

Income War Tax Act

Mr. HANSON (York-Sunbury): What does that mean that we are carrying?

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): All of resolution No. 1, I take it.

Mr. ILSLEY: I thought it was the whole section down to the middle of page 3, including the graduated rates of tax. That is resolution 1.

Mr. HANSON (York-Sunbury): Oh, no.

Mr. BOUCHER: Looking at the wording of the resolution it does create some confusion. There is I in Roman numerals for "normal tax" on the first page. Then you come to the figures 1, 2 and 3 in brackets which are definitely part of that. Later you come to II in Roman numerals, and again you come to the figure 2 in plain figures. The numbering is confusing.

The ACTING CHAIRMAN (Mr. Macdonald—Brantford City): Resolution 1 extends down as far as "\$69,925 upon income of \$100,000; and 85 per centum upon the amount by which the income exceeds \$100,000." That is resolution 1. Shall resolution 1 as amended carry? Carried.

Resolution 1, part II, agreed to.

Resolution 1 as amended agreed to.

2. That the exemptions of \$1,500 and \$750 shall be reduced for the purposes of the graduated rates to \$660 for all persons.

Mr. HANSON (York-Sunbury): This, I think, raises the whole question of the principle upon which tax exemption should be based. The old principle has been abandoned, and by resolutions 3, 4 and 5 a new principle of deduction from tax has been adopted. I adverted to this in my speech on the budget on June 30 last, as reported at page 3792 of *Hansard*, the second column. I do not want to put that again on the record, but there is a very substantial difference in the basis of this deduction. With reference to resolution 4—

That in lieu of the deduction of \$400 from income for each dependent child or grandchild there shall be allowed a deduction of \$80 from the tax payable under the graduated rates.

—and that in the case of a married person under resolution 3, or a person heretofore entitled to exemption equivalent to that of a married person, there shall be allowed as a deduction an amount of \$150, I hold the opinion that the old provision was preferable. Perhaps that is because we are accustomed to it. That may be the psychology of the thing. But on mulling the matter over, I would ask, is this as advantageous to the taxpayer under the new increased rates as the

[Mr. Hansell.]

old deductions from the amount of taxable income were on the then existing rates, or how does the matter stand?

Mr. ILSLEY: It is just about impossible to give an answer except to get out the schedule and see what the taxpayer is taxed this year and last. I put a schedule on *Hansard* with the budget speech for that purpose, and comparisons have been made since and published in the newspapers. There has been a decrease in pure tax in some of the lower brackets, but for the most part of course the tax is increased to a considerable extent. As I explained this afternoon—I think the leader of the opposition was present—the flat \$150 is better than \$750 deduction from income on account of a wife in the lower income groups but not as good in the higher, the same as with the children. One hundred and fifty dollars is 20 per cent of \$750, the tax advantage of having a wife, if I may put it in that way. Accordingly, if a person were paying 20 per cent, his advantage was \$150 last year. If he were paying 15 per cent, the lowest rate, it was not that much and by being married he is getting a bigger tax advantage to that extent.

Mr. HANSON (York-Sunbury): You are going to adhere to this?

Mr. ILSLEY: Oh, I think so.

Mr. HANSON (York-Sunbury): Then let it go.

Mr. GREEN: Apparently the basis last year was that the married man was allowed an exemption \$750 higher than that of the single man. That was the basis last year, was it not?

Mr. ILSLEY: Yes.

Mr. GREEN: This year, for some reason or another, the minister has converted that to a basis of allowing a fixed amount to be deducted from the tax.

Mr. ILSLEY: That is right.

Mr. GREEN: Then I suggest that the exemption should be figured on, at least, the lowest tax rate paid this year, which is 30 per cent; that you should allow 30 per cent on the \$750, which would be \$225 which might be deducted from the tax, rather than \$150. I do not see what last year's tax has to do with the matter at all. It seems to me that it should not be brought into the picture, but that the exemption should be based on the rates of this year.

Mr. ILSLEY: It would, I believe, cost twenty-four or twenty-five million dollars to do that. If there were 400,000 married men