

it makes much much difference whether the business in question is the making of munitions or of any other class. Munitions are needed and no discredit attaches to the enterprise which provides them. The steel company which engages in the production of munitions could in most cases make as much if not more money by selling its steel products in world markets. Moreover, it would be inequitable to discriminate against the firm which makes a profit upon the finished article known as munitions and leave untaxed the profits (it may be equally large) of those firms which manufacture and supply the raw material or partly manufactured products from which they are made, or the businesses throughout the country which make abnormal profits from the distribution of money expended by Governments in payment for such munitions. If higher profits are made in the manufacture of munitions the higher the tax taken under business profits legislation.

In accordance with the principle which I have enunciated the Government last year imposed the Business Profits War Tax. Under that legislation profits in excess of a certain percentage upon capital invested were taxed to the extent of twenty-five per cent of such excess. This measure has proved quite successful, not the least of its merits being the small cost of its administration which will probably not exceed one-half of one per cent upon the amount collected. In view of the increasing interest and pension charges due to the war and believing this to be the true source to which recourse should now be had for further revenue we propose to extend this tax by taking an increased share of profits.

We propose to take from persons, firms and companies liable to the Business Profits War Tax Act, 1916, fifty per cent of all profits in excess of 15 per cent but not exceeding twenty per cent per annum and seventy-five per cent of all profits in excess of twenty per cent per annum upon capital. That is to say up to fifteen per cent they will be liable to the existing legislation and in addition we shall take one-half of their profits between 15 per cent and 20 per cent and three-fourths of their profits beyond 20 per cent. The increased tax will chiefly affect manufacturers of munitions and other war supplies. While the percentage of excess profits which is taken is large, sufficient is left to provide incentive to effort on the part of all subject to the war tax.

[Sir Thomas White.]

The new legislation will apply to the last accounting period of the three year term provided for in the Business Profits War Tax Act, 1916, namely, to all accounting periods ending after December 31, 1916, I am unable to estimate what amount will be derived from this taxation as it will depend upon the condition of business during the year. It will however give us without doubt a very substantial additional revenue.

Before leaving the question of taxation I desire to say that the measures we have adopted have necessarily broadened in their scope as the war has progressed. No one has at any time been able to forecast the length of the war. It has now lasted nearly three years and the end is not yet in sight. Should another year be added to its duration with the consequent increase in our financial burden new sources of revenue must undoubtedly be sought. In seeking for these it should I am sure always be kept in mind that Canada has been in the past and will likely be for many years in the future a country inviting immigration and capital to develop its resources and contribute to its prosperity. Especially should we in considering taxation measures for the period following the war keep in view the desirability of the flow of settlers and of capital to Canada not being retarded through fear on their part of heavy Federal taxation.

Canada's War Loan.

The question of our financing since the last Budget was fully explained and discussed in the first part of this session. During the recess we successfully floated the third Canadian War Loan, an issue of \$150,000,000 five per cent, twenty year bonds at 96. The public response was most gratifying, the issue having been oversubscribed to the extent of about one hundred million dollars. The proceeds of this loan will enable us to finance both ourselves and the Imperial treasury in respect of expenditure in Canada until June. It is my present intention to arrange then for an issue of notes or treasury bills and if conditions are favourable offer another war loan in the early fall.

Since the outbreak of war we have floated in Canada domestic loans aggregating \$350,000,000 and have in addition furnished \$150,000,000 through our chartered banks to the Imperial Treasury to meet its commitments for munitions and supplies purchased in Canada. Everywhere, I believe, this is regarded as a very notable