

ent businesses, and to the fact that what is a fair profit in one class of business is entirely inadequate in another, and, further, that the capitalization of companies differs very widely in proportion to their activities and to their resultant profits, so that some companies are taxed on the same amount of income, derived from the same class of business, very much more heavily than others. It is attacked on the ground that it directly contributes to extravagance, and places a premium on inefficiency, that in many instances the company in providing for the tax have advanced their costs in far greater proportion than was at all necessary to provide for these payments, and still keep their business in a flourishing condition. It is further contended that much of the profits are represented by necessary plant extensions and by stocks of commodities on hand which have been bought, and are valued at current high prices, so that 100 per cent. of profits shown by the books are rarely, if ever, represented by cash.

"Much undoubtedly can be said against the business profits war tax. Under normal conditions it would indeed be hard to find any argument which would justify its continuance. We are not yet, however, under normal conditions. Supply has not yet caught up to demand, and in some lines of business activity, at any rate, the salutary effects of competition are, as a result, not in play, and whatever can be said against the business profits tax, it at least has meant that a substantial sum of money has been recovered for the country out of large profits.

"Business in 1919 was carried on under the existing business profits tax, and to the full extent that it was possible for companies to avoid the tax and pass the full incidence to others, that will already have been done. During the current fiscal year our business profits revenues will come from 1919 profits, the tax being levied under last year's act at the maximum rates.

"It may possibly be that with another year business will be more normal and that no business profits tax ought to be levied. It undoubtedly is probable that some measure of deflation and retrenchment will have occurred, that there will be some decrease in the inflated prices of commodities, and it is in the interest of the country that business concerns should be able to make some provision for shrinking price lists and decreased buying power of their customers. Our business profits tax is at a high rate. It makes no allowance for pre-war profits, however large they may have been, but fixes an arbitrary return of seven per cent. on the capital employed before the tax commences to operate. Unquestionably with the higher return money today commands seven per cent. is not a reasonable reward for commercial ventures. It has been determined that it is impossible to stop immediately the imposition of the business profits tax, and a resolution will be introduced which will provide for the continuance of a tax of this character, but on a reduced scale, on the profits derived during the year 1920, the tax being payable in 1921. The present exemption will be extended from 7 to 10 per cent., the schedule of taxation to be as follows: On profits in excess of 10 per cent., but not exceeding 15 per cent., 20 per cent. tax; on profits in excess of 15 per cent., but not exceeding 20 per cent., 30 per cent. tax; on profits in excess of 20 per cent., but not exceeding 30 per cent., 60 per cent. tax.

"The present act provides a different scale of taxation for the profits of businesses with capital of not less than \$25,000 and under \$50,000, being one-quarter of all profits exceeding 10 per cent. on the amount of the capital employed; it is proposed to reduce this tax from 25 to 20 per cent. It has been felt that the concessions made in the proposed amendments are sufficient for the purpose of enabling firms to set aside more of their profits to reserves or plant extensions and to put their businesses in a better position to meet the deflation period, while at the same time a check will still be held on abnormal profits.

With regard to the tariff the Minister made the important announcement that:

"The tariff investigation has commenced, and public

sittings will be held throughout Canada after prorogation. The investigation will be conducted by the Department of Finance, with the assistance of such experts and other advisers as will be necessary to conduct a thorough inquiry. I am further of the opinion that not only should the investigation proceed, but that information should now be given of the principles and policies of the government, in the light of which effect will be given in the tariff revision to follow in the inquiry to the evidence and facts developed.



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