

in Canada and you allowed an exemption of \$215 per wife instead of \$150, that would be an additional \$65, which, multiplied by 400,000 would come to something like \$26,000,000. But I will not put my argument on the basis of cost, for in connection with a few of these items we might have less revenue instead of more if we accepted some of the suggestions that have been made. This is the most expensive change suggested yet, but the answer I should like to give is this, that if we were keeping the 30 per cent that might be all right, but we are not. We are giving back half of it, in the lower brackets, and then the returnable portion tapers down to less than half as you get into the higher brackets. Therefore I think it would be entirely unfair—

Mr. GREEN: Why was the basis changed?

Mr. HANSON (York-Sunbury): That is what I should like to know; what was the reason for changing the basis? Was it to get more money? Is that about the size of it?

Mr. ILSLEY: The process of preparing a taxation scheme is a long one. Formula after formula is devised to get perfect progression and to achieve justice as between single and married persons, as well as to get the revenue desired. All those factors go into the making of a new income tax schedule. Here the difficulties were very great once we decided to retain the national defence tax principle and to combine the national defence tax with a graduated tax; it was extremely difficult to combine all those factors. The results seem to be such that every objection can be pretty well answered, except the one objection that the tax is very heavy. You cannot answer that; it is heavy. I do not try to answer that; I admit it. But I think I have a pretty reasonable answer to every criticism on the grounds of discrimination, or unfairness as between groups, or anything like that, and this formula gives those answers. It incorporates the principle that the tax advantage will be equalized for poor and rich. The poor get a little greater tax advantage by reason of having a wife or by reason of having children than they did last year, while the rich get considerably less tax advantage than they did formerly. It is arguable as to whether or not that change is correct. It has some very interesting implications if it is thought through, but it was thought through, I think from every point of view. It was decided to adopt the principle; we have adopted it, and I do not see that any reasonable objection can be taken to it. If we are to convert the formula into terms of tax advantage, there is quite a lot to be said against giving the

very wealthy man a tax advantage of \$300, perhaps, for having a child, and giving a poor man a tax advantage of only \$60. Now each receives a tax advantage of \$80. At any rate, there it is.

Mr. GREEN: The same thing is true of the exemptions in respect of children?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): The motivating factor was the necessity of getting more money, and this is the means that was taken?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): That is one of the most important factors of all, is it not? That is the main factor in these tax increases?

Mr. ILSLEY: I would not say that.

Mr. HANSON (York-Sunbury): Well, it runs into a great deal of money. It is the biggest single item, I should think.

Mr. ILSLEY: It is very important, certainly.

Mr. MacINNIS: Considerable criticism has been offered with regard to the minister's methods of raising money. I have heard it said several times that he levied this or that tax because he had to get the money. I think we must admit that he has to get the money; that the taxes must be heavy because the revenue must be obtained, and under those circumstances the only consideration we can press for is that the tax shall be equitable. We have said many times, and now I think for the first time it has been admitted in this house, that not what a man pays but what he has left is the criterion of his sacrifice so far as taxation is concerned. For years I have maintained that the figures of \$1,500 and \$750 were too low, to start with. I doubt very much if those who worked out the formulas on which these tax schedules are based would like to carry on with an income of only \$750, which now has been reduced to \$660. We must remember that in spite of price ceilings and all that sort of thing the cost of living is going up. Not only that; a person who to-day has an income of \$660, or any similar income in wages, has innumerable deductions made from that income which were not made a few years ago. I was shown a slip that came in a pay envelope some little time ago, and it showed eight or nine different deductions. There was a deduction for unemployment insurance, another for the purchase of war savings certificates, another