Motion agreed to, and the house went into committee, Mr. LaVergne in the chair.

Bill considered in committee, reported, read the third time and passed.

INCOME WAR TAX ACT AMENDMENT

Hon. E. N. RHODES (Minister of Finance) moved the second reading of Bill No. 96, to amend the Income War Tax Act.

Mr. MACKENZIE KING: Is this the bill that proposes the two per cent excise?

Mr. RHODES: No, this is the income tax bill.

Mr. MACKENZIE KING: I beg your pardon; I had not heard the title.

Motion agreed to, bill read the second time, considered in committee, read the third time and passed.

SPECIAL WAR REVENUE ACT

Hon. E. N. RHODES (Minister of Finance) moved the second reading of Bill No. 102, to amend the Special War Revenue Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. LaVergne in the chair.

On section 1—Part III repealed and re-enacted.

Mr. CAYLEY: Mr. Chairman, I should like to refer again to the matter of the taxation of net insurance premiums. I referred to this matter yesterday and the minister asked me to defer my remarks until the bill was before the committee. It seems to me that there is some injustice in taxing the net premiums of foreign companies doing business in Canada two per cent, while the net premiums of Canadian companies are taxed only one per cent. I can understand that the government may have in mind the fact that these foreign companies do considerable business in Canada, but I remind the minister that the premiums paid to foreign companies are paid by Canadian policyholders. This is actually a tax upon Canadian policyholders. I think the government had in mind the New England mutuals which do business on a small premium, perhaps the smallest of any company operating in that class, but I think these companies are to be commended for the splendid methods they have adopted in the carrying on of business. They endeavour not only to pay fire losses but to prevent fires. They have an organization of inspectors and expert engineers who are continually on the job doing what they can by way of advising factory owners how to improve their premises and reduce fire hazards. I bring this matter to the attention of the minister because I think my previous remarks, I believe on the resolution, might have been misunderstood. These companies are called foreign companies, yet they are doing Canadian business just the same as the Canadian companies.

Mr. RHODES: I do not think that this tax in actual practice will prove to be an unfair burden on the foreign companies because it must be borne in mind that these companies carry a select class of risks. In the main their premiums are very small and the yield of the two per cent tax will not be comparable to the yield of the one per cent tax in the case of Canadian companies. I point out to my hon. friend that if Canadian policyholders do not desire to pay the two per cent tax, they can insure in companies where they will have to pay only one per cent. Another argument in favour of this tax, and one which I think demonstrates that there is no discrimination against these companies, is the fact that they have no office staff, they support no taxpayers in the form of employees and pay no income tax whereas, on the other hand, the Canadian companies do all these things. I understand that the foreign companies have not taken any exception to this tax, and I think that is the best evidence that in their judgment they feel they have not been discriminated against. I have no recollection of any complaint coming in on this score so I must assume under these circumstances that there is a reasonable acceptance to the tax on the part of the companies in question.

Section agreed to.

Sections 2 to 11 inclusive agreed to.

On section 12—Excise tax of three per cent on duty paid value.

Mr. MACKENZIE KING: Under this section the special excise tax of one per cent imposed by the act of last year is increased to three per cent. I wish to repeat what has been said frequently, that this tax really is an increase of duty, that there is in reality an increase of three per cent in the customs tariff on everything except a few articles enumerated in the schedule. In delivering his budget speech, the Minister of Finance took no little credit to himself and the government for not having imposed any increased duties this session. Had he been in the chamber when I was delivering my speech I would have drawn his attention specifically, as in fact I mentioned particularly, that in that statement he was entirely mistaken, that, as a matter of fact, the government this session by increasing the excise tax, which is a