

proportionately heavy, it is not a good tax. I do not say that the cost of administration of such an income tax as I shall propose to-day will be unduly heavy, but the fact that we shall have to cover the entire Dominion in our administration of the measure has been an element to which I have given some thought when the matter of income taxation has been under my consideration and the consideration of the Government in the past.

Furthermore, Canada has been and will continue, during the lifetime of those present here to-day, to be a country inviting immigration. I have, therefore, thought it desirable that we should not be known to the outside world as a country of heavy individual taxation. There is another feature which has had some influence with me in hesitating to bring down an income taxation measure, and that is the fact that the people of this country, from the very outbreak of the war, have been most generous in contributing from their incomes to the Patriotic, Red Cross and other funds connected with the war.

We are, however, confronted with grave conditions arising out of the war and with, as I have stated, an increased and accelerated war expenditure due to the measure which has just passed the House and which will enable us to continue to play our part in this great conflict. The war continues, not only on an undiminished, but on an ever increasing scale. I believe it is the will of the people of Canada that we should continue to exert to the utmost our human and material power to the end that final and decisive victory may be obtained. I do not believe any other end than such final and conclusive victory will satisfy the high spirit and aspirations of the free people of the British Empire. No matter what the cost may be in man-power or in treasure, I believe it to be the will of the people of this country that we should persevere unto the end.

In view of what I have said as to the financial situation, as to the increased demands which will be made upon us, and as to the purpose of the people of Canada in this war, it is manifest to me, as I think it will be to most of the members of this House, that the time has arrived when we must resort to this measure of direct taxation. I am confident, Mr. Chairman, that the people of Canada whose patriotism during this war has been so often and so nobly proven will in the light of present conditions, which call for it, cheerfully accept the burden and the sacrifice of this additional taxation.

I shall now explain to the committee the nature of the proposals which I purpose laying before them. In framing these proposals we have had regard to certain conditions which I think ought to be taken into account in connection with a measure of this kind. In the first place, we must not be blind to the fact that the cost of living has materially, and indeed, greatly increased in this country, as it has all over the world since the outbreak of this war, and that has a bearing upon the question of the exemption which should be allowed in an income tax measure. We have also borne in mind the fact that in most of the provinces of the Dominion there is a municipal tax upon income more or less heavy, running as high as two or three per cent. In addition to that, there is in some of the provinces a direct income tax levied by the province itself. So we must bear in mind that when this measure becomes law the people of this country whose incomes make them subject to the several income taxation laws in force in Canada will be liable to three different sets of income taxation—first, income taxation by the municipality, secondly, income taxation by the province, and thirdly, income taxation by the Dominion.

There is another matter which I have thought proper to bear in mind, and that is the existing income taxation in the United States of America. For 3,600 miles the territories of the two countries adjoin, and there is a continual flow of population over the border. As I stated earlier in my remarks, we are inviting immigration to this country; we are inviting those of good character and capability from all nations in the world to make their home in Canada. The United States and ourselves occupy the northern half of this continent, and I think it would be undesirable, except for the gravest reasons of national necessity, that our income tax should be substantially heavier than that in force in the United States. The American measure which I have had in mind for the purpose of comparison only when drafting this Bill is the measure which is now before Congress, and which provides for a very much heavier degree of taxation than is provided for by their existing legislation, or by the legislation which existed before the outbreak of the war.

In a measure of income taxation we should consider first, what amount of exemption should fairly be allowed. On the one hand, we must be careful that the entire burden of the taxation is not borne by