

Hon. Mr. HAIG: It would have no impact at all. The income taxpayer would have to pay more. I can put my money into mortgages and pay only one tax, but if I put it into industry at the present time, I have to pay double taxation.

Hon. Mr. EULER: Heretofore the government has allowed a 10 per cent credit on your dividend; now it has increased it to 20 per cent, and the government is losing that much.

Hon. Mr. HAIG: But they are catching it on the other side.

Hon. Mr. EULER: What do you mean by that?

Hon. Mr. HAIG: Production is growing all the time, and the same rates and percentages are maintained.

Hon. Mr. CRERAR: If Senator Haig is suggesting, Mr. Chairman, that the corporation income tax should be eliminated and the corresponding burden placed upon personal income taxpayers, I should like to think twice about that suggestion.

Hon. Mr. CAMPBELL: Mr. Sheils, is there not another way in which industry has been helped, and can be helped still further, to increase their plant deficiency and expand their operations, by a more liberal means of depreciation.

Mr. SHEILS: That is definitely a factor.

Hon. Mr. CAMPBELL: And that was a greater factor a few years ago, was it not?

Mr. SHEILS: Yes. I had intended to mention that when I was speaking of the necessity for the manufacturer saving some money to modernize his plant and equipment. The present rate of depreciation applied to the cost of a machine purchased ten years ago will not replace that machine today within the depreciation years. Of course, we cannot say that is the government's fault. The rate was all right when it started. But with the increased cost of that machine over the past ten or fifteen years, the depreciation does not come anywhere near replacing it, and we have to save enough out of profits to replace it.

Hon. Mr. EULER: Would you like to see the rates go back to the depreciation allowed over the war years, when you could write it off in two or three years?

Mr. SHEILS: I would like to see a higher rate of depreciation.

A study is now being made by an association of accountants—and I may say it is not inspired by the Canadian Manufacturers' Association; they are doing it entirely on their own—as to what changes industry must make in its accounting practices in order to compensate for the fact that current depreciation rates applied to the old value of machinery and plant does not leave the manufacturer with anywhere near enough money to replace it today.

Hon. Mr. CRERAR: I think that is self-evident.

Mr. SHEILS: The study is being made by a very authoritative group, and we are looking forward to what they have to say about it.

I should like to amplify my answer of a few minutes ago to Senator Haig. Mr. George, our Ottawa representative, says that he would be pleased to see this 20 per cent go up and up.

Hon. Mr. HAIG: I thought so.

Mr. SHEILS: I am probably the type who likes to take one blessing at a time; I was very happy about the 10 per cent going up to 20 per cent. But I see there are people in my association with more forward vision than I have.

Hon. Mr. TURGEON: Upward vision.