

by establishing a precedent or recognizing that the Senate have the right to amend.

Section 1 was agreed to.

On section 2—definitions:

Hon. Mr. BEIQUE: I would suggest that section 2 be amended by inserting, after paragraph a, as paragraph b: "income" means net income."

Hon. Mr. DANDURAND: I think that amendment would be better in section 3.

Section 2 was agreed to.

On section 3—income:

Hon. Mr. DANDURAND: Are we all agreed upon the interpretation of the word "income," that it means the net income which is taxed? I am addressing myself particularly to the honourable leader of the Government.

Hon. Sir JAMES LOUGHEED: Generally speaking, yes. That is a very large question which my honourable friend submits to me. The policy of the Bill is to make the net income taxable. It is needless to say that, notwithstanding that statement, many questions will arise as to what really constitutes net income.

Hon. Mr. DANDURAND: Of course, I take it for granted that the idea of the Bill is to reach the income which is enjoyed.

Hon. Sir JAMES LOUGHEED: Yes.

Hon. Mr. DANDURAND: So if from a gross income of \$10,000 liabilities of \$5,000 must be deducted, it stands to reason that the income which a person enjoys is the net income of \$5,000.

Hon. Sir JAMES LOUGHEED: I would not agree to that proposal.

Hon. Mr. DANDURAND: Of course, when I speak of liabilities I do not refer to liabilities incurred in the expenditure of the net income; I speak of fixed liabilities, such as the interest on a loan, or the taxes which a person pays upon property which gives him a return. It seems to me that we are all agreed that the Government does not intend to levy a tax upon the liabilities. The tax is levied upon the profits.

Hon. Sir MACKENZIE BOWELL: Suppose the person does not get profits?

Hon. Mr. DANDURAND: If he does not get profits, then there is no income.

Hon. Sir MACKENZIE BOWELL: Though he may have his money invested.

Hon. Sir JAMES LOUGHEED: In estimating profit the liabilities have to be taken into consideration.

Hon. Mr. DANDURAND: Certainly.

Hon. W. B. ROSS: The first test is whether the liabilities have been spent in earning the income. A man earns, say, \$10,000 and he owes \$5,000. If that \$5,000 has been spent in earning the income of \$10,000, it must be deducted.

Hon. Mr. DANDURAND: Yes. I would draw the attention of this honourable House to the clause of the United States Act passed in 1913. Section 2, subdivision 1, says:

There shall be levied, assessed, collected and paid annually upon the entire net income arising or accruing from all sources in the preceding calendar year to every citizen of the United States, whether residing at home or abroad, and to every person residing in the United States, though not a citizen thereof, a tax of one per centum per annum upon such income, except as hereinafter provided; and a like tax shall be assessed, levied, collected and paid annually upon the entire net income from all property owned and of every business, trade or profession carried on in the United States by persons residing elsewhere.

There is a clear statement that the United States will levy its taxation only upon the entire net income. When the Government there presents its demand to the individual, it will ask, "What is your income?" And that individual will understand that it is his net income that is referred to, because surely it is not upon his gross income that he will be taxed. A business has a gross income and has a net income.

I do not see so clear a statement in the English law; but the English Act is not a piece of legislation which has been brought forward complete and logical, like the American Act; it has been changed from year to year.

I would suggest that section 3 be amended in order that its meaning may be expressed more clearly by inserting the word "net" in the following places: in the second line, before the word "profit" and before the word "gain" and in the fifth line before the word "profits."

Hon. Sir JAMES LOUGHEED: My honourable friend will see that if he proceeds to qualify those words he must consistently do so throughout the section. It seems to me that "income" can have only one meaning; "profit" can have only one meaning; "gratuity" can have only one meaning; "gain" can have only one meaning. All these words are used in the Act, and unless we are prepared to qualify each