

ployed is allowed, and 25 per cent of the profits in excess is payable to the Government.

Mr. McMASTER: It has been pointed out to me by a business man that in the case of small companies with a capitalization of, say \$25,000, operating under a limited liability charter, the profits realized are not so much from the investment of large capital as the reward of the energy and work of the individuals forming the partnership. My correspondent suggested that it was hardly fair to tax a company with so small a capitalization as heavily as the corporations with larger capital are taxed.

Mr. A. K. MACLEAN: The law as it now stands is applicable to partnerships as well as to corporations, though there is a difference in the rate.

Sir HERBERT AMES: Practically every resolution that we have dealt with to-night has been amended in some way to make less onerous the burden resting on those who pay taxes, and I urge on the Government to reconsider the scale now in force with respect to excess profits tax. Speaker after speaker has drawn the attention of the Government to this matter, and though the front benches have been vacant most of the time, the Acting Finance Minister has been here and I trust that he will give it careful consideration. We are placing our business houses at a very great disadvantage compared with those in the United States with whom they have to compete. In the case of two firms on the opposite sides of the Detroit river, one at Windsor and one at Detroit, with capitalization of \$300,000 and making 25 per cent each in the course of a year, the firm in American territory is taxed only \$12,150 while the firm in Canadian territory is taxed \$24,750. Nothing is more mobile than capital; moreover, our Canadian business firms must prepare for what is in store for them when the war is over; there will be great deflation and great readjustment. Where shall our Canadian business men get money to enable them to weather that storm? They cannot borrow in England or in the United States. Our own people will have invested nearly all their available cash in Victory Loans. The banks will not lend them any money, you may be sure, to put into plant or anything immobile. The only thing our business firms can do in order to meet this period of readjustment is to save. When you take such a large percentage of savings from them that, after paying a

dividend of 7, 8 or 9 per cent they are able to lay aside only very little towards the time of reconstruction, you are deliberately handicapping them for the competition of the future. If our business profits tax were made on a par with that of the United States, our revenue would only be \$3,000,000 or \$4,000,000 less, whereas the operation of the present scale is making ten times that amount of difference to the business institutions of our country. A gentleman from Toronto said the other day: American friends of ours were prepared to put \$500,000 into the creating of a new industry in Canada, but when they found that the business profits tax was double that of the United States, they decided not to put their money into the enterprise. A Montreal gentleman said to me: We had intended to add three additional businesses to our plant in New Brunswick, but we find that we cannot save the money to do it; we cannot get the money in any other way, so that we are going on as before. In other words, Mr. Chairman, we are killing the goose that lays the golden eggs. We should impose heavy taxation where the liquid capital finally rests and the ownership lies. We should not tax earnings very heavily at their source; we should tax them at their destination. I will support any increase in income tax the Government care to make, even if they double it. When my revenue reaches me, I can do what I please with it. I can spend it on frivolities, if I like; put it into the bank, or invest it in some manufacturing enterprise. It is on revenue of this kind that taxation ought to rest. From the business firm which is preparing to weather the gale, which has not distributed its profits, which pays only a reasonable dividend and puts the balance into plant, in order that it may create more wealth, in order that it may, when the war is ended, employ more labour and strike out into the fields of the world, you are taking practically all that they have to fall back upon for their reconstruction. So again, in view of the fact that after the war we shall have to make great reconstruction of all our business enterprises throughout the country; in view of the fact that, after the war, we shall have to find employment for thousands and tens of thousands of additional men, I ask the Government not, at the present time, to stagnate Canadian industry; not, at the present time, to take away all incentive from Canadian industry; not, at the present time, to put Canadian industry under a tremendous