

It is estimated that the ordinary revenue for the coming fiscal year from April 1, 1940, to March 31, 1941, will amount to...\$89,051,209.40
 The net ordinary expenditure (not including unemployment relief) will amount to... 82,744,970.24
 Leaving an excess of ordinary revenue over ordinary expenditure of 6,306,239.16
 And after providing expenditures on account of unemployment direct relief and administration thereof in a sum of... 5,950,000.00
 We expect to present a surplus of 356,239.16

It is expected also that, after taking into consideration proposed capital expenditures and capital receipts we will be able to report at the end of the next fiscal year a reduction in the gross debt in the sum of \$864,899.23.

With the permission of the House, I place on the records the Budget forecasts of ordinary revenue, ordinary expenditure, capital receipts and capital payments for the fiscal year April 1, 1940, to March 31, 1941.

Press Death Duties

In forecasting the possible revenue collectible by way of Succession Duty, the amount of revenue estimated is 12 million dollars. It is believed that this amount represents what may now be looked upon as a normal annual revenue from this source, and any amounts collected in excess of 12 million dollars will not be taken into account as ordinary revenue, but will be considered as capital revenue and applied either in reduction of capital expenditures or for reduction of the debt of the Province.

While there are still upward of 3,000 old estates to be investigated, it must be remembered that many of the larger estates have already made settlement and their payments have gone to make up the 25 million dollars collected from estates which were closed in former years. Let me assure the House that, with respect to the task of investigating these 3,000 old estates, there will be no relaxing of the efforts of the Treasury Department to ensure that where underpayment is found to exist, duty and interest and penalties will be exacted and collected. Having put my hand to the plow, I have no intention of abating my efforts to complete the task of investigating every estate where fraud or underpayment obtains.

Having carefully surveyed all possible revenues which we may, with assurance, hope to collect during the coming fiscal year, consideration must be given to two hard facts, namely, there will be an estimated shrinkage in revenue of approximately \$9,750,000. Amounts of extraordinary expenditure which are inescapable amount to about four million dollars, making a total gap to be bridged of approximately \$13,750,000. Part of this gap we hope to close by reductions in expenditures. In addition, it is proposed to amend the Corporation Tax Act by increasing the rate of tax on corporation income from 2 per centum to 5 per centum, and increasing the tax on banks, insurance companies, railways, telephone companies, telegraph companies, express companies and car companies by 25 per centum. Inasmuch as these latter companies are taxed on a different basis from the ordinary company, an increase of 25 per centum fairly approximates the increase on ordinary corporations due to the changed rate from 2 to 5 per centum. The increases will

not be retroactive with respect to operations prior to Jan. 1, 1939.

I do not, at this time, suggest that the increase shall form a permanent part of the fiscal system of the Province and, with this in view, the bill to amend the act will contain a provision by which the taxing sections of the bill expire with the year 1941. The increased revenue from Corporation Tax is expected to amount to a sum of five millions of dollars.

Expenses Being Cut

Your attention is called to the fact that a considerable reduction in expenditure is contemplated, the net expenditure forecast being \$88,684,970.24.

Particular attention is directed to the item of foreign exchange, from which it will be seen that the cost of foreign exchange for the ensuing fiscal year will be \$1,842,913.88, of which \$718,187.70 will be paid by the Hydro Power Commission, that being its share of the maturing debentures and the interest to be met during the coming fiscal year. This is a war expenditure, in that it is due to a condition arising out of the war and is inescapable.

Another item chargeable to the war is the sum of \$600,000, representing the cost of policing vulnerable points, such as the Queenston power plant and other important power-producing and distributing stations which might be the object of attack by saboteurs.

It is proposed to pay to the municipalities of the Province a subsidy of one mill on the general assessment. May I remind you that during the last war instead of a subsidy of one mill, there was a special war tax of one mill on each dollar of general assessment levied and collected by the Province of Ontario.

Confident of Future

Mr. Speaker, this is the sixth successive occasion on which I have had the honor of presenting the Budget forecast to this Assembly. Five of these occasions were during a time which public men have chosen to call "the era of the dark thirties." As Treasurer of this Province and as head of the Government, I face the year 1940 with a strong belief in the future of Ontario. It should be a matter of great satisfaction to every one that I am able to present to you a Budget for the ensuing fiscal year which will ensure not only a surplus of ordinary revenues over ordinary expenditures, but also a reduction in the gross debt; and this, notwithstanding the serious and difficult times that beset us and the heavy sacrifices that our citizens are being called upon to bear—both financially and mentally—because of war conditions.

Our financial position is sound and is such that, in addition to being able to report that we are about to enter upon a new fiscal year with a prospect of a balanced budget and reduction in gross debt, the program for next year calls for the maintenance of all vital services at a high standard of efficiency.

With a view to giving clearer in-

formation to the prospective American tourists, it has been decided by this Government to establish a Publicity Bureau, which can effectively counteract any unfortunate propaganda or misunderstanding of war conditions in Canada. It shall be our responsibility to impress upon the minds of those who contemplate visiting Ontario that we have a highway system which we believe to be second to none on this North American Continent. Ontario will be advertised also as the Province which levies no amusement tax; no tax on meals; no local sales tax; where a policy of fish propagation has been carried to the point of efficiency so that our inland lakes and waters will be most attractive to those who enjoy that particular kind of sport. Furthermore, we shall endeavor to impress upon the American travelling public, who, because of war conditions, are prevented now from spending their holidays in lands overseas, that their American dollar will be accepted at the premium value.

Capital Spending Out

And, furthermore, what should very properly emanate from this Government in this critical war period is the indication in the statement of capital payments forecast for next year, that the Province will not embark upon any program of new capital expenditures whatsoever, even though such expenditures could be justified on sound economic grounds; our intention being, in so far as it lies within our power, to leave the borrowing markets free and unhampered by Provincial financing, so that the field may remain clear for the Dominion Government to finance the successful prosecution of the war.

In raising money by taxation for the carrying on of the business of the Government let me remind you that out of every hundred dollars of the national income, and by that I mean the total of the incomes of all the people, eleven dollars are taken in taxation by the Dominion Government, six dollars by the municipal Governments and barely three dollars by the Government of the Province of Ontario. The aim and policy of this Government is and always has been to apply taxes in proportion to the ability of the taxpayer, and to disburse the amounts made available by taxation, to improve the lot of the people in what might be called the lower economic scale. The people who toil and produce the wealth, even under the best of systems, enjoy but a fraction of the wealth they produce, and it is our business to see that a proper standard of living is assured to all our people.

The human services maintained by this Government must be kept at the maximum of efficiency, having in mind that the great natural resources of Ontario are sufficient to produce for every citizen an adequate standard of living. This Administration recognizes its responsibility and realizes that the true functions of a Government are to increase and improve the comfort and happiness and well-being of all the people.