

Special War Revenue Act

addition to that imposed on sugar? Cakes, buns and articles of the kind are used as food and a sales tax must be fairly difficult of collection. I should like to know just how much revenue is derived from the tax upon these articles. I think the minister should consider placing them upon the exempted list. I understand that representations have been made and I believe that these people have a good case to offer. Has the minister any intention of acceding to their request?

Mr. CASGRAIN: I have received requests similar to those referred to by the hon. member for North Waterloo, and I should like to know just what the government intends to do in this connection. Could the minister give us any idea as to how much money he expects to receive from the tax upon the articles mentioned?

Mr. RHODES: The subject raised by the hon. member for North Waterloo and referred to by the hon. member for Charlevoix-Saguenay is by no means an unimportant one. I think there have been more representations made in connection with this one matter than have been made in connection with any other dozen articles in the list. In the first place, I might tell my hon. friends that it is not a minor item so far as revenue is concerned. We receive about \$600,000 per year, the great bulk of which is received from the large bakeries. Collection is free from difficulty and is made without friction. The difficulty which does arise is encountered in the case of the small bakeries. These men are in the same unfortunate position as many other small shop-keepers in the country. That is not only true to-day but it was true when times were more prosperous. The small baker who has to face the competition of new merchandising methods is the one who complains most bitterly against the sales tax on cakes and pies but it would be a manifestly unfair form of competition to exempt him to a greater extent than the heavy taxpayer. Last year the man whose business did not exceed \$5,000 per year was exempted, and it was found that this exemption created a very unfair situation as regards those who were paying the tax. As business became restricted in the regular bakeries, many hands were laid off. Many of these men started up a business of their own and became keen competitors with the regular manufacturers who were heavy taxpayers and large employers of labour. This year the exemption has been lowered from \$5,000 to \$3,000 in an endeavour to prevent a good deal of this unfair competition. I refer to competition only from the point of view

[Mr. Euler.]

of revenue. Even though we were in a position to forego the receipt of a revenue of \$600,000 per year, the matter would not stop there. In justice we could not exempt cakes and pies and impose a tax upon biscuits, cookies and other forms of confectionery. The tax upon these other articles brings in a revenue of \$750,000. When we consider the sales tax as it is applied to cakes and pies, we are really dealing with a revenue—not in prospect but actually existing even under to-day's conditions—amounting to \$1,350,000. That is a considerable item. I may say that I have had no deputation representative of those small bakers. I sympathize with them very keenly, but their difficulty is not the sales tax. It is one which is common to the small merchant and which has been increasing in recent years because of new methods of merchandising. Even if the sales tax were removed entirely, they would still do business subject to the same difficulties. I imagine we would find just as much flux and change in the case of small bakeshops under the old condition as we would under the new one where the sales tax obtains. If it were not for the need for revenue and for the large figures involved, this would be one of the first taxes I would wish to see removed, but in the circumstances and having regard to our necessity for revenue, I do not see how we can very well do away with it.

Mr. EULER: I do not desire to prolong the argument, but I should like again to impress upon the minister the very thing which he has admitted, that is that the situation as regards these small bakers is very difficult, even for those whose annual output is above \$3,000. What makes the situation more difficult is the fact that the minister is imposing a very heavy tax on sugar which also enters into their costs. It is almost impossible for those people to add the additional cost to the value of their product. In that particular line of business there are standard prices and it is difficult in the case of buns, cakes and so on to charge the consuming public an increase in price commensurate with the increase in cost as a result of the tax on sugar and on their products. In view of the fact that the minister has imposed a tax on sugar, the fact that these people have particular difficulties now and the additional fact, which I think is of extreme importance, that these are articles of food and we should tax them as little as possible, I urge upon my hon. friend to consider doing something by way of relief for these people.