

they make use of the counterpart of some or all of the material in the United States, and that therefore their costs for using that and incorporating it in the special edition are less. That may be true; I do not know.

Honourable senators, that is the basis for the tax. The application of it is very simple. It is 20 per cent of the value of the advertising material, and there are provisions for the minister making regulations so as to give him all the necessary information in returns, etc., so that the tax would be easy of imposition. I do not think it is for me to express an opinion one way or the other as to the advisability of dealing with the problem in this way, admitting that there is a problem, but the Government apparently pursued this matter for some time, and it is represented in the material that I have that a very thorough study was made. As a result, you have this method of solution, and here it is for us to decide whether or not we are going to approve it.

Hon. Mr. Hackett: Can the honourable gentleman say whether any diplomatic representations have been made concerning this legislation?

Hon. Mr. Hayden: That question would be more properly addressed to the Leader of the Government in the Senate (Hon. Mr. Macdonald), because I am not in a position where I would learn of any diplomatic representations.

Hon. Mr. Hackett: Then I will ask later.

Hon. W. D. Euler: Honourable senators, it is not my intention to discuss what is called the magazine tax, but if anyone could justify such a tax it is the honourable member from Toronto (Hon. Mr. Hayden). However, he has not attempted to justify it, and certainly I am not going to try to do so. I am more interested in the provision of Part 1 which has to do with the passing over of the taxing of insurance premiums from the federal Government to the provinces. Some honourable senators may recall that I discussed this tax on former occasions. The history of it is this: originally, the federal Government taxed insurance companies at 3 per cent on their premium income, but at that time there was no income tax on corporation profits. I expressed the view that a tax on premiums was an improper method of taxation. Of course, I agree that insurance companies should be taxed, as are other companies, on their profits. But an insurance company might have a very large premium income, as many of them have, and might at the same time lose money on its operations.

I have in mind the case of an insurance company which paid a premium income tax of about \$100,000, and lost \$50,000 on its business operations.

It may be argued that premium tax is another form of sales tax. But it is not a sales tax as it is applied to commodities generally. When a manufacturer pays sales tax on an article, he passes that cost on to the customer, a wholesaler or retailer. The Government is unlikely to allow the tax to be added to the final price to a customer, although, I believe we had at one time what was known as a luxury tax on the final price, but the customer was able to see exactly what he was paying. The insurance company might be able to pass the tax on to its policyholders by adding the tax to the premium, but, politically speaking, I do not think any government would want a company to send to its policyholders notices of premiums due with an added item for premium tax. That would be politically unsafe.

About eight or ten years ago—I think the Right Honourable Mr. Ilesley was Minister of Finance at the time—it was decided to bring insurance companies under the corporation tax. That policy was, I thought, sound and proper. Previously the companies had paid only a premium tax of 3 per cent, with no corporation tax on profits. As I say, the Government decided to make the companies subject to tax on their corporation profits, which I felt was sound and fair, because I could see no reason why insurance companies should be treated differently from other corporations.

The insurance companies up to that time did not complain about having to pay a premium tax of 3 per cent. True, they did not like it, but it meant that they had escaped corporation tax, and the one pretty nearly equalled the other. Then the insurance companies became liable to pay corporation taxes, and the premium income tax was retained but was reduced to 2 per cent.

I contended then that it was quite unfair to apply the corporation tax and to retain even the reduced premium income tax as well. I opposed the proposal to the extent of moving before the Banking and Commerce Committee that the premium tax clause should be deleted from the bill, and we had a good debate on it in committee. There were at that meeting the Acting Minister of Finance, the Director of Income Tax and the Superintendent of Insurance, all of whom were against deleting that clause because it was in a Government bill. Notwithstanding their opposition, the motion to delete the clause carried in the committee.