

declarations that I had been hoping to hear were not uttered. It will be a disappointment to some of our people if the business tax is allowed to remain another year as it is. I think it is excessive as amended last session, and I cannot but feel that the Government were stampeded then when they increased the rates of that tax. I am making no plea for individuals, I am not asking that the money which reaches an individual should be in any way exempted from the full taxation that it to-day bears. The plea that I am making is in the national interest, not in the interest of the individual; tax him as heavily as you like. But the members of this Government and the members of the House must look forward; they must remember that the day is coming when this war will end; they must remember that the day is coming when they will need that every industrial enterprise in this country shall be solvent, be able to pay its debts, be able to continue to employ its workmen, and be able to find places for the thousands of returned soldiers that are coming back to us. There will necessarily be after this war a tremendous readjustment; there will necessarily be a considerable deflation. Where are the industries of Canada to obtain the additional capital that they will require after the war to enable them to re-adjust themselves to post-war conditions? They cannot get it in Great Britain; there will be no more capital coming from Great Britain for some years to come. They will not get it from the United States because the United States will also probably have absorbed nearly all its liquid capital in the enormous loans that they are now placing with their people. They will not get it from our banks in Canada, because our banks after the war will be making arrangements for deflation, and they are not going to allow any money to be put into bricks and mortar—that we may be sure of. Where are our business firms going to get money that is necessary to make the readjustments that must be made after the war? There is only one place they can get it: they must save it now as they go along; consequently if the business profits tax is so excessive that it does not permit a corporation to retain a reasonable amount of undistributed capital so as to be strong after the war, and to make the necessary adjustments, that corporation will then be at a tremendous disadvantage. My contention is that the sliding scale of the business profits tax is too abrupt; it is far more onerous than the American business profits tax.

[Sir H. Ames.]

If, for example, you had two firms on opposite sides of the Detroit river, one at Windsor and one at Detroit, and each had a capital of \$300,000, and those two firms each made 25 per cent profit on a year's business, the firm on the Canadian side would pay \$24,750 in taxes, or one-third of its total profits, and the firm on the American side would pay \$12,150, or one-sixth of what it had made.

What is going to happen after the war? American and Canadian firms will be called upon to compete in the markets of the world. American firms have already had two years' start. They had two years before they were taxed at all during which they made enormous war profits and laid aside great sums of money. Hereafter they can put aside each year twice as much as we can. Of these two firms, the American company would have \$400,000 capital at the end of three years, and the Canadian \$360,000. If we are going to compete in the markets of the world with our friends to the south of us we must permit our industries to have the same chance to live that they have. What I point out is this: In Canada the state takes one-quarter of all the profits between 7 and 15 per cent. In the United States, if a corporation can show that they have been making seven, eight, or nine per cent in pre-war times they are allowed exemption to that amount. On profits between 9 and 15 per cent they would only have to pay 20 per cent, against Canada's 25 per cent; between 15 and 20 per cent, the American rate of taxation is 25 per cent, or one-half that in Canada for the same percentage. The rate in Canada for profits of 20 per cent and over is 75 per cent, in the United States 35 per cent for profits of 20 to 25 per cent. Consequently it will be seen that we take away from our Canadian firms under certain conditions twice as much as would be taken in the United States under similar conditions. Only the other day I saw the statement of a business firm in which this significant clause occurred: "We have during the last year declared dividends on our preferred and common stock, but the tax we have paid the Government is a larger sum than those dividends combined."

Now, my contention is this: Earnings should pay taxes at their destination, not at their source. If you take these dividends and tax them before they are distributed while they are still in the hands of the corporation, they can be used to increase its