Mr. RHODES: The bill will exempt from the sales tax salt used in the sea and gulf fisheries.

Mr. POWER: Is the minister considering the question of an excise tax on lumber?

Mr. RHODES: That will be exempted under the bill. The exemption will apply also to fibres and there will be a provision to exempt from the excise tax animals for the improvement of stock.

Mr. COOTE: Are barrels to be exempt?

Mr. RHODES: Perhaps my hon. friend did not hear me; I told him that the bill will provide for the deletion of the tax upon all containers.

Mr. VENIOT: In connection with salt, does the minister refer to the excise or sales tax?

Mr. RHODES: The sales tax.

Mr. MACKENZIE KING: Does the minister agree with his colleague the Minister of National Revenue (Mr. Ryckman), who has been moving the various amendments, that this special excise tax is really a customs tax?

Mr. RHODES: I do not know that any good purpose can be served by discussing names. My right hon. friend knows that it is a tax applied for the specific purpose of raising revenue, and to that extent at least it is distinguished from a tax imposed as a customs tax. It is purely a revenue tax of a special character as distinguished from an ordinary tariff. I am not disposed to quarrel at all with my right hon. friend as far as the name is concerned.

Mr. MACKENZIE KING: What revenue does the minister expect to derive from this three per cent tax?

Mr. RHODES: The estimate is that we will derive a revenue of $5,500,000 for each one per cent, so that this tax ought to bring in $16,500,000.

Mr. MACKENZIE KING: Am I right in assuming that this tax is to apply on the value for duty purposes, and that as a matter of fact it comes nearer to being a tax of four per cent than it does to being one of three per cent?

Mr. RHODES: The tax applies on the duty paid value, but I think it is a tax of three per cent rather than four per cent.

Mr. MACKENZIE KING: The average rate on dutiable goods is about thirty per cent, and when the value for duty purposes is taken into account the rate runs higher.

Mr. RHODES: The value for duty purposes would be applicable only to a very limited number of articles, so I do not think it would have any appreciable bearing upon the amount.

Mr. MACKENZIE KING: Will not the effect of this tax be further to restrict trade rather than to encourage it in such a way as to increase the revenue?

Mr. RHODES: That is a moot question. I think it follows that to the extent that the duty is raised you make it a little more difficult for the hurdle to be jumped. The fact is that we need revenue and must seek it in every available way, and it was felt that under the circumstances this was a desirable method.

Mr. MACKENZIE KING: As I understood the Prime Minister a day or two ago, he intimated quite frankly that the present duties were intended to be prohibitive.

Mr. BENNETT: When did he say that? Show me that.

Mr. MACKENZIE KING: I shall be pleased to look it up. I certainly got the impression and I think the house did, that the duties had been put at a certain point avowedly for the purpose of restricting trade.

Mr. BENNETT: Restricting, not prohibiting.

Mr. MACKENZIE KING: They were at a point which in many cases was prohibitive, and I think that was quite frankly stated. At any rate we know that in many cases the present rate is prohibitive and how a further duty of three per cent is going to bring in revenue to the administration is a conundrum.

Mr. RHODES: I think it is fair to say that all taxation takes a toll of business; it is a drain upon business as it is upon the purse. I do not think we can get very far by discussing this phase of it. It seems to me that the important question is, first, that we must have the money, and, second, we must find the best way to get it with the least detriment to business and with the least possible burden upon those who pay the tax.

Mr. MACKENZIE KING: May I ask the minister whether the purpose of this tax is not part of the bargaining paraphernalia of the ministry in connection with the forthcoming conference? Is it not intended to assist the administration in bargaining?

Mr. RHODES: No. The right hon. gentleman will recall that the tax was imposed in the first instance over a year ago as a one per cent tax. It is purely a revenue tax and has reference to nothing else but revenue.