

The Association agrees in principle with the Government's conclusion that the White Paper proposals will have some adverse effect on the incentive of those with incomes between, say, \$10,000 and \$17,000 to work overtime or more intensively. The effect could be somewhat greater than that indicated in the White Paper because of the widening of the tax base to include capital gains and other items which are not taxable under present law.

Rate of Savings

This Committee and the Government should carefully consider that personal savings in 1969 (really before the release of the White Paper and its punitive tax proposals) declined by \$116 million after four consecutive years of increase. As a percentage of GNP, personal savings declined from 4.9% in 1968 to 4.3% in 1969. It is possible that a trend toward a lower rate of saving is already under way as a result of rising taxation and inflation. We have little doubt that this trend will be accentuated by the White Paper proposals.

One of the officials of the Department of Finance, Mr. R. B. Bryce, who undoubtedly played an important part in drafting the White Paper expressed the view at the recent Canadian Tax Foundation Conference that "many of (the) faults of the old system . . . had an important economic significance". The notes from which he spoke continued as follows:

"They favoured those who saved - and invested their savings - and accumulated wealth
note these major examples:

- (a) no capital gains tax
- (b) effectively no tax on savings accumulated in life insurance policies and companies