

present rates of federal taxation. Neither assumption is realistic yet there is no way of allowing for or measuring future changes.

Now, in simple language, that means this: if things continue as they are now in Newfoundland; and if the rates of taxation charged by the Government of Canada stay as they are now; then they estimate they would collect \$20,185,000 a year from Newfoundland. But they go on to say that neither assumption is realistic. It is not realistic to go on the assumption that the present level of economic activity in Newfoundland will continue. It is not realistic to take it for granted that the rates of taxation in Canada will stay as they are now. There is a very good reason for that. Three different times since the war came to an end the Government of Canada has reduced its rates of taxation. And it is not realistic to say that their present rates of taxation will stay as high as they are now. The realistic assumption is they will fall, and also our present level of economic activities will fall somewhere below where they are now. If they do not ... they estimate they will collect from Newfoundland \$20 million per year in Canadian government taxation. I think that is all I want to say at this moment. I am sure my friend Major Cashin and others will want to make their contribution to this particular part of the debate.

Mr. Cashin I suppose it is all right, after hearing Mr. Smallwood tell us about those famous people who compiled these estimates, to venture an opinion that they are 20% out. The total income taxes, death duties, etc., collected last year was \$10.5 million. According to these estimates the federal government is going to get approximately \$11 million. Under our income tax laws, a single man is exempt up to \$1,000. He does not pay on less than \$1,000. Under Canadian law he pays if he earns \$750. A man with \$1,000 income in Newfoundland pays income tax on \$250. How many people will be found in Newfoundland not paying income tax today, who will be paying under federal legislation? The same thing applies to married persons. In Newfoundland a married man is exempt up to \$2,000. If I may be allowed to express a view — I take it, with so many experts, you have to have permission to express a view — the amount the Canadian government will collect on income tax, corporation tax and death duties will be \$14

million. Consequently our experts were out \$2 million. I am rather nervous in saying it — we have so many doctors and so forth associated with this thing here — but some of them were guessing. I note that the Ottawa delegation puts it higher than that.

Mr. Smallwood A compliment to us.

Mr. Cashin No compliment to them, and I know something about Newfoundland expenditures and revenues. Customs and import duties; they say \$2 million. The delegation says \$3 million. They are again higher. With all their information, they do not check properly. I have taken the trouble to get some information on the basis of actual imports 1946-47.... On liquor and tobacco alone, the customs duty would be twice the Canadian estimate.... I would say that the federal government customs will go to \$9 million. They can send down their experts, and let them go over it with our experts, and see where they fit. I say they guessed it. Then again, sales tax, 8%.

Mr. Smallwood I think Major Cashin has not noticed the sales tax — one is provincial and the other is federal. The federal sales tax is collected by them at the source, from the manufacturer. It is not a retail sales tax. Major Cashin knows why that is.

Mr. Cashin We are importing goods from the United States that cost \$20 million. They arrive here and we pay 10% duty. We pay freight 8%. Is it on \$20 million in the United States or on the landed cost in Newfoundland?

Mr. Smallwood The figure he is putting is a hypothetical one. If we have free trade with Canada we are not going to pay duty from the United States. If we can get the goods from Canada free of duty we will get them there. If we import \$20 million, pay Canadian customs duties on it, the federal sales tax is on the landed cost, landed in Newfoundland.

Mr. Cashin We are paying 10% and the freight. I would not attempt to forecast what the sales tax would be....

Mr. Smallwood You are putting sales tax on everything. You are forgetting the exemptions.

Mr. Cashin They told us what the exemptions would be, but they did not put in the Black Book what we have to pay the 8% on. Another thing, of particular importance to outport men, we buy beef from the United States. On beef coming into Canada from the United States, there is \$6 a