

Tax Act, with the further difference that one ceiling would be on an exclusion and the other on an exemption basis, would create serious administrative difficulties, that the tax thus imposed would be very expensive to collect and in any event would be very difficult, if not impossible, to actually collect from large groups of citizens such as farmers and other self-employed persons.

Apart from the fact that the proposals presently outlined did not stress perhaps sufficiently the contributory nature, which it was desired the scheme should have, these proposals would have the advantage of reaching either directly or indirectly a good majority of the population. However, actual revenues from the three different taxation measures would not begin to be credited in volume to the old age security fund until the beginning of 1953 and substantial advances would therefore have to be made to the fund in order to enable pensions to be paid during the first year of operation. This was an undesirable if perhaps unavoidable feature of any system which might be devised.

3. The Minister of Finance pointed out that the old age security scheme could not be truly contributory unless separate accounts were set up for each individual and the benefit ultimately to be received by that individual related to his contributions to that account prior to his having reached pensionable age. It had been agreed some time ago that it would be undesirable to establish such a system in Canada. This being the case, the problem resolved itself largely into one of devising some method which, without losing sight of the contributory nature of the scheme, was equitable, which reached the greatest number of people and which did not entail prohibitive collection costs. The three-way taxation measure which he had recommended was thought to be the most desirable compromise in the circumstances.

4. The Prime Minister said that the possibility of establishing a payroll tax as suggested by the Joint Parliamentary Committee had been abandoned not only because, on examination, it had been found to be impractical but also because a tax of this nature would be deductible from profits before calculation of the corporation tax and therefore would reduce substantially revenues which would otherwise accrue from this latter source.

Privy Council Office  
Bureau du Conseil privé

RG 2, A5a,  
Vol. 2649

National Archives of Canada  
Archives nationales du Canada

000030