

the volume of labour employed in Canada. Therefore we should be prepared also to give. If hardship such as is apprehended by my right honourable friend should ensue under the treaty, the old duty on any article or any number of articles may be restored on one month's notice, and modifications may be made, not necessarily restoring the old scale, on three months' notice. If the former conditions were restored on one month's notice, it would of course be done at the peril of retaliation.

Hon. Mr. DANDURAND: This is the very feature that may paralyse all the operations of the treaty. How people will start doing business under such conditions is beyond me.

Right Hon. Mr. MEIGHEN: I think they will. If the operations are paralysed the right honourable senator from Eganville (Right Hon. Mr. Graham), at least, will be highly pleased.

Right Hon. Mr. GRAHAM: Not at all. But I shall not be very much disappointed, because I have discovered in this treaty some defects the results of which, I am afraid, cannot be avoided. I agree that a treaty must be flexible and that there must be advantages on both sides. Sometimes the advantages appear to be mostly on one side, and this, I fear, is an instance. The treaty has been proclaimed, and I suppose that any suggestion we might make for the rejection of the changes in the tariff resulting from the acceptance of the treaty would be futile. While I believe in treaties and know that there must be some give and take, and that we must buy if we are going to sell, still I think that if we are losing it is the duty of members of either House to point out the fact. I have so much confidence in the consistency of my right honourable friend (Right Hon. Mr. Meighen) that I hope he will be strongly for buying as well as for selling. On any other ground it will be impossible to make any trade arrangements even within the Empire. If this is the basis that is going to be adopted by the Canadian representatives at the Imperial Conference, I shall be almost willing to forgive the Government for the little error it has made in the New Zealand Treaty.

The motion was agreed to, and the Bill was read the third time, and passed.

At 1 o'clock the Senate took recess.

The Senate resumed at 3 p.m.

## INCOME WAR TAX BILL

### SECOND READING

Right Hon. Mr. MEIGHEN moved the second reading of Bill 96, an Act to amend the Income War Tax Act.

He said: Honourable senators, this is a Bill that will be welcomed by all taxpayers, as it increases their opportunity to sacrifice for the nation. It provides for the abolition of the twenty per cent exemption which in better days was found possible. Ten per cent was taken off at one time and a further ten per cent at another time.

Hon. Mr. DANDURAND: Under a beneficent Government.

Right Hon. Mr. MEIGHEN: Yes, under a Government that was favoured by nature beyond its merits.

Hon. Mr. DANDURAND: Providence was our ally.

Right Hon. Mr. GRAHAM: Nature makes no mistakes.

Right Hon. Mr. MEIGHEN: The Bill also provides for a change in the amount of income exempted, by reducing that amount. There are amendments respecting the exemptions applicable to single and to married persons, also with regard to dependent relatives. The family corporation provision is abolished. That does not, of course, refer to a personal corporation, the law in that regard remaining as it has been. A personal corporation is regarded as non-existent so far as income tax is concerned, and the income of a personal corporation has to be accounted for by the person who owns it. But certain advantages which a family corporation enjoyed under former legislation are by this Bill taken away. In future a family corporation will be in the same class as general corporations.

The Bill increases the corporation tax, and provision is made for doubling any income omitted.

Hon. Mr. BLACK: That is permissive and not compulsory, is it not?

Right Hon. Mr. MEIGHEN: The amendment is in section 10 of the Bill, and reads:

If any person omits to declare any dividends, rentals, interest, royalties or other like income which, on any inquiry by the Department of National Revenue or on information obtained from any person other than the taxpayer, is subsequently duly ascertained to have been received, such person may be assessed as if double the income so omitted from his return had been received.

Yes, it would appear to be optional still.