

he pays 100 per cent of his income over \$1,200. At \$1,300 he pays 63 per cent. At \$1,350 he pays 44·3 per cent, and then the amount is reduced until you reach \$2,000. Then he starts to climb again. The same principle applies to the man with two children, except that it is a little worse. I am wondering on what principle the budget was built, in respect of the very low income brackets.

Mr. ILSLEY: The principle was to protect the taxpayer against having his income depressed below a certain level. If we take that out, we can meet the hon. member. But it is because we have a floor in there, a provision that, whatever tax we put on, it shall not go below \$1,200 or \$660, that the feature arises about which the hon. member has spoken.

Mr. NOSEWORTHY: With respect to the base according to which 30 per cent is charged on the first \$500 or portion thereof over \$1,200, does the minister not think that it would work out better to have that broken down, instead of taking 30 per cent on the entire \$500?

Mr. ILSLEY: The national defence tax principle was incorporated in this bill. That is, you go all the way down to the first dollar after you get above a certain level, with the proviso that the taxes shall not reduce the income left below a certain level. The result is that a person who gets slightly over that level has a larger proportion of the income in excess of that level taken. The national defence tax principle was pretty well accepted for a couple of years and we decided to adopt it, but to alter it as well.

Mr. MARSHALL: It is raised.

Mr. ILSLEY: Seven per cent instead of five, but half of it is returned.

Mr. NEILL: Apparently the explanatory notes do not agree with the bill. On the first page of the explanatory notes we find No. 3 which is divided into three, and then the last of those is divided into two. Where in the bill shall I find this subsection:

The aggregate investments and activities of a number of persons are to be taxed as if they had carried on the business in corporate form, securing equality between investors.

Mr. ILSLEY: That will be found on page 8 of the bill, line 29. The hon. member has read section 3, subsection 3, paragraph 3, and that is what appears in the bill. It may be a little difficult to follow, but it is correct.

Mr. NEILL: The subsection which reads: "where any person acts"?

Mr. ILSLEY: That is right.

Mr. NEILL: What does it mean?

[Mr. Noseworthy.]

Mr. ILSLEY: That is the tax on the royalty company.

Mr. JACKMAN: With regard to the provisions that a married woman can earn \$660 without having her bracket deducted from her husband's salary, this is putting a premium on marriages without children. A married woman who has no children is free to work, whereas the wife of a husband with a family of two, four or five children is unable to leave home and cannot bring in any income. The family where the woman works is obviously better off under this provision, not only from the point of view of increased income but from the point of view of taxation, because \$1,800 as a combined income of the two would be taxed less than a similar amount being earned by a husband alone. I remind the minister that he has had to make a change here in order to comply with human nature. In many respects the budget does not take account of the fact that there is such a thing as human nature. If the budget provisions were framed with a greater recognition being given to that factor, I think the minister would find that there would be a greater contribution to the war effort. I should like to quote a Canadian Press dispatch, dated Ottawa, July 2, as follows:

A finance department spokesman to-night expressed the opinion that there would be no widespread move by married women to quit their jobs because of the increase in income tax rates imposed under the new budget. A couple would be better off financially because the wife worked and also she would have the joy of knowing she is helping Canada in these critical times.

Once again I suggest that if the minister would consult the members of this house or a committee of the members of this house, he would not run into these errors which result in subsequent changes.

Mr. McNIVEN: Is the schedule which appears on page 3 of the bill the same as that given to the house by the minister when he presented his budget on June 23 and which appears on pages 3582 and 3583 of *Hansard*? One example given on page 3583 is that of a man with an income of \$4,000. He is shown as paying a gross tax of \$1,148. Under the schedule which appears on page 3 of the bill an income of \$3,500 would pay an initial tax of \$1,300, and another \$500 would pay a tax of 45 per cent, or \$225 in addition, making a total of \$1,525. To this would have to be added 7 per cent normal tax, or another \$280, making a total of \$1,805. The income referred to on page 3583 of *Hansard* is that