WAR CABINET.

EXCESS PROFITS TAX.

Memorandum by the Chancellor of the Exchequer.

As I have to make a statement in the House of Commons tomorrow afternoon on the Second Reading of the Finance Bill, I ask as a matter of urgency for the concurrence of the War Cabinet in the proposal that the Excess Profits Tax should be raised to 100% in its application to all undertakings and not merely in its application to "controlled undertakings".

Under the new Emergency Powers (Defence) Regulation, the Minister of Supply has power by Clause 1 to declare any war production undertaking a controlled undertaking and thereupon the undertakers are to carry on the undertaking in accordance with orders made or directions given by any one of the Ministers concerned with questions of war production and of labour.

Under Clause 2 of the Regulation the appropriate Minister may, where necessary in the interest of the public safety, etc. give directions to any undertaking although it is not a controlled undertaking.

It had been proposed that the 100% Excess Profits Tax should apply only to controlled undertakings which are, of course, the establishments which will be principally engaged, directly or indirectly, on Government orders and to which additional labour will be directed; other trades and businesses would continue to pay 60%.

But I have received representations with which I agree, from the Minister of Supply both that great practical difficulties will arise in properly and fairly selecting the undertakings to be declared controlled if this declaration carries with it a higher tax liability and that, on grounds of equity, it is not right to put the imposition of 100% Excess Profits Tax on war production undertakings alone. He instances the textile industry where very few firms can be said to be principally engaged upon war production; and he points out that those firms which have placed themselves at the disposal of the Government would be likely to be the more helpful and patriotic ones.
The First Lord of the Admiralty has informed me that he concurs in the view of the Minister of Supply.

I think also that, in the very grave times through which we are passing, it will generally be expected by industry itself and will also accord with public feeling that the 100% rate of duty should apply universally while the war continues.

I should like authority so to announce, the 100% rate applying from 1st April last.

(Initialled) K.W.