

a definition of income as wide as possible so that everybody in Canada shall be subject to the tax, provided the income is over the amount of exemption.

Mr. LEMIEUX: The point upon which I would wish information is whether the liabilities will be considered before the income is fixed.

Sir THOMAS WHITE: "Income" means any income, not deducting living expenses. If a man has a business and his gross receipts are, say, \$100,000, but his operating and under expenses are \$50,000, the income would be \$50,000. Of course you cannot tax a man on his liabilities.

Mr. C. A. WILSON: I suppose municipal and provincial taxes will be deducted?

Sir THOMAS WHITE: In connection with a man's own business, yes; in connection with a man's own home I should say no, however that is a question which we will have to deal with a little more fully in committee.

I may say this measure applies to the income of the present year. It provides for returns by all parties subject to the tax before February 28 of next year. There are a number of exemptions under the Act, mostly of those institutions that do not operate for gain. I do not know that it is necessary I should specially refer to them here. Apart from those exemptions which I shall be glad to mention in committee and take up more particularly when the Bill is before the House, there are certain exemptions which I should mention here. My hon. friend from Wright very properly asked as to whether those who are paying a very heavy business profits taxation are subject to this income measure. The House is aware that liability to the Business Profits War Tax Act of 1916 and the amendment thereto of this year comes to an end on December 31 this year, and it is not the intention to renew that measure. When that measure was imposed it was retroactive to the extent of one year so that in 1916 firms and companies subject to its provisions paid in respect of their profits of 1915; those liable on account of their profits in 1916 paid this year and those liable in respect of any accounting period falling in during this year, 1917, pay the tax next year. I think it is only just and proper that those who pay the very heavy business profits tax—much heavier than this tax—upon an accounting period falling in during the present year should not be called upon to pay this income tax unless it chanced to

be heavier than the tax they are paying. The result of that view is that we shall exempt from the taxation which would be payable by such firms and companies under this measure the amounts paid by any taxpayer under the Business Profits War Tax Act, 1916, and any amendments thereto for any accounting period ending in the year 1917. In the case of a partnership, each partner shall be entitled to deduct such portion of the tax paid by the partnership under the Business Profits War Tax Act, 1916, as may correspond to his interest in the income of the partnership. In addition to that, we provide that taxpayers shall be entitled to deduct from the amount which would otherwise be payable by them for income tax under this measure the amount paid by them for taxes during the year 1917, and in any year thereafter, under the provisions of Part 1 of the Special War Revenue Act, 1915. That means that if the taxation under the Special War Revenue Act, 1915, is greater than the income tax, they pay the greater taxation, but if, on the other hand, this income tax is greater than the tax to which they are now subject, they are permitted to deduct from the income taxation the tax to which they are liable under the Special War Revenue Act, 1915.

Mr. A. K. MACLEAN: Does the exemption of \$2,000 or \$3,000 apply to corporations?

Sir THOMAS WHITE: I will come to that. We are providing in the legislation also that we shall levy an income tax on corporations and joint stock companies earning an income exceeding \$3,000. In England there is no super tax upon companies, but their shareholders are liable to it. We are providing by this measure that joint stock companies and corporations shall be subject to a tax of four per cent. Their shareholders are liable not only to the tax of four per cent but to the super tax. But, in estimating the income of any person subject to the tax, we credit him with the amount which has been paid by the company from which he derives dividends under the provisions of this Act, the idea being to avoid double assessment. Let me give a concrete case.

Mr. MACDONALD: Is that the same practice as is followed in the United States?

Sir THOMAS WHITE: Yes. That question gives a great deal of difficulty. In Great Britain they have not imposed a super tax upon corporations or companies. In the