

per cent it was raised to six per cent. They are to-day feeling the pinch, the same as other manufacturers.

The minister has said that the greater part of the tax is paid by the larger manufacturers. Since Friday I have been approached by representatives from the three largest baking concerns in Toronto. They state that although they have paid the tax and have not made any objection that, as a matter of fact, it has not come out of earnings but, as one put it, has come out of capital account. As the other one said, "It is simply adding to our deficits, so that it is not coming out of earnings at all." While not objecting, the firms are paying the tax, and as a result a very large amount of money has been received by the treasury. They complain, however, that for their type of industry the tax is altogether too high. I believe they are correct. It is only necessary for us to follow the annual statements made by large bakery concerns in recent weeks or months to learn that in the majority of cases dividends have been passed not only on common stocks, but on preferred stocks and in some cases on debentures. That will show the condition of the baking industry. These men say that a tax of six per cent on the finished product is altogether too high, and the industry cannot stand it. I asked what their remedy would be, and I find it is the same as that put forward by smaller bakeries to which the Minister of Finance referred, that is that the tax should be placed upon the ingredients that are now taxable and not upon the finished product.

Now the industry to-day is not in good condition. These bakers tell me, not only the large ones but the small ones, that their greatest competition is that of the housewife who is doing her own baking. That is competition that they cannot possibly meet, it is a matter of necessity with these people, and that is where the great competition is. These small bakers are complaining that they are being forced into bankruptcy right and left. The larger bakers are finding difficulty. All that has been done this year by way of remedy as far as I can see—and it is not a remedy; I do not say that in any disrespect to the minister—is to add to the number who now pay the tax. Heretofore it was confined to those having a turnover of more than \$5,000 a year; now that figure is reduced to \$3,000. Those who under the new legislation enjoy exemption from the six per cent tax on ingredients are those who have a turnover of less than \$3,000 a year; and two other classes concerned in

the baking industry, namely the hotels who do their own baking of cakes and pastry, and the restaurants doing the same thing. They pay not on the finished product but simply on the taxable ingredients. The large bakers say they suffer from that competition and that it is an injustice to them. I have made strong representations to the minister, as strong as I could. I feel yet that he might give the question further consideration and grant to these bakers what they ask. They suggest that the government put the tax on the ingredients, that is ingredients now taxed, and if the government want to add to that list, say powdered milk or frozen eggs that enter into the manufacture of these products, they say the government would not only get all the revenue chargeable but would get it without cost and without irritation. At the present time the collection of this tax is causing a great deal of irritation among the baking fraternity. It seems unfair that that class should be unnecessarily irritated over a tax that they cannot possibly pay, because it is not coming out of revenue, it is coming out of capital or, as one individual said, it is adding to our deficit yearly. In the city of Toronto many of these smaller bakers are finding it impossible to pay this tax, large amounts of arrears have accumulated against them, and the department have found it necessary to give them some leeway. I have no doubt the minister knows it, at any rate it is true that they are accepting small weekly or monthly payments as the revenue of the concerns makes it possible to pay. In many cases even these instalments are not being paid. I know that one of the large concerns in Toronto is not paying the tax to-day because it cannot, yet it is threatened with action or penalty under the act. That is, action is taken in the exchequer court, judgment is filed against the firm and the sheriff put in if necessary. But I must give this credit to the Minister of National Revenue, that he has not pursued that course to the limit. He is extending leniency as I have just suggested, taking weekly or monthly payments.

I think the proper method would be to place that tax upon the ingredients. The department would get every cent of it because it would be collected at the source, everyone would pay, the housewife would pay, the bootlegger in the trade would pay, and it would not be necessary to have so many agents of the department out trying to collect the tax. I appeal to the minister to make a concession to these men. On Saturday they came to me in all earnestness and wanted to know