Mr. POULIOT: The senior member for Ottawa seldom forgets anything but this time he has been kind enough to leave one point for me. I am very glad to see the Minister of National Revenue here with his colleague the Minister of Finance. If I remember rightly the Minister of National Revenue told us some time ago that the decrease in the duty on spirits and cigarettes would amount to $8,000,000 or approximately that sum, while on the other hand the cut in salaries, we are told, will amount to about the same figure. So that civil servants in common with the rest of us have to suffer a reduction in order to give greater opportunity to other people to enjoy themselves as a result of the reduction in the prices of cigarettes and liquor. Am I right in my contention?

Mr. RHODES: My hon. friend, with his fertile and ingenious mind, is always bringing up new and interesting aspects of the subject. In regard to the statement of the Minister of National Revenue, he had apparently in his mind the circumstance that the treasury would lose $8,000,000 as a result of the reduction in the duty on spirits. That was not the interpretation which could properly be placed on the remarks of my colleague. As my hon. friend knows, there is a law of diminishing returns, and he will recall that the late Mr. Fielding, when Minister of Finance,—I mention this because it is a matter of record—imposed a special heavy duty on cigarettes. He was warned at the time he imposed that duty that he would receive less revenue under the increased duty than under the duty as it had stood, and he found it so to such an extent that he had to change his tax during the actual session of parliament in which he proposed it. I may be wrong in this detail, but the fact is that he ultimately had to reduce the tax because he was receiving less revenue. We believe that, having regard to the encouragement which is given to smuggling, as well as other breaches of the law which occur when the excise impost on spirits is too heavy, we shall receive under the lesser impost, if not as large then substantially as large a return to the treasury ultimately because to the extent that you reduce taxation to that extent you limit the temptation to breaches of the law. When my hon. friend mentioned the figure he did, he had in mind that, assuming the receipts from liquor were $40,000,000, on the basis of a reduction of one-fifth it would mean $8,000,000. That would be the mathematical computation, but it by no means follows that over a period of time the actual loss to the treasury would be anything like that amount.

Mr. POULIOT: But the amount is the same in each case.

Mr. RHODES: Quite so; $8,000,000 is $8,000,000.

Mr. POULIOT: But there is no relation between the two, if my understanding is correct.

Section agreed to.

Section 3 agreed to.

Bill reported, read the third time and passed.

INCOME WAR TAX ACT AMENDMENT

Hon. E. N. RHODES (Minister of Finance) moved the second reading of Bill No. 20, to amend the Income War Tax Act (special tax).

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Bury in the chair.

On section 1—Special tax continued for one year.

Mr. COOTE: Can the minister give the committee an idea of the approximate amount collected under the tax last year?

Mr. RHODES: I am extremely sorry, but I have not the computation before me. I can get it of course.

Mr. COOTE: I suggest to the minister that before he brings down his budget he should seriously consider increasing the revenue of the country by a change in the Income War Tax Act so as to place a higher tax on the higher incomes in Canada. He might take as a model the bill introduced by his predecessor, the present Prime Minister, two years ago. That bill I believe was based on the principle of assessing income tax in relation to the income earned; that is to say, it was one per cent on the first thousand, two per cent on the second thousand, and so on, the rate being increased one per cent with each increase of one thousand in income, until it reached twenty-five per cent on the twenty-fifth thousand. During this emergency, which is the reason for the present bill, we might very well consider adopting that same principle but carrying it still further until we reach a levy of ninety-nine per cent on the ninety-ninth thousand. That would greatly increase the revenue of the country and I have no doubt the men in receipt of incomes of that amount would be glad to contribute more liberally than they are now doing, just as members of the Canadian Civil Service have been glad to contribute to the revenues. I trust the minister