

Mr. HANSON (York-Sunbury): My congratulations are too early, are they? Did the minister say last night what he intended to do about the matter.

Mr. ILSLEY: No, I did not.

Mr. HANSON (York-Sunbury): Then he just referred to it, and I am a little early in my congratulations. But when the minister placed that provision in the statute, under the guise of taxation he confiscated a lot of money. The article goes on to say:

But many still remain. Some are only now becoming apparent. One in particular calls for special consideration.

This is written in a section of the country where the majority of people are Scotch, and thrifty.

That hardship arises out of the somewhat unrealistic distinction which the minister made between earned income and investment income. That distinction was seemingly made on the assumption that persons dependent upon investment income are in a better position to pay taxes than persons dependent upon earned income.

One-half of all the 1942 tax—it will be recalled—is to be forgiven on all income except investment income over three thousand dollars per annum.

Then they go on to analyse that statement, and say:

How does this work out in practice? The man who earns \$30,000 a year as a business executive is forgiven half of his 1942 tax. Well and good. But the man with an investment income of \$4,000 is not similarly favoured. He is "forgiven" only half the tax on the first \$3,000 and his estate becomes liable for half the tax remaining on the other \$1,000.

This is their conclusion on the point:

What it amounts to is simply this. The man whose income is earned gets the equivalent of a receipt in full for six months' 1942 taxes, while the man whose income comes from investments get a receipt in full for six months' taxes on the first \$3,000 only of investment income, and the receiver-general, in effect, takes his I.O.U., payable at death for half the taxes on whatever investment income he has in excess of \$3,000.

It is hardly fair to penalize the man who by thrifty living has accumulated a nest egg of investments from which he derives a modest retirement income, and to let the big business executive with a large salary get away, with six months taxes and no strings attached.

I should like the minister to scratch his head over that for a little while.

Mr. ILSLEY: I have done that.

Mr. HANSON (York-Sunbury): The editorial continues:

The man who practises self-denial and over the years saves part of his earnings is to be encouraged. The income from his nest-egg of

investments, some of them undoubtedly victory bonds, represents the fruits of his labour just as much now as when he was earning and put aside part of his earnings as savings.

The effect of this unreal distinction between earned income and investment income is to penalize savings at the very time when savings and thrift should be encouraged in every possible way.

I say "amen" to those words.

Mr. KINLEY: Does the hon. member often say "amen" to the *Chronicle*?

Mr. HANSON (York-Sunbury): I admit I do not say it often. But I hear that, with the passing of the years, the *Chronicle* has mellowed to some extent, and that it is not so fond of Liberalism, as exemplified in this house to-day, as it was of the Liberalism in the days of Mr. Fielding.

The editorial continues:

The preferential treatment of earned income when it comes to "forgiving" back taxes breaks down because of the assumption that people with investment income are in every case better off than people whose income is wholly earned.

That is an improper assumption, namely, that people who have investment income are better off than those with earned income. It does not follow as a matter of course; but that is the theory upon which this tax is based, namely, that people with investment incomes of \$5,000 a year should be penalized, as against the man with an income of \$14,000, such as the minister receives. The editorial continues:

This assumption may have been true once. It certainly is not the case to-day. Never in our history have earned incomes been higher and investment incomes subject to greater restrictions than they are right now.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. FRASER (Peterborough West): Before recess the minister read an amendment to resolution 2, and that amendment mentions a bulk sum if paid on or before the end of 1944, I think it was.

Mr. ILSLEY: April 30, 1944.

Mr. FRASER (Peterborough West): Would the minister consider dividing it? Suppose a man had a tax of \$4,000 to pay and that he had only \$1,000 that he could spare. Will that man be allowed to pay down \$1,000, or, if he wanted to pay half the 1942 tax, would he be allowed to pay that instead of the bulk sum and still get the benefit of the discount?