

Mr. A. K. MACLEAN: Within the last few days the Finance Committee of the American Senate have been considering a proposal to increase the tax on income from \$20,000 upwards to such an extent that it will give them an increase in revenue of \$230,000,000.

Sir THOMAS WHITE: They may be considering an increase now, but the figures given were the figures before me when I was framing this income taxation measure. This income taxation measure is not a finality. If it is found necessary to increase it, it may be increased, but the committee should bear in mind the two points I have mentioned: First, by the effect of severe taxation upon the Patriotic, Red Cross and other war funds—and that is what weighed with me very heavily—and, secondly, the question of income taxation in the United States.

Mr. ROBB: I would understand from the minister's argument that he concludes that the greater part of the contributions to the Patriotic and Red Cross Funds have been given by people who have revenues of over \$3,000.

Sir THOMAS WHITE: I would not say that, because I do not know, offhand, whether that is so or not, but I know that many a man with an income of \$10,000 has given \$500 or \$1,000 to the Patriotic Fund, and the question I have in mind is this: if you tax him to the extent of \$1,000 or \$1,500, will he continue to give to the same extent to the Patriotic Fund? My opinion is that he will not be likely to. Many such a man certainly will not.

I have not the slightest doubt that if we increase this tax to a certain point of severity we shall dry up the contributions to the Patriotic and Red Cross Funds, which mean so much to the dependents of our soldiers overseas. That would simply mean that the Dominion Government would have to take over the Patriotic and Red Cross Funds. If we came to that point, I would be the first to say, I shall increase the rates of income taxation under this measure.

Mr. ROBB: Does not the minister think that, perhaps unintentionally, his argument is a little unfair to the thousands of people throughout Canada who are drawing less than \$2,000, but are contributing generously to the Patriotic and Red Cross funds?

Sir THOMAS WHITE: I am not reflecting on them in any way at all. They would continue to contribute, because they are

not liable to this tax. I was speaking of those who would be affected by this tax, or by a severer one, and of their probable action in connection with the Patriotic and Red Cross funds?

Mr. MARCIL: If a man has invested in Dominion war loans and has derived a certain revenue therefrom, is that revenue exempt?

Sir THOMAS WHITE: All war loan issues are exempt from Dominion taxation.

Mr. MARCIL: If he invested in one of our domestic war loans, would that be treated the same as a contribution to the Patriotic Fund, and the revenue derived therefrom be exempt?

Sir THOMAS WHITE: Those issues of Dominion bonds which have been made in Canada for the purposes of the war, and were issued income-tax free are income-tax free there is no question about that.

Mr. MARCIL: The man who is wise enough to invest in Canadian war loans will escape taxation.

Sir THOMAS WHITE: The man who invests in Canadian war loans will not pay on income derived from that investment, but it must be borne in mind that these things adjust themselves. The imposition of this income tax should have the effect of improving the market for Dominion war bonds, which would mean that the rate of interest which they will yield will be less and less. My hon. friend might ask if it is fair that the holder should be exempt. My answer is this: It is open to an ordinary holder to invest money at 6 or 7 per cent on mortgage. If he takes the income-tax free Dominion bonds he will get a yield of a little over 5 per cent only. So the matter adjusts itself; substantially it is as broad as it is long.

I now come to the other point with regard to the Business Profits War Tax, and I am glad the hon. member for Kingston brought that up because it has been adverted to, and the situation has been entirely misunderstood. It has been stated that this income tax is to take the place of the Business Profits War Tax Act. It is intended to do nothing of the kind.

This income tax legislation does not refer to the Business Profits War Tax at all, except to this extent: If an individual or a firm or a company has to pay the tax imposed by the Business Profits War Tax Act, and if that is greater than the amount for which that individual or firm or com-