

not deduct that from their income for the purposes of this Act you ruin them.

Sir THOMAS WHITE: In the municipal taxation is there an exemption?

Mr. LEMIEUX: There is no municipal income tax. If a man cannot deduct from his net income the amount which he has had to pay in taxes on his land, that is, if he has to pay income tax on the whole of his income, thousands of individuals will be ruined.

At six o'clock the committee took recess.

After Recess.

The committee resumed at eight o'clock.

Mr. LEMIEUX: In view of the discussion which took place before six o'clock, I think that the minister ought to explain what he understands by net income.

Sir THOMAS WHITE: I have a very clear view as to what would be included in income as defined by this Bill. I have always found, and I think the courts have found, that it is better to take a word in its plain, commonsense meaning. If a man is employed as an official, let us say, in a bank, and receives a salary of \$5,000, his net income for the purposes of this Act will be \$5,000, because he earns that sum from his occupation. The question has been raised: supposing that man, in addition to having a salary of \$5,000, derives \$1,000 more by way of rental from some houses which he owns. Let us assume that he has to pay out in connection with this house \$300 for taxes, repairs, and other outgo. He derives from that particular investment \$700 net; therefore, if he has no other investments outside from which he derives income, his net income for the purposes of this Act is \$5,700, made up of \$5,000, which he earns from the bank, and \$700, the net income from the productive property which he owns. Let us take the further case which was under consideration before six o'clock. Assume that an official drawing a salary of \$5,000 owns some unproductive property—let us say, some vacant land, and that he pays, in order to retain that land, \$1,500 or \$2,000. My own opinion is that his income, notwithstanding the fact that he pays out that amount in respect of the unproductive property which he holds, is \$5,000, the income which he derives from his calling. To show my hon. friend the fairness of the view which I put forward, let us compare the two cases. Two men, let us say, are employed by the Bank of Montreal,

[Mr. Lemieux.]

and each draws a salary of \$10,000. One of these men has no outside property at all; he spends the entire \$10,000 upon himself and his family. Clearly he is assessable for \$10,000, which is his income. The other man spends only \$1,500 or \$2,000 upon himself and his family—he may have a smaller family—and with the balance of the money speculates in stocks or pays taxes upon property which he holds and which gives him no return. Would anybody seriously argue that the first man should be taxed upon \$10,000, and that the other man should not be taxed at all, or should be taxed only upon \$2,000 or \$3,000? Get it down to a commonsense basis. What is the man's income from his trade, profession or calling? If he is an official, what is the amount of his income?—if he is a lawyer, how much does he make out of his office after paying the necessary outgoings? We are not concerned with what he does with the money after he gets it; we are concerned with the amount of his net income. If he spends it on his family; if he wastes it; if he speculates in stocks with it, or if he buys lands for investment and pays taxes upon them,—we have nothing to do with that. But if he has some landed property outside from which, after paying the necessary outgoings in respect to that property, he derives additional income, we add to the salary which he gets in his official position the net amount which he receives from that investment, and the two together will make his assessable income.

Mr. LEMIEUX: In the case of a married man, \$3,000 of the income is exempt; therefore the man with the \$10,000 income is assessed for only \$7,000.

Sir THOMAS WHITE: I was not referring to the exemptions in my illustration.

Mr. LEMIEUX: Suppose a man has a net income of \$5,000 and, on account of unproductive property which he holds, he is obliged, by the law, to pay municipal taxes to the extent of \$2,000. Of his income \$3,000 is exempt. Do you assess him upon \$5,000, or upon \$3,000. In any case, he has to pay the municipal taxes. Will he have to borrow in order to pay the federal taxation?

Sir THOMAS WHITE: This measure does not and cannot provide how a man will find the money to pay his income tax. In the case mentioned, the income of the party is \$5,000. If he is married, he is entitled to \$3,000 exemption; therefore, he