

It is on the foregoing taxes that we depend for the bulk of the necessary increase in revenue, but there are a number of other changes, some of which will contribute substantial sums to the treasury and some of which are proposed largely as readjustments of unsatisfactory situations.

Smokers' supplies are again made the subject of tax increases. It is proposed that the excise tax on matches shall be increased from three-quarters of a cent to one cent per hundred. It is further proposed that the excise tax on cigarettes weighing less than two and a half pounds per thousand shall be raised to \$6 from the present rate of \$5. The rate on manufactured tobacco is to be increased from 25 cents to 35 cents per pound. To prevent a substantial decline in the revenue from cigarettes and cut tobacco because of these high rates, it has been necessary to impose a tax of 10 cents a pound on the sale of raw leaf tobacco and to increase the tax on cigarette papers and tubes from 2 cents to 5 cents per hundred. The tax on raw leaf tobacco will only apply on sales to consumers. The grower may sell to the merchant or dealer or manufacturer without tax. The rates under the Special War Revenue Act on cigars will also be increased. It is estimated that in a full year these new or increased rates will yield \$15,540,000 of new revenue, of which \$11,680,000 will fall in during the present fiscal year.

It is proposed that the present excise tax on automobile tires and tubes shall be increased from 2 cents and 3 cents per pound respectively to 5 cents and it is anticipated that from this change \$1,100,000 in revenue will be derived in a full year and \$825,000 in the current year.

It is proposed that a new excise tax of 10 per cent will be imposed on radios, radio tubes, cameras and phonographs. While this is in the class of sumptuary taxes there is the further consideration that the resources used in the production of most of these products are of a type suitable for producing war supplies and it is expected that such manufacturing capacity as may be affected by any lessening or lack of increase in demand due to this tax will prove useful in war work. It is estimated that the approximate yield of this tax will be \$1,500,000 in the full year and \$1,100,000 in the current fiscal year.

There are proposed also a number of readjustments in taxes. Since the sales tax on dressed and dyed furs is imposed at the initial point of processing and not on the finished fur garment, it is proposed that the rate be 12 per cent rather than 8 per cent as at present in order more nearly to equalize

this tax with the 8 per cent sales tax which is imposed on finished cloth garments. The present exemptions under the sales tax for home canners and for farmer florists are to be restricted to fixed quotas so as to facilitate administration in confining the benefit of the exemptions to bona fide farmers. The tax on carbonic acid gas which last September was proposed to secure revenue from the soft drink trade is to be increased from 2 cents to 5 cents per pound. These revisions, it is estimated, will yield \$550,000 in the full year, and \$415,000 in the current fiscal year.

In addition to the major features of the budget programme which I have outlined, there will also be found in the resolutions a number of proposed amendments to our taxing statutes which either involve tax changes of a minor nature or are designed to remove anomalies and facilitate administration. For instance, in the income tax resolutions there will be a provision for clarifying and extending the definition of income to cover payments made to life annuitants under purchased annuity contracts, and the exemption now accorded to dominion government and like annuities up to \$1,200 per year will be removed in respect of all new contracts. Also in order to prevent evasion of either the income tax or the excess profits tax it is proposed to give power to the treasury board to rule in any specific case that a transaction or reorganization has been of a specious character designed to avoid or minimize taxes and that therefore the taxpayer should be assessed without regard thereto.

With regard to the customs tariff: five reports from the tariff board will to-day be laid on the table. The reports on cyanides and firebrick and the two on aircraft arise out of the reference made to the tariff board on December 5, 1938. This reference instructed the board to revise the whole of the drawback schedule. The items now being reported upon relate to industries connected with our war effort. The report on the radio industry reiterates most of the recommendations made in the earlier report on this subject presented to parliament during the first session of 1939 and provides for the widening of the scope of the existing tariff items covering parts and materials of radio receiving sets and radio tubes.

The tariff changes to be announced to-day, implement the recommendations of the tariff board as shown in the reports now tabled and apart from these affect only five commodities. One of the amendments proposed provides for duty-free entry of sodium nitrates, regardless