

These may seem to be extraordinary figures. In fact they are extraordinary figures. They are, respectively, 43.6 and 58 per cent of the estimated total of personal income tax-payers in the country. But the conclusion from them is inescapable. The longer exemptions to the corporate income tax continue to be granted, the less likely is an easing of the burden upon other sources of tax revenue.

If the comparison be kept within the corporate field, it may be noted that \$100,000,000 and \$125,000,000 are respectively 41.6 and 77 per cent in excess of the 70.6 million dollars of taxes which failed to be collected from the organizations named in Table 1. Applying the lower percentage only to the parallel income figure (namely, 124.5 million dollars) produces an estimate of \$176,000,000 of income presently escaping taxation. This equals 31.5 per cent of the aggregate profits reported by the companies in the Bank of Canada sample of 665 companies, which includes all companies operating in Canada with assets of \$200,000 or more in 1941.

(The reference there is the Bank of Canada Statistical Summary, August-September 1944, page 72).

There is a second consequence to these exemptions which must be faced. So long as corporate income taxes of anything approaching the present level are maintained, and the present exemptions are granted, so long will tax-paying private enterprise be impossible in the long-run, where public ownership is possible; so long will tax-paying private business be impossible where a tax-exempt co-operative business can once gain a foothold and then crowd the tax-paying business to the wall by the re-investment of its tax-free earnings.

This process has already gone very far in the last five years when public attention was riveted on the war; it is likely to go much further and to proceed faster in the next five years as the full implications of the present situation are brought home to governments and to others. That some have already contemplated it is proven by the following quotation from the submission of Premier Garson, speaking for the Province of Manitoba at the second plenary session of the Dominion-Provincial Conference:—

Last year three Manitoba government enterprises, commercial enterprises, earned net profits after the payment of all fixed charges of nearly \$6,000,000.00. A substantial part of that profit arose because under our constitution the provincial Crown does not have to pay taxes to the federal Crown. That same immunity is the basis of the substantial decrease in the power rates which the Quebec Hydro Commission was able to announce within a few weeks after taking over the Montreal Light, Heat and Power Company. This substantial decrease equals only a minor fraction, I understand, of the federal taxes normally paid by the latter corporation. Thus if Manitoba is to be denied any adjustment in Dominion-Provincial relations which will assure us as Canadians of some measure of fiscal justice and equality, we shall be faced with a dilemma—a choice between, on the one hand, having our provincial post-war programme aborted, our treasury placed in a precarious position, our province placed at a disadvantage in the matter of attracting business investment and residents, and on the other of extending our successful tax-free ventures into other forms of business until by their profits, sufficient additional provincial revenues can be secured to provide us with provincial services paid for by a provincial tax burden,—equal in each case to the provincial average.³

With that authoritative statement on the record, what further proof is necessary to show that a heavy corporate income tax and broad exemptions

³ *Proceedings of the Dominion-Provincial Conference on Reconstruction, Tuesday, August 7, 1945, (Ottawa: The King's Printer, 1945), p. 138.*