

CANADA

BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB

MINISTER OF FINANCE

MEMBER FOR CHATEAUGUAY-HUNTINGDON

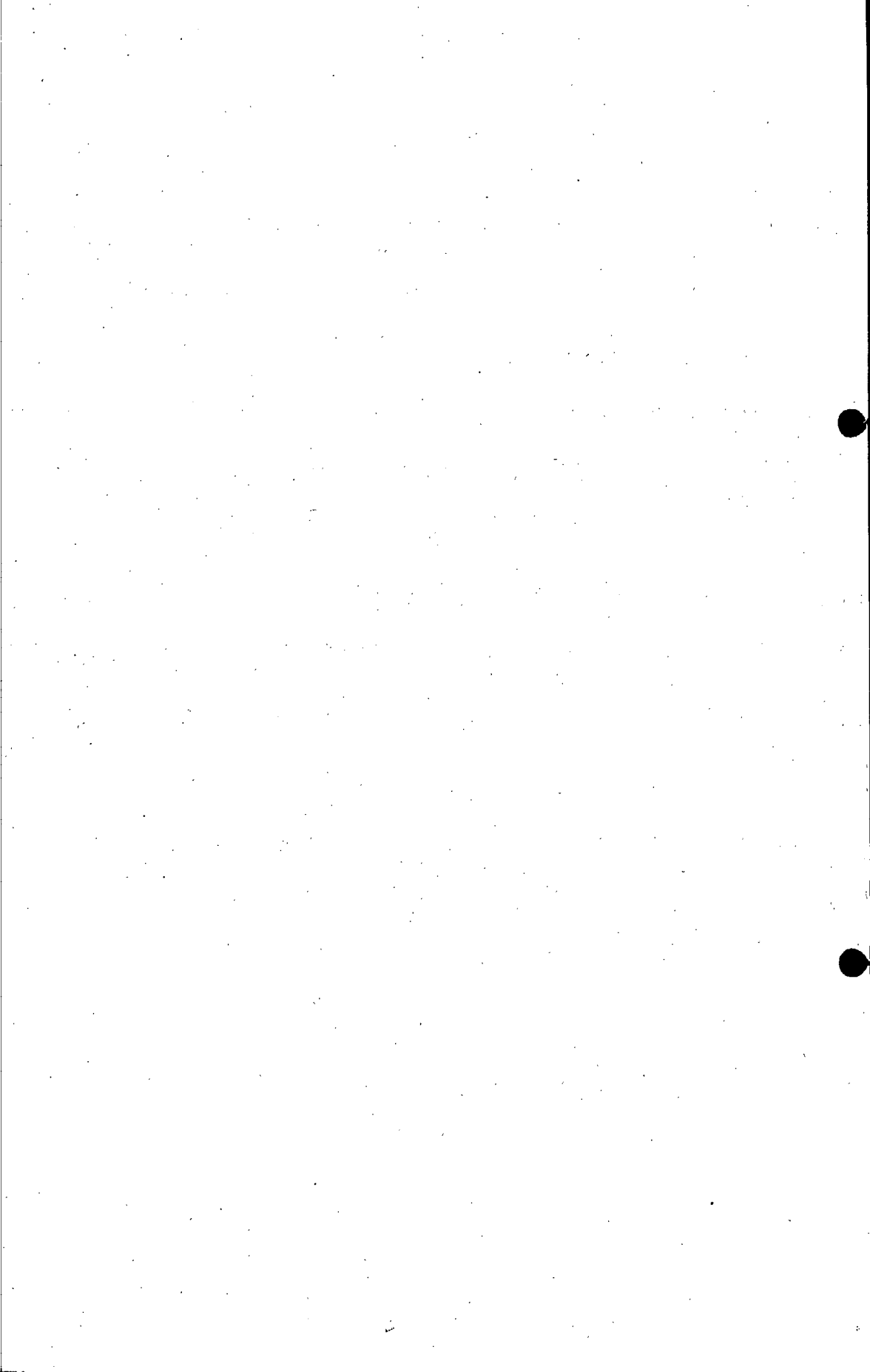
IN THE

HOUSE OF COMMONS

APRIL 15, 1926



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1926



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MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, APRIL 15, 1926

Hon. J. A. ROBB (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the House to go into committee of Ways and Means.

He said: A Dominion budget necessarily deals with two years—the year that is past and for which the Public Accounts have been submitted to parliament, and the year that is either current or, as in this case, just closed.

PUBLIC ACCOUNTS 1924-25

The Public Accounts for the financial year 1924-25 were tabled on the 11th of January last. In the budget speech delivered on the 24th of March, 1925, in making the estimate for the outcome of the year 1924-25, I followed the usual safe practice of estimating revenues yet to come as somewhat less than they would likely be and expenditures as somewhat greater.

The actual outcome of that year, as shown by the Public Accounts recently tabled, gives in round figures \$2,800,000 more of ordinary revenue than was estimated. Ordinary expenditures were \$808,000 less than were estimated; capital expenditures \$1,500,000 less; special expenditures \$209,000 less; and loans to the Canadian National Railways \$8,000,000 less. The budget estimated an increase of debt for that year of some \$13,000,000. In connection with this estimated increase of debt I now desire to offer a pleasing explanation. When the estimate for budget purposes was determined, an item of \$7,500,000 for the Canadian National Railways in the supplementary estimates submitted to the House for that year was included as an expenditure. Three months later, when under consideration in the House, this item was, on the motion of a member of the government, struck out, thus reducing by that amount the estimated increase of debt. The improvement in our revenues and the curtailment of expenditures in these and other minor services were sufficient to change an estimated increase of some \$13,000,000 in the debt into a decrease of \$345,589.29, as shown by the Public Accounts for that year.

A YEAR OF PROSPERITY

Coming now to the fiscal year 1925-26, four years of prudent administration, good crops and greater production at home, improved conditions and increased purchasing power abroad, enable me to-day to present a financial statement as encouraging to Canadians as it must be gratifying to all interested in the progress and development of Canada. Throughout the year imports of raw material for Canadian industries have been well maintained, in a number of instances in excess of previous years; while from month to month during the year export trade increased, resulting in a steady growth of our favourable balance, which at the end of the fiscal year exceeds \$401,000,000. Nowhere are the results of this growing trade more accurately reflected than in the increased earnings of Canadian railways and in the annual statements of Canadian financial institutions and Canadian industrial corporations.

1925-26

INCREASE OF \$29,965,520 IN REVENUE

The actual ordinary revenues received up to and including March 31 last amounted to \$367,958,495. The estimated revenue yet to come when the accounts for the year are finally closed is \$8,841,505. This gives a total revenue of \$376,800,000, an increase of some \$29,965,520 over similar revenues for 1924-25.

REVENUES AND EXPENDITURES

The revenue estimated from customs duties is \$127,360,000, an increase of \$19,200,000 over the previous year; from excise duties we expect \$42,920,000, an increase of \$4,300,000; we estimate that the revenue from excise taxes will be \$95,500,000, an increase of \$9,689,000; from income taxes we estimate \$55,530,000, a decrease of \$700,000 under the previous year; of arrears overdue under the former Business Profits War Tax Act we have collected some \$1,150,000; from interest on investments we estimate a revenue of \$8,270,000, a decrease of about \$3,062,000; we expect to receive \$30,334,000 as post office receipts, an increase of \$1,540,000; and from all other sources we estimate a total of \$15,736,000, being an increase of \$541,000.

With the permission of the House, I shall place on Hansard a comparative summary of the two years' revenues by services; also a further statement showing the percentages of revenues to the total revenues for the year 1925-26.

ORDINARY REVENUE

	Actual 1924-25	Estimated 1925-26	Increase	Decrease
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Customs.....	108,146,871 51	127,360,000 00	19,213,128 49	
Excise Duty.....	38,603,489 23	42,920,000 00	4,316,510 77	
Excise Taxes.....	85,810,717 42	95,500,000 00	9,689,282 58	
Income Tax.....	50,248,042 82	55,530,000 00		718,042 82
Delayed Business Profit Tax.....	2,704,427 37	1,150,000 00		1,554,427 37
Interest on Investments.	11,332,328 50	8,270,000 00		3,062,328 50
Post Office.....	28,793,816 86	30,334,000 00	1,540,183 14	
Other Revenues.....	15,194,785 54	15,736,000 00	541,214 46	
	346,834,479 25	376,800,000 00	29,965,520 75	

ESTIMATED ORDINARY REVENUE FOR FISCAL YEAR 1925-26

	Estimated Revenue	Percentage total Ordinary Revenue
	\$ cts.	
Special War Tax Revenue:		
Excise Taxes (Sales, Stamps, etc.).....	95,500,000 00	25.35
Income Tax.....	55,530,000 00	14.73
Delayed Business Profits Tax.....	1,150,000 00	0.31
Miscellaneous War Taxes.....	2,400,000 00	0.64
Total Special War Tax Revenues.....	154,580,000 00	41.03
Customs Import Duties.....	127,360,000 00	33.80
Excise Duties.....	42,920,000 00	11.39
Total Revenue from Taxation.....	324,860,000 00	86.22
Interest on Investments.....	8,270,000 00	2.19
Post Office Revenue.....	30,334,000 00	8.05
Miscellaneous Receipts.....	13,336,000 00	3.54
Total Ordinary Revenue.....	376,800,000 00	100.00

SURPLUS OF REVENUE OVER ORDINARY EXPENDITURE OF
\$55,000,000

Taking the estimated revenues for the year ended March 31, 1926, as \$376,800,000 and the estimated expenditures chargeable to consolidated fund as \$321,800,000, there will be available for capital, special and other obligations a surplus of revenue over ordinary expenditure of \$55,000,000.

Capital expenditure for public works, including that of the Marine department, will amount to \$4,930,000; and for Railways and Canals \$12,005,000, of which \$11,945,000 is for the Welland ship canal. The total net capital expenditure for the year will therefore be \$16,935,000.

Special expenditures will amount to \$4,155,000, made up of: adjustment of war claims, \$275,000; cost of and discount on loan flotations for refunding maturing loans, \$3,530,000; and consolidated fund transfer charges, \$350,000.

HOW THE MONEY WAS SPENT

With the approval of the House, I submit herewith a summary of the estimated expenditures on government business for the past fiscal year, showing the various amounts and their percentages to the total expenditures on government services.

ESTIMATED EXPENDITURE FOR 1925-26.

	Amount	Percentage of total expenditure on Government Services
PRINCIPAL EXPENDITURE ATTRIBUTABLE TO THE WAR		
	\$ cts.	
Interest on Public Debt (increase over 1914).....	117,907,000 00	34-38
War Pensions.....	36,160,000 00	10-55
Soldiers' Civil Re-establishment.....	7,705,000 00	2-25
Soldier Land Settlement (Administration).....	1,300,000 00	0-38
Imperial War Graves Commission.....	475,000 00	0-14
Battlefields Memorials.....	175,000 00	0-05
Adjustment of War Claims.....	275,000 00	0-08
	163,997,000 00	47-83
OTHER FIXED AND PUBLIC DEBT CHARGES		
Interest on Public Debt (as of 1914).....	12,893,000 00	3-75
Other Pensions.....	1,060,000 00	0-31
Superannuation.....	1,600,000 00	0-47
Subsidies to Provinces.....	12,375,000 00	3-61
Discount and Expenses of Loans.....	3,530,000 00	1-03
	31,458,000 00	9-17
GENERAL EXPENDITURE		
Charges of Management.....	880,000 00	0-26
Premium, Discount and Exchange.....	10,000 00	-
Civil Government.....	11,000,000 00	3-21
Administration of Justice.....	2,165,000 00	0-63
Legislation.....	2,485,000 00	0-72
Elections.....	1,650,000 00	0-48
Penitentiaries.....	1,640,000 00	0-48
Agriculture.....	5,850,000 00	1-71
Immigration and Colonization.....	2,500,000 00	0-73
Health.....	650,000 00	0-19
National Defence.....	12,450,000 00	3-64
Royal Canadian Mounted Police.....	2,097,000 00	0-61
Public Works chargeable to Income.....	13,500,000 00	3-94
Railways and Canals, chargeable to Income.....	1,350,000 00	0-39
Canada Highways.....	2,000,000 00	0-58
Mail Subsidies.....	1,100,000 00	0-32
Ocean and River.....	2,400,000 00	0-70
Lighthouse and Coast.....	2,450,000 00	0-70
Steamboat Inspection.....	119,000 00	0-03
Fisheries.....	1,400,000 00	0-41
Mines and Geological Survey.....	500,000 00	0-15
Scientific Institutions.....	1,000,000 00	0-29
Indians.....	3,676,000 00	1-07
Government of the North West Territories.....	380,000 00	0-12
Miscellaneous.....	3,500,000 00	1-03
Government of the Yukon Territory.....	215,000 00	0-06
Customs and Excise, (outside service).....	9,850,000 00	2-87
Post Office (outside service).....	30,360,000 00	8-85
Public Works, collection of revenue.....	860,000 00	0-26
Railways and Canals, collection of revenue.....	2,100,000 00	0-61
Dominion Lands and Parks.....	3,875,000 00	1-13
Trade and Commerce.....	4,750,000 00	1-39
Labour.....	1,250,000 00	0-36
Public Printing and Stationery.....	138,000 00	0-04
Miscellaneous Consolidated Fund Charges.....	350,000 00	0-10
Capital Expenditure—		
Public Works, including Marine Department.....	4,930,000 00	1-44
Railways and Canals.....	12,005,000 00	3-50
	147,435,000 00	43-00
Total Estimated Expenditure on Government Services	342,890,000 00	100-00

SURPLUS OF \$33,910,000 ON GOVERNMENT SERVICES

Comparison of the total expenditures on all government services, namely \$342,890,000, with our estimated revenue receipts for the year of \$376,800,000, will show that we have more than balanced the year's business on government services by the sum of \$33,910,000.

SPECIAL WAR TAX REVENUES AND EXPENDITURES

The special war tax revenues received during the fiscal year 1925-26 will amount to some \$154,580,000. The total expenditures directly attributable to the war—and I desire to especially direct this to the attention of the House—will amount to some \$163,997,000, or \$9,417,000 more than the receipts from our special war revenues. This difference becomes a charge on other sources of revenue.

I submit herewith in the form of a summary the war revenues and expenditures by services for the years 1924-25 and 1925-26.

The expenditures given in this summary are absolute and exact, with the exception of the amount for interest on public debt, which is taken as the difference between the amount spent in the years shown and the amount that was paid prior to the war in 1913-14.

SPECIAL WAR TAX REVENUES

	Actual 1924-25	Estimated 1925-26
	\$ cts.	\$ cts.
Special War Tax Revenues—		
Excise Taxes—Salos.....	66,707,369 96	71,900,000 00
Manufacturers.....	10,840,438 89	12,600,000 00
Stamps.....	9,325,887 95	9,800,000 00
Transportation.....	2,420,930 07	2,350,000 00
Licenses.....	36,211 00	35,000 00
	89,330,837 87	96,685,000 00
Less Refunds.....	3,520,120 45	1,185,000 00
Net Revenue Excise Taxes.....	85,810,717 42	95,500,000 00
Income Tax.....	56,248,042 82	55,530,000 00
Delayed Business Profits Tax.....	2,704,427 37	1,150,000 00
Trust and Loan Companies.....	315,314 88	315,000 00
Insurance Companies.....	867,901 96	865,000 00
Chartered Banks.....	1,217,753 85	1,220,000 00
Total Special War Tax Revenues.....	147,164,158 30	154,580,000 00

PRINCIPAL EXPENDITURES ATTRIBUTABLE TO THE WAR

	Actual 1924-25	Estimated 1925-26
	\$ cts.	\$ cts.
Interest on Public Debt (increase over 1914)....	121,896,099 27	117,907,000 00
War Pensions.....	33,842,248 03	36,160,000 00
Soldiers' Civil Re-establishment.....	8,981,199 57	7,705,000 00
Soldier Land Settlement (Adm'n).....	1,412,900 59	1,300,000 00
Imperial War Graves.....	446,895 77	475,000 00
Battlefield Memorials.....	195,312 59	175,000 00
Adjustment of War Claims.....	506,931 27	275,000 00
Total Expenditure attributable to the war..	167,281,587 09	163,997,000 00

Obviously, had we not the heavy railway and merchant marine expenditures and those expenditures which grew out of war conditions, our surpluses and other available resources might have been used in the reduction of war debt and would have permitted the showing of a lower figure for interest attributable to the war. On the other hand, during the war and demobilization periods large outlays were charged to ordinary expenses which, while not actual war cost, were directly attributable to war conditions. Even now there are heavy annual charges not taken into consideration in the summary submitted for which the war is responsible, for instance, the amount of \$4,000,000 expended in the collection of war taxes has not been included, nor have the annual charges relating to the management of loans issued for war purposes and the expenses of refinancing maturing war loans. These latter charges and expenses may be estimated conservatively at \$4,000,000. There might also be included the cost of housing the staffs connected with these services, which is now carried by the Public Works Department.

NET PUBLIC DEBT ON MARCH 31, \$2,395,084,685.59

Coming now to the public debt: On March 31, 1925, our net public debt stood at \$2,417,437,685.59.

With estimated ordinary revenues of \$376,800,000 and estimated ordinary, capital and special expenditures, as set out above, of \$342,890,000, there will be a favourable balance in the year's operations on government services of \$33,910,000.

There are other receipts and credits, amounting to \$2,143,000, together with certain expenditures of about \$13,700,000 which have not been dealt with as affecting the result of the year's business on government services, but which must be taken into account in determining the net debt. These receipts and credits are as follows: receipts on account of reparations payments \$1,593,000, and interest-bearing bonds amounting to \$550,000 deposited by the Vancouver Harbour Commission on account of the transfer of the government elevator at Vancouver to that Commission. These bonds have been included in our balance sheet as an investment.

On the expenditure side we have a loan of \$10,000,000 to the Canadian National Railways, \$668,000 to the Canadian Government Merchant Marine, and \$511,000 to the Quebec Harbour Commission. There was also paid out some \$2,521,000 under the provisions of the Home Bank Creditors' Relief Act.

DEBT REDUCTION OF \$22,353,000

To obtain the net debt as of March 31, 1926, of \$2,395,084,685.59, the excess of \$11,557,000 of these special expenditures over these special revenues should be deducted from the surplus of \$33,910,000 mentioned above, which will give a reduction of debt during the year of \$22,353,000. May I again emphasize, Mr. Speaker, that this reduction of debt is net, clear of everything! I again ask the permission of the House to submit a summary of the details showing the estimated decrease of debt.

ESTIMATED OUTCOME OF THE FISCAL YEAR 1925-26

	\$	cts.	\$	cts.	\$	cts.
Ordinary Revenue.....					376,800,000	00
Ordinary Expenditure.....	321,800,000	00				
Capital Expenditure (net).....	16,935,000	00				
Special Expenditures—						
Cost of Loan Flotations.....	3,530,000	00				
Adjustment of War Claims (net).....	275,000	00				
Miscellaneous Charges.....	350,000	00	4,155,000	00	342,890,000	00
<i>Surplus on Government Business.....</i>					\$ 33,910,000	00
<i>Surplus over Ordinary and Capital Expenditure.....</i>	38,065,000	00				
<i>Surplus over Ordinary Expenditure.....</i>	55,000,000	00				
Other Receipts and Credits—						
Reparation payments.....	1,593,000	00				
Bonds received from Vancouver Harbour Commissioners on account of Government Elevator at Vancouver transferred to the commission.....	550,000	00			2,143,000	00
					36,053,000	00
Other Expenditure—						
Loans to Canadian National Railways.....	10,000,000	00				
Loans to Canadian Government Merchant Marine.....	668,000	00				
Loans to Quebec Harbour Commissioners.....	511,000	00				
Home Bank of Canada Creditors' Relief Act.....	2,521,000	00			13,700,000	00
Estimated Decrease of Debt.....					22,353,000	00

LOAN FLOTATIONS DURING THE FISCAL YEAR

During the fiscal year securities amounting to \$164,347,833 matured. These obligations were met by issuing refunding loans amounting to \$145,000,000, the balance being provided from cash resources. As a result of these transactions, the outstanding funded debt was reduced by \$19,347,833 and a saving of \$819,058 was made in the annual interest charges.

The securities which matured were as follows:

Due in London—\$24,333,333 4 per cent Treasury Bills replacing 4½ per cent Bond Loan, 1920-25.

Due in Canada—\$8,000,000 4 per cent Notes, 1924-25
\$42,014,500 5 per cent War Loan 1915-25 (tax-free).

Due in United States—\$90,000,000 4 per cent Notes, 1924-25.

To meet these obligations, there were sold on September 1, 1925, \$70,000,000 four per cent One-year Treasury Notes, payable in New York, and \$75,000,000 four and one-half per cent

fifteen-year bonds, payable in Canada and subject to Canadian taxes. We thus replaced tax-free bonds by taxable to the extent of \$42,014,500.

The \$75,000,000 bond issue was sold to a Canadian syndicate at 95.80 flat, payment being made in three instalments to suit our financial requirements,—one-third on September 30, one-third on October 31 and one-third on November 30.

The \$70,000,000 note issue replacing \$90,000,000 falling due was sold to a New York syndicate at par. The government reserved the right to redeem this issue on notice after March 1, 1926.

This completed the financing of obligations due in the fiscal year 1925-26.

LOAN FLOTATIONS FOR 1926-27

Recently we have entered into an important and successful refunding operation to meet securities falling due in the year 1926-27. On April 1, 1926, there fell due in New York \$25,000,000 5 per cent bonds of the Public Service Loan of 1916. While making provisions for this maturity, advantage was taken of existing favourable market conditions to arrange for the refunding of other obligations, including \$70,000,000 of temporary notes due in New York on September 1, 1926. Under our option, these notes were called for redemption on April 1. This brought the total of securities for redemption in New York on April 1, 1926, to \$95,000,000. Negotiations with New York and Canadian financial houses resulted in issues being made of \$40,000,000 in New York and \$65,000,000 in Canada, thus effecting a reduction of \$55,000,000 in our obligations due in New York.

The issue of \$40,000,000 4½ per cent ten-year bonds in New York realized 97.354 flat. The issues in Canada were divided as to maturity into \$20,000,000 4½ per cent four-year bonds and \$45,000,000 4½ per cent twenty-year bonds, realizing an average price of 96.735 flat.

RAILWAY FINANCES

Those who have followed the published reports of earnings of the Canadian National Railways will not be surprised to learn that their financial requirements have fallen much below the estimate of \$50,000,000 asked for and voted by parliament last session. The Minister of Railways will shortly make the usual detailed presentation of railway accounts, but I have thought it advisable, at this time, to refer briefly to the financial outcome of the year, so that we may have a clear conception of how the country stands when the railway results are considered in conjunction with the government's own debt position.

The annual statement of the Canadian National Railways for the calendar year 1925 will show earnings of \$30,443,852 in excess of all operating and income charges, exclusive of interest. Government accounts are based upon the fiscal year ended 31st March, and it is for that period that the railway estimates are voted. I have, therefore, secured from the railway management their figures corresponding to our fiscal-year period. The first three months of 1926 show considerable improvement in earnings over the first quarter of 1925, and we have for the fiscal year 1925-26 an approximate figure of \$33,000,000 representing earnings of the roads in excess of all operating and income charges, exclusive of interest.

RAILWAYS' ACTUAL CASH LOSS \$7,400,000

The annual interest is \$71,800,000 in round figures, of which \$40,400,000 is payable on outstanding securities in the hands of the public. The balance, \$31,400,000, is a bookkeeping and not a cash item and represents their liability for interest on government advances. As stated last year, this interest is not paid by the railways but is held in abeyance by the Dominion as an overdue account. The item, having been absorbed indirectly through the Dominion accounts into our net national debt, may therefore be left aside for present purposes. Setting off the earnings of \$33,000,000 against \$40,400,000 of interest paid the public, there remains a shortage of \$7,400,000, which represents the actual cash loss to the railways in the fiscal year. It is to meet such losses, as well as to provide for sundry debt retirements and capital expenditures, that the railway estimates are voted.

Coming now to the financial aid which we were called upon to give to the railways during the fiscal year just closed: in the budget speech last session, I announced assistance to the railways, during the fiscal year 1924-25, to the extent of \$74,000,000, exclusive of an issue of bonds for refunding purposes. This \$74,000,000 was made up of:—

Cash advances from the government.	\$10,000,000
Bond issues guaranteed.	\$64,000,000

ADVANCES TO RAILWAY AMOUNTED TO \$10,000,000

In the year just closed, financial assistance to the railways has been limited to \$10,000,000 advanced by the government in cash from our revenues. No guarantees have been given or floating indebtedness incurred. This situation is attributable partly to the substantial increase in earnings and partly to reductions in the purchase of materials and supplies and by the

use of working capital. In addition there were unspent balances of guaranteed bond issues of previous years amounting to \$2,700,000 odd which have been utilized.

The advance of \$10,000,000 has been charged to the net debt of the Dominion as a non-active asset, in the same way as all railway cash loans have been treated. This advance covers the loss of \$7,400,000 referred to and leaves \$2,600,000 for capital purposes. It will therefore be seen that the public accounts for the year will include not only all government expenditures but also the total loss of the railways and an amount of \$2,600,000 available for railway capital purposes, over and above which no further financial assistance was given.

Our total payments in respect of these railway corporations now reach \$601,000,000, actual cash outlay charged to our national debt. This is exclusive of accumulated interest charges, as well as the capital cost of the original Canadian Government Railways. A large part of this sum represents provision for losses incurred, adding no value to the road. A very substantial amount, however, has been devoted to improvements in the road and equipment, which have materially enhanced the value of the lines. The improvement of \$43,000,000 in earnings within a period of four years speaks for itself.

VALUE OF GOVERNMENT'S INVESTMENT IN C.N.R.

One estimate of the value of the government's investment in the Canadian National Railways, exclusive of Canadian Government Railways, is \$375,000,000. This figure is arrived at after eliminating deficits and such over-valuations and inflations as were established on the occasion of the royal commission investigation of 1917 and the subsequent arbitration proceedings.

Whatever may ultimately be decided as a proper valuation for the government's investment in the system, the fact remains that a very substantial contribution has been made and included as a non-active asset in arriving at the net debt as shown in our public accounts. With the company to-day almost within striking distance of meeting its fixed charges due the public, the time should not be far distant when additions to our national debt for Canadian National Railway purposes will cease. Certainly we have in the railway situation, as affecting our Dominion finances, a much improved showing and a brighter outlook.

STATEMENT OF REVENUES AND EXPENDITURES FOR FISCAL YEAR 1926-27

To forecast revenues for the current year accurately is always difficult. Indications, however, point towards a year of increased revenues. The main estimates already submitted to

parliament and the probable amount of the further supplementary estimates would give a fairly close indication of the expenditures for the year.

The main estimates for all services other than railways amount to \$345,771,351. Advances to railways amount to \$31,000,000, and advances to merchant marine \$600,000, or a total of \$31,600,000. To this must be added something for supplementary estimates. For this purpose I shall allow \$4,500,000, being approximately the amount of last year's supplementary estimates, less sundry items amounting to some \$4,500,000 which will not this year be required. I confidently hope, however, that the amount will not be so large, and I warn my friends on both sides that I will do my best to keep it lower.

TRADE BALANCE NOW \$401,213,000

May I direct the attention of the House and of the country to the remarkable development which has taken place in Canada's trade. We closed the fiscal year with a favourable balance of over \$401,000,000, which constitutes a record for any year since the war period. Unrevised figures for the fiscal year ended March 31 last show our total trade to be \$2,255,860,762, an increase of \$378,000,000 over that of the fiscal year which ended March 31, 1925, when our total trade amounted to \$1,878,000,000. Our exports have continued to exceed our imports, and for the year under review these exports totalled \$1,328,000,000, as against \$1,081,000,000, the year previous. This is an increase in our export trade of \$247,000,000. Our imports during the fiscal year totalled \$927,000,000, as compared with \$796,000,000 for the previous year, or an increase of \$131,000,000. Summarizing these figures, it is seen that the favourable balance of our exports over imports has this year increased from \$284,000,000 to \$401,213,000.

INCREASE IN EMPIRE TRADE

When comparing our trade from year to year, there are two points of particular interest. One is the general favourable balance; the other, the source of our expansion of trade. Statistical reports for the whole fiscal year have not reached such a stage of completion that the trade can be classified by countries. But the figures for the eleven months ending February 28 are available, and a comparison can be made between that period and the same period ending February 28, 1925. During the eleven months of the last fiscal year the balance of exports over imports increased by \$115,000,000. Of this increase, no less than \$104,000,000, or 90 per cent of the favourable balance, is accounted for by empire trade. This, Sir, is ample vindication.

of the trade policy adopted by the government, and shows that our efforts should be increasingly directed towards the cultivation of trade within the empire and with countries favourably disposed towards commercial intercourse with Canada.

DEVELOPMENT OF CATTLE TRADE WITH UNITED KINGDOM

The most striking feature of our empire trade is the rapid growth, since the removal of the embargo on April 1, 1923, of our cattle exports to the United Kingdom. During the year preceding the lifting of the embargo, our exports of cattle to Britain were valued at \$2,809,796, while for the eleven months ending February last they were \$11,283,007, or over four times as great. The growth of this trade in the past three years is indicated in the following table:

EXPORTS OF CATTLE OVER ONE YEAR OLD FROM CANADA TO GREAT BRITAIN, 1923-1926

(From Customs returns)

	Number	Value
Fiscal Year ending March 31—		
1923.....	25,758	\$ 2,809,796
1924.....	59,486	6,287,815
1925.....	86,245	9,125,667
1926 (11 months ending February).....	106,200	11,283,007

THE INCOME TAX REDUCTIONS

Now I come to a part of the financial statement of interest to every member of the House, and particularly to the country. Happily our financial and commercial position now enables us to make very substantial reductions in the income taxes. With a desire to make available new money for development, our proposals provide reductions all along the line. In the revision of the Income War Tax Act, a distinction has been made between yearly earnings and income derived from investments. The act is now presented in a new and less complicated form, one which will make the tax easier to calculate and, we believe, easier to pay.

For the information of the members of the House, I now ask leave to place on Hansard a comparative statement of the proposed changes:

INCOME TAX

MARRIED PERSON WITHOUT DEPENDENT

Taxes Payable

Income	Present* Tax	Proposed Tax	Income	*Present Tax	Proposed Tax
\$1,000.....			\$ 46,000.....	8,368 50	7,360
1,500.....			47,000.....	8,683 50	7,610
2,000.....			48,000.....	8,998 50	7,860
2,500.....	\$ 20 00		49,000.....	9,324 00	8,120
3,000.....	40 00		50,000.....	9,649 50	8,380
3,500.....	60 00	\$ 10	52,000.....	10,321 50	8,900
4,000.....	80 00	20	54,000.....	11,014 50	9,430
4,500.....	100 00	30	56,000.....	11,728 50	10,070
5,000.....	126 00	40	58,000.....	12,463 50	10,510
6,000.....	178 50	70	60,000.....	13,219 50	11,070
7,000.....	233 50	110	62,000.....	13,996 50	11,630
8,000.....	338 50	160	64,000.....	14,794 50	12,200
9,000.....	504 00	220	66,000.....	15,613 50	12,780
10,000.....	619 50	290	68,000.....	16,453 50	13,360
11,000.....	745 50	370	70,000.....	17,314 50	13,960
12,000.....	871 50	460	72,000.....	18,196 50	14,560
13,000.....	1,008 00	560	74,000.....	19,099 50	15,170
14,000.....	1,144 50	670	76,000.....	20,023 50	15,790
15,000.....	1,921 50	790	78,000.....	20,968 50	16,410
16,000.....	1,438 50	920	80,000.....	21,934 50	17,050
17,000.....	1,596 00	1,060	82,000.....	22,921 50	17,690
18,000.....	1,753 50	1,210	84,000.....	23,929 50	18,340
19,000.....	1,921 50	1,370	86,000.....	24,958 50	19,000
20,000.....	2,089 50	1,540	88,000.....	26,008 50	19,660
21,000.....	2,268 00	1,720	90,000.....	27,079 50	20,340
22,000.....	2,446 50	1,910	92,000.....	28,171 50	21,020
23,000.....	2,635 50	2,110	94,000.....	29,284 50	21,710
24,000.....	2,824 50	2,320	96,000.....	30,418 50	22,410
25,000.....	3,024 00	2,530	98,000.....	31,573 50	23,110
26,000.....	3,223 50	2,740	100,000.....	32,749 50	23,830
27,000.....	3,433 50	2,950	110,000.....	39,049 50	27,500
28,000.....	3,643 50	3,160	120,000.....	45,349 50	31,270
29,000.....	3,864 00	3,380	130,000.....	51,649 50	35,140
30,000.....	4,084 50	3,600	140,000.....	57,949 50	39,110
31,000.....	4,315 50	3,820	150,000.....	64,249 50	43,180
32,000.....	4,546 50	4,040	175,000.....	81,049 50	53,650
33,000.....	4,788 00	4,260	200,000.....	97,849 50	64,370
34,000.....	5,029 50	4,490	250,000.....	133,549 50	86,340
35,000.....	5,281 50	4,720	300,000.....	169,249 50	108,310
36,000.....	5,533 50	4,950	350,000.....	206,524 50	131,780
37,000.....	5,796 00	5,180	400,000.....	243,799 50	155,250
38,000.....	6,058 50	5,410	450,000.....	281,074 50	179,220
39,000.....	6,331 50	5,650	500,000.....	318,349 50	203,690
40,000.....	6,604 50	5,890	600,000.....	393,949 50	253,660
41,000.....	6,888 00	6,130	700,000.....	469,549 50	303,660
42,000.....	7,171 50	6,370	800,000.....	545,149 50	353,660
43,000.....	7,465 50	6,610	900,000.....	620,749 50	403,660
44,000.....	7,759 50	6,860	1,000,000.....	696,349 50	453,660
45,000.....	8,064 00	7,110			

*The "proposed tax" in the above table is calculated on incomes exclusive of dividends.

EXAMPLES OF THE REDUCTIONS

I shall not go over the whole list, but may I offer a few examples to show the effect of the proposed changes. On an income of \$3,000 the present tax is \$40; under the new proposal, nothing will be paid; on an income of \$6,000 the present tax is \$178.50; under the new proposal, it will be \$70; on an income of \$12,000 the present tax is \$871.50; under the new proposal it will be \$460; on an income of \$18,000 the present tax is \$1,753.50; under the new proposal it will be \$1,210. If there is any person interested in knowing how much he will have to pay on an income of \$1,000,000 he will be able to find that on Hansard to-morrow morning.

Mr. WHITE (Mount Royal): May I ask the hon. minister if these tax reductions are to be retroactive to last year?

Mr. ROBB: Mr. Speaker, I would not like to go beyond this present year, but if it will sweeten the taste to hon. gentlemen, I may say that we hope, if the enactment meets with the approval of parliament, that it may apply to the taxes which are now being collected, but that will depend on hon. gentlemen opposite as much as upon ourselves.

PROPOSED CHANGES IN CUSTOMS TARIFF AND TAXATION

Coming now to the resolutions which I shall submit to the House proposing customs tariff changes and reductions of taxation under the Special War Revenue Act and the Income War Tax Act, apart from certain modifications to meet the requirements of the West Indies and other trade agreements, the tariff changes proposed are not numerous. Prior to the appointment of the Tariff Advisory Board, certain tariff changes to meet new and growing conditions had been determined on, and these are embodied in the resolutions I shall place before you.

On cocoa beans it is proposed to increase the general tariff from \$1.50 to \$2 per hundred pounds, and a corresponding increase is made on certain cocoa products.

It is also proposed to make green coffee free under the British preferential tariff.

The rates on ginger, spices, nutmegs, mace and arrowroot are reduced in compliance with the terms of the West Indies agreement.

Bananas remain free under all tariffs but the Governor in Council is given power to impose a duty of 50 cents a bunch under the general and intermediate tariffs, leaving them free under the British preferential tariff when imported by ship direct.

It is proposed to reduce the rate on pineapples in air-tight tins from $1\frac{3}{4}$ cents a pound to one-half cent under the British preferential tariff.

The general tariff on fresh meats is to be increased one-half cent a pound.

To encourage the conservation of our timber resources, it is proposed to admit tree seeds for reforestation free of duty.

The duty on sugar for refining purposes testing 96 degrees of polarization is reduced under the British preferential tariff 16.288 cents per hundred pounds, that is from 45 cents to 28.712 cents. Proportionate reductions are made in the duty on sugar of other degrees of polarization.

Angostura bitters, imported by ship direct, are to be admitted under the British preferential tariff at \$5 a gallon as compared with the present duty of \$10.

Some hon. MEMBERS: Hear, hear.

Mr. ROBB: That seems to meet with the approval of hon. gentlemen.

It is further proposed, in harmony with the terms of the West Indies agreement, that sponges, which now pay a duty of $12\frac{1}{2}$ per cent under the British preferential tariff and $8\frac{3}{4}$ per cent under the West Indies agreement of 1920, shall be admitted free under the British preferential tariff.

Tin plate, of a class or kind not made in Canada, is to be free under the British preferential tariff and dutiable at 5 per cent under the intermediate and general tariffs. This will benefit principally the canning industry.

There is a pronounced sentiment throughout Canada that the automobile industry enjoys more protection than is needed to maintain it on a reasonably profitable basis, and in deference to that sentiment we propose a downward readjustment of automobile, motor truck and motor cycle duties. It is proposed to reduce the duty on automobiles valued at retail at not more than \$1,200 and on motor trucks and motor cycles to 20 per cent under the general tariff, $17\frac{1}{2}$ per cent under the intermediate tariff and $12\frac{1}{2}$ per cent under the British preferential tariff. On automobiles valued at more than \$1,200 each, the general tariff is reduced to $27\frac{1}{2}$ per cent, the intermediate to 25 per cent and the British preferential to 15 per cent. To encourage Canadian industry a drawback of 25 per cent will be paid on materials used in the manufacture of the above-mentioned motor vehicles, provided that at least 50 per cent of the cost of the finished vehicle is produced in Canada.

The duty on pasteurizers and equipment for generating electric power for farm purposes is reduced under the British preferential tariff to 5 per cent, under the intermediate and general tariffs to 10 per cent. A proportional reduction is made on the raw material.

The duty on steel casting in the rough for the manufacture of shot guns is reduced under the general tariff to 10 per cent. The duty on gunstocks is also reduced under the general tariff to 15 per cent.

It is proposed to remove the duty on belt and cap lamps for miners and parts of miners' safety lamps.

Machinery for use only in producing unrefined oil or fertilizers from shales is to be placed on the free list and is also exempted from sales tax.

Aircraft engines and complete parts are to be free under the British preferential tariff and to be dutiable at the rate of $7\frac{1}{2}$ per cent under the intermediate tariff and 10 per cent under the general tariff until July 1, 1928.

Ethylene glycol used in the manufacture of explosives is to be made free.

DRAWBACKS

It is proposed to grant the following drawbacks:

99 per cent on sugar used in the manufacture of loganberry wine. A similar drawback is now allowed on sugar used in making grape wine.

80 per cent on artificial silk tops and waste until January 1, 1928.

80 per cent on artificial silk yarns enumerated in Tariff Item 583 when imported prior to January 1, 1926, and further manufactured before January 1, 1927.

99 per cent on cellulose acetate in powder form when imported after April 30, 1927, and before November 1, 1927, and manufactured before December 1, 1927.

80 per cent on yarns produced from cellulose acetate, dry spun, when imported after October 31, 1926, and prior to August 1, 1927, and manufactured before September 1, 1927.

DIRECT SHIPMENTS

It is proposed that after the first of January, 1927, the benefits of the British preferential tariff shall apply only to goods conveyed direct without transshipment into a sea or river port of Canada.

TAX ON CARBONIC ACID GAS

It is proposed to repeal the tax on carbonic acid gas specified in Schedule II of the Special War Revenue Act.

SALES TAX EXEMPTIONS

The sales tax will be removed from a number of articles and will be reduced to $2\frac{1}{2}$ per cent on canned fish.

PENNY POSTAGE

Of the taxes imposed in 1915 under the Special War Revenue Act, none affected all the people more than the fifty per cent increase on letter postage. Every person using the post office has contributed to that tax. The improved condition of our finances enables us to-day to announce that Canadians this year will celebrate Dominion Day by a return to two-cent postage, or what is popularly known as penny postage.

RECEIPT TAX

The receipt tax has also been abolished.

TAX REDUCTIONS ESTIMATED AT \$25,000,000

The statement presented this afternoon reflects the growing prosperity of Canada. Relief, estimated at \$25,000,000, affecting all classes, is given to the people by way of removal of and reductions in certain of our taxes. I should not wish it to be inferred that I ascribe all that has thus been achieved to the influence of government policy upon the development of our economic interests; though I am free to admit that had the trend been in an opposite direction there are those who would have been quick to hold government policy responsible. There are some who subscribe to the belief that prosperity and commercial expansion are solely a consequence of those of their own political affiliation being in power. There are others who place all blame and responsibility for isolated depressions on the government of the day. May we not look for the true statement of cause and effect somewhere between these two extremes? Personally, I hold to the belief that the progress of our spheres of life, whether in the basic industries, in the commercial world or in any of the varied interests which make up our national life, the eddying of the cycles of prosperity and depression find their origin partly in the world-wide conditions with which our interests must compete, and partly in the skill, sagacity and energy which we give to the performance of our national tasks.

I have the greater reason for mentioning this because of my belief that the Canadian people, in coping with the era of depression which followed the collapse of the post-war boom, have been unnecessarily hampered by a plague of gloom which shrouded the thoughts and utterances of too many Canadians, and but for which the prosperity of the moment would be even greater than it is to-day my privilege to record.

This era of depression has been overcome; all statistical compilations which mirror the year to year business of Canada prove it. Canada to-day is steadily growing more prosperous;

there is less unemployment; the influx of settlers is growing; and with a hopeful spirit manifesting itself throughout Canada from coast to coast, the year 1926 is full of promise.

To-day in Canada we have problems, many problems, problems that demand the best we can give if we are to maintain a united Canada. There are those in the east who say the west—the great producing west—demands too much; and there are those in the west who say the east is selfish. Are not all such equally wrong? Is there not a truer and more generous sentiment? I believe that in both the east and the west, as elsewhere throughout our Dominion, there is, above all else, a strong, healthy Canadian spirit. Nowhere more than in the east and in the west are there men and women who are prepared to live and let live and to make reasonable concessions for the good of all Canada, or who share more gladly the wider vision of prosperous and happy homes in all our provinces. It is not by emphasizing our differences, whether they be of location or origin, that we shall attain the ideal progress which all have most at heart. It is by a union of all our forces under the inspiration of one ideal. Where shall we find a better motto than in the words, "A United and Prosperous Canada."

RESOLUTIONS

I beg to give notice that when the House resolves itself into committee, I shall move the following resolutions:—

CUSTOMS TARIFF

1. Resolved, That the Customs Tariff, 1907, be amended by repealing subsection one of section three and substituting therefor the following:—

(1) The rates of customs duties, if any, set forth in Column 1, "*British Preferential Tariff*," shall apply to goods the produce or manufacture of the following British countries when conveyed without transshipment from a port of any British country enjoying the benefits of the British Preferential Tariff into a sea or river port of Canada:—

- (a) the United Kingdom;
- (b) the British colony of Bermuda;
- (c) the British colonies commonly called the British West Indies, including the following,—
 - the Bahamas;
 - Jamaica;
 - Turks and Caicos Islands;
 - the Leeward Islands (Antigua, St. Christopher-Nevis, Dominica, Montserrat, and the Virgin Islands);
 - the Windward Islands (Grenada, St. Vincent and St. Lucia);
 - Barbados;
 - Trinidad and Tobago;
- (d) British Guiana;
- (e) British India;
- (f) Ceylon;
- (g) Straits Settlements;
- (h) New Zealand;
- (i) Union of South Africa;
- (j) Southern Rhodesia;
- (k) any other British colony or possession admitted to the benefits of the British Preferential Tariff in Canada, in the manner hereinafter provided;

Provided, however, that goods entitled to the benefits of the British Preferential Tariff shall be accorded such benefits when such goods are shipped on a through bill of lading consigned to a consignee in a specified port in Canada when such goods are transferred at a port of a British colony or possession not enjoying the benefits of the British Preferential Tariff, and conveyed without further transshipment into a sea or river port of Canada.

2. Resolved, That Schedule A. to The Customs Tariff, 1907, as amended by Chapter fifteen of the Statutes of 1913, Chapter forty-seven of the Statutes of 1919, Chapter twenty-seven of the Statutes of 1921, Chapter nineteen of the Statutes of 1922, Chapter forty-two of the Statutes of 1923 and Chapter thirty-eight of the Statutes of 1924, be further amended by striking thereout tariff items: 7, 20a, 22, 23, 28, 30, 32, 39b, 77a, 90, 134, 135, 438, 448, 590a, 680a, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of said items, and to provide that the following items, enumerations and rates of duty be inserted in Schedule A:—

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff
7	Meats, fresh, n.o.p., per pound.....	2 cts.	2½ cts.	3½ cts.
20a	Butter produced from the cocoa bean, per pound.....	Free	2 cts.	2 cts.
22	Preparations of cocoa or chocolate in powder form.....	22½ p.c.	27½ p.c.	35 p.c.
	or per pound	2 cts.	2½ cts.	3 cts.
	whichever rate returns the higher duty.			
23	Preparations of cocoa or chocolate, n.o.p., and confectionery, coated with or containing chocolate, the weight of the wrappings and cartons to be included in the weight for duty, per pound.....	2½ cts.	2½ cts.	2½ cts.
	and	20 p.c.	27½ p.c.	35 p.c.
28	Coffee, green, imported direct from the country of growth and production, and green coffee purchased in bond in the United Kingdom, per pound.....	Free	3 cts.	3 cts.
30	Ginger and spices, unground, n.o.p....	Free	12½ p.c.	12½ p.c.
32	Nutmegs and mace, whole or unground.....	Free	17½ p.c.	20 p.c.
39b	Arrowroot, per pound.....	Free	1½ cts.	1½ cts.
42a	Table salt made by an admixture of other ingredients, when containing not less than ninety per cent of pure salt.....	5 p.c.	10 p.c.	15 p.c.
72b	Tree seeds for reforestation purposes only.....	Free	Free	Free
77a	Cocoa beans, not roasted, crushed or ground, per one hundred pounds...	Free	\$1.50	\$2.00
90	Fruits, viz.:—Plantains, pineapples, pomegranates, guavas, mangoes, wild blueberries, wild strawberries and wild raspberries.....	Free	Free	Free
90b	Bananas.....	Free	Free	Free
	The Governor in Council may by Order in Council direct that there be substituted for tariff item 90b in Schedule A of The Customs Tariff, 1907, the enumerations of goods and the rates of duties of customs, if any, set opposite items 90c and 90d in Schedule A the following:—			
90c	Bananas, when imported from the place of growth by ship, direct to a Canadian port, per stem or bunch..	Free	50 cts.	50 cts.
90d	Bananas, n.o.p., per stem of bunch... From and after the publication of such Order in Council in the Canada Gazette, tariff item 90b as it appears in said schedule at the time of the passing of the Act founded on this Resolution shall be repealed and the provisions of tariff items 90c and 90d shall be substituted therefor.	50 cts.	50 cts.	50 cts.
105a	Pineapples in air-tight cans or other air-tight packages, n.c.p., the weight of cans or other packages to be included in the weight for duty, per pound.....	½ ct.	2½ cts.	2½ cts.
134	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item No. 135, and sugar syrups testing over fifty-six degrees of polarization, when not exceeding eighty-eight degrees of polarization, per one hundred pounds.....	83 cts.	\$1.50	\$1.50

Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff
When exceeding eighty-eight degrees but not exceeding eighty-nine degrees, per one hundred pounds.....	85 cts.	\$1.53	\$1.53
When exceeding eighty-nine degrees but not exceeding ninety degrees, per one hundred pounds.....	87 cts.	\$1.55	\$1.55
When exceeding ninety degrees but not exceeding ninety-one degrees, per one hundred pounds.....	89 cts.	\$1.58	\$1.58
When exceeding ninety-one degrees but not exceeding ninety-two degrees, per one hundred pounds.....	91 cts.	\$1.62	\$1.62
When exceeding ninety-two degrees but not exceeding ninety-three degrees, per one hundred pounds.....	93 cts.	\$1.65	\$1.65
When exceeding ninety-three degrees but not exceeding ninety-four degrees, per one hundred pounds.....	95 cts.	\$1.68	\$1.68
When exceeding ninety-four degrees but not exceeding ninety-five degrees, per one hundred pounds.....	97 cts.	\$1.70	\$1.70
When exceeding ninety-five degrees but not exceeding ninety-six degrees, per one hundred pounds.....	99 cts.	\$1.74	\$1.74
When exceeding ninety-six degrees but not exceeding ninety-seven degrees, per one hundred pounds.....	\$1.01	\$1.77	\$1.77
When exceeding ninety-seven degrees but not exceeding ninety-eight degrees, per one hundred pounds.....	\$1.03	\$1.80	\$1.80
When exceeding ninety-eight degrees but not exceeding ninety-nine degrees, per one hundred pounds.....	\$1.09	\$1.89	\$1.89
When exceeding ninety-nine degrees, per one hundred pounds.....	\$1.09	\$1.89	\$1.89
Provided that refined sugar shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister of Customs and Excise, that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise.			
Provided further that sugar imported under this item shall not be subject to special duty in excess of three-fourths of one cent per pound.			
135 Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister of Customs and Excise; and sugar, n.o.p., not above number sixteen Dutch standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms, sugar concrete, and molasses testing over fifty-six degrees and not exceeding seventy-six degrees, when not exceeding seventy-six degrees of polarization, per one hundred pounds.....	20.627 cts.	70.851 cts.	70.851 cts.
When exceeding seventy-six degrees but not exceeding seventy-seven degrees, per one hundred pounds...	20.647 cts.	73.213 cts.	73.213 cts.
When exceeding seventy-seven degrees but not exceeding seventy-eight degrees, per one hundred pounds.....	20.667 cts.	75.574 cts.	75.574 cts.
When exceeding seventy-eight degrees, but not exceeding seventy-nine degrees, per one hundred pounds.....	20.687 cts.	77.936 cts.	77.936 cts.

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff
	20-707 cts.	80-298 cts.	80-298 cts.
	20-727 cts.	82-659 cts.	82-659 cts.
	20-747 cts.	85-021 cts.	85-021 cts.
	20-767 cts.	87-383 cts.	87-383 cts.
	20-857 cts.	90-040 cts.	90-040 cts.
	20-947 cts.	92-697 cts.	92-697 cts.
	21-056 cts.	95-353 cts.	95-353 cts.
	21-126 cts.	98-010 cts.	98-010 cts.
	21-512 cts.	\$1-00963	\$1-00963
	21-897 cts.	\$1-03915	\$1-03915
	22-872 cts.	\$1-07457	\$1-07457
	23-848 cts.	\$1-11000	\$1-11000
	24-823 cts.	\$1-14542	\$1-14542
	25-799 cts.	\$1-18085	\$1-18085
	26-762 cts.	\$1-21627	\$1-21627
	27-737 cts.	\$1-25170	\$1-25170
	28-712 cts.	\$1-28712	\$1-28712
	29-688 cts.	\$1-32255	\$1-32255
	30-664 cts.	\$1-35798	\$1-35798
	35-606 cts.	\$1-47606	\$1-47606
	Provided that sugar imported under this item shall not be subject to special duty.		
156b	Angostura bitters, the produce or manufacture of any of the colonies enumerated in section 8A of The Customs Tariff, 1907, when conveyed without transhipment by ship direct into a sea or river port of Canada, per gallon.....	\$5-00	—
216a	Cresylic acid when imported for use only by manufacturers in the manufacture of preparations for disinfecting, dipping and spraying.....	Free	Free
295a	Zirconium silicate.....	Free	Free
384c	Rolled sheets of iron or steel coated with tin, of a class or kind not manufactured in Canada.....	Free	5 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff
438	Locomotives and motor cars for railways and tramways.....	22½ p.c.	30 p.c.	35 p.c.
438a	Automobiles and motor vehicles of all kinds, n.o.p.....	15 p.c.	25 p.c.	27½ p.c.
438b	Automobiles for conveying passengers only, valued at retail with standard equipment complete at not more than twelve hundred dollars each; motor cars or motor trucks (not for railways or tramways) for carrying goods only; motor cycles.....	12½ p.c.	17½ p.c.	20 p.c.
448	Spraying machines, fruit or vegetable grading machines, incubators for hatching eggs, brooders for rearing young fowl, pruning hooks, pruning shears, hay loaders, potato-diggers, fodder or feed cutters, grain crushers, fanning mills, hay tedders, farm or field rollers, post hole diggers, snaths, milking machines, milking machine attachments, centrifugal machines for testing butter fat, milk or cream; pasteurizers for dairying purposes; equipment for generating electric power for farm purposes only, viz.: engine, generator, storage battery and switch board; stumping machines, and other agricultural implements, n.o.p., and complete parts of articles specified in this tariff item.....	5 p.c.	10 p.c.	10 p.c.
453f	Iron or steel castings in the rough, not further finished than with the burrs removed, when imported by manufacturers of shot guns for use only in the manufacture of such articles in their own factories, under regulations prescribed by the Minister of Customs and Excise.....	5 p.c.	7½ p.c.	10 p.c.
460e	Belt and cap lamps and parts thereof to be used exclusively in a mine; parts of miners' safety lamps, n.o.p.....	Free	Free	Free
469b	Machinery and apparatus and parts thereof for use only in producing unrefined oil or fertilizer from shales, not to include motive power of a class or kind made in Canada.	Free	Free	Free
502d	Gun stocks and fore-ends for shot guns, of walnut in the rough, not further manufactured than bored and channelled, when imported by manufacturers of shot guns for use only in the manufacture of shot guns in their own factories.....	10 p.c.	12½ p.c.	15 p.c.
500a	Aeroplanes and other aircraft and complete parts thereof, n.o.p., under regulations prescribed by the Minister of Customs and Excise.....	15 p.c.	25 p.c.	27½ p.c.
500c	Engines and complete parts thereof, when imported for use only in the equipment of aircraft.....	Free	7½ p.c.	10 p.c.
626a	On and after 1st July, 1928..... Men's and boys' hats made of hatters' felt in the rough, not blocked or further finished, when imported by manufacturers of men's and boys' hats for use only in the manufacture of such hats in their own factories.....	15 p.c.	20 p.c.	25 p.c.
664b	Ethylene glycol, when imported by manufacturers of explosives, for use only in the manufacture of such articles in their own factories.....	Free	Free	Free
680a	Sponges of marine production.....	Free	17½ p.c.	17½ p.c.

3. Resolved, That Schedule B to The Customs Tariff, 1907, as amended by Chapter thirty-eight of the Statutes of 1924, be further amended by striking thereout item 1031, the enumeration of goods, and the rate of drawback to the said item and to provide that the following items, enumerations and rates of drawback of customs duties be inserted in said Schedule B:—

Tariff Item	Goods	When subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1050	Sugar.....	When used in the manufacture of loganberry wine. Provided that drawback shall not be payable in respect of any raw sugar, except raw sugar produced in a British country.....	99 p.c.
1051	Artificial silk tops and waste or artificial fibre silk tops and waste enumerated in tariff item 583A.....	When further manufactured after the 31st day of December, 1925, and prior to the 1st day of January, 1928.....	80 p.c.
1052	Artificial silk yarns or filaments enumerated in tariff item 583aa, imported prior to the first day of January, 1926.....	When further manufactured prior to the first day of January, 1927.....	80 p.c.
1053	Cellulose acetate in powdered form imported after the thirtieth day of April, 1927, and prior to the first day of November, 1927.....	When imported by manufacturers and further manufactured in their own factories before the first day of December, 1927.....	99 p.c.
1054	Yarn produced from cellulose acetate, dry spun, not more advanced than singles, when imported after the thirty-first day of October, 1926, and prior to the first day of August, 1927.	When imported by manufacturers and further manufactured in their own factories before the first day of September, 1927.....	80 p.c.
1055	Materials, including all parts....	When used in the manufacture of goods enumerated in tariff items 438a and 438b. Provided that no drawback shall be paid under this item unless at least 50 per cent of the cost of the finished article has been produced in Canada.....	25 p.c.

4. Resolved, That any enactment founded on resolution number one shall be deemed to have come into force on the first day of January, one thousand nine hundred and twenty-seven, and to have applied to goods imported under the provisions of said resolution number one on and after that day.

5. Resolved, That any enactment founded on the foregoing resolutions number two and three shall be deemed to have come into force on the sixteenth day of April, one thousand nine hundred and twenty-six, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have applied to goods previously imported for which no entry for consumption was made before that day.

SPECIAL WAR REVENUE

Resolved, That it is expedient to introduce a measure to amend The Special War Revenue Act, 1915, and to provide:—

1. That subsection five of section thirteen of the said Act be repealed and the following substituted therefor:—

“(5) On every post card for transmission by post for any distance within Canada and on every letter and post card posted at and intended for delivery through the same post office, there shall be levied and collected a tax of one cent in addition to postage payable in the form of a postage stamp to be affixed thereto at or before the time of posting the letter or post card; but such tax shall not be levied or collected on any letter or post card entitled to the privilege of free transmission under the provisions of The Post Office Act. The stamp so affixed shall be cancelled by the Postmaster or other officer of the Post Office Department whose duty it is to cancel the postage stamps affixed to such letters or post cards in prepayment of postage.”

2. That section fourteen of the said Act be repealed.

3. That paragraph (a) of subsection one of section nineteen BB of the said Act as enacted by Chapter fifty of the Statutes of 1921, be repealed and the following substituted therefor:—

“(a) A tax on playing cards for every fifty-four cards or fraction of fifty-four in each package, ten cents per pack.”

4. That section nineteen BBB of the said Act be amended by adding after subsection two thereof the following as subsection two A:—

“(2A) In case any person other than the manufacturer or producer or importer or transferee or licensed wholesaler or jobber hereinbefore mentioned acquires from or against any one of these persons the right to sell any goods, whether as a result of the operation of law or of any transaction not taxable under this section, the sale of such goods by him shall be taxable as if made by the manufacturer or producer or importer or transferee or licensed wholesaler or jobber as the case may be and the person so selling shall be liable to pay the tax.”

5. That subsection four of section nineteen BBB of the said Act, being the list of excepted articles not liable to the consumption or sales tax, be amended by adding thereto the following:—

“pot barley; pearl barley; split peas; goods enumerated in Customs Tariff items 469b, 700, 701, 702, 703, and 704.”

6. That subsection five of section nineteen BBB of the said Act, being the list of articles liable to only fifty per cent of the consumption or sales tax, be amended by adding thereto the following:—

“fish, or products thereof, canned but not medicated.”

7. That schedule two to the said Act be amended by striking there-out the last five lines respecting carbonic acid gas which were added to the said schedule by section twelve of Chapter seventy of the Statutes of 1923.

8. That a refund of the amount of taxes paid under sections sixteen A, nineteen B, nineteen BB, and nineteen BBB of the said Act be granted to a manufacturer, producer, wholesaler, jobber, or other dealer on goods hereafter sold as ships' stores.

9. That any enactment founded on paragraph one of this Resolution shall come into force on the first day of July, one thousand nine hundred and twenty-six.

10. That any enactment founded on paragraphs two and eight of this Resolution shall be deemed to have come into force on the sixteenth day of April, one thousand nine hundred and twenty-six.

11. That any enactment founded on paragraphs three, five, six, and seven of this Resolution shall be deemed to have come into force on the sixteenth day of April, one thousand nine hundred and twenty-six, and to have applied to all goods imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for which no entry for consumption was made before that date.

INCOME WAR TAX

Resolved, That it is expedient to amend The Income War Tax Act, 1917, and to provide:—

1. That the amount of income exempted from the tax be increased to three thousand dollars in the case of a married person or householder, or any other person supporting certain relatives as at present set forth in the Act and to fifteen hundred dollars in the case of other persons.

2. That where a husband and wife have each a separate income in excess of fifteen hundred dollars each shall receive an exemption of fifteen hundred dollars in lieu of the exemption set forth above.

3. That the parents may arrange between themselves as to how the exemption for each dependent child is to be allotted.

4. That in respect of income for the year 1925 and each year thereafter the rates of tax at present imposed be repealed and the following substituted in lieu thereof,—

Upon the amount of the income in excess of the statutory exemptions,

On the first \$2,000 or any portion thereof.....	2%
On the amount in excess of \$ 2,000 but not in excess of \$ 3,000....	3%
do. 3,000 do. 4,000....	4%
do. 4,000 do. 5,000....	5%
do. 5,000 do. 6,000....	6%
do. 6,000 do. 7,000....	7%
do. 7,000 do. 8,000....	8%
do. 8,000 do. 9,000....	9%
do. 9,000 do. 10,000....	10%
do. 10,000 do. 11,000....	11%
do. 11,000 do. 12,000....	12%
do. 12,000 do. 13,000....	13%
do. 13,000 do. 14,000....	14%
do. 14,000 do. 15,000....	15%
do. 15,000 do. 16,000....	16%
do. 16,000 do. 17,000....	17%
do. 17,000 do. 18,000....	18%
do. 18,000 do. 19,000....	19%
do. 19,000 do. 20,000....	20%
do. 20,000 do. 25,000....	21%
do. 25,000 do. 30,000....	22%
do. 30,000 do. 35,000....	23%
do. 35,000 do. 40,000....	24%
do. 40,000 do. 45,000....	25%
do. 45,000 do. 50,000....	26%
do. 50,000 do. 55,000....	27%
do. 55,000 do. 60,000....	28%
do. 60,000 do. 65,000....	29%
do. 65,000 do. 70,000....	30%
do. 70,000 do. 75,000....	31%
do. 75,000 do. 80,000....	32%
do. 80,000 do. 85,000....	33%
do. 85,000 do. 90,000....	34%
do. 90,000 do. 95,000....	35%
do. 95,000 do. 100,000....	36%
do. 100,000 do. 110,000....	37%
do. 110,000 do. 120,000....	38%
do. 120,000 do. 130,000....	39%
do. 130,000 do. 140,000....	40%
do. 140,000 do. 150,000....	41%
do. 150,000 do. 175,000....	42%
do. 175,000 do. 200,000....	43%
do. 200,000 do. 250,000....	44%
do. 250,000 do. 300,000....	45%
do. 300,000 do. 350,000....	46%
do. 350,000 do. 400,000....	47%
do. 400,000 do. 450,000....	48%
do. 450,000 do. 500,000....	49%
do. 500,000.....	50%

The rates set forth in this subsection shall not apply to corporations or joint stock companies.

5. That the rate of tax applicable to corporations be reduced from ten per centum to nine per centum.

6. That the five per cent additional tax applicable to incomes of five thousand dollars or more be repealed.

7. That the income of a personal corporation (being a corporation controlled by one person or his family, the income of which is derived from investments or dealing in investments) shall each year be deemed to be distributed as a dividend to the shareholders and taxable accordingly.

8. That the carrying charges or expenses of unproductive property or assets not acquired for the purposes of a trade, business or calling or of a liability not incurred in connection with a trade, business or calling shall not be allowed as a deduction in determining income.

9. That any distribution or advance made to the shareholder of a corporation shall be deemed to be a dividend to the extent that such corporation has on hand undistributed income and such dividend shall constitute income of the shareholder of the year during which the distribution or advance is made.

10. That where a corporation having undistributed income on hand reduces its capital stock, then to the extent that such corporation has on hand undistributed income the amount received by the shareholder by virtue of the reduction of the capital shall be deemed to be a dividend and to be income received by the shareholder.

11. That where a corporation having undistributed income on hand redeems its shares at a premium the premium shall be deemed to be a dividend and to be income received by the shareholder.

12. That where a person or persons, owning shares of a corporation which has undistributed income on hand, transfer such shares or a portion thereof to a second corporation promoted at his or their instance or controlled by him or them, which second corporation subsequently receives a dividend from the first mentioned corporation and, within a period of three years from the date of such share transfer, applies the income thus received, in whole or in part, directly or indirectly,—

(a) in payment of the shares purchased by the second corporation from such person or persons or,

(b) in the discharge of any liability incurred to such person or persons by reason of and in connection with the purchase of such shares or,

(c) in the discharge of a loan obtained by the second company for the purpose of paying for such shares,
then such person or persons shall be taxable in full in respect of such dividend as if he or they had received it in the year that the first mentioned corporation declared the dividend.

13. That when, as a result of the reorganization of a corporation or the readjustment of its capital stock the whole or any part of its undistributed income is capitalized, the amount capitalized shall be deemed to be distributed as a dividend during the year in which the reorganization or readjustment takes place and the shareholders of the said corporation shall be deemed to receive such dividend in proportion to their interest in the capital stock of the corporation or in the class of capital stock affected, and

14. That the income of a non-resident person or a non-resident corporation which consists exclusively of earnings derived from the operation of a ship or ships registered under the laws of a foreign country which grants an equivalent exemption to residents of Canada and to corporations organized in Canada shall not be liable to taxation.

15. That in respect of income for the year 1925 and each year thereafter the provisions of paragraph (d) of subsection one of section three of the said Act as enacted by section two of Chapter fifty-five of the Statutes of 1919 shall not apply.

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