

*Excess Profits Tax*

amendment to exclude from such provision the stock dividends paid during the year is obviously necessary since stock dividends do not represent any payment out of assets from the company.

Tentative Amendment. This proposal would be effected by adding the words, "in cash" to the proviso immediately after the words "dividends paid" in section 4 of the first schedule of the said act.

16. Proposal. That all proposals above mentioned shall apply to the profits of the year 1940 and the profits of fiscal periods and portions thereof ending in 1940 and to the profits of all years and fiscal periods thereafter.

17. Proposal. Every person liable to tax under the Excess Profits Tax Act in respect of the 1940 taxation period shall have until the 30th April, 1941, to estimate and pay their excess profits tax for 1940 without interest. Thereafter interest will be paid as in the Income War Tax Act provided, as if the fiscal period of all such companies had ended on 31st December, 1940.

I am advised by the commissioner of income tax that up to date some 545 standard profits claims have been filed.

These claims were filed for the purpose of having the board of referees determine the standard profits.

Inasmuch as the procedure outlined above by the proposed amendment will require each taxpayer initially to determine his own standard profits, subject to confirmation by the income tax division, those who have filed such claims should now proceed as follows:

First—those companies that have filed their standard profits claim together with their corporate returns—will file a memorandum, in duplicate, with the inspector of income tax for the district in which they filed their returns, setting out their method of calculating and determining their standard profits, and showing the amount of their liability under the tax measure and making payment accordingly on or before April 30, 1941.

Second—those companies that have filed their standard profits claim but have not filed their corporate returns—will now file their returns in accordance with the indications given in this statement, namely by setting out their method of calculating and determining their standard profits, calculating their tax under the act and making payment accordingly.

The proposals which I have just outlined and explained constitute the complete list of proposed amendments to the legislation which will have retroactive application. When the budget is brought down, it will, of course, con-

[Mr. Isley.]

tain other proposed amendments which will have effect in respect of the profits earned in this and future years. Some of these will be of general application. Others will be designed to reduce special deterrents to expanded production on the part of particular industries. However, as they relate to the future, there is no real reason why I should announce them prior to the budget itself.

The house, I believe, will agree that the amendments with retroactive effect which I have just explained are thoroughly justified and designed to make the act a more equitable and more workable instrument. The overwhelming needs of the present emergency have made drastic taxation inevitable and indispensable, but the government on its part has spared no pains to remove inequalities, anomalies, unjustifiable hardships and other legitimate causes of grievance on the part of Canadian industry. On their part we expect whole-hearted cooperation in the war effort of Canada. Their cooperation has to date been enthusiastic and general. There have, however, been rumours that certain firms have incurred unjustifiable expenditures induced by the knowledge that the government was bearing most of these expenditures because of the 75 per cent rate of taxation applied. To the extent that this practice has prevailed, it is wholly reprehensible.

I have said before and I repeat that any manager, any board of directors which permits higher costs because the government through losses of taxes bears most of them is, in my judgment, guilty of serious misconduct.

There may be little profit motive for vigilance in economy. But we do not offer the soldier, the sailor, the airman, a profit motive for vigilance at his post, a profit motive to risk his life. Nor should it be necessary to offer it to Canadian business for the prevention of inefficiency or waste.

Existing legislation has been framed with a view to the prevention of unjustifiable expenditures which would not have been made but for the high rate of taxation, an evil which I believe is not widespread, certainly not general. I am confident that the vast majority of Canadian business men have conscientiously discharged their responsibilities in this respect as in others.

## TANKS

PRESS REPORT AS TO USE BY PRIVATE COMPANY  
IN BRITISH COLUMBIA

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar):  
I should like to ask a question of the Minister of National Defence. I regret that owing to