

subsidiary company at Sudbury, had earnings of nearly \$10,000,000 for the nine months ended December 31st, 1915. Now I do not believe that public opinion would sustain the Government in taxing all other industries in Canada and passing by these mining companies. Mr. Turriff: Was it the International Nickel Company or the Canadian Copper Company that earned the \$10,000,000?

Sir Thomas White: The International Nickel Company. I mentioned the subsidiary company at Sudbury, which is called, I believe, the Canadian Copper Company. I give that as an illustration of the large earnings of these mining companies, and I am going to show later that **the amount we shall take from these mining companies is so small that it will have no appreciable effect on the mining industry at all.** Only comparatively few mining companies in Canada are subject to the tax, and they will contribute very much less than my hon. friend has in view. The mining companies desire to contribute. Some of them would rather that the tax was on a basis so that they would not have to contribute so much; that is no doubt very natural. I hear there are also a few, but very few, who would rather not pay anything at all. But we should not be justified in acceding to their request and exempting them from the operation of this tax, provided of course that they made large profits. I can say this that those in the mining industry who do not desire to pay are decidedly in the minority; the great majority do want to pay; they recognize it as just that they should pay, and among these I am happy to say are the Americans.

Let us for a moment **consider the principle of the application of this measure to the mining industry.** I admit that it is more difficult to apply a measure of this kind to mining companies than to manufacturing, industrial or commercial business. The reason is that mining, as my hon. friend from Pictou has pointed out, is a calling in which there are many disappointments, and in which abnormal profits must be looked for. I think that is generally admitted. A man who might be quite content with seven per cent. in a manufacturing business would not invest in a mining company upon the basis of a seven per cent. return on his investment. It must be borne in mind that a man who speaks of getting say twenty per cent. in a mining company, especially a company that is operating metalliferous mines, knows that in that twenty per cent. there is a large return of his capital each year. That is among the reasons why, in mining, a larger return is required than in the case of an ordinary commercial or industrial enterprise. The same remark would apply to other businesses—I do not say that twenty per cent. would apply—in which the capital invested is depleted from year to year. The resolution I have brought down relates net profits to capital. I would call the attention of my hon. friend from Pictou to the fact that in the resolution originally brought down we used the term “net profits.” I may say that mining had not escaped our attention, and for this reason, among others: We had examined carefully the American income tax legislation, in which provision is made for an allowance for exhaustion or depletion of capital not to exceed five per cent. of the gross output in any one year. It did not appear to us that we should place a limit of that kind upon the amount that we should allow for exhaustion of capital. There are some mines whose average life is eight or ten years. I am speaking of metalliferous mines. Then other mines, such as coal mines, last for generations, and the same considerations, except in a general way, do not apply; that is to say, the percentage of exhaustion in a coal mine in a particular year is not so great as the amount of exhaustion in connec-

tion with metalliferous mines such as gold, silver and copper mines. We therefore deemed it improper to place any limit on the percentage which we should allow for exhaustion of the capital of a mine. **In the administration of this Act it may be necessary for us in some cases to say we shall allow (for exhaustion) ten, twelve or thirteen per cent.; and in other cases five, or two per cent. It all depends upon the character of the mine with which we are dealing.** The hon. member for Pictou will, I am sure, concede that if we tax what are known as profits and distributed to shareholders, say under the mining laws of the Province of Ontario, but which are really not net profits, and deduct from those profits a proper amount, as we should be entitled to do under the provisions of this Act, for depreciation of plant and machinery, and for exhaustion, in the case of some mines, to the extent of ten, twelve or more per cent. of the value of the mine, they take on a very different complexion from what are ordinarily understood as profits in the payment of dividends to shareholders in mining companies. The result of dealing with the profits of mining companies in that way—and it is a proper way to deal with them—will be to make the net profits appear to be much smaller than the apparent profits which are published from time to time. So much for that phase.

I have not considered it necessary to place any limit in the Act, because I think in its administration the judgment of the officials should be left unfettered, although, of course, they will have to act on some principle which will be fair to all. I do not, however, consider it necessary to fix in the Bill a limit of percentage to be allowed for the exhaustion of mines. I have dealt with the matter of net profits, and it does seem to me that in dealing with them in that way we are placing the mining industry on a parity with all other industries.

Now we come to another question, which I am sure my hon. friend from Pictou has given attention to: the question of capital, of reserve, rest and accumulated profits. My hon. friend will observe, by an amendment I shall make to the resolution, that “may” will become “shall.”

Mr. Macdonald: In all companies?

Sir Thomas White: I would call the attention of my hon. friend from Pictou to the fact that, in estimating capital we shall have regard, not only to capital stock, but to rest, reserve, and accumulated profits. These will all be embraced under capital.

My hon. friend from Pictou is a lawyer, and I desire to make this statement to him: If we had proceeded absolutely logically we should have said: We will take the value of all the assets, real and personal, movable and immovable, of every company, firm and individual in Canada, and subtract the liabilities from the assets and the difference will be the capital. I need not, however, tell the House that that would be a Herculean task for the officials charged with the administration of this measure. In the case of most companies the capital, reserve and accumulated profits are accurately stated in their reports, and one would feel perfectly safe in taking their statement where the capital stock has been paid in full: capital, so much; reserve and accumulated profits, so much, representing premium on the price of stock sold to shareholders, or profits which have been taken into reserve, or contingent fund, or allowed to remain in profit and loss account. So in the case of an ordinary company for the sake of taxation, you have your capital, your reserve or rest account, and your accumulated profits, substantially representing the capital of the company invested in that business.