

Mr. ROBB: If my hon. friend wants to turn up the Montreal Star—I cannot give him the date at the moment, but I will get it for him—he will find the statement there of Robert Hobson, the president of the Canada Steel Company. He should know something about it.

Mr. MEIGHEN: What did he say?

Mr. ROBB: Their business was improving and they intended to start another furnace.

Mr. MEWBURN: A few days ago he said their business was all gone to blazes.

Mr. ROBB: There is another feature of the debate this afternoon I should like to mention. I want to offer thanks to my good friend the ex-Minister of Finance. He stressed very strongly the point that this was not a political question, that he was making an appeal on behalf of the Liberals of Lambton, who had not been granted the bonus they asked of this government. That is perfectly true, and it seems to me it is to the credit of this government that we are able to withstand the demands of our political friends that we should dip into the treasury. We believe this country wants economy, and we propose to practise economy without disturbing the interests of the country.

Mr. MEIGHEN: Does that apply to Prince Rupert?

Motion agreed to, bill read the third time and passed.

INCOME WAR TAX ACT, 1917

Hon. J. A. ROBB (Acting Minister of Finance) moved the second reading of Bill No. 143, to amend the Income War Tax Act, 1917.

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

On section 1—Exemption as to children.

Sir HENRY DRAYTON: I wonder if the minister thinks there is anything significant in the income tax reductions in the United States. What influence will that have, according to the minister's idea, upon our own policy?

Mr. ROBB: I am bound to say that the income tax reductions in the United States having been adopted, it seems to me we shall have to go very carefully into ours and consider some other changes for the next session of parliament.

Mr. MEIGHEN: Does the minister think there will be a next session?

Mr. ROBB: Oh, surely. We are not going to have anarchy in this country.

Section agreed to.

On section 2—Inter-company purchases and sales at more or less than fair prices.

Sir HENRY DRAYTON: I suppose the effect of this is to prevent associated or holding companies making fictitious expenses a vehicle for evading the Income Tax Act?

Mr. ROBB: It is to make sure that profits earned in Canada—

Sir HENRY DRAYTON: No, I am not referring to that section, but to 2 (a): "Where any corporation carrying on business in Canada," and so on. Have I not got the idea right?

Mr. ROBB: My hon. friend is correct.

Mr. MEIGHEN: I understood the minister to intimate that the government contemplated reducing the income tax next session?

Mr. ROBB: No, I said it would be a fair matter for consideration. I made the admission that we cannot ignore the changed conditions in the United States, and that reduction would be a matter for consideration.

Mr. MEIGHEN: I hope the minister will not shock the hon. member for Carleton (Mr. Caldwell) too much by speaking of an increase.

Section agreed to.

On section 2, paragraph (b)—Income partly arising from creative operations within Canada taxable.

Sir HENRY DRAYTON: How will that work out in connection with the accounting? There is no price fixed in Canada and how is it going to be carried out?

Mr. ROBB: It will be determined by the market value of the goods, and by the prices at which they are sold by competitors.

Mr. MARLER: I should like a little more explanation of this section from the minister. To what class of people does this apply?

Mr. HANSON: What is the object of the section?

Mr. ROBB: I will give the House the reason for the change. It is not uncommon for foreign corporations or individuals to produce or partly manufacture some commodity in Canada and to ship it abroad consigned to themselves or allied interests, with