

Mr. RICHARDSON: I would direct the attention of my hon. friend (Mr. Bureau) to the experience in Winnipeg, where we established a publicly-owned electric power system.

Mr. BUREAU: What about your telephone system?

Mr. RICHARDSON: They cut the cost of electric power to the consumers in Winnipeg and vicinity about one-third, and are paying a handsome profit in addition. Moreover, they compel competing companies to reduce their rates.

Mr. BUREAU: Let them pay taxes to the federal treasury, then.

Mr. RICHARDSON: The idea is not to pay taxes; they try to give the consumers service at cost.

Mr. BUREAU: Us for ourselves.

Mr. RICHARDSON: No, they pay interest on the investment.

Mr. LAPOINTE: Sinn Fein.

Sir HENRY DRAYTON: I desire to make a slight amendment to clause 2. I move that the resolution be amended by striking out the word "and" in the fourth line thereof and replacing the same by a comma, and by adding after "1918" the words "and 1919."

Mr. FIELDING: Is that an additional tax you are imposing?

Sir HENRY DRAYTON: It is to cover an accounting period with respect to profits on munitions.

Mr. FIELDING: Are you sure you do not need a new resolution?

Sir HENRY DRAYTON: I do not think it is an additional tax at all. No munitions operations were carried on in 1919, but there has been such delay in accounting in one or two instances that we want to make it clear that munitions profits for 1918, although accounted for in 1919, are taxable.

Mr. JACOBS: In many cases these munitions companies have already accounted and gone out of business. Does the minister propose to rake these over again?

Sir HENRY DRAYTON: Oh no, nothing of that kind is thought of. The Act of 1917 was designed to make manufacturers in the small class subject to the ordinary smaller rate of taxation, but manufacturers in that small class who took up munition work and made taxable profits out of it would be chargeable in the higher scale. Settlements have been made in almost all cases, but

they are not entirely complete, and the issue is now being raised that the legislation of 1917 did not have the effect of applying to these unaccounted for operations. We think it had; the Department of Justice advises us that it had, and practically the whole matter has been closed on that basis. This will ensure that all will be treated alike; that those who have not yet completed their accounting will be treated exactly the same as others were treated.

Mr. JACOBS: Those who have already paid have been obliged to pay on this basis?

Sir HENRY DRAYTON: Absolutely.

Mr. JACOBS: This resolution is simply to make clear the law of last year?

Sir HENRY DRAYTON: Yes.

Mr. PEDLOW: Do the words "such profits" in the fifth line refer to gross profits or to net profits?

Sir HENRY DRAYTON: Net profits.

Mr. PEDLOW: It is not so stated.

Sir HENRY DRAYTON: I shall be glad to see that that is made right in the Bill.

Amendment agreed to.

Resolution reported and concurred in.

Sir HENRY DRAYTON (Minister of Finance) thereupon moved for leave to introduce Bill No. 157, to amend the Business Profits War Tax Act, 1916.

Motion agreed to, and Bill read the first time.

#### WAYS AND MEANS—INCOME WAR TAX.

The House again in Committee of Ways and Means.—Sir Henry Drayton (Minister of Finance)—Mr. Boivin in the Chair.

Resolved, That it is expedient to amend The Income War Tax Act, 1917, and the amendments thereto, and to provide:

1. That the taxes and surtaxes, including the tax upon corporations and joint stock companies, leviable and payable under the provisions of section four of the said Act as enacted by chapter fifty-five of the Statutes of 1919 shall each be increased by five per centum on incomes of five thousand dollars and upwards, such increases to apply to all taxes and surtaxes leviable for any income received during the calendar year nineteen hundred and nineteen, or the income of any accounting period ending in nineteen hundred and nineteen, as the case may be, and for each calendar year or accounting period thereafter;

2. That each person liable to taxation under the said Act and the amendments thereto for the calendar year nineteen hundred and twenty or any accounting period ending in the year nineteen hundred and twenty and for each