

The Budget—Mr. Harris (Danforth)

The second example shows how the provisions of the act affect the income of a married man, who has one dependent, who is earning \$3,000 per annum and who is providing for his own maintenance after retirement by paying premiums on a Canadian government annuity, without assistance from his employer under a pension fund or plan.

Income \$3,000—married—1 dependent			
Total Income.....			\$3,000 00
Canadian government annuity (\$275) not deductible if not held in connection with pension plan.			<u>\$3,000 00</u>
Normal Tax			
7% of taxable income.....	\$ 210 00		
Les 1 dependent.....	28 00		
			<u>\$ 182 00</u>
Graduated Tax			
Income	\$3,000 00		
Exempt	660 00		
	<u>2,340 00</u>		
30% on.....	500 00	150 00	
	<u>1,840 00</u>		
33% on.....	500 00	165 00	
	<u>1,340 00</u>		
37% on.....	1,000 00	370 00	
41% on.....	340 00	139 40	
			<u>\$ 824 40</u>
Less allowance for wife.....	150 00		
Less allowance for child.....	80 00		
		<u>230 00</u>	
			<u>594 40</u>
Total Tax.....			<u>\$ 776 40</u>
Savings Portion			
10% of income \$3,000.....		300 00	
1% of income \$3,000.....		30 00	
		<u>330 00</u>	
			<u>\$ 446 40</u>
Tax Portion			
Add savings portion Canadian government annuity premiums not deductible.		330 00	
		<u>330 00</u>	
Total Tax Payable.....			<u>\$ 776 40</u>

I come now to another income tax situation which is disturbing the minds of a great number of our farmers, and that is the income tax with respect to cooperatives. A farmer joins a cooperative organization. My view always was that he felt that that organization was part and parcel of his farm. He felt that when he had an income from his farm he should not be taxed on the surplus which came from his cooperative organization. Have I made myself clear? In the business field an incorporated business, of course, pays the corporation tax, but it is difficult to make the farmer believe that when he is a member of a cooperative enterprise he is in a business which is operated for profit to the shareholders. With the change in the organizing, financing, and the operating methods of cooperatives because of conditions and new market requirements, we also have a change in the policy of

[Mr. J. H. Harris.]

the income tax department which desires to discontinue the exemption from income tax on patronage dividends. If this income tax exemption is abolished and confirmed by the court and made retroactive, it will have a disastrous effect on the reserves of the cooperatives. This legislation should be clarified, and consideration should be given to the condition which obtains in the United States where the members of the cooperatives can distribute exempt from taxation the surplus funds they have left over from their transactions. The taxation will come off the dividend—or so-called dividend; for to my mind the word is a misnomer—the return of the money of the farmer who belongs to the cooperative will be added to his income tax as an individual, raising him perhaps to the higher bracket, and you will get a large per-