

ness is deriving advantage from the war. It follows that it may properly be required to contribute a share of such profits to the Government for the purposes of the war. I do not see that it makes much difference whether the business in question is the making of munitions or of any other class. Munitions are needed and no discredit attaches to the enterprise which provides them. The steel company which engages in the production of munitions could in most cases make as much, if not more, money, by selling its steel products in world markets. Moreover, it would be inequitable to discriminate against the firm which makes a profit upon the finished article, known as munitions, and leave untaxed the profits it may be equally large of those firms which manufacture and supply the raw material or partly manufactured products from which they are made, or the businesses throughout the country which make abnormal profits from the distribution of money expended by Government in payment for such munitions. If higher profits are made in the manufacture of munitions the higher the tax taken under business profits legislation.

TAX PROPOSALS.

In accordance with the principle, which I have enunciated the Government last year imposed the Business Profits War Tax. Under that legislation profits in excess of a certain percentage upon capital invested were taxed to the extent of twenty-five per cent. of such excess. This measure has proved quite successful, not the least of its merits being the small cost of its administration, which will probably not exceed one-half of one per cent. upon the amount collected. In view of the increasing interest and pension charges due to the war, and believing this to be the true source to which recourse should now be had for further revenue we propose to expend this tax by taking an increased share of profits. We propose to take from persons, firms and companies liable to the Business Profits War Tax Act 1916 fifty per cent. of all profits in excess of 15 per cent. but not exceeding twenty per cent. per annum and seventy-five per cent. of all profits in excess of twenty per cent. per annum upon capital. This is to say up to fifteen per cent. they will be liable to the existing legislation and in addition we shall take one-half of their profits between 15 per cent. and 20 per cent. and three-fourths of their profits beyond 20 per cent. The increased tax will chiefly affect manufacturers of munitions and other war supplies. While the percentage of excess profits, which is taken is large, sufficient is left to provide incentive to effort on the part of all subject to the tax.

The new legislation will apply to the last accounting period of the three year term provided for in the Business Profits War Tax, 1916, namely, to all accounting periods ending after December 31st, 1916. I am unable to estimate what amount will be derived from this taxation, as it will depend upon the condition of business during the year. It will, however, give us without doubt a very substantial additional revenue.

Before leaving the question of taxation, I desire to say that the measures we have adopted have necessarily broadened in their scope as the war has progressed. No one has at any time been able to forecast the length of the war. It has now lasted nearly three years and the end is not yet in sight. Should another year be added to its duration, with the consequent increase in our financial burden, new sources of revenue must undoubtedly be sought. In seeking for these it should, I am sure, always be kept in mind that Canada has been in the past, and will likely be for many years in the future, a country inviting immigration and capital to develop its resources and contribute to its prosperity. Especially should we, in considering taxation measures for the period following the war, keep in view the desirability of the flow of the settlers and capital to Canada, not being retarded through fear on their part of heavy federal taxation.

THIRD WAR LOAN.

The question of our financing since the last Budget was fully explained and discussed in the first part of this session. During the recess we successfully floated the third Canadian War Loan, an issue of \$150,000,000 five per cent., twenty-year bonds at 96. The public response was most gratifying, the issue having been over-subscribed to the extent of about one hundred million dollars. The proceeds of this loan will enable us to finance both ourselves and the Imperial Treasury in respect of expenditures in Canada until June. It is my present intention to arrange, then, for an issue of notes or treasury bills, and if conditions are favorable, offer another war loan in the early fall. Since the outbreak of war we have floated in Canada domestic loans aggregating \$350,000,000 and have in addition furnished \$150,000,000 through our

chartered banks to the Imperial Treasury to meet its commitments for munitions and supplies purchased in Canada. Everywhere, I believe, this is regarded as a very notable achievement on the part of Canada. It has not only made possible our participation on a large scale in the war, but it has, in greater measure than we realize, brought about the present state of prosperity in the Dominion. Without the aid afforded by the savings of our people, the expenditures which have been made by both governments for supplies and munitions could not have been made so that those who have saved have benefitted, not only themselves, but the entire community. While our national saving during the war has been gratifyingly large, it is not so great as it should have been, and today no better advice can be offered to the public than to exercise the strictest thrift and economy. Every additional day the war lasts makes this individual and national duty the more imperative.

FAST TRADE INCREASE.

No aspect of our affairs during the war is more striking than the vast increase which has taken place in our international trade. The aggregate of our imports and exports (excluding coin and bullion) for the fiscal year 1912 was \$841,000,000; for 1913, \$1,063,000,000; for 1914, \$1,090,000,000; for 1915, \$958,000,000; for 1916, \$1,309,000,000. For the year ended on March 31st last the total international trade of Canada reached the enormous total of \$2,043,000,000. This is nearly double the volume of the largest trade in the history of Canada before the war.

Equally notable with this huge increase in volume is the change which has taken place in relative amounts of imports and exports. For 1912 the balance against us was \$125,000,000; for 1913, \$309,000,000; for 1914, \$180,000,000; for 1915, \$36,000,000. For 1916 we had for the first time in many years a favorable balance of \$249,000,000. During the last fiscal year this favorable balance increased to \$314,000,000.

Figures such as these indicate a very prosperous condition within the Dominion. It must, however, be steadily kept in mind that the higher prices obtainable under war conditions for our national products and the output for our munitions are chiefly responsible for this extraordinary favorable condition of our external trade and that with the cessation of the war dislocation of industry, and modification of prices are bound to ensue. The only safeguard against these conditions is saving on the part of all who are now engaged at good wages, and are in a position to save, and the careful husbanding of their resources by firms and companies engaged in business. The position of most businesses in Canada is now thoroughly sound and it is for their proprietors with the prudent watchfulness of their bankers, to keep them in that condition. The sources of danger to business in war time are speculation in commodities and stock exploitation on the exchanges. With these avoided and national savings greatly increased, we might look forward with confidence to whatever may occur in the reconstruction period after the war.

We have no tariff changes to propose.

NEW TAXATION MEASURE.

At the close of his budget speech, Sir Thomas White placed before Parliament the following resolution embodying the provisions of his new War Profits Taxation Measure:

- (1) That in any business taxable under the Act where the annual profits exceed fifteen per centum per annum, the tax shall be increased to fifty per centum with respect to all profits in excess of the said fifteen per centum, but not exceeding twenty per centum, and where the profits exceed twenty per centum per annum the tax shall be increased to seventy-five per centum with respect to all profits in excess of the said twenty per centum and such increases in the tax shall be levied against and paid by the person owning such business for each and every accounting period ending after the thirty-first day of December, one thousand nine hundred and sixteen;
- (2) That for the purposes of the said Act, the actual unimpaired reserve, rest or accumulated profits held at the commencement of an accounting period by an incorporated company shall be included as part of its capital as long as it is held and used by the company as capital;
- That any enactment founded on this resolution shall be deemed to have come into force on and from the eighteenth day of May, one thousand nine hundred and sixteen;
- (3) That the tax shall be paid each year within one month from the date of the mailing of the notice of assessment;
- (4) That with respect to every business liable to

taxation hereunder the period for which the returns shall be made and during which it shall be liable for assessment shall be at least thirty-six months, commencing with the beginning of the first accounting period ending after the thirty-first day of December, 1914, or for such less periods as the business may have been carried on from the beginning of the said accounting period to the end of the period for which the said tax may be levied under the said Act.

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MORE ECONOMY, LESS BORROWING AND MORE TAXATION ADVOCATED.

A. K. Maclean, of Halifax, who opened the debate for the Liberals, limited his congratulations on the budget to the brevity of the Finance Minister's remarks and compact form in which he put his statement before the House. Of all else he was critical. He found in the budget little reason for optimism. It was gratifying, of course, that the trade of the Dominion had jumped to over two billions of dollars and that the revenue was over two hundred millions, but he reminded the House that the tremendous trade at the present time was largely artificial. The high prices that prevailed accounted largely for the increase in the total value of import and export trade.

The Halifax member emphasized the fact that the trade increase was due to a large extent to war orders and was a temporary prosperity "built, largely upon the misfortunes of our Allies in the war." He presented statistics to show how prominently exports of explosives, munitions, armaments, etc., bulked in the total.

"Our abnormal trade development," he said, "is not healthy or normal, and must soon pass away with the ending of the war. It does not offer much ground for congratulation, but rather makes a situation of gravity and contains many lessons which should be well learned by the public. The friends of the administration should not be striving to get credit or glory from this trade development."

Mr. Maclean referred to the tremendous interest and pension act the Dominion would have to carry. This would entail an expenditure of \$90,000,000 to \$95,000,000, a sum greater than the total revenue of the Dominion in any year since Confederation except for the past five or six years. The war was now costing Canada a million dollars a day. According to the Finance Minister's statement, it had cost \$600,000,000 since the start, and yet the Government had devoted but \$60,000,000 to meet the capital cost of the war.

"Are we doing our full duty in the circumstances or are we leaving too much to posterity to pay?" he asked.

"We are borrowing too much and spending too little. Our borrowings should be less and our taxation more."

ADVOCATES MORE ECONOMY.

Mr. Maclean then proceeded to give his suggestions for coping with the problem. He started with further retrenchment in civil expenditure, and maintained that the Government could cut here and there in the various departments. If patronage and party considerations had been eliminated from war expenditure the Government would have been able to pay upon its war expenditure out of the present revenue and present taxation a sum considerably over \$100,000,000 during the year. The Halifax member also attacked the proposed highway measure involving an expenditure of ten millions, describing it as one for the relief of the Government and not for the highways. It was purely party politics.

In financing the war, he suggested, substantial wealth should contribute more to the finances of the country. The contributions of the rich should be proportionate to their wealth. He suggested that there be less borrowing and more taxation and that the business profits tax should be widened. Objection was taken to the new tax because it was not made applicable to 1916 when profits were the greatest.

Mr. Maclean advocated a removal of the tariff increase of seven and a half per cent. on the general tariff as the war revenue obtained was almost wholly from the seven and a half per cent duty which had been applied to former free goods.

AN AMENDMENT MOVED.

Mr. J. G. Turriff moved the following amendment: "This House desires to take the earliest opportunity of expressing its pleasure that the Government has at last yielded to the persistent demands of the grain growers of the West as frequently set forth by delegations and resolutions of the representatives of the farming interest, and repeatedly voiced by the Liberal party in the House, by placing wheat, wheat flour and semoline on the free list, and thereby securing a market for wheat and wheat products in the United States."

"This House is of the opinion that if the policy of (Continued on page 15).