

into force at the commencement of the 1934 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods, with the following exceptions:—

(a) As to any mining company, the principal product of which is gold, which has contributed to the tax on the premium value of gold as enacted by part XV of the Special War Revenue Act, any enactment founded on resolution No. 8 shall be deemed to have come into force at the commencement of the 1935 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods.

(b) That any enactment founded on resolution No. 10 shall be deemed to have come into force at the commencement of the 1935 taxation period and shall be applicable thereto and to subsequent periods.

Mr. RALSTON: The same remark I made in regard to No. 8 applies to this.

Mr. RHODES: Yes.

Mr. RALSTON: I want to say a word in regard to No. 14. I have stood in my place so often and protested against retroactive legislation that I have begun to think it is perhaps of no use to do so. But I am sure the minister in his heart of hearts will agree—I think he has agreed—that in principle retroactive legislation is unsound. He said that taxation proposals have been made retroactive in the past, but he knows that those proposals generally had to do with reductions and not with increases. I submit in all seriousness and earnestness, not only on account of corporations but on account of individuals and income tax payers who are affected by lessened exemptions, that it is a bad principle, after a man has made his income tax return, after he has made his commitments for the year thinking he knew what the income tax was—and the same applies to corporations—that the government should come in and say that an additional impost shall be levied in respect of that year's income. It is wrong in principle; it is almost a violation of contract, because surely people are entitled to believe that the laws on the statute books applicable to a given period will be observed when the tax collector comes around. But that is not so if we act in accordance with resolution 14, by making these provisions retroactive. I protest with all the earnestness I can against that sort of legislation.

Mr. RHODES: In reply to my hon. friend let me say at once with absolute frankness that I agree in principle with the general tenor of his whole remarks. I have already made a similar statement on other occasions. It is a real hardship to the individual and I believe in principle it works an injustice. I

regret to have to be associated with continuing what I believe to be an injustice. But there is an old saying that I think is particularly applicable in the case of a minister of finance dealing with a situation under difficult circumstances, that "he must need go that the devil drives." Nothing but the sheer necessities of the case would warrant my being a party to proposals of this character. I do hope that we are not far removed from the day when we shall get away from it entirely.

Mr. RALSTON: I may make a representation to the minister when the bill comes up with regard to one flagrant case, where even the retroactive feature is applied inequitably. Some companies do not have their fiscal year correspond to the calendar year. The result is that retroactive feature applies to what they call the 1934 period, which in the case of some companies may have ended in March, 1934. The effect therefore of that retroactive section is that the whole increase in taxation goes back a year, or from March, 1934, to March, 1933. In other words, nine months of the 1933 business is being taxed at the new rate, simply because of the fact that the resolution and the bill founded on it will go back to the 1934 period. I suggest to the minister that at least the retroactive feature does not go back beyond January 1, 1934. Even with that I submit that we are entirely violating the principle which he himself admits, and of which I submit no necessity justifies a breach.

Resolution agreed to.

#### SPECIAL WAR REVENUE ACT AMENDMENT

Resolved, that it is expedient to amend the Special War Revenue Act and to provide:—

1. That schedule I to the said act, as amended by section twenty-six of chapter fifty of the statutes of 1932-33 be amended by adding thereto the following words:—

"Devices commonly or commercially known as lighters, which produce sparks, flame or heat, n.o.p., 20 per cent.

Such devices when combined with pencils, cigarette or other cases, on the combined value, 10 per cent."

Mr. RHODES: I have an amendment to move to the effect that the minimum tax upon an individual lighter shall be ten cents. There has been some discussion with respect to this tax. I wish to say to the committee, and I hope that they will accept my statement as an exact statement of fact, that this tax was initiated by myself, and the sole idea in initiating it was to protect the revenue. They have a similar tax in Great Britain; they have one in France. The reason is obvious to those who make inquiry; a sub-