

to express a practical view with respect to the proposed tax of 20 per cent on advertising material in American magazines published in Canada.

Speaking generally to the bill, I share the opinion expressed by the honourable senator from Waterloo (Hon. Mr. Euler), that the 2 per cent tax on life insurance premiums is a tax on gross revenue, but not on net. That feature makes it an unjust tax. As my friend pointed out, many insurance companies may collect large premiums, but the net result of their operations may show a deficit. I see no reason whatever for imposing such a tax on insurance premiums.

As to whether insurance companies should be taxed on their net profits, as is every other corporation, I think they should be so taxed. A few minutes ago I was looking across at my two colleagues, as they faced each other, and they appeared to be wondering who was for and who was against corporation taxation. Now they both seem to be against it. I wish they had expressed that opinion some years ago when corporation tax was first instituted, because it might have meant fewer years during which the people would have had to carry the burden of that tax.

In the matter of the 20 per cent tax on advertising in American magazines published in Canada, I must admit that to me it is a surprising tax. I am bound to think that the Minister of Finance and his deputy looked thoroughly into this matter before they reached a decision to propose such a new tax. I must also admit that I have not had sufficient explanation of the reason behind this proposal to convince me that it is a good or a bad one. However, I propose to vote for the bill, notwithstanding the fact that the explanation falls far short of satisfying me of its merit. I fear that the tax will not have the effect of reducing the flow of American publications to Canada and thus benefiting Canadian publishers. If certain American publications or magazines have had a wide distribution in Canada it is because their material is good. Their material has been accepted by Canadians to the extent that their business has grown tremendously over the last 10, 15 or 20 years. That indicates that Canadians have greatly appreciated these magazines.

Also, I have been told—I do not know whether it is true or not—that in so far as the advertising in these magazines is concerned they have not enough space to take all that is offered to them from Canada. If that is so, and I have no reason to believe that it is not, those who advertise in these magazines pay a pretty high rate; I think they are among the wealthier advertisers in Canada. So, if the magazines have to meet

a 20 per cent tax on advertising, who will eventually pay for it? Will the publications pay for it and thus reduce the amount of their income by 20 per cent? I do not believe so. I think one of two things will happen: either the magazines will charge 20 per cent more for their advertising, which means that the Canadian advertisers will pay more, or the publishers will say to the advertisers "Our rate for advertising space has not changed, but as there has been a tax imposed on us of 20 per cent we are asking you to pay it". I think the result of the tax will be an increase in the rate for Canadian advertising by 20 per cent. That will not prevent wealthy companies from advertising in those magazines.

This tax will not decrease by any means the Canadian business of these American magazines. The fact that Canadian advertisers will have to pay a 20 per cent tax on advertising in these large magazines will not cause them to switch to Canadian publications. Consequently, I do not think the tax will have the effect that the minister thinks it might have.

As I am not an expert in the taxing business, nor do I have the knowledge that the minister has—and I am sure he carefully studied the situation before recommending imposition of the tax—I am going to vote for the measure. But I emphasize the opinion that I have expressed—though I may be wrong—that the tax will not have the effect the Government thinks it will have.

Hon. Mr. Euler: Honourable senators, may I clear up what is perhaps a misapprehension in my mind, or else a misapprehension in the mind of my honourable friend?

Hon. Mr. Bouffard: The misapprehension may be mine.

Hon. Mr. Euler: He made the statement that two of his colleagues were apparently against the corporation tax. If he included me in that he is quite wrong. If he will do me the honour of reading my speech in *Hansard* tomorrow he will find that I am distinctly in favour of taxing the profits of an insurance company, as of any other corporation, but that I am wholly opposed, as he is, to the tax on premium income.

Hon. Mr. Bouffard: I take the word of my colleague, and I apologize if I misunderstood what he said. I still think that if either of my two colleagues opposite had in the past expressed opposition to the corporation tax it might have benefited the whole community.

Hon. Mr. Macdonald: Honourable senators, the honourable member for Toronto (Hon. Mr. Hayden) has had to leave, so may I on his behalf close the debate?