

Mr. KYTE: Parliament meets next year, and we may do things that we have not in mind at present.

Sir THOMAS WHITE: Supposing I had not said that, would the Act have come to an end by its terms or not?

Mr. KYTE: It would, and we are dealing with conditions as they are at present. We have no legislation upon the statute book to-day which provides for the levying of a war profits tax upon any concern in this country upon earnings after the 31st December of this year. This income tax has been introduced in consequence of an agitation throughout the country for the conscription of wealth. The Compulsory Military Service Bill, which passed this House some weeks ago, provides for the enlistment of 100,000 men during this year. The Solicitor General (Mr. Meighen) in piloting that Bill through the committee, said it was quite probable that at the next session of Parliament the Act would have to be amended to provide for the enlistment of another 100,000 men if the war were still going on. I think it is rather an unfortunate and disappointing circumstance that, while we shall have upon the statute book a Compulsory Military Service Act providing for compulsory military service of 100,000 men this year, and, in the language of the Solicitor General, of possibly 100,000 men next year, the Finance Minister, instead of making provision for continuing the excess profits tax as respects the manufacturers, is making no such provision, and that taxation will lapse at the end of the present year.

There is a vast difference in the scope of taxation under these two measures. The operations of the two Acts have been placed side by side by the newspaper press. It is pointed out that, for instance, a company with a capital of \$100,000, upon which it earns 10 per cent, giving it an income of \$10,000, would pay, under the excess profits tax, 25 per cent on the amount over \$3,000, or \$750, into the Treasury; under this Income tax it would pay 4 per cent upon \$7,000, or \$280. A company earning 100 per cent on a capital of \$100,000, under the excess profits war tax would pay \$64,500, and under the Income Tax, \$3,880.

Sir THOMAS WHITE: Assuming that the business profits taxation applies to 1917; and assuming that the income tax proposals apply also to 1917, which of those taxes would the firm in question pay in 1918?

[Sir Thomas White,]

Mr. KYTE: It would pay upon its earnings of 1917 the business war profits tax.

Sir THOMAS WHITE: The larger one.

Mr. KYTE: But it will pay nothing in 1918 in respect of the excess profits, as the law is at present.

Sir THOMAS WHITE: My hon. friend is not able to say it will not, because abnormal profits will be taxed abnormally.

Mr. KYTE: I can only take the language of the minister, who said it was not intended to continue the Act after 1917. It is quite true that if one of these corporations had a limited number of shareholders, each shareholder drawing profits from that company, would pay upon his income the 4 per cent provided for in the present Bill. But where there is a large number of shareholders, and the dividends are distributed among that large number, each of them having an exemption of \$3,000 if he should be married and \$2,000 if he should be unmarried, these exemptions would probably dissipate the total income derived by shareholders from that company, and no further taxation would be collected in respect of it. For convenience of reference, I shall place in tabular form the amounts contributed by companies each having a capital of \$100,000, according to the percentage earned, under the excess profits tax and under the income tax.

Tax Paid By Company With \$100,000 Capital.		
Earning, Per Cent.	Under Business Profits Tax.	Under Income Tax.
10	\$ 750	\$ 280
15	2,000	480
20	4,500	680
25	8,250	880
30	12,000	1,080
50	27,000	1,880
100	64,500	3,880
200	139,500	7,880

These figures will illustrate how the manufacturing concerns making large profits are relieved of the great burden of taxation by the provisions of the Bill that we are now considering. Some reference has been made to the Ogilvie Flour Mills company. According to the earnings of 1916, upon a total capitalization of \$5,622,486, the war profits taxes for 1916 amounted to \$280,8886. The war profits tax for 1917, assuming the company's earnings to be the same as in 1916, would amount to \$547,478.

But under the income tax, in respect of its earnings for 1918, it will only pay \$60,564. I may say that in 1916 the Ogilvie Flour Mills company earned 27 per cent,