

income tax. It will bring home the fact that the people have to pay taxes directly for the purpose of providing for the expenditure—I may say the very heavy expenditure—under which we are placed at the present time. They will therefore hold whatever Government is in power more closely to account for the expenditure of the money that is coming into their hands.

The honourable leader of the Government has referred to four different classes of incomes. Figures were given in another place showing the way in which this tax would apply to certain incomes. I do not purpose going into those figures; but I want to draw attention to the fact that as the tax increases, although in reading the Bill it looks to be a large increase, the effect on the individual is not as great as I think it possibly might be. When a tax of \$40 is deducted from a small income, as it would be in the case of an income of \$4,000, it may mean a great deal more to the man in receipt of that income than it would mean to take \$5,260 from an income of \$50,000. A man who is living on an income of \$4,000 a year probably has to watch very carefully to see that he makes both ends meet; but the man who has an income of \$50,000 a year or over can easily afford to pay a tax of \$5,260. If any criticism is to be made of this Bill, I think it would be that the higher incomes could bear a heavier tax than they are called upon to bear under the Bill.

My honourable friend did not say how the amount of income was to be arrived at. He spoke of income generally; but there is such a thing as gross income and net income. Probably when we get to the committee stage we can take that question up, and the leader of the Government may be able to tell us exactly what is meant. Other governments have found it advisable to deal with the question by dividing incomes into two parts: that which a man earns by his profession or his work, and that which a man receives from his investments and securities. Very often a difference is made in the amount of the tax that a man is called upon to pay, depending upon whether his income is derived entirely from his profession or business, or salary, or whether it is derived from interest which he receives on stocks, bonds, shares, or rent. That is done in England, and I think in other countries also. I think such a provision would be a very good one, because we have to consider that the income derived by a man from his profession or his business is very largely dependent upon the

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man himself, his capability for carrying on his profession or business, his general health, and other things that enter into his general life. I think it is usually recognized that a man in that position should be so placed that he can afford to put away a certain amount in case of accident or any trouble that may occur to him, and that it is not fair to levy as high a tax on that class of income as is levied upon an income derived from interest on stocks or shares, rents, or other fixed returns.

A question was raised as to people being deterred from coming to this country. I do not fear anything of that kind, because I think people generally, especially immigrants coming to this country from European countries, are so accustomed to a tax of this kind that it would not in any way affect their decision to come to Canada to make their living.

As I said before, I think that direct taxation appeals very largely to people who understand the incidence of it. They recognize that they know better what the Government is deriving by direct taxation from the people, and they watch more carefully the way the money is expended. The only point that I desire to make is that I think it would have been wiser on the part of the Government if they had instituted this income tax before. When the war started the Government seemed to consider that it was better to raise the duties, and thus increase the revenues which they received by indirect taxation. I think it would have been better for the country if they had made up their minds to introduce an income tax rather than increase the duties on imported goods.

There will be, I think, when we reach the committee stage of the Bill, several matters which we shall want to discuss, and I am glad to know that my honourable friend realizes that we have every right to make, at any rate, suggestions to the House of Commons as to the way that the Bill may be amended.

Hon. R. DANDURAND: Honourable gentlemen, I should like to add a few words to what has already been said in commendation of the general principle of income taxation. We are all agreed that it is a fairer taxation than the indirect taxation which is drawn from customs. It is fairer because the load is carried by those who are best able to bear it, and in proportion to their strength or their capacity.

One of the objections that I see to this Bill is that it does not sufficiently differ-