

Income War Tax Act

Gross annual salary	Single man	Married man				
		Without children	With one child	With two children	With three children	With four children
Total taxes at 1942 budget rates excluding post-war refunds*						
\$	\$	\$	\$	\$	\$	\$
2,000.....	441	231	161	107	53	14
4,000.....	1,274	964	816	668	520	466
7,000.....	2,715	2,285	2,107	1,929	1,751	1,573
12,000.....	5,592	5,002	4,794	4,586	4,378	4,170
20,000.....	11,029	10,279	10,071	9,863	9,655	9,447
35,000.....	22,313	21,263	21,055	20,847	20,639	20,431

* Taken to nearest dollar.

I had hoped that when we met to-day the minister would make some statement in reply to the observations I made in the budget debate, as well as in the committee stage, with respect to this feature of the budget and with respect to the normal tax. It would be interesting to hear what the minister's reactions are. I did not, of course, analyse all the resolutions, because that would be a hopeless task to attempt at one time, and I thought we could only deal with it in chapters. I trust that we can deal with the whole matter in an orderly way, and that the discussion will not be allowed to get out of bounds as it has done in the last day or two, because if we go on in that way we will not get through.

Mr. ILSLEY: Mr. Chairman, I had intended to prepare a careful statement on one or two points as to which I think there is quite a widespread misapprehension, but I have not had time to do it. I have some figures here, though, on these important points which I shall present to the committee, and I shall do it slowly and systematically. I shall not answer all the questions which the leader of the opposition asked the other day, but after we have finished with this phase I can deal with the other questions he asked.

I want to deal first with the question whether we have increased the burden disproportionately on the low income groups. It has been said in the press, by the leader of the opposition, the leader of the Cooperative Commonwealth Federation group, and by others, that the proportionate increase is greater on the lower income groups than on the higher income groups.

Mr. HANSON (York-Sunbury): Does not the chart indicate that?

Mr. ILSLEY: Taken just in that way, that is true, but it is of no importance, of no significance; it would have to be that in any increase in taxation. For instance, if you are taxing a man at the rate of 10 per cent and you raise his income tax by 50 per cent, you have taxed him at the rate of 15 per cent. But if you are taxing a man at 70 per cent and you increase his rate by 50 per cent you are taxing him at 105 per cent, which is impossible and absurd. Therefore, to apply that criterion is to apply a false and misleading criterion.

What is the right criterion to apply in determining whether increases have been progressive; that is to say, whether they have been a little heavier or much heavier as the income goes up? The officials of the department, the experts, tell me that the fairest criterion is this: to take the increase in tax expressed as a proportion of what the taxpayer has left this year before the increase takes place. That is to say, each of us has an income, each of us pays a tax under the old rates, and we have left in our hands after paying that tax a certain amount. If when the new and higher rates come along, the increase in the tax which we all have to pay rises in proportion, expressed as a ratio of the amount we have left, then you have effected a real progressive increase. You have increased the tax more on the higher income groups than you have on the lower income groups. That is the fairest criterion, and I think the generally accepted one.

Applying that criterion I have here a table that I shall place on *Hansard* to illustrate the progressive character of the proposed changes in income tax. The table is as follows: