

drastic as that which we are proposing, unless they can see an opportunity of being able to amortize their costs over a reasonable period. Special provision therefore will have to be made for this problem.

I think this covers the interrogation marks in my right honourable friend's mind. In the circumstances I would suggest that we pass the Bill in its present form. We cannot amend it.

Right Hon. Mr. MEIGHEN: I have no thought of suggesting that we amend the Bill. I am not clear as to section 11:

The provisions of this Act shall apply to the profits of the year 1940 and of all periods ending therein after the 31st day of March, 1940.

Hon. Mr. HAIG: Supposing the accounting period ends in April this year, the Act will apply.

Right Hon. Mr. MEIGHEN: But it applies "to the profits of the year 1940." That means the profits of the whole year. Then the section continues, "and of all periods ending therein after the 31st of March, 1940." That is to say, any profit made in 1940 is sure to be taxed; it does not matter when your accounting period is. Then any profit made in an accounting period ending after the 31st of March, 1940, will be taxed, even though made in 1939.

Hon. Mr. HAIG: Surely.

Right Hon. Mr. MEIGHEN: So this taxation has been effective since the 31st of March last.

The honourable leader of the Government (Hon. Mr. Dandurand) called attention to the difference between this and the British tax. The British is a heavy tax on what are distinctly war profits on Government contracts. The way in which they are identified and isolated as war profits is this: the average earnings over a fixed period of years are taken, and then anything above that average is treated as war profits. The British tax applies to a very limited class of exceedingly large contractors, and the amount collected from them would be considerable; but in this Bill we apply the tax to everybody. I do not criticize the Government in that respect. I think we ought to apply the tax to everybody. There are industries in this country which will not make a single thing different from what they have always made, but which will be benefited by the activities of war purchasing. They will do a great deal more business with companies engaged in making munitions. In my judgment the Government are quite right in that respect. But I have a question

mark as to whether they are not going too far, in view of the fact they are spreading their taxation over the whole area and piling it on top of the present taxation as we have just increased it. They are going much further than the Government of Great Britain dare go. Long years of experience have taught that Government not to deal any death blows to business. Business is the life blood of Britain, and it is by maintaining their business that the British people are able to fight this war. Let us take some account of the example they have set. I ask our Government to review the effect of this taxation very carefully. These taxes are terrific, but so long as we can keep business going I do not care. The more we can tax while still allowing business to keep going, giving it some reason to operate, the better; but take care you do not go too far. If you do you will disarm Canada. We sought to get the right set-up in the last war, and I think we succeeded fairly well. While we may be able to go further this time, it is very easy to over-step the limit, and then the effect would be pretty hard to remedy.

Hon. Mr. DANDURAND: I am glad to hear my right honourable friend express his views on this matter. I am quite sure the Minister of Finance will give them due regard and keep his eye on the whole situation as it develops. With this legislation we are breaking new ground. We shall return here in January, no levy will have been made up to that time, and then we shall be able to review and, if necessary, modify this legislation. In those circumstances I would ask that we pass this Bill.

Section 2 was agreed to.

Sections 3 to 11, inclusive, were agreed to

The title was agreed to.

The Bill was reported.

### THIRD READING

Hon. Mr. DANDURAND moved the third reading of the Bill.

The motion was agreed to, and the Bill was read the third time, and passed.

### PROROGATION

The Hon. the SPEAKER informed the Senate that he had received a communication from the Assistant Secretary to the Governor General, acquainting him that His Excellency would proceed to the Senate Chamber this day at 1.15 p.m., for the purpose of proroguing the present session of Parliament.

The Senate adjourned during pleasure.