payment, abatement, refund, or credit made in accordance therewith, shall not be annulled, modified, set aside, or disregarded; except that in its application to sales made after the date on which it is approved or agreed to, such agreement shall be held to be modified to the extent necessary to conform to any change in the law after such date.

#### SEC. 612. EFFECT OF CHANGES IN ADMINISTRATIVE DECISIONS

No amendment or revocation of any regulation, ruling, or decision of the Commissioner or Secretary (or any official authorized in writing by either of them to make rulings or decisions which shall be subject to this section), in force at the time of the sale of an article, shall have the effect of increasing the liability of any person with respect to such sale beyond his liability determined in accordance with such regulation, ruling, or decision in force at the time of such sale.

#### SEC. 613. APPLICABILITY OF ADMINISTRATIVE PROVISIONS

All provisions law (except criminal penalties) applicable in respect of the taxes imposed by section 600 of the Revenue Act of 1926, shall, in so far as applicable and not inconsistent with this Act, be applicable in respect of the tax imposed by this title.

(b) The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 1 per centum a month from the time when the tax became due until paid.

(c) Every licensed manufacturer and registered dealer, and every person liable for any tax imposed by this title, shall keep such records, render under oath such statements, and comply with such regulations, as the Commissioner with the approval of the Secretary may from time to time prescribe. Whenever in the judgment of the Commissioner necessary, he may require any person, by notice served upon him, to make a return, render under oath such statements, or keep such records, as the Commissioner deems sufficient to show whether or not such person is liable for tax under this title, and the amount of any such liability. All records required under authority of this section with respect to any sale shall be kept in such manner as to be readily accessible to the Commissioner or his agents for a period of four years from the date the tax with respect to such sale became due, unless the Commissioner authorizes the destruction of such records at an earlier date, or unless an agreement under section 611 determining the amount of liability under this title with respect to such sale is approved by the Secretary or Under Secretary.

(d) In case any person other than a licensed manufacturer or registered dealer acquires from or against a licensed manufacturer or registered dealer, by operation of law or as a result of any transaction not taxable under this title, the right to sell any article, the sale of

such article by such person shall be taxable as if made by such licensed manufacturer or registered dealer, and such person shall be liable for the tax.

(c) If the Commissioner finds that a person liable for tax under this title designs quickly to depart from the United States or to remove his property therefrom, or to conceal himself or his property therein, or to do any other act tending to prejudice or to render wholly or partly ineffectual proceedings to collect taxes accrued under this title unless such proceedings be brought without delay, the Commissioner shall cause notice of such finding to be given such person, together with a demand for an immediate return and immediate payment of such taxes, and such taxes shall thereupon become immediately due and payable. The provisions of section 146(b) and (c) of Title I (relating to security for payment and exemption of taxpayer) shall be applicable with respect to this subsection.

#### SEC. 614. PENALTIES

Any person willfully violating any provision of this title or any provision of law, in respect of the tax imposed by this title, shall (in lieu of any other criminal penalty provided for therein) be fined an amount equal to one-half the amount of tax evaded or not paid or collected and accounted for (or if such amount can not be determined to the satisfaction of the court, or if no tax was evaded or not paid or collected and accounted for, then not more than \$1,000), or imprisoned not more than six months, or both, together with the cost of prosecution.

#### SEC. 615. EXCLUSION OF TAX FROM GROSS INCOME

If a licensed manufacturer or registered dealer includes in his gross income for income tax purposes, any portion of his gross receipts paid to the United States as tax under this title, he shall be allowed such amount as a deduction from gross income for income tax purposes; but no deduction in respect of such tax shall be otherwise allowed under section 23 (c) or (d) of Title I (Income Tax).

#### SEC. 616. REGULATIONS

The Commissioner, with the approval of the Secretary, shall prescribe and publish such regulations as he may deem necessary for the enforcement of this title.

#### SEC. 617. DEFINITIONS

When used in this title—

(a) The term "article" includes commodities of every description, including gases and electricity, and also including any commodity used for producing power, heat, or light; but does not include real property.

(b) The term "licensed manufacturer" means a manufacturer or producer licensed or required to be licensed under this title.

(c) The term "registered dealer" means a dealer or importer registered under this title.

(d) The term "manufacturer" includes a printer, publisher, lithographer, engraver, photographer, and producer of motion picture films.

(e) The term "manufacture or produce" includes fabricate, cure, tan, dress, dye, bleach, blend, can, mix, spin, weave, refine, and process or manipulate in any manner, but does not include repair, nor the cleaning or ginning of cotton nor the cleaning and threshing of grain, nor the preparation of food or beverages for consumption on the premises where prepared.

(f) The term "article for further manufacture" means only an article (1) which is to be used in, wrought into, attached to, or used as a covering or container for, an article to be manufactured or produced for sale which will be subject to tax under this title, or (2) which is consumed in the process of manufacturing or producing such an article; but does not include plant equipment, machinery, and tools.

(g) The term "United States" when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(h) The terms "imported" and "importation" mean, respectively, brought and bringing into the United States from any port or place outside thereof.

(i) The terms "exported" and "exportation" mean, respectively, shipped and shipment to any place outside of the United States or laden and lading as bunker coal, other fuel supplies, ships' stores, sea stores, or legitimate equipment on vessels of war of any foreign nation, vessels employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions.

(j) The term "farm products" means agricultural (other than forestry) products in the broadest sense, not processed (otherwise than by cleaning and ginning or cleaning and threshing) by any person other than the original producer thereof, or an association of such producers, organized and operated on a cooperative basis.

(k) The term "farmer" means a producer of farm or garden products.

(l) The term "exempt article" means an article the sale or importation of which is exempt from tax under section 602.

(m) The term "regulations" means regulations prescribed under this title by the Commissioner and approved by the Secretary.

#### SEC. 618. PERSONNEL

The Secretary is authorized to appoint, in the office of the Assistant Secretary in Charge of Fiscal Offices, two officers at salaries of \$9,000 per annum, and in the Bureau of Internal Revenue, one Deputy Commissioner at a salary of \$9,000 per annum, and, subject to the Classification Act of 1923, as amended, such other officers and employees as are necessary to administer the provisions of this title.

#### SEC. 619. EFFECTIVE DATE—DATE OF EXPIRATION

This title shall take effect on the thirtieth day after the date of the enactment of this Act, except that sections 606, 611, 616, and 618 shall take effect on the date of the enactment of this Act. No sale or importation after June 30, 1934, shall be taxable under this title.

## B. PROPOSED MANUFACTURERS' EXCISE TAX, WAYS AND MEANS COMMITTEE REPORT, 1932

### *General statement*

#### MANUFACTURERS' EXCISE TAX

After the increases in the income and estate taxes were tentatively agreed to by your committee, it was faced with the necessity of raising an additional \$1,073,000,000. Exhaustive hearings were held, and it is believed that every conceivable source of revenue was investigated and considered. A great many special taxes at comparatively high rates upon selected industries, such as the automobile industry, the power industry, etc., were considered. In each case the representatives of the industry appeared before the committee and made convincing arguments showing the unjust discriminations which would result from such taxes. After careful consideration your committee concluded to abandon this source of revenue and look elsewhere.

Your committee recommends that as a temporary measure to last only during the period of the present emergency, a manufacturers' excise tax at a rate of  $2\frac{1}{4}$  percent be levied upon all manufactured articles with a few specified exemptions, including an exemption of farmers and of staple food products, and an exemption of small manufacturers. Such a tax will produce, it is estimated, \$595,000,000 of revenue for the fiscal year 1933, and it is believed that this tax is an essential part of any program to balance the Budget for that year. The detailed provisions of this manufacturers' excise tax are fully discussed and the exemptions set forth in the portion of the report under the heading "Title IV", and will not be further discussed here. There are a few major considerations in connection with this tax, however, which should be considered.

It has been argued that a general manufacturers' excise tax is unfair in that it imposes a burden upon the purchaser of necessities. Those who so argue propose in place of such a tax a tax on specified luxuries or a selective tax on certain industries. A tax on luxuries, however sound in principle, will not meet the present need for revenue. No matter how high a rate were levied on such luxuries (assuming it were possible to agree as to what constitutes a luxury), it not only would not produce the required revenue but would produce only a small fraction of it. As to a tax on certain selected industries, it has been pointed out above that such a tax involved unfair discrimination.

Further it is argued by the opponents of a manufacturers' excise tax that it imposes a burden on the poor man and violates the principle of taxation in accordance with the ability to pay. There are two answers to this argument: First, a tax on a manufacturer at a  $2\frac{1}{4}$  per cent rate will be so small on a poor man, even assuming (which is not the case in many instances) that the entire tax is passed on to the consumer by the manufacturer, as to be negligible.

Assume the case of a family which spends \$2,000 a year. Probably one-half of this amount would be spent on foodstuff exempt under the proposed tax. The remaining one-half would probably be spent for articles on which the manufacturers had paid a tax. However, this does not mean that the individual would pay  $2\frac{1}{4}$  per cent or \$22.50 tax on his \$1,000 of purchases, for the tax is levied on the manufacturers' sale price and not on the jobbers' or retailers' price. The manufacturers' sale price on many of the common commodities is not over 70 per cent of the retail sales price, thus the tax burden on the individual would only be \$15.75 for the year even if the tax were all passed on. If the tax were one-half absorbed by the manufacturer, the consumer would only pay \$7.88. Surely this is no intolerable burden for him to bear in support of his country in these times of great stress.

It should also be pointed out that the more one spends the greater his tax under this manufacturers' excise tax. The poor man with small living expenses will pay much less than the wealthy man who lives in great luxury. And, in addition, there will be no avenue of avoidance for the wealthy of this tax such as tax-exempt securities afford for the avoidance of the income tax.

Furthermore, in the opinion of your committee, this manufacturers' excise tax will not be universally passed on to the consumer, but in many instances will be absorbed by the manufacturer. It is impossible, of course, to anticipate with accuracy the extent to which such tax will be passed on and the extent to which it will be absorbed, but it is believed that in many instances the competitive condition within the industry will result in the absorption of the tax by the manufacturer, and thus no burden will be imposed on the ultimate consumer.

In considering this manufacturers' excise tax your committee has made a careful study of the effects and operation of a similar tax in Canada and other countries and has found that it has been most effective as a revenue producer and has occasioned little if any protest or opposition. A similar tax, at much higher rates, has recently been inaugurated in Australia with a favorable reception and with excellent results.

Your committee submits that there is no other source of revenue which will yield the amount imperatively required with as little protest, as little annoyance, and as little disturbance to business as a manufacturers' excise tax.

\*            \*            \*            \*            \*            \*            \*

### *Detailed Report*

## TITLE IV. MANUFACTURERS' EXCISE TAX

The reasons which make necessary and advisable the imposition of a general excise tax on manufacturers have been discussed in the introductory statement.

Briefly, a general manufacturers' tax, in the opinion of your committee, must meet six fundamental tests:

(1) The rate must be low, so that undue burdens will not be imposed.

(2) Certainly, both as to liability and amount, must be attainable in advance of the sale.

(3) Pyramiding must be prevented.

(4) The tax must be imposed uniformly and without discrimination.

(5) The law must present the least possible number of difficult administrative problems (such as the questions of classification arising in connection with exemptions).

(6) Adequate authority must be granted to assure a sound, smoothly functioning, and flexible administration.

Your committee believes that the manufacturer's excise tax it has adopted (title IV of the bill) adequately complies with each of the above tests; that the tax will be an effective revenue producer; and that it can be satisfactorily administered at a reasonably low comparative cost.

Although each section of the title will be discussed in detail, it is believed that, even at the risk of duplication, a general discussion of the more essential features will prove of value.

#### THE RATE

Your committee recommends a rate of  $2\frac{1}{4}$  per cent. This rate is imposed (generally) upon the price at which the manufacturer or producer sells the commodity. Only through firm insistence upon the application of the tax to all commodities, with substantially no exemptions, was the committee enabled to recommend this rate. Every effort was made to adopt a rate of 2 per cent. This, however, proved impossible.

Your committee must point out that any extension of the exemptions necessarily narrows the tax base, reduces the yield of the tax, and necessitates a correspondingly higher rate. It is believed that the proposed rate is as high as the circumstances in the United States will justify. Taxpayers seeking exemptions from the application of the tax should bear in mind that the granting of further exemptions means a shifting of the burden to other commodities—and in the last analysis the burden upon the ultimate consumer will not be lessened.

#### CERTAINTY AS TO TAX LIABILITY

It is essential that the persons who will be called upon to make returns and pay the tax to the Government must know, in advance of the sale, whether the sale is taxable and the amount of the tax liability. Having ascertained the taxability of the sale and the basis upon which the amount of tax is to be computed, they must be able to rely upon the determination. Retroactive imposition of the tax, or change in the method by which the tax is computed, necessarily results in hardship and dissatisfaction, which in turn will bring about the breakdown of the tax.

The bill assures the essential certainty by authorizing advance decisions, by preventing the retroactive application of changes in rulings and regulations, and by authorizing final closing agreements.

#### ELIMINATION OF PYRAMIDING

The imposition of several taxes with respect to any article, commonly referred to as pyramiding, is effectively eliminated under the bill by a system of licensing. All manufacturers and producers (other

than those whose gross receipts are less than \$20,000) must be licensed. The bill then permits the sale of articles tax free from one licensee to another. Thus, the product of one manufacturer which is to be used as a material by a second manufacturer, passes through all stages of manufacture without the imposition of a tax. In this manner the tax is imposed but once—upon the final sale as a finished product entering the channels of consumption.

In order that partly manufactured goods may pass, in the ordinary channels of trade, through wholesalers, dealers, or importers, the licensing system is applied also to persons of this class—referred to in the bill as “registered dealers.” The limitation of the privilege of tax-free purchases by dealers to those articles which they are to resell to licensed manufacturers for further manufacture is one of the important features of the bill. If, as in Canada, all wholesalers are allowed to be licensed and to make all their purchases tax free, the administrative burden of issuing licenses and supervising licenses will be tremendous, and collection of the revenue will be greatly deferred, since few wholesalers will forego the privilege of postponing tax payment until they resell. Furthermore, the temporary nature of the tax will give rise to serious difficulties particularly in the proper collection of the tax after the termination of the law. The proposed plan will eliminate these undesirable aspects and confine the privilege and benefits of registration within the limits required to prevent disturbance of normal dealings in commodities which are supplied to manufacturers through dealers.

#### UNIFORM APPLICATION OF TAX

It is of utmost importance that the tax be imposed and administered uniformly and without discrimination. Each member of a competitive group must pay upon substantially the same basis as all his competitors, even though his sales methods may differ. Consequently, the bill requires that every effort be made to ascertain the manufacturers' or producers' price at the place of manufacture or production. In the case of those commodities which are ordinarily sold at wholesale, this price will be the price at which the manufacturer sells to the wholesaler, even though the particular sale is at retail. This price may be established with respect to any particular sale or class of sales, for example, by existing wholesale prices, or by a system of discounts from retail prices, or by a building up from cost of production, whichever method may be the most practical. On the other hand, many commodities are not sold at “wholesale”—such as articles sold on specification or on special order. In cases of this kind, the tax is imposed upon the price at which the article actually is sold by the manufacturer.

It is expected that the officials in charge of the administration of the tax will confer with representatives of each particular industry and with groups of taxpayers confronted with similar problems, and reach an agreement with them as to the methods by which the amount of their tax liability is computed. A principle agreed on in this manner should be applied uniformly to each member of the industry or group, whether or not he participated in the conference. Severe and justified criticism may be expected whenever one manufacturer is permitted to pay a lesser tax than his competitor.

Here, again, the matter of exemptions presents itself. Whenever an exemption is granted with respect to any particular article, the competing article must also be granted an exemption. Thus, the list of exemptions expands. And notwithstanding, unfairness and discrimination will appear, by reason of changes in competitive conditions, or by reason of our failure to consider or appreciate fully existing competitive conditions.

#### AVOIDANCE OF ADMINISTRATIVE DIFFICULTIES

A general sales tax may, unless every precaution is taken, involve so many administrative problems almost impossible of solution that it will fall of its own weight. Your committee has made every effort to avoid the imposition of administrative problems of this kind. It believes, however, that a word of caution is justified, in order that problems of this nature may be avoided during the enactment of the bill.

Again, the matter of exemptions is a typical illustration. If additional exemptions are made, an agency similar to the Customs Court will be required to determine upon the proper classification of articles. Obviously, the decisions will require time. The imposition, retroactively, of tax liabilities will follow. Businesses will be ruined. And the tax will become unbearable.

#### ADEQUATE ADMINISTRATIVE AUTHORITY

Innumerable situations arise which can be met only by administrative determination. This determination must be made upon a sound and fair basis. Taxpayers must have confidence in the administrative officials. The administrative officials must cooperate with the taxpayers. Hesitancy or refusal to assume responsibility will be fatal. Decisions must be made without delay. Increases in tax liability with respect to sales already made must be avoided. Promptness, certainty, and finality must be attained.

Your committee is confident that the bill gives adequate power to assure these results.

#### SCOPE OF TAX

In order to spread the incidence of the tax over the broadest possible field, the "articles" on the sale or importation of which the tax is imposed are defined in section 617 to include commodities of every description, that is, everything movable that is bought and sold—goods, wares, and merchandise of all kinds. It is not limited to the ordinary concept of "article" but includes such intangible substances as natural or artificial illuminating gas and gases (such as helium) used for other purposes. Even air in a processed and salable form, such as compressed air in tanks, will be taxable. The definition also covers electricity and any other kind of power in a form in which it is susceptible of sale. Services, such as telephone and telegraph, are not proper subjects of a manufacturers' tax and are not included in this tax, but those mentioned are taxed under Title V. Since buildings are not within the concept of manufactured articles, real property is excluded. This means that tax will be collected upon materials and fixtures going into the building or used in building opera-

tions, and not upon the value of the completed building. Boats, ships, and aircraft are within the definition. Articles produced for the use of the manufacturer or producer are included.

#### SECTION 601. IMPOSITION OF TAX

This section provides for the imposition of the tax upon the sale of every article sold in the United States by the manufacturer or producer thereof, except manufacturers or producers exempt from licensing under section 606, with the exceptions necessary to prevent pyramiding and those required by the Constitution. The first class of exceptions provides for tax-free transfers between licensed manufacturers of articles for further manufacture. These transfers may be direct, or through an unlicensed or unregistered person if delivery is direct from the first manufacturer to the other. This last provision will relieve some dealers in articles for further manufacture from the necessity of being registered, and will therefore simplify administration of the law. Licensed manufacturers are allowed to sell to registered dealers, free of tax, articles to be resold to licensed manufacturers for further manufacture. Sales for exportation and sales made directly by manufacturers to States and political subdivisions thereof, and agencies thereof, for governmental purposes, are exempt for constitutional reasons, but sales to the United States, the Territories, and the District of Columbia will be taxable.

Subsection (b) provides for the imposition of tax at the same rate on the duty-paid value of imported articles, with the exemptions necessary to prevent pyramiding, and the constitutional exemption in favor of the States. Customs duties (but not internal-revenue taxes collected on importation) are added to the dutiable value in order to give a basis for the tax corresponding to the domestic manufacturer's sale price. Provision is made for the collection of the tax in the same manner as a customs duty. This is believed to be the most certain and the simplest way to collect the tax on imports, since all imported articles are handled by the Customs Service for customs purposes. For the Internal Revenue Service to collect the tax either at the time of importation or after the articles enter the commerce of the country would occasion confusion and duplication of effort. This plan also makes applicable the regulations governing mail importations, the procedure governing the handling of passengers' baggage, the \$100 exemption of returning residents, the warehousing and transportation-in-bond privileges, the right to review by the customs courts of questions of law and valuation, and the usual entry procedure. The burden on the customs service will be lessened by the exemption from the tax of articles for further manufacture imported by licensed manufacturers and registered dealers, since a large proportion of imports, and especially of the duty-free goods, are in this class.

Provision is made that the heavy additional duties imposed under section 489 of the tariff act of 1930 in certain cases of undervaluation shall not apply by reason of the imposition of this tax to an article otherwise free of duty or subject only to a specific duty; that articles in warehouse on the effective date of the tax shall not be subjected to the tax; that drawback of the tax (except of the tax on imported oil) shall not be allowed on the exportation of articles manufactured or produced from imported articles, since the bill provides for credit or

refund in such cases; and that treaties such as the Cuban reciprocity treaty, and provisions of law exempting products of the various insular possessions from duty, shall not be applicable with respect to the tax.

Certain commodities taxable under the bill, such as electricity, which enter the United States from foreign countries, are not susceptible of customs treatment. Authority is given the Secretary to provide for the collection of the tax in such cases in the same manner as in the case of domestic commodities.

As a necessary supplement to the yield of the general tax, subsection (d) provides special higher rates on a limited number of articles. The grades of lubricating oil taxed at the rate of 4 cents a gallon are those suitable for use in internal-combustion engines.

In the case of imported petroleum and products thereof, a special tax of 1 cent a gallon is imposed. This tax is to be collected even though the merchandise is imported for further manufacture, the product of which will be taxable, but under subsection (c) drawback will be allowed on the exportation of products refined or manufactured from such imported merchandise.

The special rates under this subsection, it is estimated, will yield \$80,000,000 during the fiscal year 1933.

Subsection (e) provides that exemption of sales from tax shall be granted licensed manufacturers and registered dealers only when they comply with the regulations. This permits a flexible system of rules governing procedure and proof of right to exemption which will safeguard the revenue, with a minimum of trouble and expense to licensed manufacturers and registered dealers.

#### SECTION 602. EXEMPT ARTICLES

This section grants exemption from the tax to a limited number of commodities. For administrative reasons it is not desirable to require the licensing of farmers, with respect to their farm or garden products. "Farm products" is given a broad definition in section 617, to include all plant and animal products useful to man except forestry products, but not such products when they have been processed by any person other than the original producer or a cooperative association of such producers. An exception is made in the case of the cleaning and ginning of cotton or the cleaning and threshing of grain, in order to remove every possibility that buyers, if subjected to the tax, might attempt to force the tax upon the growers. Livestock and products thereof, as well as plant products, are covered by the definition. The loss of revenue by reason of the exemption of farm and garden products will be largely offset by the tax which will later be collected on articles manufactured therefrom. Exemption is also granted in the case of fertilizers and seeds and feeds for livestock and poultry. For administrative reasons, these exemptions are made dependent on the character of the commodity rather than ultimate use.

Your committee believes that sound policy requires the exemption of the essential foodstuffs. Accordingly, meat, fish (including shell-fish), and poultry will not be taxed if fresh, dried, frozen, chilled, salted, or in brine. Cooked, cured, smoked, or canned meats, fish, and poultry will not be exempt, but cleaning, dressing, slicing, grinding, etc., will not deprive these articles of the exemption so long as they remain within the description of the paragraph. Bacon, hams,

pig shoulders, and pig jowls are specifically exempted, although smoked or cured. The other food exemptions are butter, oleomargarine, and other butter substitutes; cheese; milk and cream in any form (including fresh, pasteurized, dried, powdered, or condensed, but not products of milk, such as ice cream and malted milk); eggs in the shell; bread (which term does not include biscuits, wafers, and crackers); flour and meal made of grain (including only true flours and meals, not such things as oatmeal), and semolina; and sugar, salt, tea, and coffee. These exemptions of foodstuffs are similar in scope to those provided for by the Australian law.

Products already taxed under the internal revenue laws are exempted from this tax, but nonexempt materials used in their production will be taxed. Water sold by public-service companies or otherwise (but not bottled water) is free of tax. Newspapers, magazines, and other periodicals would present difficult administrative problems, and have been exempted with the expectation that the tax on the paper, ink, and other materials used in their manufacture will yield as much revenue as would a tax based on wholesale prices for the completed publications, if not more. Books for the blind, educational textbooks, and Bibles are exempted. Exemption is also granted to certain articles for religious and devotional purposes and for use in churches. To avoid the administrative difficulties inherent in classifications dependent on ultimate use, the exemption in favor of articles for churches is restricted to those manufactured exclusively for such use, and articles suitable for other uses, although they may be used in churches, or are sold for such use, will not be exempt.

### SECTION 603. TAX ON REGISTERED DEALERS

Articles purchased or imported by registered dealers, free of tax, as articles for further manufacture to be resold to licensed manufacturers, may be diverted to other channels, either with intent to evade the tax or by reason of unforeseen business contingencies. In such cases the bill provides that the registered dealer shall pay the tax which would have been imposed on his purchase or importation if he had not received the exemption. Since registration is a privilege extended to dealers, this section very properly places the burden upon registered dealers to satisfy the commissioner as to the disposition of articles purchased free of tax, and provides that if a registered dealer fails to sustain the burden, he shall pay the tax on the articles concerned.

Subsection (b) authorizes the commissioner to provide in certain cases a more elastic system which will permit registered dealers to establish their proper liability without tracing individual articles. An inventory system, for example, might be prescribed, under which a registered dealer's liability will be discharged when he has sold to a licensed manufacturer a quantity of like articles equal to the quantity purchased tax free.

### SECTION 604. SALE PRICE

Section 604 provides rules for determining the sale price which is the basis of the tax. In general, this should be the manufacturer's or producer's price at the factory or place of production. This means that charges for coverings and containers and charges incident to

preparing the article for shipment or delivery should be included, while transportation, delivery, insurance, and like charges should be excluded. To avoid administrative difficulties, however, the bill provides that these charges may be excluded only if the invoices or other records of the seller establish the amount to the satisfaction of the commissioner. The amount of tax under this title is to be excluded.

It is not intended to require the tax to be separately charged. If no separate charge is made, the tax is to be presumed to be included. For example, the invoice may specify the charge for the merchandise as \$100, plus \$2.25 for the manufacturers' tax, or it may simply state the charge as \$102.25 for the merchandise, and in either case the manufacturers' tax will be \$2.25. This has been found in Canada to be the most workable plan and the fairest to industry in general.

Provision is made in various cases that the tax shall be on the "fair manufacturers' price," which under subsection (h) is the price for which manufacturers or producers of like articles would ordinarily sell the article—in short, the normal factory price—as determined by the commissioner.

Under subsections (b) and (c) the fair manufacturer's price will be the basis in the case of sales on consignment, where the amount charged by the consignee does not represent factory price, and retail sales by licensed manufacturers, where an adjustment to obtain the normal factory price is obviously necessary. This adjustment has been left to the commissioner for the reason that the manufacturer may have no sales at wholesale, or his wholesale sales may be made at various prices or at an unfair price, although in most cases there will be a bona fide wholesale price which can be accepted. In the case of any article made to order or on specification, of a character which is not usually sold at wholesale, no adjustment of the actual sale price is allowed.

In the administration of the provision with respect to retail sales, it is expected that the commissioner will be able to make agreements on the same basis with all manufacturers in a given industry, as to the method of arriving at the basis for the tax. This will eliminate the discrimination in the operation of the tax between competitive manufacturers which would inevitably result if the statute compelled the use of the actual retail price, or if it provided an inflexible rule for determining the fair manufacturer's price.

One of the most difficult problems in the administration of the act may be encountered in its application to gas and electricity. Each is produced and sold upon bases peculiar to the industry. Prices are dependent upon place, use, quantity, and time. Distribution costs normally absorb a much greater percentage of gross income than cost of production, and naturally are subject to infinite variables. If competition is to be unaffected and if unequal burdens are not to be imposed upon communities or classes, the tax must be measured by and computed upon a reasonably constant and nondiscriminatory base. The provisions of the bill in this respect are adequate. The tax will be imposed upon the producers' price at the place of production or generation. In many cases this price can be fairly arrived at from actual sales. In other cases (for example, where electricity is generated and sold only for domestic use), it will be necessary to construct the price basis, probably by a method of discounting from the

actual prices at which sold, by adopting prices of other producers, by reference to rate schedules, or by building up from cost of production. In each case, however, the tax should be imposed upon the producers' price—that is, cost of production plus a reasonable (and uniform) return upon the value of the properties devoted to production.

Under subsection (g) the fair manufacturer's price is used as the basis in certain special cases. First, a manufacturer may use in his own business, otherwise than as an article for further manufacture, articles manufactured or produced by him or purchased tax free, and should be taxed on such use. For example, a manufacturer may make his own machinery and equipment, or a railroad may generate its electric power in its own plant, or a manufacturer may paint his buildings with paint purchased tax free for use on his product. Second, gifts and free distributions are covered. Third, provision is made for transactions in which, by reason of the relationship of the parties, the price charged does not represent a fair value arrived at by an arm's-length sale. For example, a manufacturer may transfer his product to a selling agency controlled by him, at a bookkeeping price below market value. Or a manufacturing corporation may sell plant equipment to an affiliated concern at an arbitrary price. It is essential that in such cases the tax be imposed on the same value as in the case of similar sales between independent parties.

The section also provides for an equitable method of imposing the tax on each payment in cases of installment and conditional sales, leases and royalties, and manufacture under contract.

#### SECTION 605. OVERPAYMENTS, CREDITS, AND REFUNDS

In order to minimize claims for refund, and as a matter of fairness to the taxpayers, this section provides that a taxpayer entitled to a refund may take credit of the amount against a later return.

Under subsection (a) refund or credit may be allowed in cases where articles bought by a licensed manufacturer for further manufacture have passed through the hands of a person not licensed or registered and tax has been paid; when a manufacturer or producer who becomes licensed, and will thereafter be taxable on his product, has on hand tax-paid materials; when tax has been paid with respect to articles exported; and when the sale price has been readjusted after the sale. This last provision covers readjustments such as cash or quantity discounts, credit for return of goods or containers, and any other bona fide rebate or allowance amounting to a change in the sale price. No provision is made with respect to bad debts, which do not in fact constitute a rescission of the sale or readjustment of the price, and should be covered by the manufacturer himself, either by a reserve for bad debts or otherwise.

Subsection (b) requires, as a condition precedent to credit or refund, compliance with such regulations as to proof and procedure as may be prescribed.

Subsection (c) prohibits interest on credits and refunds, whether allowed or made administratively or pursuant to a judgment of a court. This is desirable to discourage delay in claiming credit or refund and to discourage litigation. Your committee sees no reason why the Government should pay 6 percent interest on amounts taxpayers have erroneously paid in.

Subsection (d) prohibits double allowance in those cases (for example, exportation of imported merchandise not conforming to sample or specification and exportation of imported merchandise from bonded warehouse) in which the customs laws allow drawback or remission: This provision will allow taxpayers to elect the most convenient procedure.

Subsection (e) is an important and just provision which will encourage agreements by taxpayers and discourage litigation. In many cases the tax will be passed on to consumers. No manufacturer or dealer should be permitted to recover an overpayment which in fact has been borne by the purchasers. Provision is therefore made against credit or refund of overpayments unless the taxpayer can show that he has not passed on the tax or that he has reimbursed the ultimate purchaser or obtained his consent.

#### SECTION 606. LICENSED MANUFACTURERS AND REGISTERED DEALERS

Section 606 provides for the licensing of manufacturers and producers and the registration of dealers and importers.

Farmers are exempted from licensing. Small manufacturers and producers, with gross sales of less than \$20,000, are exempted to lessen the great administrative burden which would be occasioned by licensing them. While these exempt manufacturers and producers will not pay tax on the value of their finished product, tax will be imposed on the taxable materials sold to them by licensed manufacturers for use in the product.

The most practicable yardstick for this exemption is sales for the preceding year, and a manufacturer whose sales for any year are more than \$20,000 will be required to be licensed for all the next year regardless of any decrease in his business. Provision is made for cases in which a new business is commenced or in which there is an increase in the volume of business of a manufacturer who has been exempted.

The registration of dealers (including importers) is restricted to those supplying articles for further manufacture to licensed manufacturers. It is believed that a fee of \$100 is justified for this registration, in view of the additional administrative work occasioned by registration of dealers, but an option is given them of paying a fee of \$2 and posting a bond sufficient to safeguard the revenue. In the case of a dealer doing a business of any considerable size, it will probably be less expensive and more convenient for him to pay the \$100 fee than to post the bond, and it is believed that the fees in the aggregate will afford the Government at least as much protection against loss. It should also be pointed out that the registered dealer will save interest on the tax he would otherwise have to pay on his purchases and which would not be refundable until his resale, and this interest will in many cases amount to much more than the fee. The difference in the fees for manufacturers and for wholesalers is justified by the fact that registration is optional for wholesalers and an advantage to them, while the licensing of manufacturers subject to the tax is compulsory.

Provision is made for cancellation and revocation of dealers' registrations, and for collection from registered dealers on expiration, cancellation, or revocation of registrations, and on the expiration date of

the tax, of tax which would have been payable on articles which they have purchased under their exemption and have not resold. This is necessary because after a dealer ceases to be registered he is not subject to supervision and tax, and might escape tax properly due on articles purchased by him free of tax.

Provision is also made that when a manufacturer or producer becomes exempt from licensing, so that his sales will no longer be taxable, he shall pay the tax on all articles for further manufacture purchased under his exemption which have not gone into the manufacture of articles on the sale of which he has paid tax. The converse of this, when an unlicensed manufacturer becomes licensed, is covered in the provisions for credit and refund.

#### SECTION 607. RETURNS, RECORDS, AND PAYMENT AND COLLECTION OF TAX

Section 607 makes provision for returns, records, and payment and collection of the tax. All records are required to be preserved for the period during which the tax may be assessed, unless destruction is authorized by the commissioner or liability is finally settled.

Subsection (d) makes provision for tax on sales by transferees by operation of law, such as assignees in bankruptcy, and persons who acquire articles through other nontaxable transactions, who would otherwise be able to sell free of tax articles the sale of which by the manufacturer would have been taxable.

Subsection (e) provides for early assessment when delay might jeopardize collection of tax.

#### SECTION 608. EVASION OF TAX

Subsection (a) of section 608 makes liable for tax any person diverting to domestic use or sale any article sold free of tax for exportation.

Subsection (b) gives the commissioner authority to safeguard the revenue by providing for collection of the tax on sales to licensed manufacturers or registered dealers of articles for further manufacture, and crediting or refunding such tax only when it is shown that such articles have been properly used or resold to a licensed manufacturer for further manufacture. This provision will be especially useful in its application to cases in which manufacturers use the same article sometimes in further manufacture and sometimes otherwise—for example, paint which might be used on the product or might be used on the manufacturer's buildings or resold by him.

Subsection (c) imposes the tax when licensed manufacturers resell articles which they have purchased free of tax under a representation that they are articles for further manufacture.

#### SECTION 609. TAX ON MANUFACTURER OR PRODUCER NOT LICENSED

It may happen that a manufacturer or producer exempt from licensing and therefore not taxable on his sales will take advantage of the passage of the law to add to his selling price an amount which he represents to be a tax imposed by this title upon his sale. This section will make any such manufacturer or producer liable to tax on such sales.

### SECTION 610. CONTRACTS FOR SALE ENTERED INTO BEFORE MARCH 1, 1932

A manufacturer or producer who made a contract before the date (March 1 has been specified) on which he should reasonably have foreseen this tax and protected himself against it, should not be forced to bear the tax himself when the contract does not allow the price of the articles sold to be increased. This section provides that in such cases the purchaser shall be liable for the tax, which will ordinarily be collected from him and paid over to the Government by the seller.

### SECTION 611. FINAL AGREEMENTS

Certainty in the application of this tax is essential, since manufacturers must know, when they sell, the amount they must include in the price to cover the tax. It is believed that questions as to tax liability, particularly such points as the percentage of adjustment of a retail price to arrive at fair manufacturer's price, can be agreed upon in advance by the Government and the manufacturer, so that the manufacturer will not face the alternative of risking a loss or overcharging his customers, and so that litigation may be avoided. Provision is made for finality of such agreements. This provision is vital to the administration of a tax such as this, which can only operate justly when uncertainty is eliminated before the manufacturer sells.

### SECTION 612. EFFECT OF CHANGES IN ADMINISTRATIVE DECISIONS

For the same reasons given with respect to the preceding section, this section enables manufacturers to rely on administrative regulations, rulings, and decisions by providing that reversals of such regulations, rulings, and decisions shall not have retroactive effect.

### SECTIONS 613 AND 614. APPLICABILITY OF ADMINISTRATIVE PROVISIONS—PENALTIES

The necessary administrative provisions of law are made applicable by section 613. Since this tax is collected monthly and the rate is low, so that large amounts will not be involved, section 614 provides that in the case of violations with respect to this tax there shall be imposed, in lieu of the severe criminal penalties specified in some of the general provisions, a more reasonable penalty proportionate to the amount of tax involved.

### SECTION 615. EXCLUSION FROM GROSS INCOME

When a manufacturer sells at a tax-included price, his gross receipts will not reflect his true gross income, and this section allows him in such cases to deduct the amount included in gross income which represents the tax. To preclude any possibility that purchasers might claim a deduction on the ground they have actually borne the tax, deduction on account of the tax is prohibited except as above specifically provided for.

## SECTION 616. REGULATIONS

This section is designed to give the commissioner (with the approval of the Secretary) broad authority to prescribe the regulations which he finds necessary in the administration of the act.

## SECTION 617. DEFINITIONS

The definition of "article" has been explained in the introductory statement under the heading "Scope of the tax."

Subsection (d) enumerates certain persons who shall be considered manufacturers. These are not, however, the most doubtful cases which can arise, and it is not intended to indicate that any other person is not included.

Subsection (e) is intended to give the broadest possible scope to the term "manufacture or produce," so that no one processing or manipulating an article, no matter how slightly, will escape classification as a manufacturer or producer. Exemption of the cleaning and ginning of cotton and the cleaning and threshing of grain is provided for to avoid unfair operation of the tax with respect to original producers of cotton and grain, who might be forced by purchasers to bear the burden of the tax if the purchasers had to pay it by reason of such manipulation. The preparation of food in hotels, restaurants, etc., and of drinks at soda fountains, drug stores, etc., is not properly within the scope of a manufacturers' tax, and such processing is excepted. All persons so exempted from treatment as manufacturers or producers will of course bear the tax in the price of materials they purchase. The provision will not exempt the preparation or manufacture of food and beverages otherwise than for immediate service. Repairing, laundering, refrigerating, repacking, sorting, and other operations which do not change the article, are not within the meaning of manufacture or produce, but any process which changes the condition of the article—for instance, even the "fast freezing" processes—regardless of the slight extent of the change or the relative insignificance of the value added by the process to the value of the article, will be regarded as a manufacture or production. A number of processes are enumerated in the definition to indicate its scope, but it is not intended that any inference should be drawn that any process not named is not covered.

Subsection (f) defines "article for further manufacture" so as to include anything (such as fuel and chemicals) consumed in the production of an article or becoming a part of a finished article or a covering or container for it, when the sale of the article is taxable. Plant equipment, machinery, and tools, although their cost enters into the cost of the product, are not exempted from tax as articles for further manufacture, since their long life takes them out of the class of ordinary materials and supplies. The term does not extend to articles used by small manufacturers who are exempt, or to articles used by manufacturers of articles specifically exempt, who can buy tax free only such materials and supplies as are specifically exempt.

Subsection (i) gives the benefit of tax-free purchase of supplies to ships of certain classes which are likely to touch at foreign ports. It is not believed that the tax should apply in such a manner as to

give an advantage to foreign manufacturers in competition with domestic manufacturers.

The definition of "farm products" is explained in connection with section 602.

#### SECTION 618. PERSONNEL

This section authorizes the appointment of necessary additional personnel. It is important that adequate appropriation be made for the administration of the act. The cost of collection in proportion to yield will in any event be low, and an attempt to keep the cost too low will undoubtedly be false economy both from the standpoint of the revenue and of the businesses affected by delay, inefficiency, or uncertainty in the administration of the tax.

#### SECTION 619. EFFECTIVE DATE—DATE OF EXPIRATION

This section postpones the effective date of the tax for 30 days after the enactment of the act. Exception is made of certain sections so that licenses may be issued in advance, so that agreements with taxpayers may be made in advance, so that regulations may be published at an early date, and so that the administrative organization may be set up as soon as possible. Provision is made that the tax shall cease to be in effect at the close of the fiscal year 1934. The tax is an emergency measure and assurance should be given the country that it is not intended to remain permanently in force.

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PART V  
FOREIGN SALES TAX DATA

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# THE BRITISH PURCHASE TAX <sup>1</sup>

## (A) GENERAL STATEMENT

It was not until the fall of 1940 that the British adopted a general sales tax as a part of their internal revenue system. Prior to that time, the British had relied upon the income and estate taxes, a selected list of excises, and customs to produce the required revenue.

In September 1940, the British imposed what is known as a purchase tax. The first return covered the period from October 21, 1940, to December 31, 1940, and was required to be rendered not later than January 10, 1941. The following quotation is taken from Staples on the purchase tax:

As its name implies, the tax is a tax on purchases, but it is obvious that collection could be made at any one of many stages which arise between the production of goods and their ultimate disposal by the retail trader. It is important for the revenue to ensure that collection takes place at the stage which will be the most convenient from the revenue's point of view (in order to minimize the collection costs and administrative difficulties), but which will, at the same time, afford the least opportunity for avoidance by unscrupulous taxpayers. The tax is therefore normally charged at the time when the goods are sold by the wholesaler to the retailer and the wholesaler is responsible for the payment of the tax.

## (B) REVENUE RECEIPTS

For the fiscal year ending March 31, 1941, the purchase tax yielded £26,261,058. Translated in terms of a conversion unit of £1 which equals \$5, this yield will amount to \$105,044,232. Since the tax did not become effective until the later part of October, this represents a yield for a period of less than six months. For the fiscal year ended March 31, 1942, it was estimated that the tax will yield £110,000,000 or \$440,000,000. While no figures have as yet been published by the British Treasury as to the actual amount collected during the first part of the fiscal year ended March 31, 1942, it is stated by the London Economist of January 3, 1942, that collections are running well ahead of estimate.

## (C) PERSONS TAXABLE

The persons who are required to pay the tax are wholesale merchants and manufacturers who deal in goods subject to the tax. A wholesale merchant, under the act, is defined as any person who carries on in the United Kingdom a business of selling by wholesale chargeable goods bought by him, and includes a person who carries on in the United Kingdom the business of selling his chargeable goods as materials to manufacturers. Chargeable goods will be regarded as manufacturers' materials if some process is applied to them by manufacturers in the course of making their products or if they are parts of, or accessories for, the manufactured articles. A person is considered to

<sup>1</sup> Sources: Purchase Tax by Ronald Staples, London, 1940; London Economist, January 3, 1942; British and Canadian Tax Systems, Joint Committee on Taxation, 1941.

be a manufacturer if his business consists of making chargeable goods or of applying any process in making any goods or in assembling any parts of the goods made. An exception is made in the case of persons whose gross receipts from the sale of chargeable goods do not exceed £2,000 or \$8,000 per year. Such persons are not required to register or pay taxes. The tax is passed on to the purchaser (usually retailers) who, in turn, pass the tax on to the consumer by means of an increase in the normal sales price of the goods. Steps are taken to prevent the retail trade from making a profit out of the tax by requiring the retail price to be increased only by the amount of the tax. The seller is required to add to the invoice which he delivers to the buyer in connection with the sale a statement showing the amount due for the tax for which the seller is required to pay. A retailer purchasing taxable goods is thus in a position to know the amount of the tax payable on all of his purchases, and can allocate the tax between the various classes of goods.

Relief is granted where a contract for the sale of the goods was entered into before the date of the act. In general, the seller is entitled to recover the tax from the buyer where the purchase price did not include the amount of the tax.

When chargeable goods are imported from abroad for home use, the person accountable for the tax is the person by whom, or on whose behalf the goods are entered. If, however, the goods are imported by a registered person who intends to use the goods as stock for his business the tax is not chargeable at the time of entry of the goods into the country but on their ultimate sale by the registered person. One registered person is not entitled to acquire chargeable goods from another registered person without the addition of the tax to the price of the goods, but the tax must be accounted for by the first registered person when he himself disposes of the goods to an unregistered concern.

The acquisition of chargeable goods by a registered wholesale merchant for the purpose of his business will not amount to a chargeable purchase since the tax is only chargeable thereon when the goods are disposed of by him. For the same reason, the purchase of chargeable goods from one retailer by another is not a chargeable purchase as the goods will bear the tax when acquired by the first retailer from his wholesaler merchant.

#### (D) TAX BASE

The tax applies to chargeable goods which are set forth in the seventh schedule of the purchase tax.

There are three categories:

First. Goods which are chargeable at the basic rate. This rate is 33 $\frac{1}{3}$  percent of the wholesale value of the chargeable goods, which is said to represent a tax equivalent to about 24 percent of the retail price. The goods falling within this classification are regarded as luxuries, goods which may await normal times for replacement, and goods of a nonessential character. Examples of goods of this type are furs, real silk, lace, china, perfumes, carpets and rugs, musical instruments, jewelry, sculpture and other goods which do not require frequent replacement.

Second. Goods which are chargeable at the reduced rate. This rate is 16 $\frac{2}{3}$  percent of the wholesale price, which is said to represent a tax equivalent to about 12 percent of the retail price. It applies to

goods which are not in the category of luxuries, such as adults' clothing, boots, shoes, newspapers, periodicals, and so forth.

Third. Goods which, although included in the general classification, are exempt as essential to the welfare of the community. This includes children's clothing, and footwear, protective helmets, sanitary ware, household brooms and brushes, essential drugs, and ambulances.

Where parts of the articles in the schedule of chargeable goods are sold separately, they will not themselves be chargeable goods unless mentioned separately in the schedule. For example, while motor cars are chargeable goods, spark plugs are not chargeable with the tax, but electric lamps are chargeable.

Where a general heading is given in the schedule, such as requisites for sports, all types of articles covered by the general heading are chargeable goods.

The Treasury is given power to issue lists from time to time more particularly defining goods specified in the schedule. Drafts of these lists must be laid before the House of Commons before they are issued and will not be effective if disapproved by resolution of the House within 28 days.

The act applies only to the goods generally or specifically described in the attached schedules. Therefore, rents and savings are not taxed. Neither is food, coal, gasoline, tobacco or liquor. These last three commodities are subject to heavy special excise taxes. At the time the purchase tax was proposed in September 1940, it was estimated that only about 20 percent of the cost of living would be affected by the tax. The schedule is as follows:

## Purchase tax classification (1) exempt, (2) reduced rate, and (3) full rate

Goods chargeable at the basic rate (33½ percent) of their wholesale price	Goods chargeable at the reduced rate (16½ percent) of their wholesale price	Goods mentioned in the first or second column but not chargeable (exempt)
<p>1. Garments or footwear made wholly or partly of fur skin (including any skin with fur, hair, or wool attached) or silk (except silk used for the stitching of seams and buttonholes).</p>	<p>Garments or footwear, except as specified in the first or third column.</p>	<p>Garments or footwear of a kind suitable for young children's wear, except as specified in the first column. Protective boots designed for use by miners. Clogs.</p>
<p>Headgear, gloves, and haberdashery, except protective helmets as specified in the third column. Patterns for making apparel. Umbrellas, sunshades, walking sticks, and canes.</p>	<p>-----</p>	<p>Protective helmets designed for use by miners; sewing thread, and mending and knitting wool.</p>
<p>2. Tissues and fabrics (other than jute fabric), whether in the piece, shaped or partly made up, except as specified in the third column. Oil balze, oil cloth, leather cloth.</p>	<p>-----</p>	<p>Felt, bolting cloth, machinery belting, and heavy industrial canvas.</p>
<p>Textile articles of a kind used for domestic purposes, soft furnishings and bedding, and traveling rugs. Kapok, feathers, and down and other upholstery stuffing materials. Carpets, rugs, mats, linoleum, and other floor coverings.</p>	<p>-----</p>	
<p>3. Fur skins (including any skin with fur, hair, or wool attached), dressed.</p>	<p>-----</p>	
<p>4. Articles of china, porcelain, earthenware, stoneware, or other pottery ware of a kind used for domestic purposes, except as specified in the second column or third column.</p>	<p>Articles of china, porcelain, earthenware, stoneware, or other pottery ware, of a kind used in the preparation or serving of food or drink; earthenware or semiporcelain for table or kitchen use. Sanitary ware.</p>	

5. Glassware of a kind used for domestic purposes, except as specified in the second column. Glass articles, the following:  
Mirrors (whether framed or not), shelves, finger plates, table tops and advertisement tablets (whether backed with other materials or not).  
Vacuum flasks and vacuum jars of a kind used for domestic purposes.
6. Domestic and office furniture of all kinds (including wire and spring mattresses).
7. Fittings of a kind used for interior domestic or office lighting, the following:  
Brackets, pendants, candelabra and electroliers.  
Lanterns.  
Shades, bowls and reflectors.  
Lamp chimneys and other illuminating glassware.  
Table and floor standards (whether complete or not).  
Domestic cooking and heating appliances, and other appliances and apparatus of a kind used for domestic purposes.  
Portable lamps and hand torches of all descriptions, except as specified in the third column.  
Electric filament lamps (not exceeding 250 watts) and incandescent mantles; electric dry batteries of all kinds.  
Hair-waving and hair-drying machines.
8. Cutlery suitable for domestic or personal use, and spoons, forks, and similar articles suitable for domestic use.
9. Articles of hardware and ironmongery of kinds used for domestic or office purposes, except as specified in the second column.
- Turnery of a kind used for domestic or office purposes, except as specified in the third column.
7. Lawu mowers and garden rollers, garden furniture and garden ornaments.
10. Trunks, bags, wallets, jewel cases, pouches, purses, suitcases and baskets, and similar receptacles of a kind used for personal or domestic purposes (whether fitted or not).

Glassware of a kind used in the preparation or serving of food or drink, not being cut glass.

Hurricane lamps, ships' lanterns, and miners' safety lamps.

Enameled hollow ware and other iron and steel hollow ware of a kind used for domestic purposes.

Household brooms and brushes.

## Purchase tax classification (1) exempt, (2) reduced rate, and (3) full rate—Continued

Goods chargeable at the basic rate (33½ percent) of their wholesale price	Goods chargeable at the reduced rate (16½ percent) of their wholesale price	Goods mentioned in the first or second column but not chargeable (exempt)
<p>11. Photographic cameras, except as specified in the third column.</p> <p>Photographic enlargers. Projectors for standard film or for slides. Lenses and other parts of, and accessories to, such cameras, enlargers or projectors as are mentioned in this column. Unexposed sensitized photographic paper, cloth, plates and film, except as specified in the third column.</p>	-----	Cinematograph cameras for film of standard width, and X-ray and other cameras suitable only for industrial, scientific, or military use.
<p>12. Musical instruments, including gramophones, pianolas, and other similar instruments, and accessories to, and parts of, musical instruments.</p> <p>Gramophone records, except as specified in the third column.</p> <p>Pianola records. Wireless receiving sets of the domestic or portable type, radio gramophones, and valves, batteries and accumulators suitable for use therewith.</p>	-----	X-ray plates, film and paper; cinematograph film of standard width; ferro-prussiate, ferro-gallic and dyeline paper and cloth.
<p>13. Clocks and watches, movements and cases for, and accessories to, clocks and watches, and watch chains, wristlet watch straps and similar articles.</p> <p>14. Toys and games (including coin or disc operated machines). Appliances, apparatus, accessories and requisites for sports, games, gymnastics or athletics (other than garments and footwear).</p>	-----	Gramophone records for the reproduction of speech specially adapted for the use of the blind.

15. Jewelry and imitation jewelry and other goldsmiths' and silversmiths' wares.  
Articles of all kinds made wholly or partly of ivory, amber, jet, coral, mother of pearl, natural shells, or tortoiseshell, or of jade, onyx, lapis lazuli or other semiprecious stones.
16. Fancy or household goods made wholly or partly of celluloid, bakelite, or other plastic material derived from cellulose, casein, papier mâché, or synthetic resin.  
Other fancy or ornamental articles of a kind suitable for personal or domestic use (including artificial flowers, photograph frames, and paperweights).  
Ash trays, tobacco pipes, and other smokers' requisites, but not including matches and mechanical lighters.
17. Toilet requisites of all kinds (including toilet brushes).
18. Perfumery and toilet preparations (whether medicated or not) and soap made up for sale as toilet soap.
20. Typewriters, dictaphones, calculating machines, and other office machinery.  
Cash registers.
21. Paper manufactures, the following:  
Diaries, calendars, greeting cards, picture postcards, and similar articles.  
Notepaper, and other stationery.  
Handkerchiefs, face and hand towels, paper serviettes and other articles of table or kitchen use.  
Wallpaper.  
Pencils, pens, fountain pens, ink, drawing pens, and other stationery and office requisites.
22. Pictures, prints, engravings, photographs, figures, busts, reliefs, vases, and similar articles, if produced in quantity for general sale.

Drugs and medicines, manufactured or prepared, except as specified in the third column.

Essential drugs of an exceptionally costly character (including insulin, liver extract, and active principles of liver).

Account books and plain books (whether ruled or not).

## Purchase tax classification—(1) exempt, (2) reduced rate, and (3) full rate—Continued

Goods chargeable at the basic rate (33½ percent) of their wholesale price	Goods chargeable at the reduced rate (16⅔ percent) of their wholesale price	Goods mentioned in the first or second column but not chargeable (exempt)
<p>23. Road vehicles and cycles (whether mechanically propelled or not) being vehicles and cycles constructed or adapted solely or mainly for the carriage of passengers, except as specified in the third column. Tires, except as specified in the third column.</p>	<p>----- ----- -----</p>	<p>Tramcars, trolley vehicles, omnibuses, and charabancs. Ambulances, fire engines, invalid carriages and perambulators. Pneumatic tires of a sectional width of not less than 5 inches being tires not suitable for use on vehicles of the class mentioned in column one.</p>

## (E) DETERMINATION OF WHOLESALE PRICE

The wholesale value of the goods is taken to be the price which in the opinion of the commissioners of customs and excise the goods would fetch, if sold at wholesale in the open market to a retailer carrying on business. If any dispute arises as to the wholesale value of any particular goods, the matter is to be referred to the arbitration of a referee appointed by the Lord Chancellor, who cannot be a Government official. The decision of the referee will be final and conclusive.

In computing the price which the goods would fetch in the open market, the following assumptions must be made:

(a) That any commission or other costs, charges, or expenses incidental to the making of the contract of sale are to be paid by the seller;

(b) that the price is to include the cost of delivery to the buyer at his place of business, and of insurance and other costs, charges and expenses incidental to such delivery;

(c) that the price is the sole consideration for the sale;

(d) that neither the seller nor any person associated in business with him has any interest, direct or indirect, in the subsequent resale or disposal of the goods; and

(e) that there has not been and will not be any commercial relationship between the seller and the buyer, whether created by contract or otherwise, other than that created by the sale.

## (F) COMPUTATION OF TAX

The total tax is required to be computed at the correct rates on all sales of chargeable goods delivered during the period covered by the return. A deduction can be claimed for the tax on goods delivered but unpaid during this period. But such tax must be paid on the next return, even if the registered person has not received payment for the goods. It is possible that some abatement of the tax will be granted for debts which are proved to be bad and which are allowed as a deduction from profits for income-tax purposes.

## (G) REGISTRATION

Every wholesale merchant and every manufacturer whose business includes the selling of chargeable goods under the Act must register.

Registration is not required if the gross proceeds from the sale of chargeable goods have not, on the average, exceeded £2,000 or \$8,000 per annum. In the case of a newly established business, registration is not required if the gross sales are not likely to exceed this amount each year. In the case of an existing business, the latest day for registration was September 20, 1940. Where a new business is commenced or where a change is made in the character of the business so that registration is necessary, this must be effected within 14 days from the commencement or change in the business.

A wholesale merchant or manufacturer who has not registered owing to the fact that his sales or chargeable goods have not exceeded £2,000 per annum, must register with the Commissioners as soon as he becomes aware of any change in his business which would result

in his gross sales exceeding the average of £2,000 or \$8,000 per annum. For failure to register, a penalty of £100 or \$400 is imposed which is increased by a further £10 or \$40 for every day during which the default continues.

A certificate of registration will be issued to all registered persons, which will be canceled if it becomes no longer necessary for them to be registered under the Act.

If the commissioners of customs and excise decide the registration should be made in any particular case, at least 14 days' notice of intention to register must be given to the person concerned.

The fact that a person purchases goods in large quantities at wholesale prices does not of itself necessitate registration by him. Thus a hotel or institution may purchase commodities in bulk but such a buyer is not a wholesale merchant.

The advantage of registration to the wholesale merchant or manufacturer is that he is able to purchase his goods free of tax, and he does not have to pay the tax until the goods are sold. The retailer, on the other hand, must pay the tax when he acquires his goods from the wholesaler and is, therefore, compelled to finance the tax during the whole of the period that the goods remain in his stock-in-trade.

If a wholesale merchant purchases chargeable goods other than his stock for his business, he is chargeable with the tax at the time of the purchase of the goods. This is also true with respect to a manufacturer who acquires goods other than for use as materials in his business.

All chargeable goods received or purchased tax-free from other registered firms or from abroad must be recorded as such and the seller's name and address or the importation particulars must be traceable if required. The disposal of all chargeable goods in the firms' business must be traceable, therefore, whether used in the manufacture, whether sold to other firms, whether transferred to separate retail branches, or whether used other than as materials or stock.

Where goods are sold as stock or as material to other registered firms, the written order for the goods on which the buyer's registered number is shown must be retained for production as a voucher. In the case of tax-free sales to governments the contract or order must be kept available for inspection. Records of all transactions in chargeable goods must be kept in such form as will enable the taxpayer to file a full and correct periodical return.

## CANADIAN MANUFACTURERS' SALES TAX

The Dominion of Canada adopted as a part of its consumption taxes in 1920 a general sales tax. It is levied in addition to its customs import duties and its selected excise taxes. In its earlier form it was a tax on turnover of goods and was levied at 1 percent. In 1924 it was established substantially in its present form. Since 1921 it has constituted one of the chief sources of revenue. From 1921 the percentage of total revenue raised by the sales tax has ranged from 10 percent to as high as 29 percent in 1924. For the fiscal year 1940-41 it represented 20.74 percent of the total revenue; and according to the estimate for 1941-42, the percentage is expected to be about the same. In this connection it may be observed that the consumption taxes, consisting of customs import duties, excises, and sales taxes, represent from 30 to 35 percent of the total revenue collections as compared with income tax which produced in 1940-41 31.23 percent of total revenue. The table below shows the revenue collected from these sources in 1938-41, inclusive.

	1939 to 1940	1940 to 1941	1941 to 1942 <sup>1</sup>
Sales tax.....	\$144,851,000	\$194,153,000	\$190,000,000
Customs.....	104,301,000	129,600,000	137,000,000
Excises.....	61,032,000	56,000,000	51,000,000
Income on persons.....	71,874,000	87,423,000	135,000,000
Total taxes.....	887,873,000	778,290,000	1,069,000,000

<sup>1</sup> Budget estimate, April 1941.

*The tax in its earlier forms.*—In its earlier forms the tax was applied at the various stages of production and in this form was in the nature of a turn-over tax. It was pyramided from the earlier stages of manufacture to final transfer of the finished article all the way from the producer to the consumer. For example, in the price of a pair of shoes the tax may have been added several times, the tax having fallen on each sale of the hide used by vendors whose sales were taxable.

Moreover, such pyramiding varied according to the number of taxable sales in the production and distribution of different goods. Thus the goods that went through many processes had a competitive advantage over goods processed only once, resulting in stimulation of business combination. The tax could be avoided by businesses which processed their own raw materials or by manufacturing an article all in the same factory and not turning the unfinished article over to another processor. Sometimes articles were rented instead of being sold. Machinery could be obtained and used free of the tax by the latter method of avoidance.

However, in its present form, which has existed since 1924, the tax falls but once, when goods pass from the licensee to the unlicensed transferee.

<sup>1</sup> Sources: Canadian Sales Tax Service, C.C.T. 1942; *Double Taxation*, Joint Committee on Taxation, 1933

## SCOPE OF THE TAX

*Present form.*—In its present form the tax may be considered as applicable to certain goods at the full rate (at present 8 percent), to another restricted class at one-half the sales tax rate, and as not applicable to another class of goods, or goods exempt, which are generally regarded as the prime necessities.

To this extent, therefore, it resembles a principle of the British purchase tax which treats goods as (1) subject to a full rate, (2) subject to a reduced rate, and (3) as nontaxable or exempt.

The tax underwent frequent changes from 1920 to 1924 when it was established in substantially its present form, revised to prevent all pyramiding. It consists of a consumption or sales tax on the sale price of all goods produced or manufactured in Canada, goods imported into Canada, goods sold by licensed wholesalers, goods sold by any person other than a taxable manufacturer, producer, etc., where such person has acquired from the taxable persons already mentioned, through a nontaxable transaction, the right to sell the goods. The current rate is 8 percent.

Since 1924 this tax has been levied once only on the "sale price of all goods produced or manufactured" in Canada. Pyramiding of the tax by imposition at separate stages of manufacture is prevented by a system of licensing. The tax falls when goods are transferred from a licensed manufacturer, wholesaler, or producer to an unlicensed purchaser. Transfer of goods from a licensed manufacturer or wholesaler to another so licensed is not taxed. Sales or transfers of materials for the manufacture of an article are thus free of taxation until they have taken form in the completed article and it is transferred from the licensed wholesaler or manufacturer to the unlicensed purchaser. Likewise, to avoid duplication or pyramiding the tax is not levied on goods partly manufactured and sold or on goods imported by a licensed manufacturer or wholesaler.

As will be seen from the above, goods imported into Canada are subject to the tax, which is payable by the importer or transferee when the goods are taken out of bond for consumption.

*Exemptions.*—From the inception of the tax the list of exemptions has been a very long one. There has been a general tendency to extend the list, although there has been some restriction in times of depression and emergency.

The exemptions in general include necessities such as food and fuel. Foods exempt are as follows: Bread; butter; cheese; cream; eggs; honey; ice; lard; salt; sugar; apples, dried, desiccated or evaporated; bakers' cake and pies not to include biscuits, cookies or other similar articles; fish and products thereof, not to include canned fish; flour, not including self-raising flour; maple sirup; meats and poultry, fresh; milk, including buttermilk; condensed milk, evaporated milk and powdered milk; vegetables and fruits in their natural state. Also included in exemptions were newspapers, fuel, electricity, fertilizers, raw materials of farmers, farm machinery and equipment, and exports direct to foreign purchasers. Exports made indirectly to foreign purchasers are free of tax through draw-backs.

In effect sales to Provinces are exempted. This is effected by granting a refund of the tax paid on goods sold to a Province unless the

goods were purchased by the Province for a purpose, which makes it subject to the tax. In general the tax applies to goods imported by the Dominion, Provinces, provincial railways, or provincial commission, board, public utility, or university.

Certain goods are subject to only 50 percent of the sales tax (4 percent at the current rate). This includes all goods manufactured or produced by the labor of the blind or the deaf and dumb in institutions in Canada established for their care.

#### ADMINISTRATION

The administration of the tax is under the department of customs and excise. The law and regulations define taxable sales. Books and records of taxpayers are to be open to inspection by the Government.

*Licenses.*—Every manufacturer or producer is required to take out an annual license for the purpose of sales and excise taxes imposed by part XIII of the act. The license fee costs \$2. A wholesaler or jobber applying for a license must give bond in amounts up to \$25,000, which requires that adequate books be kept and true returns be rendered. Such licenses may be cancelled for cause.

While manufacturers must be licensed and must pay a fee of \$2 therefor, the Minister of Finance has the authority to direct that small manufacturers or producers, selling at retail, shall be exempt from licensing. Such small manufacturers as merchant dealers, druggists, shoemakers, plumbers, etc., whose sales amount to less than \$5,000 a year and job printers with annual sales of less than \$3,000 a year are exempt. Wholesalers and jobbers may be granted a license to sell to other licensees without payment of tax. On the sale of goods by a licensed manufacturer or wholesaler to an unlicensed wholesaler or jobber the purchaser must be furnished an invoice of the goods, stating the amount of the tax; likewise, when an unlicensed wholesaler or jobber sells to a licensed manufacturer, wholesaler, etc. When a licensed wholesaler or manufacturer sells to a retailer or to a consumer, it is not required that the tax be shown.

*Returns.*—Persons liable for the sales tax are required to file a return each month of their taxable sales for the preceding month. The return must be filed even though there were no taxable sales. Such returns must be made under the regulations issued by the Minister of Finance.

*Payment of the tax.*—The sales and excise taxes are payable at the time of filing the return, which is due not later than the last day of the month following the month in which the sales were made. Where goods are sold under an installment contract under which payments are made as the manufacture or production of goods progresses or by conditional sales the sales tax on goods produced or manufactured in Canada is payable pro tanto as each installment falls due. Where there is no physical delivery, the tax is payable when the property in the goods passes to the purchaser.

# SALES TAX OF AUSTRALIA <sup>1</sup>

## GENERAL STATEMENT

Australia imposed a sales tax in 1930 (Sales Tax Assessment Act No. 1, 1930). The tax was laid on the sale value of goods manufactured in Australia. The tax also applies to importations.

*Present form.*—The law requires the registration of all manufacturers and wholesalers and the tax is levied on the sales value of goods manufactured in or imported into Australia when such goods are sold to unregistered persons. It would appear that no tax attaches to the sale by a registered manufacturer to a registered wholesaler and that the act is intended to be effective on the wholesale price whenever possible.

The sale value of goods, where the goods are sold at wholesale, is the sale price; where the goods are sold at retail, if the goods are of a class which the manufacturer himself sells at wholesale, the sale value is the amount for which the goods would be sold by the manufacturer if sold at wholesale; and in any other case the sale value is the amount for which the goods could have been purchased by the taxpayer from another manufacturer if such other manufacturer had manufactured the goods in the ordinary course of his business for sale to the taxpayer.

*Exemptions.*—Exemptions from the sales tax include, in general, food-stuffs, beverages, and tobacco; agricultural machinery, implements, equipment, and material; drugs, medicines, and surgical goods; fuel, power, and light; books, printed matter, and paper; scientific, educational, and religious goods, and works of art; goods for use by governments, representatives of governments, and public bodies; certain manufactures of small businesses where the average annual value of goods sold is not in excess of £1,000 (\$4,000) and some other small-business manufactures; and certain miscellaneous articles such as airplanes, airplane accessories, parachutes, coffins and caskets, gold bullion, and other materials. The goods exempt are specifically set out in the law and regulations. In addition, for the purpose of aiding certain manufactures there are other specific exemptions which otherwise would be taxable. Current rates are applied under three classifications. The rate is 5 percent on surgical goods, 20 percent on goods more or less in the nature of luxuries, and 10 percent on other goods neither prime necessities nor luxuries.

## ADMINISTRATION

*Registration.*—Every person who becomes a manufacturer or a wholesale merchant after the commencement of the act is required within 28 days to become registered. A certificate of registration is issued which remains in force until the death or bankruptcy or the cancellation of the certificate of the registered person. The issuance

<sup>1</sup> *The Sales Tax Law and Supplement*, by R. Ewing, Commissioner of Taxation; *Double Taxation*, by Joint Committee on Taxation, 1933.

of these certificates is conditioned upon the keeping of proper books or accounts, rendering true statements of all sales and duly paying all tax required under the law. Heavy penalties are imposed for violation of these and other conditions required by law and regulations.

As security for compliance with the conditions of any certificate of registration there may be required a deposit of cash or Treasury bonds in such amount as the Commissioner of Revenue may consider reasonable.

*Returns.*—Every person who makes sales subject to the tax or treats any goods as stock for sale by him at retail or applies to his own use any goods subject to the tax must make a return within 21 days after the close of the month, setting forth such information as shall be required by the regulations. The Government may require further return, showing such additional information as the Government may require, or attendance and giving of evidence with respect to sales.

*Collection.*—Payment of the tax must accompany the return which is to be made within 21 days after the close of the month in which the sales were made. In case the Commissioner shall find that further tax is payable by any person, he may assess the sale value upon which the tax should have been paid, and the tax must be paid within the date set in the notice in writing demanding payment. Where the Commissioner finds that tax has been overpaid and is satisfied that the tax has not been passed on by the taxpayer to some other person, he may make refund of such overpayment.

*Revenue.*—Figures are not available of the current revenue collections, but past collections would indicate that for some years past the sales tax has represented from 12 to 16 percent of the total tax revenue.

*Incidence of the tax.*—It would appear that the tax is passed on to the consumer and that pyramiding of the tax by imposition on successive transfers is prevented, since the tax apparently falls only when goods pass from a registered to an unregistered person subject to the tax. This is in effect the cardinal principle of the Canadian sales tax where it has been generally regarded that pyramiding has been effectually avoided.

## THE PHILIPPINE SALES TAX

A sales tax was imposed in the Philippine Islands in 1904. At this time the United States instituted numerous changes in the tax laws.<sup>1</sup> The law imposed a tax on the gross sales by merchants and included manufacturers, merchants, and common carriers. It has undergone frequent revision but has been retained and is one of the principal sources of revenue. It is retained in the 1942 budget and under its existing form it includes merchants, producers, manufacturers, occupations, trades, professions, and farmers. The latter, however, accorded a preferential rate.

In 1930 it was the source of 16 percent of the total tax revenue; and according to the latest figures available, it represents approximately 21 percent of the revenue.

This tax received much attention in 1921 when general sales taxes were being proposed in the United States. In that year one of the witnesses before the Committee on Finance of the United States Senate, who was a former collector of internal revenue in the Philippines, states of the tax that it was regarded not only as productive but as easy to administer and equitable. There was, however, considerable opposition from certain quarters in the Philippines to the tax as then in effect, nearly all of which, however, recommended the substitution of a sales tax in some form. This opposition was reported by a representative of the United States Department of Commerce in *Commerce Monthly*, March 1921.

The opposition apparently was principally as to its character and operation, since the tax has been retained in the fiscal system of the Philippine Islands and at present contributes approximately 21 percent of all tax revenue.

<sup>1</sup> General Sales Taxation, A. D. Buehler, 1932.

# THE FRENCH SALES (TURN-OVER) TAX<sup>1</sup>

("Impôt sur le chiffre d'affaires")

## INTRODUCTION OF TAX IN FRANCE

The present French turn-over tax was introduced in that country in 1920. At that time the financial condition of France was in an alarming state, with revenues far below ordinary budget requirements, and with a program of rehabilitation about to be launched. A turn-over tax upon the gross receipts of all business transactions was adopted as the quickest and easiest way in which to raise the large amount of revenue needed, although even its most earnest advocates admitted its defects and inequities.

The direct forerunner of the turn-over tax was what was known as the payments-tax system, inaugurated during the war period, under which taxes were levied upon receipts for certain commercial and non-commercial payments, for luxury articles, and for expenditures in de luxe restaurants and hotels. Even these taxes were not strictly an innovation, since France had imposed a graduated stamp tax on all acknowledgments for payments ever since 1871.

## LEGISLATIVE DEVELOPMENT

As originally enacted on June 25, 1920, the French turn-over tax imposed a rate of 1.1 percent on the turn-over, or gross receipts, originating in France, of two chief classes of persons: (a) Those who either customarily or occasionally buy to resell; and (b) those who perform acts connected with activities which are taxable under the commercial and industrial-profits schedule of the income tax. The first class included merchants and manufacturers, while the second covered certain commercial middlemen, such as brokers, commission men, etc. There was also a third class, of minor importance, composed of those liable to a proportional tax on mine profits under the law of 1810, who do not pay the regular profits tax.

There were two types of exemptions, express and implied. The implied exemptions included farmers, professional men, and salaried workers or wage earners who did not come within the definition of those "buying and reselling" and whose profits were not taxable under the commercial and industrial profits schedule of the income tax. The express exemptions included exports, goods, and services with fixed Government prices, and transactions already subject to special taxes.

Payment of the tax was to be made each month, the taxpayer drawing up a statement of his turn-over for the preceding month, calculating the tax due, and sending the statement and the money to the administration. In practice, certain businessmen were permitted to send in annual statements, under a so-called forfait system. In 1922 the forfait was extended to a larger group of taxpayers, but

<sup>1</sup> Source: Preliminary Report on Federal and State Taxation, Staff of the Joint Committee on Internal Revenue Taxation, 1933.

a true forfait system was not introduced until 1924. Under this system an estimated tax base is used, payments are made quarterly, and there is absolute freedom from all inspection of books by tax agents.

The chief developments of the French turn-over tax since its original enactment in 1920, in addition to the inauguration of the forfait system, have been the increase in rates in 1924 and 1926 and the enactment of "replacement" taxes in 1925. The commodities subject to the replacement tax were withdrawn from the scope of the turn-over tax; and instead of the low rate of that tax being imposed every time these commodities changed hands, a single tax, at a higher rate, was levied at some early stage in their economic development. In 1926, when the Parliament raised the general rate from 1.3 to 2 percent, it made the increase applicable only to sales other than those made at retail or for consumption on the spot. However, the confusion engendered by the necessity of distinguishing retail sales from all others caused Parliament, four months later, to include retail sales within the scope of the higher rate.

Before discussing the operation of the present French turn-over tax mention should be made of the luxury and import taxes which have been an integral part of the turn-over-tax system. The luxury taxes are divided into two groups: (a) Those imposed on luxury articles sold at retail and (b) those imposed on the gross receipts of luxury hotels, restaurants, etc. The import tax is applicable to all goods entering France whether or not as a result of a sale, and is imposed in addition to any customs duties.

This study of the French turn-over tax covers the law up to about May 1, 1932. It is hoped that it is substantially accurate, although some difficulty was encountered in following the many changes that have taken place since its codification in 1926. It has been necessary to translate the law from the French.

In the following table there are shown the rates applicable to sales, gross receipts, and luxuries under the acts of 1920, 1924, 1926, and 1930:

*Rates of French sales and luxury taxes*

	Act of 1920	Act of 1924	Act of 1926	Act of 1930
	Percent	Percent	Percent	Percent
<b>I. Sales tax:</b>				
All sales in general (turn-over) <sup>1</sup> .....	1.1	1.3	2	2
On gross receipts of those whose acts are concerned with activities taxable under the business profits tax of 1917.....	1.1	1.3	2	2
On gross receipts of those subject to the mine tax.....	1.1	1.3	2	2
<b>II. Luxury taxes:</b>				
On retail sales of articles classed as luxuries.....	10	12	12	{ 6 4 3
Payments for food, lodging, and drink consumed on premises of luxury establishments—				
Of second class.....	3	3.6	4	{ 3 4
Of first class.....	10	12	13	{ 6 13

<sup>1</sup> The "decime," or 0.1 percent tax on all sales, which goes to the communes or local authorities, is included in the rates of sales in general.

<sup>2</sup> In April 1926, the rates were: Retail rates, 1.3 percent; wholesale rate, 2 percent; intermediaries, 2.5 percent; newspapers and periodicals, 1.3 percent. In August 1926, the rate was made 2 percent for all except newspapers and periodicals, which remained at 1.3 percent.

<sup>3</sup> On articles classed as luxuries by their inherent nature.

<sup>4</sup> On articles classed as luxuries because selling above a certain fixed price.

<sup>5</sup> For establishments absorbing tax in their sales price.

<sup>6</sup> For establishments adding tax as a separate item in sales price.

## OPERATION OF THE PRESENT SALES TAX

Generally speaking, the application of the French sales tax has been practically unchanged since its original enactment in 1920. The present rate of 2 percent applies to the following classes of taxpayers, and is imposed upon the base shown opposite each classification:

Taxpayers	Tax base
I. Those who buy and resell in France. (Merchants, manufacturers, real-estate dealers, building contractors, corporation sales to subsidiaries, and consumers' cooperatives.)	The gross receipts or turn-over of sales of tangible goods actually made.
II. Those whose acts are concerned with activities taxable under the business profits tax of 1917:	
(a) Travel agencies, theater ticket agencies, labor agencies, or any agency that by contracting independently for the services at one agreed price with the rendor and then by reselling at whatever profit can be made removes the customer from contracting with the person or agency actually rendering the service.	(a) The total gross receipts from the sale of such services bought to resell.
(b) Agents, brokers, or other intermediaries between customer and actual seller or rendor of services.	(b) The total gross receipts of commissions, fees, etc., received from the sale of services as an intermediary.
III. Those subject to the mine tax. (Extraction of material from the earth not equivalent to purchase, so not covered by the "buy and sell" clause.)	Total gross receipts from the sale of tangible goods.

The phrase "buy and resell" was for a time construed to include only gross receipts of those dealers buying with an intent to resell at a profit. This interpretation excluded consumers' cooperatives, but court decisions rendered in 1923 and 1924 nullified this interpretation and held the tax applicable to any sale, regardless of the vendor's intent when the purchase was made. However, this does not include the casual disposition of an article of no further use to the owner because obsolete, unneeded, or replaced by another article. Up to 1925, sales of real estate bought with an intent to resell were not taxed on the ground that they were "civil," not "commercial," transactions, but this interpretation of the taxing authorities was nullified by court decisions and later by statute.

The turn-over tax may be said to be imposed on money payments made in exchange for commodities delivered and services rendered, but it is limited to such payments made in the ordinary course of business between merchants and manufacturers and their customers. No tax is imposed on payments received by certain economic classes, such as farmers, laborers, and professional men, and on business payments received from the sale of certain classes of commodities and services. These exemptions of persons and things have sprung from different motives. That in favor of persons is usually implied from the wording of the law, and originated not only from a desire to avoid political unpopularity but from a fear that the burden of the tax could not be shifted to the ultimate consumer as intended, and to avoid administrative difficulties. The exemptions in favor of certain commodities and services are noted specifically in the law, and have been adopted because of other taxes on these sales and in order to lessen the burden on the poorer classes of consumers. These exemptions are summarized below under three divisions: (A) Those specifically embodied in the basic law of 1920, (B) those specifically provided for subsequent to the enactment of the basic law, and (C) those implied from the wording of the law:

(A) Specific exemptions under basic law of June 25, 1920:

1. Sales transactions already subject to tax under previous laws.

These include:

(a) Sales on the stock and commodity exchange made by those who habitually carry on this activity.

(b) Pharmaceutical preparations subject to a tax levied on the manufacturer and/or importer. (Wholesalers and retailers are therefore not exempt from the turn-over tax.)

(c) Savings societies and insurance companies.

(d) Amusements subject to an admission tax.

(e) Vehicular passenger and freight traffic (taxicabs and drayage).

2. The turn-over of any business subject to governmental control as to sales price. This includes:

(a) Sales of bread by bakers. (Pastries, however, are not exempt.)

(b) Sales of retailers of State monopolies, viz., tobacco, matches, stamped paper, telephone and telegraph service.

(c) Revenue from rates of public utilities subject to governmental control of rates (power companies, railroads).

(d) Commissions and fees of stockbrokers, shipbrokers, marine-insurance brokers, land banks, and real-estate-loan societies when their rates are fixed by the Government.

3. Exports except antiques and certain works of art. (However, only the last sale made in France to a foreigner, delivery to be made abroad, is exempt.)

(B) Specific exemptions by law made subsequent to basic law:

1. Newspapers and periodicals with a sale price not in excess of 25 centimes. (Increased to 50 centimes in 1926.)

2. In 1923, artisans whose gross receipts came from the sale of finished products, made by their own labor from raw materials, were declared exempt if they qualified under regulations defining the extent of business one might carry on and still be a "small artisan."

3. In 1924, wheat and rye if used in the making of bread.

4. In 1925, sales of articles made subject to a replacement tax.

5. By act of April 4, 1926, sales of milk for consumption in its natural state.

6. Commission merchants, as well as true buyers and sellers of cereals and grains, if not already exempt as dealers in bread, were placed on a turn-over rate of 0.55 per cent on total value of grain handled by them by the act of March 26, 1927. (By act of April 16, 1930, dealers in potatoes, and by act of April 26, 1930, dealers in milk, eggs, fresh and dried fruits, fish, cream, butter, and similar articles were added to the list of products the sales of which by commission merchants or true dealers were to be taxed at 0.55 per cent.)

7. In 1928, receipts from the sales of, and of advertisements in, philanthropic publications. Receipts from all schools if not coming from commercial operations. Receipts of nonprofit restaurants for students.

8. In 1929, by act of July 13, flour, semolina, and refuse grain.

9. In each year articles that were made subject to the replacement taxes were exempt from the turn-over tax.

(C) Exemptions implied from wording of the law:

1. Sales of farmers' produce grown by themselves.

2. Gross receipts of liberal professions, viz, doctors, lawyers, accountants, etc.

3. Wages and salaries of laborers.

4. Consumers' cooperatives were considered exempt until specifically ruled *not* exempt by the administration in 1924. However, such cooperatives buying farm materials are held exempt.

The French turn-over tax, being a tax on the gross sales of all business and not a single levy on a completed article or transaction, naturally results in a pyramiding, or piling up, of the tax. This pyramiding may be illustrated by the following example:

*Example I.*

A, a manufacturer, sells an article to B, a wholesaler, for \$100. A pays a tax of 2 per cent on his gross receipts. B sells the article to C, a retailer, for \$140. B pays a tax of 2 percent on his gross receipts. C sells the article to an ultimate consumer for \$200. C pays a tax of 2 percent on his gross receipts.

The total taxes that would be collected on the above sales would amount to \$8.80. This sum would be paid as follows:

A—Gross receipts \$100, tax \$2. B—Gross receipts \$140, tax \$2.80.  
C—Gross receipts \$200, tax \$4.

Included in the gross receipts of B is the sum of \$100, representing the recovery of the original cost of the article to B. B is actually paying a tax of 2 per cent on his recovered capital. In the case of C, his sales price of \$200 includes his recovered cost, or capital of \$140, on which another tax of 2 per cent is being levied by the Government.

Pyramiding is illustrated by breaking up the total taxes paid as follows:

The amount of \$100 at 2 percent, three times, \$6; \$40 at 2 percent, two times, \$1.60; \$60 at 2 percent, once, \$1.20.

Middlemen such as B and C have escaped the penalizing effect of the French sales tax by giving up their status of dealer and becoming commission merchants, paying a tax on the gross receipts of their commissions. In that situation, A would consign the article to B, B might put the article out on consignment to C, and C would sell the article for \$200, retaining \$60 as his commission and forwarding the balance to B. B would retain \$40 of that amount and send the balance, \$100 on to A. A would pay a tax of \$2; B a tax of \$0.80; and C a tax of \$1.20; the Government receiving a total tax of \$4. The replacement taxes, taken up later in this discussion, sought to correct this legitimate evasion of the tax.

Pyramiding results in a somewhat larger tax being collected as a result of a situation that permits the dealers to pass the tax on to the ultimate consumer by adding the tax to the sales price of the article. This result is illustrated as follows:

*Example II.*

A's selling price.....	\$100
Anticipated tax.....	2
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A's actual selling price to B.....	102

The tax is levied on A's actual selling price (gross receipts) and amounts to \$2.04. A has recovered all but \$0.04.

Cost to B.....	\$102. 00
Expense and profit margin.....	40. 00
Anticipated tax.....	2. 84
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B's actual selling price to C.....	144. 84

The tax on B's actual selling price (gross receipts) amounts to \$2.896. A has recovered all but \$0.056.

Cost to C.....	\$144.84
Expense and profit margin.....	60.00
Anticipated tax.....	4.096
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C's actual selling price.....	208.936

The tax on C's actual selling price to the ultimate consumer amounts to \$4.178. C has recovered all but \$0.082.

The total taxes that would be collected on the above sales would amount to \$9.114 distributed as a burden as follows: On A, \$0.04; on B, \$0.056; on C, \$0.082; on the ultimate consumer \$8.936. A, B, and C have paid a tax on the taxes recovered by them in their sales price (gross receipts), but in most cases that is also passed on by the dealers by adding an estimated amount to cover the tax on the anticipated tax already included in the sales price.

#### THE IMPORT TAX

The import tax, which is levied in addition to the regular customs duties, is in distinct contrast to the turn-over tax proper, since it has no relation to sales. On the other hand, the importation of goods is the sole occasion for imposing the tax, and it is all-inclusive so far as tangible goods are concerned, except for a few items which have been exempted either by law or administrative ruling. The base upon which the import tax is levied includes not only the value of the article at the port of entry but the amount of the customs duty, if any, as well. Aside from raising revenue, the purpose of the tax is to protect French manufacturers and merchants from competition with tax-free foreign goods in the domestic market. Until just recently, the rate of the import tax corresponded with that of the turn-over tax, but under the law of March 31, 1932, there is a rate of 2 percent on raw products, 4 percent on products that are further advanced than their natural state, and 6 percent on finished products. Once imported, the goods are subject to the regular turn-over tax. There are certain exceptions, however, which should be mentioned. Merchant importers are granted exemption from the turn-over tax in connection with the first sale in France of certain raw materials on which the import tax has been paid. Under the decree of August 14, 1925, which still appears to be in effect, this exemption covers such raw materials as hides, wool, silk, cereals, rice, cacao, rubber, rough lumber, cotton, flax, hemp, jute, and natural phosphates. Imports of commodities which are subject to the replacement taxes (hereafter referred to) are exempt from the import tax just as domestic products subject to these taxes are exempt from the turn-over tax. A special import tax, in lieu of the regular tax, is imposed upon the following articles:

Commodity	Special import tax	Remarks
	<i>Per-cent</i>	
Luxury articles for the personal use of the importer:		
Luxury by nature.....	10	If imported by merchant for resale, regular import rate applies. Later sale taxed at luxury-tax rates.
Luxury on account of price.....	7	Do.
Automobiles:		
Passenger, valued at more than 7,500 francs.....	10	Payable no matter to whom destined.
Mixed passenger and commercial.....	7	Do.
Chassis, bodies, etc.....	7 or 10	If destined to manufacturer, regular import rate applies. Later sale of completed car taxed at luxury-tax rates.
Perfumery and toilet articles.....	16	If destined to manufacturer, tax payable when article leaves manufacturer's hands.

## THE REPLACEMENT (SINGLE) TAXES

In 1925 there was originated the first of a series of exemptions of certain commodities from the turn-over and import taxes and the substitution of "replacement" or "production" taxes on them. The replacement tax is a tax at a high rate levied upon a commodity only once, at some early stage of its production, and in lieu of all turn-over or import taxes. The rate is calculated to replace the amount of revenue which was derived from the low turn-over rate when imposed every time the commodity changed hands. This innovation constituted an attempt to free as many taxpayers as possible from the continual visits of the tax collector, to lessen the burden on the administration of checking a large number of taxpayers, and to do these things without any decrease in revenue. Another purpose was to check the evasion of the turn-over tax accomplished by certain true dealers in coal, grain, and other commodities who were changing their commercial status, actually or apparently, to that of commission merchants and paying a tax on the basis of their commissions (profits) only, rather than on the total gross receipts from the sale of these commodities.

The following table summarizes the commodities subject to the replacement taxes and the special rates imposed.

*Articles subject to replacement taxes (single taxes imposed in lieu of all turn-over and import taxes)*

Articles	Rate of tax	When levied
Coal, coke, etc.....	2.5 percent.....	At mine or coke plant or on importation.
Slaughtering and fresh meats:		
Calves and sheep.....	20 centimes per kilogram.....	Before slaughter.
Cattle other than calves.....	12.5 centimes per kilogram.....	Do.
Hogs.....	25 centimes per kilogram.....	Do.
Horses.....	10 centimes per kilogram.....	Do.
Veal and mutton.....	40 centimes per kilogram.....	On importation.
Beef and horse meat.....	25 centimes per kilogram.....	Do.
Pork.....	50 centimes per kilogram.....	Do.
Coffee.....	8 percent.....	On importation (no domestic production).
Tea.....	7 percent.....	Do.
Sulphur.....	5 percent.....	Do.
Sugar.....	6 percent <sup>1</sup> .....	At factory or refinery or on importation.

<sup>1</sup> Certain manufacturers using sugar in their products are entitled to a credit for one-half the replacement tax previously paid.

Articles subject to replacement taxes (single taxes imposed in lieu of all turn-over and import taxes)—Continued

Articles	Rate of tax	When levied
Denatured alcohol:		
Methyl.....	3 percent.....	On importation or production.
Heating and lighting.....	6 percent.....	Do.
Alcohol and spirits for consumption.....	47 and 8½ percent.....	Do.
Resinous products, turpentine, etc.....	2.5 percent.....	Do.
Petroleum products:		
Crude or refined and gasoline.....	8 percent.....	Do.
Benzol, toluene, benzine.....	4 percent <sup>2</sup> .....	Do.
Oils and fatty bodies:		
Oleaginous fruits and grains.....	5 percent.....	Do.
Fish and vegetable oils.....	6 percent <sup>3</sup> .....	Do.
Refined coconut oil.....	5 percent.....	Do.
Oleomargarine, emulsions, and animal fats for consumption.....	4 percent.....	Do.
Stearic and oleic acid and deglycerined oils.....	5 percent.....	Do.
Soaps and candles.....	7 percent.....	Do.
Industrial soaps if sent by producer to industrial user.....	4 percent.....	Do.

<sup>2</sup> Sale to manufacturer for further production, 2 percent.

<sup>3</sup> Sale to manufacturer for further production, 4 percent.

This departure from the principle of the French law, i. e., taxing only one sale instead of all sales, has been somewhat in the nature of an experiment, and will continue to be limited in application to but few articles. To be a proper subject for this form of taxation, a commodity should be—

- (a) Inclined more or less to be stable in price.
- (b) The sole line of the producer or dealer.
- (c) To a great extent in finished form and unlikely to be combined with another article or commodity to be taxed again in (another) finished form under the turn-over tax or replacement tax.

#### THE LUXURY TAXES

Luxury taxes are an important part of the present turn-over-tax system. These taxes were imposed before the sales tax was enacted, being first levied under the payments-tax system inaugurated during the war period. They are continued under the sales tax at much higher rates than the general turn-over levy of 2 percent, and supplant the latter tax. There are two separate divisions to the luxury taxes: (a) The tax on luxury articles sold at retail, and (b) the tax on gross receipts of luxury hotels, restaurants, and so forth. The luxury taxes, of course, are imposed in lieu of the turn-over tax when the sale is made at retail.

In the case of articles sold at retail there is a double standard of "luxury." Certain goods are considered de luxe because of their inherent nature, while others become luxury goods only when sold at retail above a certain price. The determination of what constitutes luxury articles is by the Minister of Finance, who issues decrees from time to time listing such articles. These decrees are subject to legislative ratification, but have the force of law until Parliament rejects them. The present rate on articles which are classed as luxuries by their inherent nature is 6 percent, while those taxed as luxuries because selling above a fixed price are taxed at the rate of 3 percent. The responsibility for the payment of the tax rests with

the seller, and unless otherwise provided or obviously not relevant the laws and regulations governing the turnover tax apply with full force to the luxury taxes.

The standard of luxury for the hotel and restaurant tax is quite different from that under the luxury tax on retail sales. An establishment pays a luxury rate on its gross receipts if it is judged "luxurious," and there are two grades of luxury, to which different rates are applicable. Establishments of the first class pay a rate of 6 percent if they include the tax in their sale price and 13 percent if the tax is added as a separate item. Second-class establishments are taxed at the rate of 3 percent if they include the tax in their sale price and 4 percent if they do not. The classification of hotels and restaurants is handled by an official commission in each "department," with a commission of appeal in Paris.

#### SPECIAL TAX ON RETAIL SALES

In addition to the tax on industrial and commercial profits, levied under the income-tax provisions of the internal revenue laws of France, there is levied a tax termed "taxe speciale sur le chiffre d'affaires," literally translated as a special tax on gross receipts. This tax is not considered a part of the sales tax, nor are the receipts from it included in statistics of sales-tax receipts published by the Ministry of Finance. The tax was first levied in 1918, and is administered by the income-tax administration. Its similarity to the turnover tax is so decided that a brief mention of the tax seems to be pertinent to any discussion of the French sales-tax system. As can be seen it is solely a tax on sales.

The tax is imposed on the amount of business (gross receipts, i. e., sales) transacted by enterprises having for their principal object the retail sale of provisions or goods when the amount of such business exceeds 1,000,000 francs, exclusive of exports. The amount of business turn-over is taken as the total amount of sales realized each year by the taxable enterprise. It comprises all the elements of the sales price and consequently all duties and taxes, as, for example, the general sales (turn-over) tax, which are incorporated therein. The tax also applies to banking, credit, savings, and capitalization enterprises when the amount of their annual turn-over exceeds 1,000,000 francs. The present rates, which date from 1926, range from 0.0012 percent on gross receipts of between 1,000,000 and 2,000,000 francs to a maximum of 0.006 percent on the excess over 200,000,000 francs. During the operation of the present rates, the annual receipts have been well over 100,000,000 francs.

#### ADMINISTRATION

The collection of internal revenue in France is divided among three administrative groups—the direct-tax, indirect-tax, and registration administrations, all quite distinct from each other. There is another administration—customs—for collecting export and import duties. No new agency was created for the control and collection of the turnover tax. The burden of collection fell upon the indirect-tax administration and the registration administration, the former making the collection in communes of under 5,000 population and the latter

in the larger communes. The direct-tax administration assisted the others in checking the turnover-taxpayer's records of receipts. This division of control worked unsatisfactorily, and not until 1925 was the entire enforcement of the turn-over tax placed under the indirect-tax administration with the customs administration attending to levies on imports and exports affected by the turnover taxes or replacement taxes. With the administration and enforcement of the tax centralized, collections and control have become much more satisfactory.

Under the law of June 25, 1920, the turn-over tax was due under a monthly payment system. The taxpayer was to prepare a statement of the previous month's receipts, calculate the tax, and make payment when he sent in his statement before the end of the current month. Under later regulations, statements might be made on a quarterly, semiannual, or annual basis, but payments "on account" were due at least quarterly. Taxpayers under the forfait system are not required to send in any statement but must make quarterly payments on their allowed estimate. Taxpayers with a permanent place of business established, and not on the forfait basis, are allowed to make an annual statement under the present law.

Payment is made by cash, postal order, check, draft, or by other commonly accepted negotiable instruments. Stamps are not used in any instance except on articles of luxury sold at retail.

During the first few years of the operation of the turn-over tax, evasions were more the rule than the exception. The law was new, there was doubt as to its continued existence, and the administrative bureau was inadequately forced and composed of several independent units. Due to the resultant lax enforcement the Government lost large sums properly due under the law. The actual receipts for the first year were less than 50 percent of the estimated return of 2,000,000,000 francs.

The law required that merchants, or anyone continually or occasionally buying and reselling, should keep a record of all transactions subject to the tax. The burden of proving omissions of this duty fell on rather indifferent collectors and inspectors. Merchants posed as commission men when in fact they were not, and sales for cash of uninventoried stock could be completely concealed.

The small merchants especially rebelled against keeping records of their transactions for monthly inspection and complained even more vociferously when the failure to keep such records resulted in more strict surveillance by the collector. Bookkeeping among this group was scarcely more detailed than a statement of annual gross receipts and many neglected that. The Government finally conceded to merchants with an annual gross for the previous year (by their records) of less than 48,000 francs (or 12,000 francs if they were intermediaries taxed on commissions, fees, etc.) the privilege of paying on the basis of such receipts for the ensuing year. The taxpayer under this system would show his receipts for the closing year and on the basis of that would pay his installments for the current year (on a quarterly basis: 2 percent of one-fourth of the preceding year's gross receipts). By the act of December 31, 1921, this privilege was extended to merchants and commission men having an annual gross of 120,000 francs and 30,000 francs, respectively. This was called

the "forfait" system; inaccurately, however, for in 1924 the true "forfait" system or estimated tax-base system was inaugurated.

Under the true forfait system, the tax collectors estimated the business of the taxpayer by external indicia, i. e., number of employees, size of establishment, equipment, social status of owner, mode of living, etc., and therefrom estimated the gross receipts of the business, and the taxpayer paid on the basis of that estimate. The taxpayer is not required to give any information or disclose any records unless he disputes the estimate or wishes to renounce the agreement to abide by the estimate. The Government may likewise renounce, but either party must so indicate that intention during the last two months of the year. The estimate lasts for two years and the tax as fixed for each year by this system is payable quarterly. Under the law of 1924 this system was available to merchants having gross receipts not in excess of 200,000 francs (or 40,000 francs in the case of commission men) but under the law of 1927 the larger figure was raised to 300,000 francs.

In 1922 out of 1,720,739 sales-tax payers, 553,806, or slightly over 32 per cent, paid a yearly tax of less than 60 francs each, amounting to less than 1 per cent of the total tax collected. Seventy-eight per cent of the taxpayers could have been entirely exempted from the tax in 1922 with a loss of only 10 per cent in the total revenue from it. In 1924 over 65 per cent of the sales-tax payers paid on an estimated basis but their payments aggregated less than 10 per cent of the total revenue from the levy. These figures indicate the extent of small-scale commerce in France and of evasion.

The establishment of the forfait system, and of the replacement taxes, as well as more efficient administrative efforts have gone far in checking the evasion that was so prevalent during the early years of the tax. The legal evasion that can be accomplished by a dealer becoming a commission merchant can not be circumvented. However, the replacement taxes on those commodities in the sale of which the merchandizing status was more often changed has retarded somewhat this form of evasion.

The automobile tax presents an interesting example of the difficulty or checking evasions that are apparently legal. The tax on passenger automobiles was placed at the luxury tax level and on commercial automobiles at the low turnover rate. This did not prevent the widespread use of commercial automobiles in transporting their owners and their families on purely pleasurable pursuits. When such use was proved an attempt was made to collect the higher tax. This presented so many difficulties and caused so much opposition that the Government finally provided a medium rate for commercial cars whenever the owner intended to put it to uses of pleasure, retaining the low turnover rate on strictly commercial automobiles. These rates were: Passenger car, 12 per cent; semicommercial, 6 per cent; commercial, 2 per cent. The 1930 rates were 6, 3, and 2 per cent, respectively.

Disputes may arise between the taxpayer and the administration on several points; whether or not any tax is due; whether all gross receipts or commissions only are taxable; or whether or not certain gross receipts are exempt. Unless these disputes are settled by agreement (conference) they are carried to the administrative tribunals, "Conseils interdepartementaux," which handle "direct-tax" cases.

"Indirect tax" cases, and questions concerning construction of the civil law, are taken to the civil courts with the burden of proof on the taxpayer. However, although taken to "direct-tax" tribunals, the burden of proof in turnover tax cases is placed on the taxpayer, differing in that respect from other "direct-tax" cases. When the case first comes before this tribunal, a fact-finding committee is first appointed, composed of three members, one chosen by the taxpayer, one by the administration, and one by the court. The conclusions of this committee are submitted to the court and the law applied by the court in rendering a decision. Appeals from the "Conseils inter-departementaux" to the "Conseil d'Etat" are provided for, limited, however, to merely a review of the lower court's decision. This appeal, however, does not arrest execution of the lower court's judgment.

The above procedure applies to appeals from additional assessments as well as claims for refunds and must be begun within two years. Other administrative boards are provided for securing a different estimated-tax base, or luxury classification.

In the event that the administration is awarded a judgment for an additional assessment, it still enjoys no preference over other creditors in the case of the bankruptcy of the taxpayer. Recent decisions of the courts have held that the turnover tax is not a true indirect tax and that no claim to insure its payment attaches to the taxpayer's assets or personal effects.

## APPENDIX.

### BRITISH PURCHASE TAX LAW.

Ch. 48, 3 and 4 Geo. 6.

#### PURCHASE TAX.

##### *General Provisions as to Purchase Tax.*

18.—(1) A tax, to be called purchase tax, shall be charged, subject to and in accordance with the provisions of this Part of this Act, on the wholesale value of all chargeable goods bought under chargeable purchases.

(2) The following purchases, with the exception of purchases of goods by a registered wholesale merchant as stock for his business or by a registered manufacturer as materials, shall be chargeable purchases, that is to say—

(a) any purchase, made from a wholesale merchant or manufacturer (other than one who is not required by this Act to be registered) selling by wholesale, of goods which either—

(i) are in the United Kingdom at the time of the purchase, or

(ii) in the case of a purchase of unascertained goods, are in the United Kingdom at the time when the goods are appropriated to the purchase, or

(iii) having been imported into the United Kingdom are entered for home use by or on behalf of the seller under the purchase;

(b) in the case of goods imported into the United Kingdom which are entered for home use by or on behalf of the buyer under a purchase made before the goods are so entered, that purchase; and

(c) in the case of goods imported into the United Kingdom and entered for home use and not being the subject of a purchase which is a chargeable purchase under either of the two preceding paragraphs, the earliest purchase thereof made on or after their being so entered:

Provided that a purchase of goods imported into the United Kingdom but not entered for home use shall not be chargeable a purchase under paragraph (a) of this subsection.

A purchase which is a chargeable purchase by virtue only of paragraph (b) of this subsection is in this Part of this Act referred to "importer's purchase."

(3) Tax shall be chargeable in respect of chargeable goods bought under a chargeable purchase notwithstanding that the purchase was made before the passing of this Act, but, except as provided by section thirty-seven of this Act, no tax shall be chargeable in respect of any

goods by reason of their being bought under any purchase if the goods—

- (a) in the case of a purchase other than an importer's purchase, have been delivered thereunder before such date as may be specified as the date for the coming into operation of the tax in an order made by the Treasury and approved (whether before, on, or after that date) by a resolution of the Commons House of Parliament; or
- (b) in the case of an importer's purchase, have been entered for home use before that date.

19.—(1) Chargeable goods are goods falling within any of the classes specified in the first or second column of the Seventh Schedule to this Act and not falling within any of the classes specified in the third column of that Schedule.

(2) The Treasury may from time to time issue lists more particularly defining goods which are to be taken as falling within any class of goods specified in the Seventh Schedule to this Act, and may at any time withdraw a list so issued or issue a new list in substitution therefor, and shall publish any list so issued, and notice of the withdrawal of any such list, in such manner as they think best for informing persons appearing to them to be likely to be affected.

A draft of any list proposed to be issued under this subsection shall be laid before the Commons House of Parliament and, if that House, within twenty-eight days from the date on which the draft is laid before it, by resolution disapproves the draft, the list shall not be issued, but subject as aforesaid it may be issued not earlier than the expiration of that period and shall, from the date of its issue and until withdrawn or superseded by the issue of a substituted list, be conclusive as to the interpretation of the provisions of the said Schedule to which it relates.

(3) The tax shall be charged at the following rate, that is to say,—

- (a) in the case of goods falling within any of the classes specified in the first column of the Seventh Schedule to this Act and not falling within any of the classes specified in the second column of that Schedule, the basic rate, which shall be one-third of the wholesale value of the goods;
- (b) in the case of goods falling within any of the classes specified in the second column of the said Schedule, the reduced rate, which shall be one-sixth of the wholesale value of the goods.

20.—(1) The Treasury shall have power from time to time by order—

- (a) to direct that the tax shall become chargeable, either at the basic rate or at the reduced rate, in respect of goods of any class in respect of which it is not for the time being chargeable or that the tax shall cease to be chargeable in respect of goods of any class in respect of which it is for the time being chargeable;
- (b) to direct that the reduced rate shall be substituted for the basic rate, or the basic rate for the reduced rate, as the rate of the tax chargeable in respect of goods of any class in respect of which it is for the time being chargeable;

(c) to make such amendments in the Seventh Schedule to this Act as are consequential on a direction given under either of the preceding paragraphs.

(2) Where the Treasury propose to make an order under this section they shall publish, in such manner as they think best for informing persons appearing to them to be likely to be affected, notice of the proposal indicating generally the class of goods proposed to be dealt with by the order and the nature of the direction proposed to be given thereby, and the order shall not be made earlier than the expiration of fourteen days from the first publication of the notice.

(3) An order under this section shall specify a date for its coming into operation and shall have effect, subject as provided in subsection (4) of this section, in respect of goods of the class to which it relates—

(a) delivered on or after the specified date, if the purchase under which the goods are bought is other than an importer's purchase, or

(b) entered for home use on or after the specified date, if the purchase is an importer's purchase.

(4) An order under this section shall not have effect unless it is approved (either before, on, or after the specified date) by a resolution of the Commons House of Parliament.

21.—(1) The wholesale value of any goods in respect of which tax is chargeable shall be taken to be the price which in the opinion of the Commissioners the goods would fetch, on a sale made at the time when the tax in respect of the goods becomes due by a person selling by wholesale in the open market in the United Kingdom to a retail trader carrying on business in the United Kingdom only, if no tax were chargeable in respect of the sale and it were made in the circumstances specified in the Eighth Schedule to this Act.

(2) If, in ascertaining the amount of tax for which any person is accountable, any dispute arises as to the wholesale value of any goods, the question shall be referred to the arbitration of a referee appointed by the Lord Chancellor, who shall not be an official of any Government Department, and the decision of the referee with respect to the matter in dispute shall be final and conclusive:

Provided that this subsection shall not have effect, and tax shall be chargeable on the wholesale value of the goods as fixed by the Commissioners, unless, within the prescribed period from the time when the Commissioners' opinion as to the wholesale value of the goods has been communicated to the person accountable or within such further period as they may allow, notice requiring a reference thereunder has been served on the Commissioners, and that person has deposited with them the amount of the tax appearing on the basis of their opinion to have become due.

(3) If the amount of the tax chargeable on the basis of the wholesale value of any goods as determined on a reference under the last preceding subsection is less than the amount deposited with the Commissioners thereunder the excess shall be repaid.

*Ancillary Provisions as to Purchase Tax.—*

22.—(1) The person accountable for tax chargeable shall—

- (a) where the purchase by virtue of which it is chargeable was made from a wholesale merchant or a manufacturer, be the seller under that purchase;
- (b) where that purchase was made otherwise than from a wholesale merchant or a manufacturer, and is a chargeable purchase by virtue of paragraph (b) or (c) of subsection (2) of section eighteen of this Act, be the person by whom or on whose behalf the goods are entered for home use.

(2) Tax chargeable in respect of any goods shall become due—

- (a) where the purchase by virtue of which it is chargeable is other than an importer's purchase, on the delivery of the goods under the purchase;
- (b) where the purchase by virtue of which it is chargeable is an importer's purchase, on the goods being entered for home use..

23.—(1) Every wholesale merchant whose business includes the selling of any chargeable goods, and every manufacturer whose business includes the selling of any chargeable goods, shall be registered under this Part of this Act:

Provided that a person shall not be registered by reason of his being such a merchant or such a manufacturer or both if the gross takings from his sales of chargeable goods (excluding in the case of such a manufacturer who is not also such a merchant any sales by retail of goods not made by him) have not on the average exceeded two thousand pounds per annum, or in the case of a business recently commenced are unlikely so to do.

(2) A manufacturer who is not required by the preceding subsection to be registered under this Part of this Act shall be registered thereunder if he satisfies the Commissioners in the prescribed manner that he uses chargeable goods in substantial quantities as materials.

(3) Every person carrying on business in such circumstances that he is required under subsection (1) of this section to be registered shall make an application for registration in the prescribed form to the Commissioners—

- (a) if he is carrying on business in such circumstances as aforesaid at the passing of this Act, before such date as may be prescribed; or
- (b) if he begins to carry on business in such circumstances as aforesaid, or of the circumstances of a business carried on by him become such as aforesaid, after the passing of this Act, before the expiration of fourteen days from the date when he begins so to carry on business, or when the circumstances of his business become such as aforesaid, as the case may be.

(4) Where a wholesale merchant or manufacturer who is by virtue of the proviso to subsection (1) of this section not for the time being registered becomes aware, or has reasonable cause for believing, that such a change in the circumstances of his business has occurred as to render that proviso no longer applicable to him, he shall forthwith give information to the Commissioners of the change.

(5) If any person fails to comply with any of the requirements of either of the two last preceding subsections, he shall be liable to a penalty of one hundred pounds and to a further penalty of ten pounds for each day during which the failure continues.

(6) The Commissioners shall register every person who is required by this Part of this Act to be registered and shall, on his registration, issue to him a certificate thereof.

(7) Where a person who is registered ceases to be required by this Part of this Act to be registered the Commissioners shall cancel his registration.

(8) Not less than fourteen days before registering a person, otherwise than in accordance with an application for registration made by him, or cancelling the registration of a registered person, the Commissioners shall serve notice on him of their intention to register him or to cancel the registration, as the case may be.

(9) The Treasury may by order direct that the proviso to subsection (1) of this section shall have effect with the substitution, for the amount of two thousand pounds per annum therein mentioned, of such larger or smaller amount as may be specified in the order, and may from time to time vary an order so made:

Provided that an order made under this subsection shall not have effect until it is approved by a resolution of the Commons House of Parliament.

24.—(1) A purchase shall be deemed to be a purchase of goods by a registered wholesale merchant as stock for his business, or by a registered manufacturer as materials, if a representation is made to the seller in the prescribed manner and at the prescribed time by the buyer that he is the holder of a certificate of registration issued under this Part of this Act and that he intends to sell the goods or to use them as materials, and not otherwise:

Provided that, in the case of a purchase made—

- (a) by a registered person, otherwise than in the United Kingdom,  
or
- (b) by a person required to be registered, before the date on which he is so registered,

the purchase shall be deemed to be such a purchase as aforesaid if the Commissioners are satisfied, on a representation to that effect made to them, that the purchase was made as mentioned in paragraph (a) or (b) of this proviso and that the buyer intended to sell the goods or to use them as materials.

(2) If any person for the purposes of the preceding subsection makes a false representation as to his intention to sell goods or to use them as materials, he shall be liable to a penalty of five hundred pounds, so however that the court may, if it thinks fit, in lieu of ordering him to pay the said penalty order him to be imprisoned for a term not exceeding two years.

(3) If any person for the purposes of subsection (1) of this section falsely represents that he is the holder of a certificate of registration issued under this Part of this Act or that he is registered thereunder or is required so to be, the amount of any tax which would have been chargeable in respect of the purchase in question if the representation had not been made to the seller, or had not been acted on by the

Commissioners, as the case may be, shall be recoverable from that person in like manner as if it had been chargeable and he had been accountable therefor, without prejudice to any punishment to which he is liable under section thirty-five of this Act.

25.—(1) Where a wholesale merchant or manufacturer who is required by this Act to be registered appropriates or applies any chargeable goods in his ownership, the property in which he acquired under a purchase of goods as stock for his business or as materials, or, in the case of a manufacturer, any chargeable goods which have been made by him or which are the result of a process applied by him, either—

- (a) to the purposes of any business carried on by him of selling chargeable goods by retail (otherwise than to registered manufacturers as materials), or
- (b) to the purposes of any business carried on by him of letting out chargeable goods on hire, or
- (c) to any other purpose not being a sale of the goods under a purchase which is a chargeable purchase or a sale of the goods to a registered wholesale merchant as stock for his business or to a registered manufacturer as materials,

the appropriation or application shall be treated for the purposes of this Part of this Act as if it were a chargeable purchase, he shall be accountable for the tax chargeable in respect of the goods, and the tax shall become due at the time of the appropriation or application.

(2) A registered wholesale merchant or manufacturer who carries on any business of selling chargeable goods by retail, or of letting out chargeable goods on hire, shall keep such records as the Commissioners may require him to keep and in such form as they may require, and if he fails so to do he shall be guilty of an offence against this Part of this Act.

26.—(1) Where the Commissioners are satisfied that a person makes, for the purposes of a business of selling by retail carried on by him, purchases of chargeable goods which in value and character are such as in the ordinary course of trade are made by wholesale merchants, he shall be registered under this Part of this Act.

(2) This Part of this Act, other than the provisions of subsections (1) to (5) of section twenty-three of this Act, shall have effect in relation to a person required by this section to be registered as it has effect in relation to a wholesale merchant, and references in this Part of this Act to a wholesale merchant shall be construed accordingly.

27. The seller of chargeable goods under a chargeable purchase made in the United Kingdom after the date specified for the coming into operation of the tax in an order approved under subsection (3) of section eighteen of this Act shall add to any invoice or similar document deliver by him to the buyer a statement indicating the amount due from the buyer to the seller by reference to tax for which the seller may be accountable in respect of the purchase.

28.—(1) Where in respect of goods bought under a purchase made before the date on which approval is given by the Commons House of Parliament to an order specifying the date for the coming into operation of the tax, or directing that the tax shall become chargeable in respect of goods of a class within which those goods fall, or that the basic rate shall be substituted for the reduced rate in respect of such goods, any tax which would not have been chargeable if the

order had not been approved becomes chargeable, or any tax which would have been chargeable at the reduced rate if the order had not been approved becomes chargeable at the basic rate, the seller may, in the absence of agreement to the contrary, recover, as an addition to the consideration, a sum equal to the amount of the tax chargeable in respect of the goods, or of the excess of that amount over what it would have been if the order had not been approved, as the case may be.

(2) Where in respect of goods bought under a purchase made before the date on which approval is given by the Commons House of Parliament to an order directing that the tax shall cease to be chargeable in respect of goods of a class within which those goods fall, or that the reduced rate shall be substituted for the basic rate in respect of such goods, any tax which would have been chargeable if the order had not been approved does not become chargeable, or any tax which would have been chargeable at the basic rate if the order had not been approved becomes chargeable at the reduced rate, the buyer may, in the absence of agreement to the contrary and if the seller has had in respect of the goods the benefit of the tax not becoming chargeable or becoming chargeable at the reduced rate, deduct from the consideration a sum equal to the amount which would have been the amount of the tax chargeable in respect of the goods if the order had not been approved or to the amount by which the tax chargeable in respect of the goods is less than it would have been in that event, as the case may be.

29.—(1) Where goods bought under a purchase which is chargeable purchase by virtue of paragraph (a) of subsection (2) of section eighteen of this Act, or goods appropriated or applied as mentioned in section twenty-five of this Act, are shown to the satisfaction of the Commissioners to have been exported from the United Kingdom by the seller under the purchase, or by the person by whom the goods were so appropriated or applied, as the case may be, the tax which apart from this provision would be chargeable in respect of the goods shall not be chargeable.

(2) The Treasury may by order give such directions as they think proper for the payment, on the exportation from the United Kingdom of goods of any class specified in the order by a person not being a registered wholesale merchant or manufacturer, or by such a wholesale merchant or manufacturer who has bought the goods otherwise than as stock for his business or as materials, of an allowance for tax paid or payable in respect of the goods exported or goods of any class specified in the order used by that person in making the goods exported, where it is shown to the satisfaction of the Commissioners—

- (a) that that person bought from such a wholesale merchant or manufacturer selling by wholesale, or imported into the United Kingdom, the exported goods or goods of the specified class used by him in making the exported goods;
- (b) that there has been a chargeable purchase of the exported goods, or of the goods used in making them, as the case may be, and that the tax chargeable in respect thereof has been, or will be paid; and
- (c) that the exported goods have not been used.

(3) The amount of an allowance to be paid under the last preceding subsection shall be either (as may be provided by the order)—

- (a) the amount of the tax referred to in paragraph (b) of that subsection; or
- (b) an amount calculated in accordance with provisions in that behalf of the order, which provisions shall be such as will in the opinion of the Treasury secure that the aggregate of the amounts of allowances paid in respect of goods of any class shall not exceed the aggregate of the amounts chargeable by way of tax in respect of goods of that class.

(4) An order made under this section may be varied or revoked by a subsequent order made by the Treasury.

(5) In this section references to the exportation of goods from the United Kingdom include references to the shipment of goods as ships' stores.

*Administration and collection of the tax.*

30.—(1) The tax shall be under the care and management of the Commissioners.

(2) The Commissioners may do all such acts as may be deemed necessary and expedient for raising, collecting, receiving, and accounting for the tax in the like and as full and ample a manner as they are authorised to do with relation to any duties under their care and management.

(3) All money and securities for money collected or received in Great Britain for or on account of the tax shall be placed to the general account of the Commissioners kept at the Bank of England under section twenty-one of the Customs Consolidation Act, 1876.

31.—(1) Tax becoming due shall be accounted for and paid in accordance with regulations made under this Part of this Act.

(2) Tax shall be recoverable as a debt due to His Majesty from the person accountable therefor, and, where the aggregate amount of tax payable by a person accountable therefor at the time of the commencement of proceedings for the recovery thereof is less than fifty pounds, that tax may, without prejudice to any other mode of recovery thereof, be recovered by the Commissioners from that person summarily as a civil debt.

(3) On the entry for home use of any chargeable goods imported into the United Kingdom, the Commissioners may require security to be given to them for any tax which may become chargeable in respect thereof by reason of their being bought under a purchase which is a chargeable purchase by virtue of paragraph (c) of subsection (2) of section eighteen of this Act.

(4) On the entry for home use of any goods in respect of which tax then becomes due, or in respect of which the Commissioners require security to be given under the last preceding subsection, the entry shall not be signed by the proper officer of customs and excise unless the proper tax is paid, or the security required is given, as the case may be, in accordance with regulations made under this Part of this Act.

32. Where a person who is accountable for any tax, or on whom any duties are imposed by this Part of this Act or regulations made thereunder, is not resident in the United Kingdom, the Commissioners

may, by notice in writing served on any agent, manager or factor, who is resident in the United Kingdom and has acted on behalf of that person in the matters by reference to which that person is accountable or those duties are imposed, direct that he shall be substituted for that person as the person accountable for the tax or that he shall be under an obligation to discharge those duties or any of them.

*Miscellaneous Provisions as to Purchase Tax.*

33.—(1) The Commissioners may make regulations providing for any matter for which provision appears to them to be necessary for the purpose of giving effect to the provisions of this Part of this Act and of enabling them to discharge their functions thereunder, and in particular, but without prejudice to the generality of the preceding words,—

- (a) for ascertaining all chargeable purchases and all such appropriations and applications as are mentioned in section twenty-five of this Act, and the amounts of tax chargeable by virtue thereof, and for requiring security for the payment of tax;
- (b) for imposing upon persons who appear to the Commissioners to be carrying on a business which consists of or includes that of a wholesale merchant or manufacturer, or the making of such purchases as are mentioned in section twenty-six of this Act, the duty to furnish to the Commissioners within such period as may be prescribed information in the prescribed form of any facts relevant for determining whether such persons ought to be registered or the matters in respect of which they ought to be registered or of any other facts relating to the business;
- (c) for imposing upon registered persons, and upon such other persons as may be prescribed in relation to registered persons who have died or become subject to any incapacity, the duty to furnish to the Commissioners within such period as may be prescribed information in the prescribed form of any facts by virtue of which their registrations ought to be varied or cancelled;
- (d) for enabling persons to be treated as registered wholesale merchants or manufacturers during a limited period by way of representation of registered wholesale merchants or manufacturers who have died or become subject to any incapacity;
- (e) as to the form, issue, continuance in effect, variation, custody, use, and surrender, of certificates of registration;
- (f) for requiring registered persons to keep accounts, and to make returns of purchases made from or by them, and of any appropriations or applications such as are mentioned in section twenty-five of this Act made by them, and of the amounts of tax for which they are accountable, in respect of such periods, in such form and containing particulars with respect to such matters, as may be prescribed, and to pay the amounts of tax appearing by the returns to be due from them at such times as may be prescribed;
- (g) for authorising distress to be levied on the goods and chattels of a person neglecting or refusing to pay, in accordance with regulations made under the last preceding paragraph, tax

which he is thereby required to pay, and for applying and adapting, with or without modification, to the levying of distress under regulations made under this paragraph any of the provisions of subsections (2) to (5) of section one hundred and sixty-two of the Income Tax Act, 1918;

- (h) for requiring any persons concerned with the purchase or importation of goods or dealings with imported goods to furnish to the Commissioners within such time and in such form as they may require such information relating to the goods or to the purchase or importation thereof or dealings therewith as they may specify, and to produce for inspection any books or accounts or other documents of whatever nature relating thereto;
- (i) for applying and adapting, with or without modification, to the tax and to repayments and allowances, and to registered persons, any enactment relating to any duty or drawback of excise or customs or to persons carrying on any trade subject to the law of excise;
- (j) for prescribing anything which by this Part of this Act is required or authorised to be prescribed.

(2) If any person contravenes or fails to comply with any of the requirements of regulations made under this Part of this Act he shall be guilty of an offence against this Part of this Act.

34.—(1) Regulations made by the Commissioners under this Part of this Act, and any order made by the Treasury under section twenty-nine of this Act, shall be laid before the Commons House of Parliament as soon as may be after the making thereof, and if that House within twenty-eight days from the date on which any such regulations or order are or is laid before it resolves that the regulations or order be annulled, the regulations or order shall thereupon cease to have effect but without prejudice to anything previously done thereunder or to the making of new regulations or a new order.

(2) In reckoning any period of twenty-eight days specified in this Part of this Act in relation to the laying of orders, regulations or lists, before the Commons House of Parliament, no account shall be taken of any time during which Parliament is dissolved or prorogued or during which the said House is adjourned for more than four days.

35.—(1) Any person guilty of an offence against this Part of this Act in respect of which no other penalty is therein specified shall be liable to a penalty of fifty pounds.

(2) If, with intent to deceive, any person, for the purposes of this Part of this Act or of regulations made thereunder, produces, furnishes, sends or otherwise makes use of, any book, account, estimate, return, or other document, which is false in a material particular, he shall be liable to a penalty of five hundred pounds.

(3) If, in furnishing any information for the purposes of this Part of this Act or of regulations made thereunder, any person makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular, he shall be liable to a penalty of five hundred pounds.

(4) If, with intent to deceive, any person counterfeits, or uses, or lends to, or allows to be used by, any other person, a certificate of registration issued under this Part of this Act, or makes or has in his

possession any document so closely resembling such a certificate as to be calculated to deceive, he shall be liable to a penalty of five hundred pounds.

(5) The court may, if it thinks fit, in lieu of ordering a person who is liable to a penalty under subsection (2) (3) or (4) of this section to pay that penalty, order him to be imprisoned for a term not exceeding two years.

36. The provisions of the Ninth Schedule to this Act shall have effect in relation to the enforcement of this Part of this Act and in relation to the service of notices thereunder.

37. If the Commissioners are satisfied that chargeable goods have been delivered, entered for home use, or appropriated or applied as mentioned in section twenty-five of this Act, in the course of any business during the period between the second day of July, nineteen hundred and forty, and the date specified for the coming into operation of the tax in an order approved under subsection (3) of section eighteen of this Act on a scale or in a manner not in accordance with the ordinary practice of the business, the Commissioners, may, as respects all or any of those goods, by notice in writing served on the person who, if they had been delivered, or so entered, appropriated or applied, after the date of the coming into operation of the tax, would have been accountable for the tax chargeable in respect thereof, direct that the tax shall be chargeable as if they had been delivered, or so entered, appropriated or applied, after that date.

38. In the application of this Part of this Act to Scotland—

- (a) for any reference to the levying of distress on goods and chattels there shall be substituted a reference to execution by the pouncing of goods and effects; and for any reference to subsections (2) to (5) of section one hundred and sixty-two of the Income Tax Act 1918 there shall be substituted a reference to section one hundred and sixty-six of the said Act;
- (b) subsection (2) of section twenty-one shall, in any case where the person accountable for the tax has his principal place of business in Scotland, have effect as if for the reference to the Lord Chancellor there were substituted a reference to the Lord President of the Court of Session.

39. (1) In the application of this Act to Northern Ireland subsection (2) of section twenty-one shall, in any case where the person accountable for the tax has his principal place of business in Northern Ireland, have effect as if for the reference to the Lord Chancellor there were substituted a reference to the Lord Chief Justice of Northern Ireland.

(2) The Government of Ireland Act, 1920, shall have effect as if the tax were one of the taxes mentioned in subsection (1) of section twenty-two of that Act (which relates to reserved taxes).

(3) Payment into the Exchequer of money and securities for money collected or received in Northern Ireland for or on account of the tax shall be made in such manner as the Treasury may direct.

40.—(1) If an Act of Tynwald is passed making in relation to the Isle of Man provision similar to the provision made by this Part of this Act in relation to the United Kingdom, His Majesty may by Order in Council make provision, in relation to goods removed from

or into the Isle of Man into or from the United Kingdom, for securing that, so long as the said Act of Tynwald is in force and the classes of goods in respect of which tax is chargeable thereunder and the rates of tax so chargeable in respect of those classes of goods are the same respectively as the classes of goods in respect of which tax is chargeable under this Part of this Act and the rates of tax so chargeable in respect of those classes of goods,—

- (a) such a removal shall not be treated for the purposes of either enactment as an importation or exportation of the goods;
- (b) a purchase which would be a chargeable purchase under paragraph (a) of subsection (2) of section eighteen of this Act or under the corresponding provision of the said Act of Tynwald if all persons registered under either Act were registered under a single Act extending both to the United Kingdom and to the Isle of Man, and if for references in this Part of this Act to the United Kingdom and for references in the said Act of Tynwald to the Isle of Man there had been substituted references to the United Kingdom and the Isle of Man as a whole, shall be a chargeable purchase under one or other Act but not under both of them; and
- (c) a purchase which in that case would not be a chargeable purchase as aforesaid shall not be a chargeable purchase under either enactment;

and may direct that this Part of this Act and the said Act of Tynwald shall have effect subject to such modifications as may be requisite for giving effect to the purposes of the Order.

(2) An Order in Council made under this section may be varied or revoked by a subsequent Order in Council.

41.—(1) In this Part of this Act, unless the context otherwise requires, the following expressions have the meanings hereby assigned to them respectively, that is to say—

“the Commissioners” means the Commissioners of Customs and Excise;

“entered for home use” means entered for home consumption or home use in accordance with the enactments relating to the customs, and “entry” has a corresponding meaning;

“goods” has the same meaning as in the Sale of Goods Act, 1893;

“importer’s purchase” has the meaning assigned to it by subsection (2) of section eighteen of this Act;

“manufacturer” means a person who carries on in the United Kingdom a business of making goods or of applying any process in the course of the making of goods, so however that for the purposes of this definition the making up of drugs according to a formula prescribed by reference to the needs of a particular patient shall not be regarded as the making of goods;

“materials” means, in relation to a manufacturer, goods to which some process is applied by him by way of business in the course of the making of goods, or which are used by him as aforesaid as parts of or accessories for the goods made;

“prescribed” means prescribed by regulations made under this Part of this Act;

- “process” includes, in relation to the making of goods, the assembling of parts of the goods;
- “purchase” means any contract which is a contract of sale within the meaning of the Sale of Goods Act, 1893, and also a contract similar to such a contract in other respects but made for a consideration wholly or partly in money’s worth and not, or not only, in money, and includes any transaction, in whatsoever form expressed, in so far as its effect is in substance the same as the effect of such a contract as aforesaid, and references to goods being bought include, in relation to a purchase made for a consideration not, or not only, in money, and in relation to any such transaction as aforesaid, references to goods being acquired in any manner;
- “selling by retail” means selling goods by way of business otherwise than by wholesale, and “retail trader” means a person who sells by retail and not otherwise;
- “selling by wholesale” means selling goods of any class to a person who carries on a business of selling goods of that class;
- “selling goods to a manufacturer as materials” means selling goods of any class to a manufacturer who uses goods of that class as materials;
- “tax” means tax chargeable by virtue of this Part of this Act;
- “wholesale merchant” means a person who carries on in the United Kingdom a business of selling by wholesale goods bought by him, and includes a person who carries on in the United Kingdom a business of selling to manufacturers as materials goods bought by him.

(2) For the purposes of this Part of this Act, if at the time when a purchase is made the buyer is in possession of the goods bought thereunder, or of part thereof, delivery of the goods, or of that part thereof, as the case may be, under the purchase shall be deemed to have taken place on the making of the purchase.

(3) For the purposes of this Part of this Act, a person shall be deemed to make goods, or to apply a process, if the goods are made, or the process is applied, by another person to his order under any form of contract other than a purchase.

## STATUTORY RULES AND ORDERS RELATING TO BRITISH PURCHASE TAX

1940. No. 1552. PURCHASE TAX

*The Purchase Tax Regulations, 1940, dated August 23, 1940, Made by the Commissioners of Customs and Excise Under Part V of the Finance (No. 2) Act, 1940 (3 & 4 Geo. 6. c. 48)*

The Commissioners of Customs and Excise in exercise of the powers conferred upon them by Part V of the Finance (No. 2) Act, 1940 (hereinafter referred to as "the Act"), hereby make the following Regulations:—

1. Applications from persons carrying on business in such circumstances that they are required under subsection (1) of section 23 of the Act to be registered shall be made in the form approved by the Commissioners and containing such particulars of the business carried on by such persons as the Commissioners may require.

Such applications shall, if the person so required to be registered is carrying on business at the passing of the Act, be made before the 20th day of September, 1940.

2. A manufacturer who is not required by subsection (1) of section 23 of the Act to be registered shall, if he desires to be registered under the provisions of subsection (2) of the said section 23, for the purpose of satisfying the Commissioners that he uses chargeable goods in substantial quantities as materials, apply to the Commissioners for registration and furnish to them such information as they may require for the purpose of being so satisfied in such form and manner as they may direct.

3. Every person who appears to the Commissioners to be carrying on a business which consists of or includes that of a wholesale merchant or manufacturer or the making of such purchases as are mentioned in section 26 of the Act shall furnish to the Commissioners such information relating to his business within such time and in such form as they may require for the purpose of determining whether such person ought to be registered.

4. On the entry for home use of any chargeable goods imported into the United Kingdom security for tax which may become chargeable in respect thereof by reason of their being bought under a purchase which is a chargeable purchase by virtue of paragraph (c) of subsection (2) of section 18 of the Act shall be given by the person by whom or on whose behalf the goods are entered, in such form as the Commissioners may require.

5. On the entry for home use of any goods in respect of which tax then becomes due the proper tax shall be paid to the proper officer of Customs and Excise upon delivery of the entry.

6. Where a registered person becomes aware or has reasonable cause for believing that the circumstances of his business have so changed

that his registration ought to be varied or cancelled he shall forthwith give information of such change to the Commissioners specifying all facts relevant for determining whether the registration ought to be varied or cancelled.

7. Every person concerned with the purchase or importation of goods or dealings with imported goods shall furnish to the Commissioners within such time and in such form as they may in any case require information relating to the goods or to the purchase or importation thereof or dealings therewith as they may specify and shall produce at his premises or elsewhere as the Commissioners may appoint for inspection to an officer or other official of Customs and Excise upon demand any books or accounts or other documents of whatever nature relating thereto.

8. The representation by the buyer for the purpose of subsection (1) of section 24 of the Act (which relates to purchases that are to be treated as purchases of wholesale merchant's stock or manufacturer's materials) shall be made by the buyer delivering to the seller before delivery of the goods under the purchase a written order for the goods containing a statement in writing in one of the following forms as the case may be:

In the case of a registered wholesale merchant, or of a person registered under the provisions of section 26 of the Act:—

“Purchase by \_\_\_\_\_, holder of Purchase  
Tax Certificate No. \_\_\_\_\_ of goods as stock intended  
for sale by him (them).”

In the case of a registered manufacturer:—

“Purchase by \_\_\_\_\_, holder of Purchase  
Tax Certificate No. \_\_\_\_\_ of goods as materials intended  
for use by him (them) as materials.”

Any such statement shall be signed by the registered person or on his behalf by some person duly authorized by him in writing in a form approved by the Commissioners and shall be retained by the seller and produced on demand to the proper officer or other official of the Customs and Excise.

9. For the purpose of the proviso to subsection (2) of section 21 of the Act (which relates to disputes as to the wholesale value of any goods), the prescribed period shall be a period of fourteen days from the time when the Commissioner's opinion as to the wholesale value of the goods has been communicated to the person accountable for the tax.

10. (a) The Interpretation Act, 1889, applies to the interpretation of these Regulations as it applies to the interpretation of an Act of Parliament.

(b) These Regulations may be cited as “The Purchase Tax Regulations, 1940.”

Signed by order of the Commissioners of Customs and Excise.

O. MUNDY,

*Secretary of the Commissioners of Customs and Excise.*

CUSTOM HOUSE, LONDON, E. C. 3.

*23rd August 1940.*

## STATUTORY RULES AND ORDERS RELATING TO BRITISH PURCHASE TAX

1940. No. 1771. PURCHASE TAX

The Purchase Tax (Commencement) Order, 1940, dated October 3, 1940, made by the Treasury under section 18 of the Finance (No. 2) Act, 1940 (3 & 4 Geo. 6. c. 48)

The Lords Commissioners of His Majesty's Treasury, in exercise of the power conferred on them by subsection (3) of section 18 of the Finance (No. 2) Act, 1940, and of all other powers enabling them in that behalf, hereby make the following Order:—

1. The date for the coming into operation of the tax chargeable by virtue of Part V of the Finance (No. 2) Act, 1940, shall be the twenty-first day of October, nineteen hundred and forty.

2. This Order may be cited as the Purchase Tax (Commencement) Order, 1940.

Dated this third day of October, 1940.

KINGSLEY WOOD,  
W. W. BOULTON,  
*Two of the Lords Commissioners of  
His Majesty's Treasury.*

# REGISTRATION FOR BRITISH PURCHASE TAX PURPOSES

## INSTRUCTIONS FOR COMPLETING THIS FORM

1. All manufacturers of, and dealers by wholesale in, goods chargeable with Purchase Tax are (except as described at 2, below) required to register for Purchase Tax purposes. A full list of the chargeable goods and full particulars regarding registration, etc., are contained in Notice No. 74, copies of which may be obtained from any Customs and Excise Office or from the Secretaries' Office, Custom House, London, E. C. 3. The instructions in the Notice and on this form should be carefully followed.

2. For the present firms are not required to register if their gross takings from sales of chargeable goods (excluding in the case of a manufacturing retailer, any retail sales of goods not made by him) do not on the average exceed £2,000 a year. In such cases no application for registration should be made.

3. All firms required to register are advised to do so *without delay*. Heavy penalties are incurred by failing to apply for registration before the prescribed date, which will be announced shortly, and firms not registered when the tax comes into operation will be unable to obtain supplies for their business at a tax free price.

4. One application only should be made in respect of each business for which registration is necessary. This will include all its branches provided they all trade under the same name. A separate application should be made where necessary in respect of any branches trading under a different name or as separate limited companies.

5. The form must be signed by the proprietor of the business if an individual; by a partner in the case of a private firm; by a director or the secretary in the case of a limited company. In the case of foreign firms carrying on manufacture or wholesale trade of a registrable character in the United Kingdom the form should be signed by the agent; manager or factor for the firm in this country (see paragraph 15 of Notice 74).

6. *In every case* a sheet of the firm's business letter paper should be appended. It should be used to supplement the information given on the form where the space provided on the latter is insufficient.

7. The form when completed should be sent to the Customs and Excise Officer in whose Station the firm's principal address is situated. The address of the Officer may usually be obtained at the nearest Post Office. The addresses in London are shown in the footnote overleaf.

APPLICATION FOR REGISTRATION

1. Full name or trading style of the business for which registration is required.....
  2. Full name(s) of proprietor or proprietors of the business.....
  3. Principal address of the business, i. e., address where principal accounts are kept and from which returns of tax will be made.....
  4. Ordinary trade description of the business carried on.....
  5. Class(es) of chargeable goods:
    - (a) manufactured and sold.....
    - (b) bought and re-sold by wholesale.....
    - (c) used as materials in making non-chargeable goods.....
 Estimated annual value of the materials used under (c) and of the goods produced therefrom.....
- [NOTE.—(i) Only the Class numbers as shown in the list in Notice No. 74 need be given.  
 (ii) No particulars need be given under (5) (c), where registration is applied for under 5 (a) or 5 (b).]
6. Full list of premises (if different from (3)) where manufacture or wholesale trade specified at (5) is carried on. (Addresses of retail shops belonging to the business are not required, unless they are engaged in manufacturing chargeable goods, e. g., tailoring.) .....
- |  | Class of goods | Percentage deduction claimed |
|--|----------------|------------------------------|
| 7. If the value on which tax should be charged will have to be calculated under paragraph 23 (d) of Notice No. 74, state what percentage deduction from retail selling prices (excluding tax) you claim should be made in order to arrive at a fair open market wholesale selling price..... | -----          | -----                        |
|  | -----          | -----                        |
|  | -----          | -----                        |
|  | -----          | -----                        |

I, .....

(full name of signatory) hereby declare that the foregoing particulars are true and complete to the best of my knowledge and belief.

Signed .....

\*Proprietor  
 \*Partner  
 \*Director  
 \*Secretary

} of the business, firm or company in respect of which registration is applied for.

Date .....

\*Delete as inapplicable.

FOR OFFICIAL USE

Station Date Stamp	Examined.....	Allowed.....	Refused.....
	Registered Number.....		
	Class of Goods		Deduction from S. P. allowed
			Initials.....
	Form P. T. 5 sent.....		Initials.....
	Form P. T. 6 sent.....		Initials.....

London Postal District	Address of Office	London Postal District	Address of Office
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