Security bill, including the fiscal proposals relating to contributions as submitted by the Minister of Finance at the meeting of October 15th.

(Draft bill Oct. 16, 1951 - Cab. Doc. 272-51).

2. Mr. Martin recalled that it had been accepted, as an underlying principle in earlier discussions, that benefits under the proposed Act should be closely related,to the greatest extent possible, to contributions. The fiscal proposals set out in sections 10 and 11 of the present draft did not perhaps stress sufficiently the contributory nature of the scheme. It might indeed be argued, on the basis of the present fiscal proposals, that it had been unnecessary to seek the constitutional amendment of 1949 although he did not see how a direct contribution from personal incomes for old age security could be imposed without such an amendment. In any event, it would seem desirable for a variety of reasons that each individual should be made to feel as much as possible the economic impact of the old age security scheme. Under present proposals, the 2 percent excise tax would produce approximately $145 million per annum, the 2 percent tax on personal incomes $95 million and the 2 percent tax on corporation income approximately $60 million. Therefore, of the $340 million required annually to finance the scheme, only some $90 million would be derived from direct taxation on individuals. Another principle which had generally been accepted was that contributions by employer and employee groups should be roughly equivalent. The present proposals envisaged a larger total contribution from individuals than from corporate employers.

The Joint Parliamentary Committee on Old Age Security had suggested, as a possibility, that a direct levy might be made on personal incomes on the basis of exclusion ceilings as opposed to the exemption ceilings under the Income Tax Act and that these exclusion ceilings might be $750 single and $1,500 married as opposed to the $1,000 and $2,000 under the Income Tax Act. This scheme would have the advantage of reaching a much greater number of people. For example, on the $750 exclusion basis, a single man with an annual income of $751 would be required to pay the old age security tax on his gross income, whereas under the Income Tax Act a single man would only be required to pay the tax on that portion of his income in excess of the exemption ceiling of $1,000. In rebuttal of these proposals, it had been pointed out that the establishment of different income ceilings under the proposed Old Age Security Act and the Income