

HON. C. A. DUNNING SAYS CANADA IS NOW FACING A DEFICIT OF NEARLY \$100,000,000

Our Sales Tax is Increased Two Per Cent by New Budget

Auto and Gasoline Tariffs Cut — Canadian Tourists May Bring in Stuff Free

Dunning Says \$28,000,000 Revenue

Corporation Income Tax Advanced — Big Revenue From Increased Sales Tax

The budget which was brought down at Ottawa yesterday afternoon has made several important changes, some of which will be satisfactory and others which may prove unsatisfactory. Sales tax which has been advanced from six to eight per cent, will probably be the most unsatisfactory move of the whole budget.

The main highlights of the budget as it will be seen at a glance are:— Following are highlights in the tax and tariff changes announced yesterday by Finance Minister Dunning in his budget address:

Deficit for the current fiscal year to be less than \$100,000,000 compared with \$162,000,000 in the last year.

Sales tax increased to eight per cent from six per cent and corporation income tax rate increased to fifteen to bring added revenue of \$29,000,000.

Three-year exemption from corporation income tax of any metalliferous mine coming into production between now and January 1, 1940.

Rearrangement of excise and customs taxes on automobiles designed to lower prices of small cars to consumer.

Drop of 1 1/4 cents a gallon in gasoline duty from 2 1/4 cents a gallon to one cent.

Excise tax on Canadian brandies reduced to \$3 per gallon—now \$4.

Downward revision of 104 items in the tariff schedule and upward revision of 12, including 50 items reduced under preferential tariff and no increases.

Heavy reductions in tariff rates on British cotton and silk fabrics and manufactured cotton and artificial silk goods from intermediate tariff countries including United States.

Free entry from all countries of goods or articles imported for personal use of the blind and free entry of all educational sound and silent films.

Tariff on agricultural implements from intermediate tariff countries cut to 7 1/2 per cent.

Duty exemption up to \$100 on goods for personal use brought in by tourists travelling abroad provided they are absent 48 hours and that exemption is granted only once every four months.

Income Tax

Corporation income tax is being increased from 13 1/2 per cent to fifteen per cent and on consolidated returns (one parent company and several subsidiaries lumped into a single return) from 15 per cent to 17 per cent. No change is being made in the individual income tax.

Announces Budget



HON. C. A. DUNNING
Minister of Finance

Provision is made to exempt from corporation income tax for a period of three years any metalliferous mine coming into production between now and 1940, with a general guarantee to the mining industry of no discriminatory taxes while the government is in office.

The rate of interest on unpaid instalments of income tax is reduced from six per cent to five per cent, with a reduction from four per cent to three per cent in the penalty rate.

Payment of the gift tax will in future be required annually instead of at the time of the gift. Also gifts up to \$1,000 annually to any one person will be exempt from tax.

Investment holding companies wholly owned by non-residents will be taxed at one-half the ordinary corporation rate. The dividends of these companies in future shall be exempt from the five per cent tax on dividends going to non-residents.

It is estimated the above changes will produce \$6,000,000 additional revenue.

Sales Tax

The rate of sales tax is increased from six per cent to eight per cent. The following are added to the schedule of exemptions: Certain materials consumed in the process of manufacture commonly known as "consumable materials" but not including lubricating or fuel oils or plant equipment; printing paper and ink used in magazines and periodicals; crushed stone, and crushed gravel used in the building.

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The Federal Budget

Finance Minister Dunning when he presented the Federal budget at Ottawa yesterday was faced with the largest deficit that Canada has ever had outside of war times. He therefore increased taxes by between twenty-five and thirty million dollars for this year. "This is going some", as the horsemen used to say.

One unpopular move is in regard to the increase of the sales tax from six to eight per cent. This is expected to bring in the greatest revenue or the larger part of the increased taxes. Possibly over twenty million will be raised in this way. This tax was unpopular enough before. It will be more unpopular now, but it will be passed along by the manufacturer and business man to the consumer.

The tariff changes effect many commodities in every day use. He lowered the duty on many things including yarns, cotton fabrics, artificial silk, gasoline, farm implements, automobiles, certain Empire tobacco and printers supplies. By increasing the sales tax from six to eight per cent, Finance Minister Dunning expects to obtain \$23,000,000 additional revenue. He says he prefers to use the existing taxation structure rather than impose nuisance taxes or single out particular items for an unjustly heavy burden.

A few changes are made in the exemptions from the sales tax to simplify administration and avoid double taxation. New exemptions include materials, other than lubricating or fuel oils and plant equipment, used in production of taxable goods; crushed stone or gravel used in road building; paper and ink used in producing magazines and papers; liver extract for treating anaemia.

The most important of the exemptions are on solutions and other materials used in manufacture but which do not actually become part of the manufactured article. In the past they had to bear the sales tax as well as the manufactured product. Placing this type of commodity on the exempt list will mean a loss of revenue of about \$3,000,000. In the past crushed stone and gravel for road building had to bear a sales tax unless sold direct by the producer to the provincial government. The eight per cent sales tax goes into effect at once.

Generally speaking, the man on the street is not much affected by income tax changes in the budget. Individual income tax schedules remain the same.

Finance Minister Dunning announces changes, however, which he estimated would yield approximately \$6,000,000 additional revenue during the year. Of this amount revenue officials estimated today, approximately \$4,200,000 would come from the increased corporation income tax.

The corporation income tax is increased from 13 1/2 to 15 per cent, or 1 1/2 per cent. Where a chain of companies in the same line of business makes a consolidated return the rate is advanced from 15 to 17 per cent. Last year the return from corporation income tax, on the basis of 1934 income, was approximately \$46,000,000.

Mr. Dunning is hopeful of the immediate future in so far as general conditions are concerned. At the same time he sees many difficult problems yet to be faced. These difficulties are mostly in the West. Not one farmer in the Maritimes is on relief, and not one municipality down here has defaulted. He referred to the fact that, while twenty-four leading countries showed gains averaging 2.4 per cent last year, Canada's increase amounted to 11.3 per cent.

Dealing with the finances of the Dominion for last year, Mr. Dunning announced that he was getting away from what he termed the "bridge-score" method of accounting—so much above the line and so much below—and showing the country's standing in one set of figures. On this basis, the total deficit experienced in the year just closed was \$162,191,000 as compared with \$116,134,000 in the previous year.

BREAKING AND ENTERING CASE RESUMED TODAY

(Special to The Daily Mail)

WOODSTOCK, May 2—The case of the King vs. Walter McLaughlin of Fredericton, who is charged with breaking and entering the premises of the Woodstock United Farmers' Co-operative Co., Ltd. on the night of April 12, and stealing a quantity of goods, was begun before Magistrate McLaughlin here this morning. Several witnesses were heard this morning and the case resumed this afternoon at two o'clock. On the stand this morning were Constable David Evans and Lance Corporal L. P. Ryder of the R.C.M.P.; Elsinore Robinson and Kenneth Gray, employees of the store; and Sergeant William Hughes of the Fredericton police force. G. W. Montgomery appeared for the accused and (Continued on Page Four)

DOCTORS' DAY ON BOARD SHIP

(Special to The Daily Mail)

MONTREAL, Quebec, May 2—Yesterday was doctor's day on the waterfront when the C. P. Liner "Duchess of Atholl" sailed with a total of nine medical men on board. Eight were passengers, the ninth Dr. Morton, the big liner's surgeon.

An indication of the democracy of the medical profession in Canada was provided by the accommodation selected by the sea-going surgeons. Five travelled cabin class. Two in the tourist and one, a recent graduate headed for post graduate work in Oxford, in the third class.

The record for early spring travel set up last week by the Duchess of Bedford was continued by her sister ship yesterday, with good complements recorded in all three classes.

ELECTRICITY FURNISHED TO RURAL USERS

Hydro Line From Devon to Rusagornish is Completed

The hydro line, linking Rusagornish and other rural districts in this vicinity with the Devon plant, and extending about fifteen miles was completed on April 18, it was announced by E. E. Tracy, superintendent of construction for the N. B. Hydro Commission. The work was commenced several weeks ago and was done with the co-operation of the Maritime Electric Company Ltd.

This service went out of commission the date of the big freshet here, when the C.N.R. bridge was carried out, and considerable damage was done to cable connections.

The completed line at Rusagornish connects with the line to Fredericton Junction.

The main feature about the installation of the new line is that it will supply electric current to many rural users. There are around fifteen customers between Fredericton and Rusagornish, with forty six possible signers for the not distant future, it is learned.

The price is ten cents for the first twenty kilowatts, and three cents for (Continued on Page Four)

Thumbnail Sketches

DR. F. A. McGRAND
M.P.P. for Queens

Is a native of York County. Born at Keswick, 1895, attended P.N.S. and taught in the public schools of the Province. Graduated from McGill in 1923 and has practiced medicine at Welsford for the past 10 years.

Was elected to Queens County Circuit Court in 1927 and has been Warden for the County for the past year.

Elected to the Provincial Legislature in 1935. Takes a keen interest in public affairs. Is one of the best platform speakers in the Province.

Canadian National Is Burdened With Heavy Old Debts

Hundreds of Millions of Dollars of Bad Railway Still on Books

Goes Back to Old I.C.R. Days

Auditors Suggest Change in the Whole Liability Structure

CROWDS HERE FOR BIG SHOPPING DAYS

The merchants are very much encouraged over the large number of people who have come in from the different outside points during the past couple of days to take advantage of the Economy Shopping Days. Trains coming from different directions were, in some cases, filled with prospective shoppers. This morning's market was one of the largest since Christmas and brought shoppers by the score. There seems to be a tendency among the people in the rural districts to patronize the home stores rather than to put their money in an envelope and send it away by mail to some point where it will never return. The country people are beginning to realize that if they wish to sell their produce in Fredericton they had better patronize Fredericton merchants rather than those from whom they receive absolutely no return whatever.

The Economy Shopping Days was sponsored by the Retail Merchants committee of the Fredericton Board of Trade and lasts until Monday May 4. The merchants have co-operated nobly and have decorated their store windows for the occasion, not only with their sales goods but with colorful banners. Every effort has been made to make the three days shopping a complete success.

OTTAWA, May 2—Readjustment of the capital structure of the Canadian National Railways involving the elimination of \$1,500,000,000 duplicate liabilities and losses which appear on the books of the railway and the public accounts of the Dominion of Canada, is receiving the attention of the Cabinet.

The Canadian National is burdened with hundreds of millions of dollars of old railway debts, some of them going back to the early days of the Intercolonial, the Canadian Northern and other bankrupt privately owned railroads, which the government of Canada acquired twenty years ago.

Fifty Years Old

The Intercolonial was built as part of the Confederation pact, and some of the accumulated deficits the Canadian National inherited from that government enterprise date back more than half a century. With the piling up of these obligations the present management had nothing to do.

In commenting upon proposed capital adjustment plans, Messrs. Clark, Gordon, Dilworth & Nash of Toronto say in a report to Parliament that "such adjustments however desirable, would not in any way either increase or decrease the need of the Canadian National for financial aid, either now or in the future."

Railway and government authorities do not share this view, as duplicate liabilities and losses of \$1,500,000,000 alone may increase financing

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Dunning Proposes to End Deficits And Prevent Unemployment

Hopes to Restore Public Confidence and Better Functioning of Private Enterprises.

OTTAWA, May 1—In announcing tax changes and financial prospects for the present year in his budget speech today, Finance Minister Dunning said:

"I have already announced that the overall deficit for the last fiscal year is estimated at \$162,191,000. The size of that deficit cannot fail to have impressed the House. Its seriousness is enhanced by the fact that it is but the latest in a series of deficits which have averaged over \$138,000,000 per year during the past six depression years.

"The magnitude of these deficits, and particularly of the latest one, is such that in my opinion few honorable members will be disposed to question the declared purpose of the government to end in the shortest practicable time the era of recurrent deficits.

"That purpose the government intends to pursue steadily as an essential condition of the restoration of business confidence and the free

functioning of private enterprise. This it is believed, will contribute more effectively to the solution of the problems of unemployment and depression than any other single thing which governments can do.

Can Be Solved

"I am not an alarmist. On the contrary, I am confident that common sense and sound economic policies can solve our immediate problems. Moreover I am convinced that this country can bear all the burdens which the war and the depression and past mistakes have saddled upon it, great as they have been.

"Nevertheless, I believe that no country can go on indefinitely with heavily unbalanced budgets and continue to maintain either the confidence of investors or the basis upon which her economy can function healthily and vigorously.

"We have now reached the stage where delay should no longer be tolerated. We must make an immediate approach to a balanced budget and we must be able to show that complete equilibrium can be reached within a reasonable time.

"I am well aware that this will be called a doctrine of deflation," Mr.

Dunning said. "It is not easy for me to understand how departure from the gold standard, recurring deficits, financing by borrowing, of the magnitude of these which I have outlined and a monetary policy which has allowed the Canadian dollar to fluctuate approximately at par with the managed sterling standard and with the devalued United States dollar and which has made possible an expansion of the country's cash base just as rapidly as that of Great Britain, can be described as deflation.

"More careful analysis would rather appear to indicate that in these financial matters about the only point in the British programme which we have not already adopted is her policy of keeping the budget balanced.

"That, as everyone knows, was regarded by Great Britain as the very cornerstone of the recovery programme. So much so that the latest British budget imposes substantial increases in a tax structure of already harassing proportions in order to provide funds for increased expenditures considered necessary for purposes of national defence.

"In my opinion it is not feasible for us to achieve a complete balancing (Continued on Page Five)

TAXES AND TARIFFS EFFECTIVE TODAY

OTTAWA, Ont., May 2—All changes in the customs tariff schedule announced in yesterday's budget become effective as from May 2, 1936, and apply to goods imported or taken out of warehouse for consumption on and after that date and to goods previously imported for which no entry for consumption had been made before May 2.

The same applies to the Excise Act, Special War Revenue Act changes and sales tax.

Changes in the taxation regulations under the Special Income War Tax Act will become effective as from January 1, 1935.