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Premier Bennett's Statement on the Gold Tax as Amended

Notes that Hon. Chas. McCrea Made Special Protest Against First Form of Tax. New Form of Tax Exempts Mines Not Paying Dividends. Gives Low-Grade Properties a Chance. Tax will be 25 per cent. on Amount Received over \$20.67. Mines to Receive at Least \$30.00 per ounce.

Last week The Advance published in brief the gold tax provisions as amended, and as they were announced in the House of Commons on Wednesday evening last by Hon. R. B. Bennett, the premier.

This week as a matter of record and because of the interest in the question in this district The Advance gives further details of the announcement as received from Ottawa last week.

Summarized, it may be said that Hon. Mr. Bennett's announcement relieved non-dividend-paying mines, placer mines and producers of low-grade ore by letting them know that the tax would not apply to them. The question of constitutionality of the tax, if any existed, was dealt with by changing the procedure to place a 25 per cent. tax on the premium paid instead of 10 per cent. tax on production.

As a further guarantee against anything in the nature of double taxation the gold mine companies will be permitted to credit their corporation income tax against the gold tax.

Non-Dividend Mines Exempt
The tax, which will run from April 1 of this year to May 31, 1935, will not apply to any company not now paying dividends, nor to any company which did not pay dividends prior to January 1, 1933.

In no case will the tax operate when the premium is such that the price to the producer is less than \$30 an ounce. This was the same provision placed in the original proposal.

Announcement of the change was made just before the adjournment of the House Wednesday last by Prime Minister R. B. Bennett. He referred to the protests that had been raised against the tax, particularly in Ontario, and to the charges that the tax was unconstitutional.

There was no question in his mind as to the power of the Government to impose the tax, Mr. Bennett said, and he referred to Section 91 of the British North America Act. He described also the long discussion between the Government and representatives of the mines.

He believed the plan now proposed would meet with general approval of those most concerned. The conferring mining interests had accepted it as a fair way of dealing with the situation.

It is anticipated the tax will bring in a revenue of about \$9,000,000 which will more than offset the loss in revenue from reduction of the tax on sugar for which the original imposition on gold was designed.

Ontario Enters Protest
The only official protests against the tax from a provincial government, came from Ontario, the Prime Minister said. Hon. Charles McCrea, Ontario Minister of Mines, had spent some time in conferences with the Prime Minister and the Minister of Finance, and had arranged meetings between the Government and the miners. Other provinces had complained "to the populace" through the press, the Prime Minister said.

Changes in the mode of applying the tax were made to avoid any disputes as to the rights of the provinces, the Prime Minister said, while exemption of the non-dividend paying mines was to remove any possibility of impeding development or embarrassing producers of low-grade ore which were operating only because of the premium. The same applied to placer mining which was providing a bare means of existing, to individuals who were panning the gold bearing streams.

Without the provision respecting corporation income taxes it is estimated the 25 per cent. levy would bring in about \$11,000,000 revenue. By permitting dividend paying gold companies to credit their income tax against the gold tax the total will be reduced by about \$2,000,000.

Mr. Bennett's Statement
The statement made in the House by Hon. Mr. Bennett was, in full, as follows:—

"In view of the general misunderstanding that apparently has arisen regarding the tax on gold by the budget delivered by the Minister of Finance (Mr. Rhodes) a few days ago I think it desirable to make a statement which will clarify the situation.

"The Minister indicated that it was essential for him to raise by taxation approximately the amount of revenue lost by reducing the tax on sugar to one cent per pound, and he stated that he proposed to obtain from the gold producing companies that sum, which would be imposed in the budget for the current year.

"The Government of the province of Ontario protested against the imposition of the tax; Hon. Charles McCrea Minister of Mines, has been in Ottawa for several days. In some quarters it was asserted that such a tax was an infringement upon the taxing powers of

the provinces. I think that view may be disregarded, inasmuch as Clause 3 of Section 91 of the British North America Act provides that the exclusive legislative authority of the Parliament of Canada extends to the raising of money by any mode or system of taxation.

"The Ontario Government further suggested that the tax imposed in the manner indicated was in the nature of a royalty, which it was submitted could be imposed only by the province. For the reasons stated this contention could not be accepted.

Willing to Help Government
"Mr. McCrea, as the Minister of Mines for Ontario, arranged that representatives of the gold mining interests of that province and others should meet the Minister of Finance and myself. The representatives of the gold producing companies expressed their willingness to assist in any reasonable way the Government of Canada in balancing its budget, but pointed out that they were already subjected to very heavy taxation.

"We then pointed out that the price of gold for the year 1932 had averaged over \$23 per ounce while the statutory price was only \$20.67 per ounce, the added price being attributable, mainly or wholly, during that year to the pre-

mium on American money in Canada. "In 1933 the average price received by the gold producers was \$28.72 per ounce, which represented an average of \$8.05 per ounce more than the statutory price of \$20.67.

"During the early months of the year the price received was less than \$28, but when the President of the United States announced that the Republic would buy all new gold at a price of \$35 per ounce the result was that since that date the price of gold has approximated \$35 per ounce.

"The present premium on the price of gold is an unearned increment arising out of economic conditions and the monetary action taken by the United States of America as well as by the Dominion of Canada. We therefore indicated that, rather than have any question of provincial rights or royalties at issue between the Dominion and the provinces, or any foundation being afforded for the suggestion that the Dominion was interfering in the field of provincial taxation, we would substitute for the proposals of the Minister a tax on the unearned increment of 25 cents out of every dollar received from the sale of gold by dividend paying companies in excess of the statutory price of \$20.67 per ounce until May 31, 1935, and, in view of the high tax thus imposed, permit the corporation income tax paid by the dividend producing companies in 1934 to be credited against the tax on the unearned increment and thus avoid the charge that the Government was imposing double taxation on the gold industry.

Low Grade Mines are Exempt
"The second question alluded to the low-grade ore found in large quantities throughout Canada and the development of which the present high price of gold had greatly stimulated, resulting in great activity in prospecting, the employment of large numbers of people, and expenditures of large sums of money. With respect to low-grade properties no special tax will be imposed until they become dividend producing properties, nor will the tax be imposed upon any company that was not paying dividends prior to January 1, 1933, and which is now paying dividends. In no event it is proposed to tax unearned increment arising from the sale of gold when the price is \$30 or less, as stated by the Minister.

"It will be matter of satisfaction to the House and to the country to know that when we met the representatives of the gold producing mines and indicated to them clearly why the tax was imposed they expressed a most sympathetic appreciation of the financial situation and although the large dividend paying mines, few in number, must pay the tax, they accepted the proposed method of 25 cents on the dollar of the premium payable on gold as not unfair. The tax does not in any event contemplate the taxation of the production of placer mines."

Mackenzie King: "May I ask the Prime Minister a question which arises out of the statement he has just read. He has referred to the representations made by the Minister of Mines for Ontario. I observe in the press that representations were made by the provinces of British Columbia, Nova Scotia and Quebec to the Government. Were those representations not considered? May I ask him, further, whether any representations were made by his own Minister of Mines?"

Mr. Bennett: "With respect to the questions the Rt. Hon. gentlemen has asked may I say that the only formal presentation of the case for the provinces was made by the Hon. Chas. McCrea. There were statements appearing in the press, but they were directed to the populace and not to the Government, and it cannot be said therefore that we received any formal representations, except as indicated. The Minister of Mines expressed his opinion, as did all other members of the Council, with respect to the matters affected."

Mr. Woodsworth: "Would the Prime Minister indicate how the revenue raised under the proposed agreement would compare with that under the first arrangement?"

Mr. Bennett: "The difference would be very small, depending entirely upon two factors. One would be the price at which gold was sold, as I have indicated, which would determine of course the extent of the unearned increment, and secondly the extent to which gold was produced. If the gold is produced to the extent it was last year, or thereabouts, it is only a matter of arithmetic to point out to the hon. member that if the price was \$35 the difference be-

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between \$20.67 and \$35 is \$14.33. And one-fourth of that is about, as will be observed, \$3.58. Whereas 10 per cent. of \$35 is \$3.50, which is less. The difficulty is that with respect to the lower grade properties it would be or might be the taxation of a deficit and therefore they are eliminated, which may mean some loss to revenue, but to that extent only."

Mr. Hanbury: "Before the Prime Minister takes his seat may I say that I did not understand thoroughly the statement he made. Is it possible that the taxation on unearned increment will be greater than the income tax in all cases, or whether the tax, will be a larger amount, whichever it may be?"

Expect \$1,600,000 for Income
"Mr. Bennett: "I need hardly say that that question cannot arise, but that in no event can the income tax, which is 12 per cent. of 50 per cent. of the profits, which is the income tax against gold companies, amount to anything of that sort. If that were the case, computations of managers of the mines would indicate payments under this plan of about \$1,600,000, as against a slightly lesser sum under the other plan. But it will be observed that as this applies only to dividend-paying properties it is obvious there may be a diminution of the revenue, because there is no tax to be taken from them unless and until they are dividend-paying properties. And if the price of gold falls to \$30 an ounce, there will be no revenue at all."

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Special Rates for May 21 - Holiday on the Railways
Special holiday fares will be available for the Victoria Day excursionist it was announced last week at Montreal by C. P. Riddell, Chairman of the Canadian Passenger Association. Tickets will be sold, good between all stations in Canada and to certain destinations in the United States. The return limit is generous and the return fare will be the regular one way first class fare and one quarter. Tickets will be good going on any train from 5:00 a.m. Wednesday, May 23rd to noon on Victoria Day, May 24th, and passengers may start their return journey not later than midnight Friday, May 25th. This will provide opportunity for visiting any destination within the time limits and the special tickets will be honoured in all classes of equipment subject to the usual parlor car and sleeping car charges when honoured in these cars.

Transmission Line Now Completed to Cadillac
Latest reports from officials of Thompson Cadillac Gold Mines are to the effect that the transmission line from Rouyn to the O'Brien Mines passing through the Thompson property is completed and that the Northern Canada Power Company is ready to deliver power as soon as transformers and electrical equipment is installed. According to E. S. Turner, general manager, a large electrically driven compressor and electric hoist are ready for the hook-up at the Thompson and the change-over from steam should take place about May 20.

Entire mill equipment and building materials has been purchased and shipped to Amos and will be at the property well in advance of the time they are required, Mr. Turner said. The programme of mill erection and installation is right up to schedule and the early forecast that the mill would be in operation during the month of July is gradually becoming a certainty. A good deal of high-grade has shown up in sampling both the vein structures and wall rocks, he stated.—Mines and Oil Wells Weekly.

Annapolis Log:—Nature is wonderful! A million years ago she didn't know we were going to wear spectacles, yet look at the way she placed our ears.

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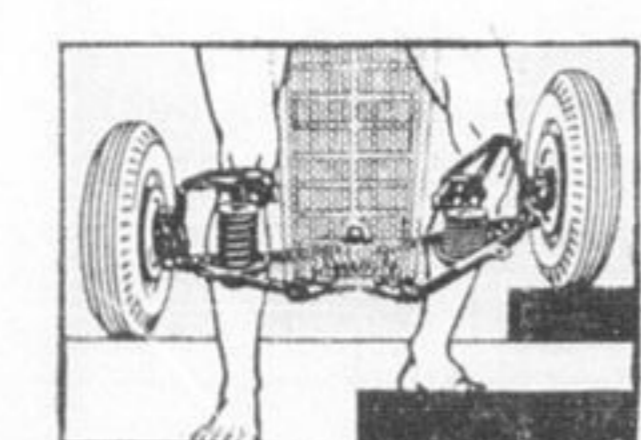
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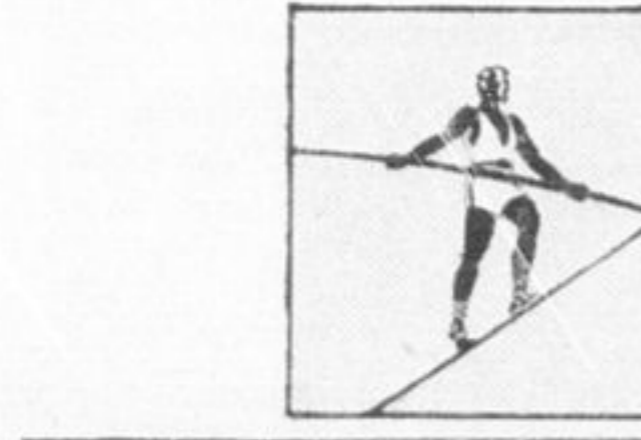
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