

expanded. The present haphazard taxation system must be placed on a more scientific basis or the wellsprings of revenue will dry up.

Taxation of the farmers' income is perhaps the most complicated and in some respects the most unfair. The farmer may invest \$5,000 in high-class live stock, and he and his son after fifteen years of diligent care may be able to make a special sale of the best part of the herd for a substantial sum, on which he is now subject to general income tax levies of one year's profit.

Mr. GIBSON: That is not correct—it is averaged back five years.

Mr. ROWE: In fairness to the farmers, and as a means of providing a greatly needed incentive to investment in the improvement of agriculture I urge the immediate revision of income tax levies on farm incomes so that annual sales shall not establish the excess profits of a special sales year but shall be calculated on the average income for a six year period.

Revision of the corporation taxation laws is no less required for industrial concerns. The present system of double taxation, through corporate and personal income tax collections, is not only discouraging industrial enterprise but is penalizing the individual shareholder. Those who have small investments in corporations are often indirectly paying from 50 to 60 per cent income tax on earnings of such money and when such dividends as are left are received, they are taxed again at the rate of the individual's general income. There is a discrimination against the small shareholder whose investment income has been taxed on the high rate, while his personal income may be much lower. The shareholder, on the other hand, who is in the higher income brackets, finds the earning of the capital he invests in industry taxed by a company rate of perhaps sixty per cent, and the balance he receives taxed another sixty per cent as his individual rate. This is a dangerous type of taxation that defeats its own purpose. Money invested in industry to employ labour and produce wealth should yield a better return at least than money loaned in government bonds, where no such risk is involved.

It must never be forgotten that the power to tax is the power to destroy. The first step towards such destruction is the imposition of rates so excessive that the incentive for greater production is gone. While there is a limit to borrowing, there should also be a limit to taxing. Heavy debt is not desirable, but excessive taxation can well become disastrous. If we are to meet the world competition of post-war

days in giving employment to our people, taxation must be reduced as soon as possible.

Some of the revisions I believe most vital for the employment of our people through the necessary encouragement to capital investment are: First, the elimination of the double taxation now imposed on company and shareholders. This would give the same encouragement to industry and employment in Canada as is now given in Great Britain. Second, the revision of the present rigid regulations of the income tax rules so that depreciation allowance could be made flexible enough to include obsolescence now so recklessly disregarded. Third, the earliest possible elimination of all sales tax on building constructions that are to be used to give employment to our people.

Taxation, Mr. Speaker, is an important policy as well as a means of compelling the public to furnish the expenses of government. This is a fact too often forgotten by governments which seem to prefer to cloak the levies they make upon the people and disguise them in all sorts of ways. Most taxes are obtained by diverting some part of the stream of commerce into the national treasury. Until the war, the direct taxation of personal income, which is now the most just and straightforward of all forms of taxation, yielded but a small part of our national revenue. Prior to that, the great bulk of revenue came from tolls and penalties on the production and sale, the transport and the import of products and other sources. What the private citizen saved in income tax he paid out in the increased price of all that he purchased. It was a case of painless extraction. To-day these nuisance taxes still persist. Commercial and industrial processes which give employment to thousands must now hurdle all the fences which the government puts in their way as the price of doing business, and the private citizen knows little of what it costs him to maintain the luxury of government. His personal income tax is the one thing which reminds him of his citizenship in this dominion, and this is a burden which the largest part of our people never carried before the war because exemptions were high enough that only a minority paid income tax. To-day they are somewhat bewildered, and in truth I believe that the government is bewildered as well. The income tax branch must be bewildered; for a task has been thrust upon it which is much greater than it was designed or equipped to perform. The result has been that far too much authority has been given to the minister and delegated by him to the heads of his department. The deputy minister, in practice, takes the framework of a tax policy that leaves parliament