

But we reached the conclusion that it would not be possible to do more than to allow these contributions as an expenditure. It would be difficult to draw the line in the case of patriotic and philanthropic contributions. A taxation measure has to stand largely upon its own basis. I am sure that the party to whom the hon. gentleman refers will realize, upon further consideration, that this is a taxation measure adopted for the purpose of enabling us to carry on the war, and I should hope that he may find himself in a position, besides paying this tax—for it is only a fraction of what he earns over seven per cent—to keep up his contribution to the Patriotic Fund. I do not think that citizens, imbued as they are with the worthy object served by the Patriotic, Red Cross, and other funds, will be led to discontinue their contributions because we find it necessary, as a war measure, to take a certain fraction of their profits in excess of seven per cent. It has been proposed—and my own sympathies would be with such a course if it were practicable, which I do not think it would be—to make allowance for these donations for patriotic and philanthropic purposes.

Mr. MACDONALD: The Patriotic Fund is a fund created by this Parliament. To a certain extent it is a legislative production, just as the Canadian Red Cross fund is, officially recognized for war purposes. This tax and a contribution for philanthropic purposes might be considered by some as in the same class. I put the idea to my hon. friend because I have no doubt he has heard, as I have heard, of the views that are taken by some concerning it. But he has considered the point and I understand that that consideration has ended in the view that these contributions should not be taken into account.

Mr. McCREA: I said on Thursday, in speaking about this measure, that it was all wrong in principle and in practice, and the minister has just given an argument in support of that view, which, I think, should appeal to his own common sense and fairness. Take the case of a middleman, dealing, let us say, in munitions of war. He has no capital, and so you cannot tax him—you cannot reach him. He has no office, and contributes nothing to the taxation of the country. He takes an order for munitions of war or any other article, and he hands it over to somebody else, making a clean profit which he puts into his pocket and carries away. The man to whom the

contract is handed over may have a plant in which millions of dollars are invested. He contributes greatly to the revenues of the country by the customs duties paid on his importations and otherwise. He makes the article, and then the minister says to him: You must pay over twenty-five per cent on everything you have made over seven per cent. So the manufacturer pays this tax, while the middleman, perhaps a foreigner and resident in a foreign country, the man who has nothing in this country but his hat and his umbrella, makes a nice clean profit, which cannot be taxed. This should appeal to the minister, to show the unfairness of his method of taxation. I think this is one of the worst measures ever put upon the statute book, because of the effect it will have to discourage thrift and industry. I hope the minister, before he gets through, will try to add something to his Bill to reach the man whom I have described, and whom he himself has described, the man who has no capital and nothing at stake.

Sir THOMAS WHITE: I think the hon. gentleman (Mr. McCrea) is dealing largely in hypothetical, or even fanciful, cases. We have had this middleman introduced several times this afternoon. We might call him Mr. X, for he is an unknown quantity. It has not been called to my attention—that is, no substantiating evidence has been given—that any middleman has made the enormous profits that are spoken of. These merely hypothetical cases are put forward, and the House is asked to believe that these great profits are made by men with absolutely no capital and therefore free of taxation. If the middleman, or anybody else for that matter, makes a certain sum of money in the course of the year, and does it without capital, he would be liable, under a system of income taxation. But this taxation is not income taxation; it is not taxation upon capital; it is taxation following the precedent of the principle of the Imperial Finance Act No. 2, imposing a levy upon what might be called excess profits. We allow what is regarded as a normal rate of profit to a business, whether incorporated or not, and we say that on account of the war we think it proper that if profits in excess of that normal rate have been made, one-quarter of them may fairly be paid to the state. My hon. friend has raised the question of the possibility of imposing taxation upon the individual who is here to-day and away