

Excess Profits Tax

house this afternoon I was greatly pleased, as I am sure every hon. member was, to see the member for Kootenay West (Mr. Esling), who is one of the oldest and best loved members of the house, again in his seat in this chamber. As hon. members are aware, our friend has suffered a rather serious illness. We are delighted to see him back looking hale and hearty, and I can say with all sincerity that we all hope he will so continue for a long time to come.

EXCESS PROFITS TAX

PROPOSED AMENDMENTS WITH RETROACTIVE
EFFECT FOR PAST YEAR

On the orders of the day:

Hon. J. L. ILSLEY (Minister of Finance): On Thursday of last week, when I announced that the budget would not be brought down until after the Easter recess, I indicated that before the house rose I would wish to make a statement in regard to certain amendments which we intend to recommend in connection with the excess profits tax.

The proposed amendments I refer to are those which will have retroactive effect for the past year. The reason which leads me to outline them now is to remove uncertainties which would otherwise exist in connection with the returns which will have to be filed and taxes that will have to be paid at the end of this month. Hon. members will, I am sure, appreciate that the present situation justifies this departure from the usual practice of not revealing tax changes in advance of the budget itself.

The house will recall that in the debates on fiscal matters last December, I announced that the government was willing to give careful study to any proposed changes which would tend to remove inequalities or extreme hardships which might arise under the Excess Profits Tax Act as it now stands, although at the same time I emphasized that the main principles of the act would be retained. That announcement has quite naturally given rise to some uncertainty in the business world regarding the permanence of several provisions in the present law. Particularly, in the case of depressed industries, taxpayers are apparently finding it difficult to file their returns for the past year with any assurance that they are complying fully with the legislation as it will be applied.

An announcement at this time will remove these uncertainties and enable taxpayers to proceed with the work of preparing tax statements and filing returns, the great bulk of which are due on April 30. Delay until the budget would merely aggravate the situation and would mean a great deal of unnecessary

[Mr. Mackenzie King.]

work for taxpayers who otherwise might have to revise their returns at a later date. I wish to emphasize that the changes with which we are here concerned are not essentially revenue matters but are rather in the nature of improvements in the structure of the legislation for the purpose of removing inequities and anomalies. They will also greatly simplify and expedite administration. They do not, however, mean that any general relief from the weight of the excess profits tax is being offered. The main principles of the legislation are to be maintained intact, and will continue to operate with their original severity on those who would otherwise make exceptional profits as a result of war-time conditions.

In the budget speech of September, 1939, when I introduced the original excess profits tax legislation I expressed the opinion that it is extremely difficult to frame a law in this field which will achieve its main purpose without causing certain inequalities and hardship in certain cases. Subsequent experience has confirmed this opinion. During the past year much study has been given to the problems involved, and several officials of my department as well as of the Department of National Revenue have devoted a great deal of their time to hearing representations and examining specific cases where the present act would undoubtedly work a real hardship. It has been a relatively easy matter in many cases to work out an answer "on paper" for some of the problems. Such solutions, however, have to be workable from the point of view of administration. To make legislation of this kind work, and work speedily and with certainty, there must inevitably be a certain amount of compromise as between perfect equity on the one hand, and practicability on the other hand. The proposals I now place before the house have been carefully weighed from these two points of view, and I think they will be accepted on all sides as greatly improving the present legislation. In the paragraphs which follow, I will outline the nature of each proposed amendment, then give an explanation of its purpose and how it will work, and finally suggest a tentative form of amendment which would implement the proposal.

With the consent of the house I shall not read the tentative amendments because it would simply slow up what I wish to say, but I will put them on *Hansard*.

Mr. HANSON (York-Sunbury): Could there be put on at the same time the present law, for comparison? It would be very convenient.