

ruptcy during the period of readjustment. I feel confident that the minister, far from having that in mind, would like to protect our industries against this result. To my mind this is the most serious aspect of the matter; the figures that have been presented to me by some concerns lead me to believe that there is a good deal in the contention.

In the opinion of my right hon. friend's lieutenant—the hon. member for South Renfrew (Mr. Graham)—there is to be a period of readjustment, having regard to which this tax is so heavy that it will bring many firms in Canada to the verge of bankruptcy.

This Parliament will be in session in 1918. If this war goes on more and more money will be needed. The business of the country is the prosecution of the war and to find money with which to prosecute the war. We have done it up to date, and we are going to continue to do it. We have taken the largest portion of profits of any country in the world. I have been criticised, in this House and outside of it, as I believe no Finance Minister has ever been for imposing such heavy taxation. Nevertheless, this Government stands for the principle that, if abnormal profits due to the war are made by business, there must be abnormal taxation in order that the Government may take a substantial share of those profits. The situation is secure until the end of 1918. My own view is with respect to existing legislation that there are some defects in it. The question of allowance for extension of plant and the question of the amount of bank indebtedness present themselves. But I desire to say just this, that having as our guiding principle that this war must be carried on to a successful conclusion to the utmost of our power, and that the man at the front must be backed by the dollar at home, this Government can be depended upon at the next session of Parliament (if this war still continues and the financial demands upon us are increased) to take the step the moment it appears necessary that there should be abnormal taxation upon abnormal profits derived from the war.

I am glad that my hon. friend from Kingston has given me an opportunity of dealing with this matter. I just want to leave the thought with the House that the situation is held securely until the end of 1918. In 1918 we will know absolutely what the profits of concerns are in this country and what the outlook is both from the standpoint of war and the standpoint of business. In the light of those conditions we can take such action as may be necessary having

[Sir Thomas White.]

regard to the public interest and our supreme duty to carry on this war.

I want to say a word or two with regard to the question of large profits. Take a balance sheet which shows that a concern makes, we will say, \$1,000,000. The man who is not acquainted with a balance sheet thinks that that means that this firm has made \$1,000,000 in cash. How are these profits carried? They may be in stocks of goods bought at the top of the market, at the high prices prevailing in war time, in raw material bought at higher prices than have ever prevailed before; they may be represented by extensions of plant which have been made during the year, and instead of the firm or company having \$1,000,000 in cash, or they may owe the bank \$100,000 or \$200,000 at the end of the year. It has a bearing upon the amount of actual cash it is proper to take out of these firms by means of the Business Profits War Tax.

Sir WILFRIED LAURIER: The balance sheet will show that?

Sir THOMAS WHITE: The balance sheet will show that but the statement goes out to the country that a company has made \$1,000,000 and an uninformed man might reach the conclusion that they made \$1,000,000 in cash, whereas it may have gone into extension of plant, or stocks of goods which will depreciate next week or before they are sold, or into raw material which, when worked up into finished product, shows a loss. Thus, in dealing with the question of how much cash a company or a business has, you must have regard to the situation that prevails in that way. The situation is that the taxation power of the Government is not exhausted and it will be exercised at the proper time, having regard to the conditions that then prevail and to the necessities with which we are then confronted arising out of the war.

Sir WILFRID LAURIER: Under the conditions which my hon. friend has just stated, a balance sheet showing \$1,000,000 of profits, one part of which has gone into extension of plant, another into goods on the shelf and another into raw material, is my hon. friend to tax the business in accordance with the principle laid down in section 3 of the Bill in the following words:

And shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, and, whether such gains or profits are divided or distributed or not.