

Special War Revenue Act

has asked. I would say to him however that the three per cent excise tax upon imports is not applied to the valuation created by the dump.

Mr. ELLIOTT: I wish to direct a question to the minister with regard to the tax on telephone calls. As I understand it there is a general tax of six per cent. Does that apply to all calls, whether or not they are under twenty-five cents?

Mr. RHODES: Yes.

Mr. ELLIOTT: Does that mean that on a twenty cent call there would be a tax of six per cent?

Mr. RHODES: Yes.

Mr. ELLIOTT: And on a twenty-five cent call there would be a tax of five cents?

Mr. RHODES: No; the tax of six per cent is applicable upon customers' accounts. That is to say, at the end of each month their long distance bill will be subject to a six per cent tax. The five cent tax applies to public pay stations, whether or not they have attendants. Obviously at those places the sales tax would not be applied.

Mr. ELLIOTT: I take it, then, that on a local telephone call where connection with some other telephone company is necessary, and there is a charge of say, ten cents, there would be a six per cent levy thereon.

Mr. RHODES: Yes; if that ten per cent charge is on a long distance call, there would be a tax of six cents on ten such calls.

Mr. ELLIOTT: I should like to urge upon the minister the fact that great hardship will be suffered by the people who are operating and patronizing local telephone stations. If there is to be a tax on calls on which the charges are only ten cents or fifteen cents, calls coming within the definition of "long distance calls" as described in the act, a great deal of bookkeeping will be necessary and very little revenue will be derived. The tax would be a nuisance to the people conducting telephone systems, and will constitute just that much more burden upon those who have to pay it. I am wondering if the minister would not consider eliminating taxes on telephone calls, unless the charges are over twenty-five cents, or even fifteen cents.

Mr. RHODES: I may state to the committee with the utmost frankness that the method I had in mind in the first instance was to tax no message under 25 cents, and then make it a graded tax. But the telephone companies themselves pointed out to me that

[Mr. Rhodes.]

this would bring about unequal taxation and would cause them more difficulty than would be the case if we applied the straight 6 per cent tax to monthly accounts. That idea had not occurred to me; it arose from a decision arrived at during a convention in Winnipeg. The suggestion was made the other evening, in committee on the resolution, that even in the case of the 6 per cent tax it ought not to apply except to messages over a certain amount. The companies pointed out to me that to attempt to carry this out would double the cost of collection to the company, and they stated that the cheapest, the simplest and the most effective method was the one which they suggested, that is, the 6 per cent tax.

Of course all taxation is a burden, but there is this to be said, that in the case of a 25 cent call made by a subscriber his tax would be $1\frac{1}{2}$ cents, which is not an excessive sum. On the other hand, if you started out with a 5 cent tax on a 25 cent call the burden would be much more excessive. I admit that in the rural districts where conditions are not at all good every additional cent of taxation is a burden; but the difficulty in the imposition of a tax of this kind is to avoid some hardships, however slight they may be. I do not know conditions in the area in which my hon. friend lives, but I can speak of conditions in my native province, where there are many rural telephone lines owned by the farmers themselves, in many instances covering very wide areas. Those who use these lines will not pay any tax at all, because they have no long distance calls. When they install their telephone they have the run of the entire countryside covered by the system, so they at least will be spared. In any attempt to impose a tax such as this it will be found to impinge at some point, but taking it on the whole I think this is the fairest and most equitable method, which will result in the fewest injustices. At all events, after having had the tax in force for a year we will know a great deal more about it than we know now, and if we find that my hon. friend's fears were well founded we can remedy the situation next session.

Mr. ELLIOTT: I have here a resolution, of which no doubt my hon. friend has received a copy, from the Canadian Independent Telephone Association protesting against this six per cent charge. I was surprised to hear my hon. friend say that no objections to the tax have been raised by the telephone association. I know that in the section of Ontario from which I come there is the strongest objection, first as to the additional burden that is being imposed and also as to the difficulty of work-