

Mr. Macdonald: The gross capital?

Sir Thomas White: No, the net.

Mr. Macdonald: What about the liabilities?

Sir Thomas White: I think I am right. I am speaking of capital, reserve and accumulated profits only; I am not speaking of the total assets. I say that that substantially represents the capital of that company. Just as an individual has invested in a business \$100,000 which would represent the value of its assets less its liabilities, so, in determining what the capital of a company logically is, you would say: What is the value of its assets and what are its liabilities? You would then deduct the liabilities from the assets and in that way get the capital. If the business of a company has been conducted properly, if the stock has been all paid in cash, you will find that that will correspond with capital stock, rest, reserve and accumulated profits.

Mining companies present difficulties in ascertaining the capital invested in them, because there is no necessary connection between the nominal capital of a mining company and its real capital, which is the value of its mines. Therefore, you will find these anomalies.

You will find a company incorporated some years ago, say, with a capital of \$250,000 or \$500,000, and you will find that the property to-day may be worth \$5,000,000; that a holding company has probably been created, holding the stock in the original company, now the subsidiary company of the holding company, and that the dividends are being paid, say at the rate of 15 or 20 per cent. upon a capital of \$5,000,000. Now, this taxation will apply, of course, to the underlying company; but it will be necessary, in order to be perfectly fair to the mining industry, that in considering what its capital is, under the provisions of this Bill, you have regard to the amount of its fully paid up capital and to the values of its reserves, rest and accumulated property, the three together, as I have stated, representing substantially the value of the mine. In my opinion, that is absolutely fair and just, and it is the principle that would be applied to financial institutions, private individuals and firms in business. The first question is: What is the true amount of your capital? The second is: What is the true amount of your net profits? Now, relate your net profits to the true amount of your capital and you will easily be able to make the calculations called for in this measure. Therefore, **I think, in view of the statement I have made, that the apprehensions of those engaged in the mining industry that this tax is going to be oppressive, will be allayed, if not entirely removed, because, on the one hand, the so-called profits are cut down to a net basis, and on the other hand, the capital, reserve and accumulated profits are deemed to be the value of the property, less the liabilities, of course, that is, the true capital invested in the enterprise.**

I do not, at the moment, desire to say anything further than this, that, if these resolutions and the Bill which I shall introduce later should meet, as I believe they will, with the approval of this House, it will be our object to administer this legislation, while strictly, in accordance with the legislation, with good judgment and with scrupulous fairness to all parties concerned. The administration will be under the Department of Finance, the tradition of which I believe has been good, and I certainly desire to pass it on unimpaired. It has been suggested here that political considerations might enter into the administration of this measure. I do not believe that that view is shared in by a majority of the members of this House, nor that it is shared in by hon. gentlemen opposite. We are bringing in an exceptional measure under exceptional conditions, and

the House realizes the fact that this is a Bill that under normal conditions would not be brought down. I am sure hon. members will have confidence that this measure will be administered fairly and justly to all parties concerned, and most certainly without regard to political considerations in order that the end may be accomplished that we have in view in introducing this measure, namely, that we may raise a substantial amount of revenue to cover our expenditures in connection with the war.

Perhaps I have spoken longer than a minister should in committee; but the hon. member for Pictou, I know, is sincerely interested in this matter; he has a wide interest in mines; he is sympathetic to the mining industry; he is well informed; he has put forward his views; he has raised questions; he has made representations, and I have thought that his desire was that I should deal with this matter, so that those engaged in the mining industry may be reassured as to certain matters about which they have been in doubt, namely as to what net profits mean and as to what capital means in connection with their industry.

There is another thing. My hon. friend has touched upon the question of the certainty of a tax. It is a good principle in taxation that those who are liable to pay a tax should be able, within reasonable bounds, to ascertain what the tax will mean, because in many cases, they make their future arrangements accordingly. Now, this Bill should be through this House in the course of the next couple of weeks—at least I am hoping it will—and once it becomes law, there will be no difficulty whatever, because the legislation will begin to operate at once, if any mining company is desirous of ascertaining what its taxation will be, in making their return and having the officials of the department check it over and make an assessment upon it. I think we should be able to begin making our assessment in May. Returns will be called for in May or June, or, if any are unduly apprehensive about the amount they will have to pay, they can easily ascertain substantially what it will amount to.

Mr. Turriff: The Minister of Finance has just spoken about the capitalization of mines. I am not sure that I clearly understood what he said. Suppose that a mining company, organized a few years ago, has a paid-up capital of \$250,000. They bought a property for \$100,000 and spent \$150,000 in plant and in carrying on the business. Between that time and the time when this tax comes into effect they make a fine discovery of ore, so that the mine, instead of being worth \$100,000, is worth \$1,000,000. In that case, is that \$1,000,000 capital, or is it not?

Sir Thomas White: Assuming that \$1,000,000 is a proper valuation in the opinion of experts, then I should say the true position of that company would be this: Its capital is \$250,000, and its reserve, rest, and accumulated profits make up the balance. Its capital, for the purposes of this Act, would be \$1,000,000.

Fraser & Chalmers of Canada, Limited, of Montreal, have recently been awarded the contract by the City of Regina, covering the delivery and erection of a 300 h.p. steam turbine direct connected to two centrifugal pumps having a total capacity of seven million Imperial gallons per twenty-four hours.

The directors of the Consolidated Mining and Smelting Co. of Canada, Ltd., with head office in Toronto, on March 10th declared a quarterly dividend at the rate of ten per cent. per annum, payable April 1st. The amount of this dividend will be \$145,125.