

before taxes and before dividends to non-residents for 1965 here at \$5,199,000,-000. The income tax liabilities from that, \$2,164,000,000. In other words, this was roughly 40 per cent. It includes, of course, small corporations where the rate is lower than the general rate, and includes both federal and provincial tax. That leaves corporate profits after taxes at \$3,035,000,000. Out of that there are dividends paid to non-residents, \$751 million. So that corporate profits retained in Canada are \$2,284,000,000. The dividends paid to Canadian persons are \$796 million. The charitable contributions paid by corporations are estimated or recorded at \$44 million, which leaves undistributed corporate profits of \$1,-444,000,000. That is what is left in the hands of the corporations.

Now, I can give you that last item over the half dozen years, if you wish.

Senator CARTER: I would not want to take up the time of the committee. Perhaps it could be provided and printed; it might be useful.

Co-Chairman Mr. BASFORD: It could be provided later today, or next week.

Mr. BRYCE: I think perhaps I could provide to the members, sir, the tables of national accounts, income and expenditure 1965 which is a very convenient set of references. We will get copies from the Bureau of Statistics for the committee. What I am referring to is table 50.

Senator CARTER: What you have said has no relationship between 13.8 in line 10 and 15.1 under 1963 and 1964?

Mr. BRYCE: Only in so far as indirect taxes are increased. They make it more difficult for businesses to sell at a higher price. I am sure that if the indirect taxes on liquor were reduced, the profits of the distillers could be increased. How much competition there is, of course, is a matter of judgment, but that is an extreme example. Other things that are sold subject to substantial indirect taxes would have some of the same effect. We often wonder, if it is a question of whether we increase or decrease the sales tax, let us say, what that will do in fact to prices and hence to profits, because it certainly takes time for prices to respond to such changes. There are inventory profits involved and a whole complex of other things.

Co-Chairman Senator CROLL: I am wondering if you have come to any conclusion, because we are all interested, from the historical end of it.

Mr. BRYCE: I am talking about historical "wondering". From time to time in the past when there have been occasions to change the sales tax this has always been a question that arises in our minds, how quickly or how slowly is it likely to be reflected in market prices and what are the transitional effects of doing so.

Co-Chairman Senator CROLL: But perhaps what the committee, and certainly I would like to know, is, when you raise the sales tax say two cents or two per cent, whatever it may be, have you ever followed it up to find out what the consumer finally pays, whether it is two cents to him, or does it come to five cents in the end, or possibly six cents. Have you followed it through?

Mr. BRYCE: It is terribly difficult to follow it through. There have been studies made of the incidence and effects of various Canadian taxes. I regret to say I did not bring them along this morning or refresh my memory yesterday on them. I think it depends on the length of time you allow. For example, in our manufacturers sales tax, if we increase the manufacturers sales tax by one per cent, one point, the initial impact of that of course is on those who buy from the manufacturers. The dealers will have some inventories they got at the lower rate of tax; so what is their policy going to be in disposing of that?

Then it is alleged that the normal mark-ups will apply and that you will get a mark-up on that additional sales tax at the manufacturer's level. On the other hand, I would judge that mark-ups are by no means rigid over longer periods. You get competition in the process of distribution as well as in the process of production. If we are looking at periods of half a dozen years or