

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 tax.

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 capital to Canada not being retarded through fear on their part of heavy Federal taxation.

#### CANADA'S WAR LOANS.

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