

Income War Tax Act

for a contribution to the Red Cross, and deductions for this, that and the other thing. The result is that the worker does not get \$660 at all, but much less.

In other years the amount raised by taxing these low incomes has been very small indeed. Early in the session I asked a question with regard to these matters, and the reply to that question may be seen in *Hansard* for March 23, 1942, at page 1512. My first question was:

1. How many persons in the calendar year 1940 paid income tax on, (a) incomes of more than \$750 but less than \$1,000; (b) incomes of more than \$1,000 but less than \$1,500?

And so on. It appears that it was impossible to give me an answer as to these low incomes, but my question was answered as the number of persons paying on incomes up to \$2,000, and the total number of persons for the calendar year 1940 who paid income on that amount was 127,954. These 127,000 persons were assessed in income tax slightly over a million and a half dollars. This shows the large number of people in this country who are receiving incomes of less than \$2,000. When we were talking about the excess profits tax the minister said that he found it politically necessary—I do not mean in the party sense—to allow the exemptions on excess profits tax as an incentive to more economical production. These are people who have a great deal more than what they get out of these profits. They get in some cases quite high salaries, and they want a further incentive. What incentive is left to the wage slave working for an income of less than \$1,000, less than \$700 in many instances, and less than \$500 in many other instances? Of course, the latter are not taxed directly in income tax on \$500, but as soon as the individual reaches \$660 he is taxed. This exception of \$660 is too low. The exempted amount should be the same as it was last year and the year before, namely \$1,500 for married persons and \$750 for single persons.

Mr. QUELCH: When the wife is living with her husband and has an income of less than \$660 it is exempt from taxation. But are there any conditions under which that income would be added to her husband's? If not, what is there to prevent the husband from transferring certain property to his wife in order to evade the income tax?

Mr. ILSLEY: The transfer is not recognized for income tax purposes. There are carefully drawn sections in the Income War Tax Act in that regard.

Mr. QUELCH: As of what date?

Mr. ILSLEY: It has been there many years.

[Mr. MacInnis.]

Mr. QUELCH: If the property had been transferred to the wife before this taxation became heavy, would that transfer be allowed?

Mr. ILSLEY: There have been amendments since the beginning of the Income War Tax Act, and any transfer made after the passing of the relevant section is not recognized.

Mr. QUELCH: Under any other conditions the wife's income is not added to that of the husband? If she derives it from property which is left her by will or which she acquired by purchase in her own name, then that income is not under any conditions added to her husband's? In Alberta the income of the wife is added to the husband's, and I know of many men, including myself, who have been paying on their wives' incomes in the belief that the law was the same as it is in Alberta.

Mr. ILSLEY: Is it a joint income in Alberta?

Mr. QUELCH: Where the wife has property in her own name and gets an income of less than \$660, that would be added to the husband's income, but federally it is not?

Mr. ILSLEY: We do not do it here because we would have to get returns from every married woman, no matter how small her income might be. The married woman with a \$10 income would have to make a return.

Mr. QUELCH: In Alberta the husband merely includes it in his income.

Mr. ILSLEY: He includes it in the return of his income?

Mr. QUELCH: Yes. Federally, he does not have to?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): It has been the law that gifts to a wife from her husband, from which an income is derived, must be included.

Mr. ILSLEY: Yes. That is regarded as his income.

Mr. HANSON (York-Sunbury): No matter when the gifts were made?

Mr. ILSLEY: After the passage of the act.

Mr. HANSON (York-Sunbury): I always thought that was very unfair.

Mr. JOHNSTON (Bow River): If the wife's income is less than \$660 she is not required federally to turn in an income tax return.

Mr. ILSLEY: No.

Resolution agreed to.