"In 1911 a Commission was appointed to revise the statutes and when its work was completed it was found that instead of having repealed the amendment of 1903 regarding the exemption of mines from income tax, part of it was left out, with the result that only coal mines were exempt from income tax. As there was no provision in the consolidated act to treat the two per cent. tax as being in substitution of all other taxes, the assessors in 1912 assessed the Granby Consolidated Mining & Smelting Co. and the Canadian Consolidated Mining & Smelting Co. on income. In 1913 the omission was corrected by an amendment and ore mines were again exempted from income tax. From the 1913 amendment to the 1917 amendment, mines were only taxed two per cent. on the output. This two per cent. tax for the year 1917 from all mines amounted to approximately $285,000.

"When the present Government took office in 1916, the late Ralph Smith became Minister of Finance. He immediately commenced an investigation of taxation, particularly as to its effect on mining; but his untimely death lost to us the benefit of his experience and his researches. The late Mr. Brewster, who was then Premier, was obliged to take charge of the Finance Department temporarily and although he suggested amendments to the Act he had not sufficient time to supervise the details of the amendments and their effect on the mining industry with the result that the changes made were not considered equitable.

"In 1916 the rates of taxation were as follows:

A. One per cent. taxable income up to $2,000.
B. Over $2,000 and not over $3,000, taxable income 1¼ per cent.
C. Over $3,000 and not over $4,000, 1½ per cent.
D. Over $4,000 and not over $7,000, 2 per cent.
E. Over $7,000, taxable income 2½ per cent.

"By Section II. of the Amendment Act, 1917, the clause exempting mines from income tax, inserted in 1913 was struck out, thereby bringing mining companies under the above scale of income tax, but in addition to this there was a sur-tax passed which imposed a further tax of one-half of one per cent. on incomes above $3,000 and not exceeding $4,000; two per cent. on incomes over $4,000 but not exceeding $7,000, and 2½ per cent. on incomes above $7,000; and further, there was a special Sur-tax of 7½ per cent. on the excess of incomes over $50,000. Therefore for 1917 the total income tax was 5 per cent. up to $50,000 of taxable income and 12½ on excess income above $50,000.

"By a further amendment to the Taxation Act of 1917 the income tax for 1918 and until further amended is as follows:

On taxable incomes not exceeding $2,000, 1 per cent.
Over $2,000, not exceeding $3,000, 1¼ per cent.
Over $3,000, not exceeding $4,000, 2 per cent.
Over $4,000, not exceeding $7,000, 4 per cent.
Over $7,000, not exceeding $10,000, 5 per cent.
Over $10,000, not exceeding $20,000, 7½ per cent.
Over $20,000, 10 per cent.

"I took office of Minister of Finance in June, 1917. One of my first duties was to assess mining companies under the terms of the 1917 amendment and Sur-tax Act. On a close study of conditions I found that mining companies were taxed, not on profits, but nearly on gross income. In ascertaining the taxable income no deductions could be made for depreciation of plant, for development work or managers' or directors' salaries resident in the Province, while shareholders receiving dividends from mines were obliged to pay further tax on such dividends and in addition to this the two per cent. ore tax had to be collected.

"After having explained in detail the drastic effect the enforcement of the Act would have on the mining industry, I was authorized not to assess under the Act as it then was, but to investigate and prepare amendments that would refine the Act to a more reasonable and equitable measure and make these retroactive to 1917.

"During the year 1917 and prior to the 1918 Session, I had many opportunities of discussing taxation of mines with representatives of mining interests and I can say that the point of view of the mining men was very forcibly placed before the Government. The Government realized from the outset of the conference with the mining men that they were not trying to evade a just and fair tax, but that they were anxious to assist us in the solution of the difficult problems with which we were confronted. On the other hand I think I am right in saying that the mining men soon realized that they had the sympathy of the Government and while we were anxious to increase our revenue we were determined not to do so at the risk of crippling the great industry of mining on which this Province depends so much for its progress and prosperity.

"During the Session of the British Columbia Legislature of 1918 I am pleased to say the whole of the suggestions of the mining men, with one exception, were crystallized into legislation. The following allowances or deductions were made:

In addition to administrative expenses and necessary expenditure made for mining, an allowance for depreciation of plant not exceeding 15 per cent. per annum of value.

Development work in connection with ore from which an income is derived.

Salaries of managers and directors who reside in the Province and who are liable for income tax themselves.

Dividends from mines are not again taxed, and in addition it was arranged not to collect income tax and the 2 per cent. ore tax but only whichever is the greater.

All these changes apply to the 1917 tax as well as to 1918 and have a very material effect on the amounts to be paid by the Companies.

"A little misunderstanding existed about the year's operations on which to base the returns. Some companies requested that they be allowed to pay taxes for 1917-18-19 on the basis of the 1917 returns, but when it was pointed out to them that provision was made in the Act to credit the 2 per cent. tax paid in the year that might be used as a base for income against said income tax they readily agreed to pay taxes for 1917 on 1915 balance sheet, for 1918 on 1916 balance sheet, and for 1919 on 1917 balance sheet, because by accepting this method their account for income tax for the 3 years would be credited with the 2 per cent. tax paid in the years 1915-16-17, while, if the tax for 1917-18-19 were based on the 1917 income, credit could only be had for the 2 per cent tax paid in that year.

"Gold mines were treated a little differently on account of the price of gold being fixed and the increased cost of production. The 2 per cent tax is struck out altogether, and they pay on their profits, without regard to whether or not the amount is greater than the 2 per cent. tax. The only other deduction that the mining companies can reasonably ask for is that the capital invested be allowed to earn a reasonable interest before profits are taxed, but this would also have