

First, with regard to taxes on commodities, I propose that purchases by certain defined classes of institutions caring for orphans, the aged and the incapacitated be exempt from the sales tax effective July 1, 1950. The loss of revenue resulting from this change will not be large, but the saving in costs to these institutions will, I believe, be welcomed by those responsible for maintaining them. We have for many years exempted hospitals from the sales tax, and the institutions I have referred to are in many respects analogous to hospitals.

There is at present an extra five per cent tax on toilet soaps. For reasons which I shall not elaborate, chief among them the difficulty of drawing a clear line between toilet and laundry soaps, this tax has been very difficult to administer, and I am proposing that it be repealed effective midnight tonight. The loss of revenue will be about \$600,000 in a full year.

The only other commodity tax change that I propose is the removal, effective midnight tonight, of the sales tax on ice cream, on drinks prepared from fresh milk and on prepared whipping cream. We have received strong representations from the dairy interests that the removal of this tax will give encouragement to the consumption of ice cream and dairy drinks at a time when sales of certain other milk products are declining. The loss of revenue in this item will be about \$2 million in a full year.

The bill amending the Excise Tax Act giving effect to the above proposals will contain a number of other unimportant technical changes in the law.

As usual I wish to give public notice that no claims for refund arising out of the excise tax changes in respect of goods on which tax has been paid or is payable will be entertained by my colleague the Minister of National Revenue.

With regard to the Income Tax Act, no changes are being recommended in the rate structure. However, I am proposing certain amendments which will be of specialized but fairly widespread interest.

Last year we made some changes in the corporate tax structure, including a reduction of 10 per cent in the tax on the first \$10,000 of profit of corporations. This tax abatement was intended to allow the small businessman to retain a larger proportion of his profits for growth. It was necessary, in order to confine the benefits to those who were intended to receive it, to allow only one corporation in a group of related corporations to secure the lower rate. At the time of the last budget and since, I have received many representations on this point, and I have given careful study to the suggestions which have been made for a less rigid limitation. Under the law as introduced last year companies are related if one controls another or is controlled by another, or if they are subject to common control. It is proposed that these provisions be relaxed in order to relieve particularly the cases where there is a substantial minority interest in the corporation. Under the new proposal, mere control will not be the criterion. I think it will achieve our original intention if some higher percentage of ownership is adopted in defining what we mean by related companies. It is proposed that companies shall not be deemed to be related companies unless there is related ownership of common stock to the extent of 70 per cent or more. This, I believe, will allow a wider group to obtain the preferred