

make it so clear that there shall be the minimum of dispute before the ordinary tribunals; and if we are all agreed that in the last analysis a person will be made to pay taxes only upon what is his net income, it seems to me that it is our duty to make that point clear. If a person has an income, from divers sources, of \$10,000, \$15,000 or \$20,000, but happens to have against that income liabilities which eat up half or two-thirds of it, surely the State will not tax him upon his liabilities—for it would be tantamount to that. The State, it seems, will tax him only upon the residue—the net income which has been at his disposal during the year. I make these general remarks because it seems to me that the Act will be sufficiently difficult in its application at the outset without clouding the principle which underlies the whole Bill, that of the interpretation of the word “income.”

Hon. Wm. ROCHE: The honourable leader of the Government has given us an explanation of political economy, expressing his favour of income tax, and the honourable the leader of the Opposition has also expressed himself as being enamoured of an income tax. Both these gentlemen should remember that it is not an alternative, or choice, but we have all the other taxes already, and this income tax is a surplusage—an additional tax which will not be abandoned with the termination of the war. I am not going into the details of the Bill, because I do not understand them altogether; but I would ask the minister who leads this honourable House if he will kindly tell us whether or not the principle of duality runs through this Bill. I give one or two instances which I think might occur under the operation of the Act. Suppose, for instance, an individual pays a business tax. Would he be liable under this Act to be taxed on all the profit that is derived from that business, when it is his income? Again, take the case of a partnership which has to pay a business tax, and the several partners in which have in addition to pay this income tax on that which has already been taxed. Then again, in the case of a company which has paid a tax on business profits, would each of the partners or shareholders in the company be liable to be taxed on his individual income, when his income had already been taxed in the co-partnership tax? Then, again, there would be the case of a bank. A bank pays a large amount of business profits tax; it has also made contributions to all the funds. It was not the bank that did it;

the bank is no entity; it was the shareholders' money that paid these taxes. Now, will each shareholder who has a sufficient income under this Bill be liable to pay a second time on his income? The tax upon his income has really been paid by the bank in its corporate form. The principle of duality apparently runs through this Bill. I would like to understand it better. An explanation would throw light upon all the clauses of this Bill.

Hon. Mr. BEIQUE: I agree with the opinion which has been expressed as to the equity, in principle, of the income tax. It is a principle which has been applied all over Europe, and which was sure to be applied to this country sooner or later. But I must express my regret that it has, of necessity, come to Canada so soon; and I do so now because I entertain very grave apprehensions that it may be fatal to the future of this country. It is quite true, as was stated by the honourable leader of the Opposition, that European countries will be so burdened that their people will not find much difference between Canada and their own countries if they choose to emigrate; but the difference might tell against Canada in another respect. Of course, it must be borne in mind that Canada is a large country, and undeveloped, and will require a great deal of capital for its development, and we cannot shut our eyes to the fact that the income tax, heavy as it will be, will be a great objection and will to a very large extent deter capital from being imported into this country. This disadvantage will be aggravated, I am afraid, by the fact that we are alongside a very prosperous and rich country, the United States. The United States, it is true, have gone into the war, but they have great national wealth, and they are taking the means of paying the cost of the war within a very short period. They propose, if I am correctly informed, to levy at once an income tax amounting to as much as \$1,500,000,000. The United States Steel Corporation will pay very nearly \$200,000,000 this year as income tax or business tax. The exact figure is said to be over \$197,000,000 for that one corporation alone, and there are a number of other corporations which will pay \$100,000,000 or more. I am quite satisfied that within two or three years after the war is ended the United States will have no income tax, while Canada, alongside that country, will be, of necessity, loaded with a large income tax.

Hon. Mr. DANDURAND.