

and foreign raw leaf tobacco, unstemmed, and with the exception also of the item referring to the materials used in the manufacture of tobacco where less than fifty per cent Canadian raw leaf tobacco is used, the increases amount to about one hundred per cent. The estimated increase in revenue is as follows: tobacco manufactured, increase \$2,073,508; cigars, increase, \$719,256.75; cigarettes, increase, \$3,921,830.75; foreign leaf tobacco, increase, \$2,096,450.64; Canadian leaf tobacco, increase, \$224,750. The total estimated increase in revenue upon these items is \$9,035,796.14.

Mr. Du TREMBLAY: With regard to the tax on cigars, there is a uniform tax of six dollars per thousand regardless of quality. It has been suggested to me that this is unjust, because the five-cent cigar is sold to the retailer on such a close margin that with the additional tax he will be unable to sell at five cents, and will have to charge six or seven cents. The tax, however, will not affect the price of the ten or fifteen-cent cigar and cigars of better quality, because the margin at which they are sold to the retailer is not so close. In the case of the cheaper cigar it is the labourer, the farmer, and the poor people of this country who will pay the tax, but the ten-cent cigar and cigars of better quality will still sell at the same price, and the wealthy man will not be touched by this tax. Another injustice is done to the poor man by the increase on the tax of tobacco entering into these cigars from twenty-eight cents to forty cents. The Government taxes the tobacco that comes from Cuba and Havana for 10 and 15 cents cigars at the same rate as the tobacco that goes into the five-cent cigar, which is not nearly of so good a quality. In the United States, the tobacco tax is based on quality and not quantity, and I say that our tax should be on a similar basis. I am informed that the five-cent cigar which before the first of May was sold to the retailer at thirty-six dollars per thousand, will sell under this new tax at forty-two to forty-three dollars per thousand. The ten-cent cigar before the first of May was selling at sixty-seven dollars per thousand, or at six and seventh-tenths of a cent each. So the margin there will allow the retailer to sell the ten-cent cigar at the same price even with this tax, or three for a quarter. The consumer will pay the tax on the five-cent cigar, and the manufacturer and retailer will pay the tax on the ten-cent cigar. I understood it was the intention of the

[Mr. A. K. Maclean.]

Acting Minister of Finance to tax wealth, and I would therefore submit that he tax the cigars according to quality rather than quantity. I am informed that on the present basis the tax will lead to a loss in revenue because the manufacturers will stop making five cent cigars, as the people will not pay six or seven cents for them, and the Government will of course lose that much revenue. I hope the minister will take my suggestion into consideration, and see that justice is rendered to the common people. I know that as the tax is based at present it will fall heavily on the poor people, and they will feel they have not been treated fairly.

Mr. HENRY A. MACKIE: I desire to support the remarks of my hon. friend. I think he has stated the case fairly. The cigars selling at ten cents and higher prices can still be sold at the present price because of the margin that exists between the manufacturer's price and the retail price, but the margin in the case of the five cent cigar is so small that the consumer must pay the additional price. The lower-priced cigar will then be so unpopular that its manufacture will have to be discontinued, and consequently the manufacturer loses, the retailer loses, and indirectly the Government loses. I would ask the Government to take my hon. friend's suggestion into consideration.

Mr. A. K. MACLEAN: I do not deny that there is some force in the remarks made by my hon. friend in which he suggests that the excise tax upon cigars be based upon the selling price and not upon the quality. The excise cigar tax in Canada has always been based upon quantity, and I do not feel justified in changing that principle at the present time. In the United States for a number of years the excise tax upon cigars has been based upon the selling price. If that principle were adopted in the case of a five cent cigar, we would be obliged to apply it to all other excise taxes on cigars. The increase in the taxation upon cigars does not exceed two-thirds of a cent for each cigar. In the case of the five cent cigar, it is generally sold to the retail trade by the manufacturer at \$36 per thousand, leaving a profit, selling at five cents, of about forty per cent. This increase in taxation should not at the very most increase the price to the retailer by the manufacturer more than \$6 per thousand, or from \$36 to \$42. Even selling at that price, the retailer would still have a profit of 20 per cent. Again, he could protect himself by adding one cent to the price of a five cent