

subject to Canadian tax, be added to the list. We also recommend that fellowships, scholarships and bursaries be tax-exempt up to an aggregate of \$500 a year.

2.28-2.44 CHANGES IN RATE SCHEDULE

White Paper Proposals

1. Join basic rate schedule, old age security tax, social development tax, surtax and 20% reduction into one schedule (Table 2, p. 25). Provincial abatement of 28% eliminated, provincial tax calculated as percentage of whole federal tax.

2.34

2. Federal tax abated by additional 22% for Quebec residents.

3. Canadians who are resident for tax purposes but not resident in any province would pay additional 28% tax to equate them with taxpayers living in a province.

2.37

4. Tax of 4% on foreign investment income over \$2,400 cancelled.

2.42

5. Top rate (combined federal and 28% provincial) to be reduced to 51% in four instalments.

Comments

The Committee feels that it is sensible to combine the present various rates of tax into one schedule, in the interests of simplification.

However, there have been numerous objections from taxpayers about the additional taxation imposed by the schedule on income groups between \$10,000 and \$25,000, a group that already bears a heavy tax burden. Fears have been expressed that this will encourage emigration to the United States and other countries of many young professional people and skilled workers.

The Committee realizes that the disparity between Canadian and U.S. tax rates already exists, and also realizes that the differences between Canadian tax and U.S. tax, which have been greatly publicized, arise not so much from the rate schedules as from the differences in allowable deductions in the two countries, and also do not take into account additional social benefits which Canadians enjoy. The Committee questions the validity of contentions that any changes resulting from the proposals would contribute significantly to emigration.

An almost unanimous feeling among taxpayers appearing before the Committee is that the proposed 51.2% maximum rate in provinces levying a provincial income tax at 28% of federal tax cuts in too low in the income scale, at \$24,000 of taxable income, particularly since high-income