

tions made in the two last budgets, the present levels of personal income tax are regarded as excessive by a large proportion of the public. There is no doubt that such a feeling exists generally with the people of Canada and that taxes would have been more acceptable and more tolerable if they had been increased gradually and under normal conditions to the present levels for peacetime production, national development and social security. In fact, when the people realize that the personal income tax for 1948 is levied to provide revenues for social security services such as old age pensions and family allowances they will recognize that, according to the principles of social justice, the combination of a fairly distributed system of personal income tax with the application of a good social security programme is the only way for a government to attain its proper end, that is, to do common good to the citizens of the nation. The only way to arrive at such an end is by collecting from the citizens who can afford it the amounts required to provide the bare necessities of life to those who, through no fault of their own, are deprived of them. That is social justice in its healthiest principles and in its best application.

You will often hear people say—and at times they are well informed people—that the personal income tax involves inequality of charges because too many citizens escape its provisions. One has to admit that that is true to a certain extent, but theoretically and even in fact, because the cases of evasion are the exception, it is still based on the fairest principles of taxation as long as it does not take away from the citizen what is necessary for him and his family to live according to the general standard of living in the country. If it is granted that in order to give sound administration to the country, in order to pay the interest on the national debt, in order to provide for social security, money has to be levied in taxes, I wonder by what system of taxation we could replace the present one.

Should we abandon completely or in part direct taxation and replace the revenues so lost by an increase in indirect taxation? A good example of indirect taxation is the sales tax. Our sales tax is already at the rate of eight per cent, and one has to admit that it increases the cost of living, that it increases the cost of things to the consumer because it applies to some of the necessities of life, such as clothing and furniture. This means that people in the lowest brackets of income have to pay not only the sales tax but an accumula-

[Mr. Lesage.]

tion of profits over and above the tax. I agree with the hon. member for Peace River (Mr. Low), who is reported on page 2814 of *Hansard* as saying:

But from the point of view of the common man there is much more to be said for the removal of many of them at the earliest possible time. These are the taxes which are responsible for the increasing costs of production. They are applied at various stages of manufacture and the assembly of consumer and capital goods, so that they have a general pyramiding effect upon prices. The ultimate consumer is the goat who has to pay them.

The hon. member for Rosetown-Biggar (Mr. Coldwell) gave the same opinion. I quote from page 3810 of *Hansard*:

This year he (the Minister of Finance) expects to collect \$325 million through the sales tax. Again let us remember that these bear most heavily upon those whose incomes are small, and like the tariff, the excise tax and so forth, they are hidden taxes; they are subjected to pyramiding as the articles pass from the wholesales to the retailer, to the ultimate consumer and so on.

In emphasizing the injustices of indirect taxes, both these hon. gentlemen blame the government for not having removed some and even many of them. At the same time the same hon. gentlemen, knowing as they do, that the government needs every cent of the money it will collect in taxes also blame the government, and with more emphasis, for not having reduced more sharply the rates of income tax, and mainly for not having raised the amounts of exemption. One has to be consistent. If the government is to reduce the direct taxes to such an extent that this will mean a considerable loss of revenues the money so lost will have to be collected in the form of indirect taxation.

According to the forecast of the Minister of Finance, the personal income tax in 1948 would bring to the government an amount of \$625 million. At a rate of eight per cent the sales tax would bring \$325 million, which means that if we replace the personal income tax by an increase in the rate of the sales tax we shall have to triple the rate and to bring it up to around twenty-four per cent instead of eight per cent. Would that mean protecting the lower income taxpayer? I do not have to elaborate and answer. Everybody can see clearly that it would bring about the greatest injustices.

What I have said about the sales tax could be said as well about any other indirect tax, and may I say again, even though the personal income tax has imperfections, according to the best principles of social justice the fairest tax that any government can levy