greater on the groups receiving incomes between the exemption limit and, say, $10,000, than on those receiving higher incomes Nevertheless, the rates on high incomes, already steeply graduated, have also been increased as much as we consider they can practicably be increased, having regard to the taxes levied on these same incomes by certain provinces and municipalities.

I may add that we have at the same time simplified the structure of income tax rates by doing away with the old 5 per cent surtax and the 20 per cent war surtax imposed last fall and substituting therefor a schedule of higher rates throughout the whole range of incomes.

I come now to the second revenue measure applicable to individuals—and I think I should deal with this measure and then give the house illustrations of how the two measures combined work out in connection with individual incomes:

To supplement the graduated income tax we propose a national defence tax at a flat rate applicable to all incomes above $600 for single persons and above $1,200 for married persons. The rate of tax for married persons will be 2 per cent if the income exceeds $1,200, and for single persons the rate will be 3 per cent if the income exceeds $1,200 and 2 per cent if the income exceeds $600 and is not more than $1,200. But there is a proviso that in no case will the income of the taxpayer be reduced below $600 or $1,200 as the case may be. For dependent children, a deduction from tax equal to the rate of 2 per cent on the usual $400 exemption for each dependent child is to be allowed. Thus, a married person with an income of $1,400 and three dependent children would be liable to a tax of $28 (2 per cent of $1,400) minus $24 in tax credits for children, leaving $4 as the tax payable.

As far as it is administratively practicable this tax will be collected at the source. Thus employers will deduct the tax from the employee's earnings when the pay is at the rate of $600 per year in the case of unmarried employees and $1,200 per year in the case of married employees, and companies will deduct the tax from dividends and interest on registered corporate bonds. In cases where the full amount payable has not been deducted and in all other cases where the annual income amounts to or exceeds the minimum amounts of $600 or $1,200, as the case may be, the taxpayer is required to make a return as in the case of the graduated income tax.

It is recognized that there will be a good deal of additional work for employers and their staffs in making deductions and returns, and provision will be made toward reimbursing employers for expenses so incurred. Employers, however, can by their cooperation and interest help greatly in working out the methods to be adopted and in making the system operate efficiently and fairly and with a minimum of inconvenience both to their employees and to themselves. I feel sure that under the circumstances we can count upon the full cooperation of employers in this additional task which they are called on to perform in the national interest at this time.

It might be useful if I now gave a few examples showing how the new income tax rates taken along with the national defence tax which I have briefly described will affect certain classes of taxpayers. Let us take the case of the single person, with no dependents, earning $800 a year. Under our existing income tax law he would not pay any income tax since he is at present exempt up to $1,000. Under the legislation just proposed, however, the $800 single man will be required to pay the national defence tax of 2 per cent of his total earnings which is $16, and under the income tax he would pay 6 per cent on the amount of his income in excess of $750, which is the new exemption figure for income tax purposes. This income tax would thus amount to $3 (6 per cent of $50). Consequently, his total tax per year would be $19 where previously he paid no tax.

A single man with no dependents earning $1,500 would pay $100 under the new proposals where he now pays only $18.

A married man with no dependents earning $2,000 is at present just on the exemption line, and pays no tax. Under the new set-up his tax bill will be $75.

Perhaps some hon. members would be interested in knowing how the new measures will affect the position of a married man with an income of $4,000 a year. Under our existing tax he pays $84; under the new measures he will pay $355. If he has two children he will pay $223 under these new taxes compared to $45.60 under the present tax. A single man with the same income now pays $144, and under the new measures he will pay $525.

To illustrate the effect of the changes in the case of higher incomes, a married man, with no dependents, having an income of $20,000, pays $3,112 under the present tax, and will pay $6,530 under the new taxes. With an income of $200,000 he pays the dominion $103,698 under the present rates, and under the new taxes he will pay $119,430 or 59·7 per cent of his income. Adding provincial and in certain cases municipal income taxes as well, we find that the latter married man with no dependents, if he lives in Ontario, will pay $129,679 or 64·8 per cent of his total income; if he lives in Montreal, he will pay $149,516