

pany would be liable under this income taxation measure, then the individual or firm or company pays the greater tax, and does not pay the income taxation.

Mr. KYTE: That is for this year only.

Sir THOMAS WHITE: I will come to that in a moment. I say that that is the only reference in this income taxation measure to the Business Profits War Tax Act. Let us consider what the Business Profits War Tax Act is. It was introduced in 1916, and at that time it was stated, and it so appears in the measure itself, that liability to taxation under section 3 of that Act, which is the operative clause, would terminate on December 31, 1917. It was so stated at the time that measure was introduced; my remarks on February 1, 1916, were:

The duration of the measure will be limited to August 3, 1917.

Afterwards, in committee, that was changed to December 31, 1917. So that before this income tax measure was introduced at all, it was well understood in this House that the Business Profits War Tax terminates, so far as its operative provisions are concerned, on December 31, 1917.

Now, when the matter was under discussion this year there were pretty strong protests from some hon. gentlemen opposite against continuing the tax. For instance, my hon. friend from Pictou, who I am sorry is not in his place to-day, said:

When we point out to him that he is taxing industry, and to that extent checking the demand for labour as well as checking production of articles so essential to the country's welfare, that he is preventing capital from doing all that it might do for the development of the country, and ask why he does not tax accumulated wealth, he gives statements which, I submit, are not adequate reasons for the course he is pursuing.

Again, on May 3, 1917, the same gentleman said:

He should have gone to other sources this year because the taxation which is paid by the business people of this country is so extraordinary and unusual that it is bound to create an onerous condition of such a character as will impair and interfere with industries. That is the criticism I make in regard to the policy, but not in regard to the principle of the Business Profits Tax itself.

Further on my hon. friend said:

But my hon. friend's proposals do not come under that proposition, and the exactions he is taking will slacken the industry, impair the prospect of capital investment, and dampen the patriotic enthusiasm of the party who is being taxed.

What I am trying to establish is that it was fully understood before this income

[Sir Thomas White.]

taxation measure was brought down, that the Business Profits War Tax Act, was a limited measure. My hon. friend from Assiniboia (Mr. Turriff) on page 1529 of Hansard, said:

I hardly think my hon. friend is quite fair in this proposed legislation. I do not want to do my hon. friend any injustice. When he brought down last year the legislation that he is now amending he said that the legislation would be operative during a period of three years. Any one reading his speech would come to the absolute conclusion that that was a fixture for three years. My hon. friend now goes back on what we understood him to mean last year and is now putting an extra burden of taxation on the same shoulders on which he put it last year, after stating, as every one thought, that, that that was the end of that system of taxation.

There are many other extracts that I could place on Hansard substantiating that position, but I do not think it will be seriously controverted, because in the measure itself it is provided that, so far as the operative section is concerned, it terminates on December 31, 1917.

Let us see what the position is. I pointed out to the House that this measure was introduced in 1916, and was retroactive in effect. It applied to profits made in 1915, although such profits had in many cases been distributed to shareholders or invested in plant. What is the position of the Business Profits War Tax Act today? It is this: the individuals, firms and companies who are liable under that tax paid out of their profits of 1916, because the tax was retroactive, the amount to which they were liable in respect of 1915, and they pay this year, 1917, upon their profits of 1916. Next year, 1918, they will pay a heavy taxation—I think the heaviest in the world—against their profits of 1917. There are firms in Canada which will pay next year \$800,000, \$1,000,000, and \$1,500,000 in respect of their profits on this year's business.

Sir WILFRID LAURIER: They are lucky to be able to do it.

Sir THOMAS WHITE: I agree with my right hon. friend. They are fortunate to be able to do it, and that is what I told them when they complained. The point I make is that this was a three-year measure, retroactive for one year, and that is the feature which is lost sight of. They paid in 1917, and they will pay in 1918, the heaviest business tax in the world. That holds the situation until 1918, so far as concerns those who are making abnormal profits out of the war. This income tax provides that if by chance there should be any firms—and I