

Corporation Tax Rise Will Retard Business, Drew Warns in Attack

Calls It Helpless Exhibition of Government Failure to Point Way to Economy; Asks for Withdrawal, but House Gives Second Reading

FEARS CONSUMER TO BE PENALIZED

The increase in the corporations tax would discourage business, check employment and penalize the consumer, Opposition Leader George Drew declared in the Legislature yesterday in appealing for withdrawal of the amendments which boost the tax from 2 per cent to 5 per cent.

Second reading was given the amendments after an hour's debate shared equally by Colonel Drew and Attorney-General Conant. The Opposition Leader denounced the bill as "vicious" legislation and wrong in principle. It would act as a brake on the Province's war effort, he claimed.

"This act is simply a helpless exhibition of failure on the part of the Government to point the way to economy," said Colonel Drew. "There is no justification for it other than the Government's determination to go on spending large sums of money. Members of the Government are under the delusion that so long as a tax comes from certain quarters it does not hurt the taxpayers. The sooner it is realized that it is not the wealthy few who pay these taxes, the better it will be for the Province as a whole. These corporations, such as railways and insurance companies, are trustees for the wealth of the people.

"This is a case of robbing Peter to pay Paul," continued Colonel Drew. "When you increase the tax on the C.N.R., you are increasing the obligation of the people themselves. The Prime Minister in his budget address stressed the need of the Province giving leadership to the Dominion. I agree heartily with that sentiment. But increasing taxation is not the way to give leadership.

"The most effective way to give leadership and the most effective contribution we can make to the successful prosecution of the war would be to reduce taxation in order that business may operate freely.

"At the very time that this Government should be doing this, we find a tax measure which increases an existing tax by 150 per cent," he

continued. "And on top of that there is a surtax of 25 per cent. The sooner we talk honestly to the public about taxation, the better it will be for all concerned. Every tax imposed on business is an added cost to the things purchased by the consumer.

Asks for Withdrawal.

"If this Government wants to give leadership to the Dominion, then withdraw this act and proceed on the basis of the present tax. There is nothing so destructive to legitimate business as not knowing from year to year what the tax position will be. Retroactive legislation is wrong at any time. Let the Government do what the Prime Minister said in his budget; give leadership at this time to the whole of Canada."

In moving second reading of the bill, the Attorney-General said the retroactive features of the bill, with its limited application, would not produce any very substantial amount for the current fiscal year. He estimated the sum as likely to accrue to the treasury before March 31 as \$315,000. The Government had been in receipt of representations regarding the provisions of the bill, especially the retroactive clauses. Recognizing the uncertainty of what might prevail two years hence, certain amendments were made by the Government which restricted the retroactive features.

"The effect is such that all companies coming within scope of the bill will, in final analysis, be taxed for a total of twenty-four months' operation," said the Attorney-General. "I want to stress that the partially retroactive features only apply to a portion of 1939. Most of the increase will be collected in the fiscal years 1940-41 and 1941-42."

Mr. Conant said the provisions were retroactive only in the sense of making a company subject to the increase on that part of its business falling in 1939. Most companies ended their fiscal years Dec. 31, and, under the existing law, which the bill did not alter, they had until April 30 to pay the tax, including both the previous and the increased tax.