

Family Allowances

ance, and nothing to repay. The Prime Minister has already indicated that allowances are hardly necessary for those in the higher brackets, if, as is the case, the basic aim of this kind of legislation is to make sure that there will be the funds necessary to provide for the food, clothing and health of the children of this country, no matter what families they are born into.

It seems to me that under the legislation as it is now proposed there are likely to be some rather bad psychological situations. For example, suppose an employee at the present time has one child. That means he would be permitted an exemption of \$108 against his income tax. But suppose his income is such that he would not pay \$108 income tax but for that child, but only \$60. In that event, all he saves in income tax at the present time by having the one child is the \$60, which amounts to \$5 a month, and because of that exemption he is getting that extra \$5 a month in his pay envelope. Now the family allowance scheme comes along and for that one child, assuming he is in the proper age bracket, he will receive \$8 a month. But he cannot have both. He cannot have the \$5 benefit under the Income War Tax Act and the \$8 benefit under the family allowance scheme. One of them has to be adjusted. As the bill now stands, it looks to me as though the income tax exemption will be taken away, with the result that the amount in his pay envelope will actually be reduced by \$5 a month. He will be getting \$8 of an allowance which he was not getting before. In other words, his net increase will be only \$3 a month. I emphasize the bad psychological effect of this if you have an employee getting an allowance cheque of \$8 a month but receiving in his pay envelope \$5 a month less than he got before. That would easily play into the fear that some people have about this measure, and I suggest that it would be overcome if the government would set this measure up on its own feet and not have it involved as it is in the Income War Tax Act. In reply to the Prime Minister, I say again that I agree with him that those in the upper brackets do not need this assistance, because the object is to equalize the opportunities of children so far as physique and health are concerned. But the simplest and most direct way is to provide an allowance up to a certain ceiling. I hope that if not before the bill passes this session, at any rate before another session, consideration will be given to that proposal.

In connection with the whole matter of relating it to the income tax structure, I must

[Mr. Knowles.]

call something further to the attention of the Prime Minister. Yesterday in his remarks the Prime Minister said that this was not a new principle. At page 5329 of *Hansard* he says:

May I say that the principle of this bill is not new; it has been recognized in our income tax legislation . . .

And also in other ways. Later on he says:

The principle and its wider application cannot be made too clear. Already this parliament has recognized that, with respect to families, there is an obligation upon the state to assist in the upbringing of children. This has been done in the interests of the parents and the family itself, but more particularly in the interests of the children. But, up to the present time, that obligation has been recognized only with respect to the more fortunate in our country, those who already have an income large enough to be taxable and to entitle them to exemptions according to the number of children in the family. In other words, where the need has been least it has already been recognized.

The Prime Minister said that the principle of government responsibility to families with respect to their children had already been recognized in the Income War Tax Act, but last year, on April 8, when the hon. member for Charlevoix-Saguenay moved an amendment to one of the budget resolutions with respect to this matter, the Minister of Finance (Mr. Ilesley) had this to say in reply, at page 1966:

I want to say very emphatically that in no income taxation system that ever existed in this or any other country has there been provision for the maintenance of children out of the tax savings.

Further on he said:

In our taxation system, should we provide that from his taxes a taxpayer shall have deducted an amount sufficient to enable him to support his wife and children? When a person marries he expects and is expected to assume responsibilities. He does not expect the government to assume his responsibilities for him.

And so on. That is the Minister of Finance speaking at page 1966 of *Hansard* of April 8, 1943. One reason for mentioning this is to suggest that the principle was not previously recognized as the Prime Minister said it was if the Minister of Finance was interpreting the income tax laws correctly as recently as last year. My other reason for mentioning this is that I think the Minister of Finance had a point when he suggested that there would be many difficulties if we tried to connect governmental responsibility for children with the income tax legislation. After all, there is nothing sacrosanct about the income tax structure that we have at the present time. It has grown up like Topsy. We have the seven per cent or the nine per cent normal tax, which is the successor to the national defence tax