war, or had been operating in a depressed industry, or were undergoing rapid expansion, would be subject to what appeared to be unwarranted discrimination. There were many other situations both of substance and administration which required review. And so since the passing of the act in September the measure has been thoroughly overhauled and, as I intimated publicly over four months ago, very extensive amendments will be proposed and we have decided to recast the whole act. The new measure will be much more drastic but at the same time its application as between various industries and firms will be far more equitable.

I shall not attempt to summarize all the changes to be effected by the bill which will be submitted, but I should outline some of the main features of our proposals:

(1) Option A will be dropped altogether and we will instead rely wholly on the general principle of the British act which was also the principle followed in option B of the old act. On this basis we will increase the tax from 50 per cent to 75 per cent on the excess of profits in any taxable year over those earned in the base or standard period.

(2) In order to ensure that no profitable business will escape taxation, it is proposed that in no case of an incorporated company shall the excess profits tax, when combined with the corporate income tax, be less than 30 per cent of the company's total profits, whether or not such profits exceed pre-war profits. It will be remembered that the corporation income tax is 18 per cent.

The same result is achieved in the case of unincorporated businesses by provision that the excess profits tax shall never be less than 12 per cent of the total profits, whether or not such profits exceed pre-war profits.

(3) There will be a number of provisions for adjusting the base or standard profits in the case of newly established businesses, businesses whose capital employed or whose scale of operations has been or is rapidly expanding, and businesses operating in depressed industries whose base years show losses or abnormally small profits.

(4) In order that firms may not receive discriminatory treatment because their fiscal years happen to end on different dates it will be recommended that the tax in respect of all businesses shall apply to profits earned on and after the same date, namely, January 1, 1940, regardless of the expiry date of their fiscal year.

(5) The tax will not apply to businesses whose profits are not in excess of $5,000, and allowance will be made for drawings in lieu of salaries not in excess of $5,000 by sole proprietors or partners.

(6) To assist in carrying out these provisions fairly and realistically, the appointment of a board of referees will be proposed.

(7) In connection with the gold mining and the oil producing industries a different basis of adjusting base or standard profits appears necessary to deal with new and expanding companies. In the present emergency, as I stressed a little earlier, it is considered desirable to encourage the development of these natural resources, particularly because of their effect in directly increasing our supplies of hard currency exchange or in decreasing our requirements therefor.

These industries also require the risking, and very often the losing, of large amounts of capital in exploratory and development work before production commences. The results obtained from these expenditures are inherently erratic, depending on the possibility of a "lucky strike." If a "strike" is eventually made, increases in the scale of production or recovery are not closely related to increases in the amount of capital employed.

Consequently, for the purpose of adjusting standard profits in the case of expanding operations, the basis used will be not capital employed but number of units of output. In the case of a new development, standard profits will be calculated by taking into account the number of units of output in the taxable year and the average price of the product during the base period.

All companies in the gold mining or oil producing industries (except companies exempted temporarily from corporate income tax under section 89 of the Income War Tax Act) will, however, as in the case of all other companies, pay in excess profits tax and corporate income tax combined a minimum of 30 per cent of the total profits, whether or not such profits exceed pre-war profits.

You can readily appreciate how difficult it is to forecast the yield of a tax such as this, but our rough estimate is that in a full year's operation the excess profits tax will yield about $100 million, of which approximately $25 million will be collected during the current fiscal year.

The next revenue measures proposed apply to individuals. They are:

First, sharp increases in the personal income tax by a revision upwards of rates throughout the whole range of taxable incomes and a lowering of exemptions;

Second, an over-riding flat rate tax, collectable at the source in most cases, in respect of all taxable incomes and including lower incomes than those covered by the income tax itself.

I will deal first with our proposals relating to personal income tax. This is the tax which