

ter of the Interior a question with regard to it. The telegram is as follows:

Settlement of returned soldiers on lands seriously retarded by delay of patent on account of failure to complete improvements. Possibly amendments contemplate removal of this obstruction. If not, cannot some method of relief be devised? The matter is urgent and soldiers considerably agitated over it.

I understand that duties are remitted in the case of homesteads belonging to soldiers returned from overseas. I would like to ask the minister if he will facilitate the issue of those patents.

Mr. ROCHE: Yes.

Mr. OLIVER: I understand the minister to say, in answer to the member for Saskatoon (Mr. McCraney) that the duties on homesteads of returned soldiers are remitted. Does that apply to residence duties only, or does it include also improvement duties?

Mr. ROCHE: The terms of the order in council are to the effect that any person who had made a homestead entry prior to enlistment has his residence duties counted while he is away. That is the point raised in the telegram read by my hon. friend (Mr. McCraney).

Mr. OLIVER: Then that remission does not cover improvements?

Mr. ROCHE: No.

#### QUEBEC AND SAGUENAY RAILWAY.

On the Orders of the Day:

Mr. LEMIEUX: Does the Minister of Railways and Canals intend to bring in any legislation this session with respect to the Quebec and Saguenay Railway?

Mr. COCHRANE: I made a statement to the House some time ago that we were going to bring in legislation.

#### WAYS AND MEANS.

##### WAR TAX UPON INCOMES.

The House in Committee of Ways and Means, Mr. Blain in the Chair.

Sir THOMAS WHITE (Minister of Finance): Mr. Chairman, the enactment of the Military Service Bill which has just passed through the House will result in material increase in and acceleration of the war expenditures of the Dominion.

By that Bill, provision is made for calling an additional 100,000 men to the forces of Canada. In view of the expenditure

[Mr. McCraney.]

involved, and in order to maintain the credit of the Dominion, it is necessary that we should adopt further taxation measures. Apart from this necessity from a financial standpoint, there has arisen, in connection with the Military Service Bill, both in this House and in the country, a very natural and, in my view a very just, sentiment that those who are in the enjoyment of substantial incomes should substantially and directly contribute to the growing war expenditures of the Dominion.

In view of these considerations, I desire to-day to lay before this committee proposals for a national measure of income taxation. I may say that the adoption of such a measure is a distinct innovation in federal fiscal legislation. Hitherto we have relied upon duties of customs and of excise, postal rates and other miscellaneous sources of revenue. It is true that since the outbreak of the war we have adopted the Business Profits War Tax Act which is a measure of direct taxation akin to income taxation, but not so wide in its scope. As the members of the committee are aware, the Dominion Government, under the provisions of the British North America Act, is empowered to raise revenue by any mode or form of taxation, whether direct or indirect. On the contrary, the provinces, and, by consequence, the municipalities which derive their taxation powers from the provinces, are confined, in the raising of their revenues, to measures of direct taxation. For this reason, since the outbreak of the war, I have hesitated to bring down a measure of federal income taxation. As I have stated, the provinces and the municipalities are confined to direct taxation, and I have not regarded it as expedient, except in case of manifest public necessity, such as I believe exists at the present time, that the Dominion should invade the field to which the provinces are solely confined for the raising of their revenue.

There is a further fact to which I have alluded in my Budget speeches since the outbreak of the war. Canada is not a country of concentrated wealth. We have a sparse population of some 8,000,000 people, scattered over an immense territory as large in area as the United States of America, almost as large as the continent of Europe. The result of that is that the cost of administration of an income tax measure will be quite substantial, and the cost of administration is always a factor which should be had in mind in connection with the imposition of taxation. Generally speaking, if the cost of administration of a tax is dis-