

Sir THOMAS WHITE: There is no doubt that under this income tax measure, if a company such as my right hon. friend has in mind—let us say a commercial company—shows by its balance sheet that it has made a net profit of \$100,000, even although that net profit is represented in goods, which will be taken according to the inventoried value, the tax will apply to the \$100,000.

Mr. KYTE: I take it that this income tax Bill has been brought in by my hon. friend (Sir Thomas White) in obedience to the general demand that has been made throughout Canada, since the Bill providing for compulsory service of men was introduced into Parliament, for an equally drastic and universal conscription of wealth. It was pointed out from time to time that the term "conscription of wealth" was extremely misleading and did not actually convey the idea that was in the minds of the persons who desired that the wealth-producing portion of this country should contribute more largely towards the supplying of money to carry on the war than it had done heretofore. During every session of Parliament since the war broke out the suggestion has been made on this side of the House that the Finance Minister ought to introduce a system of taxation for the purpose of augmenting our revenue, but as frequently as it was argued and demanded from this side of the House that this step should be taken, the Minister of Finance argued that it could not be done. He proved to the satisfaction of his supporters that an income tax law ought not to be introduced as a part of the revenue-producing legislation of this country. But new light has come to the Minister of Finance, and in the language of the maiden who, vowing that she'd ne'er consent, consented, the Minister of Finance, after vowing that he could not introduce an income tax Bill, introduced it.

Sir THOMAS WHITE: Is my hon. friend quoting from Don Juan?

Mr. KYTE: He has made a point of the fact that the Business Profits War Tax is still in force in this country and that it will continue until 1918. But I would like to make it perfectly clear that the business profits war tax ceases on the 31st December, 1917, and that any tax payable in 1918 with respect to business profits will be paid upon profits earned during the present year. As regards individual companies, liability for this Business Profits War Tax will cease

at that date in 1917 which corresponds with the accounting period of each particular company. Take the Ogilvie Flour Mills Company, whose period of accounting is the 31st August, the present month. They are liable in respect to the business profits war tax upon their income up to the 31st August. The tax will be payable in 1918, but they will not be levied upon with respect to any profits earned subsequent to the last day of the present month. Am I correct in respect to that?

Sir THOMAS WHITE: They will not unless they are taxed subsequently. As I said, the Government adheres to the principle of abnormal taxation of abnormal profits. I said that in 1918, that matter could be dealt with if there were abnormal profits. This is where my hon. friend is wrong, that while what he stated is legally correct, the Ogilvie Company paid in 1916 upon their profits of 1915; they paid in 1917 upon their profits of 1916; and they will pay in 1918 upon their profits of 1917. My hon. friend overlooked the fact that this Act has been in effect only two years, but there is a three years' term, and those companies, most of them I believe, are in that position, that they paid out their profits in 1915, and had to find, out of their profits in 1916, the tax which was imposed and which was retroactive. Similarly, in 1917, they paid out of their profits for 1917 their tax for 1916, and they will pay out of their profits for 1918 their tax for 1917.

Mr. KYTE: That only means that the excess war tax applies to the earnings of companies for 1915, 1916, and 1917, up to the end of the accounting period of each individual company. The Finance Minister has said that next session we shall consider whether or not there are abnormal profits earned, and if so we shall deal with them. But this is the language of the Finance Minister the day he introduced his Income Tax Bill:

The House is aware that liability to the Business Profits War Tax Act of 1916 and the amendment thereto of this year comes to an end on December 31 this year, and it is not the intention to renew that measure.

Sir THOMAS WHITE: No, not to renew that measure.

Mr. KYTE: Then that is the end of the measure so far as it is applicable at the present time, according to the statement of the Minister of Finance.

Sir THOMAS WHITE: Of this particular measure.