

of the 20 per cent surtax, and I am concerned over the fact that to some extent this will affect persons in the lower income brackets. But it will not mean a material increase in their tax.

Right Hon. Mr. MEIGHEN: No. My point is that it would be better if some tax were imposed on incomes lower than that.

Hon. Mr. DANDURAND: We can amend the Act in this respect next session, if we so desire.

Hon. GUSTAVE LACASSE: Honourable members, may I make a short suggestion? We all are concerned with the income tax question, and for some years I have been studying it. In my opinion the income tax, when properly applied and honestly administered, is the fairest of all taxes. I am sorry I did not happen to be present last session when the matter was discussed. My right honourable friend (Right Hon. Mr. Meighen) alluded to England, and it is the practice in that country that I wish to point to as a desirable example for us. I do not expect it will be possible to have my suggestion acted upon now, but it may point the way to future action. The English income tax is much heavier than ours, as perhaps all honourable members are aware, but assessment is made on a return showing the average income for the last three years. I think that is a more equitable basis of taxation than ours. If we could adopt it in Canada we should be able to make income tax applicable to virtually all our citizens who have incomes, even where the tax itself would not amount to more than \$1 a year. This would not greatly increase our revenue, but it would bring home to all our people the fact that they are contributors to the maintenance of the State, and in this way it would teach an important lesson in citizenship.

I repeat my conviction that the income tax is the most equitable of all taxes, but there is room for improvement in the application of it. I hope the suggestion I have offered to-night will be considered later on.

Hon. Mr. DANDURAND: I will draw the attention of the Minister of Finance to my honourable friend's remarks. As a matter of fact, I see to it that all constructive comments made in the Senate, even those accompanied by carping criticism, are referred to the appropriate Minister.

Hon. F. B. BLACK: Honourable senators, if I correctly understood the right honourable leader on this side (Right Hon. Mr. Meighen), he suggested that the exemption on incomes should be much lower than it is at present. I think that in England everyone earning

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over £150, roughly \$600 or \$700 in our money, is subject to income tax, whereas in Canada income is exempted up to \$2,000. Nobody would want to impose a heavy tax on people earning low incomes, but a small tax upon virtually all incomes in the lower brackets would go far towards making our people more conscious of the burden of taxation. For many years I have been favourable to a lowering of the income tax exemption.

The motion was agreed to, and the Bill was read the second time.

Hon. Mr. DANDURAND: With leave of the Senate, I would move third reading of the Bill now.

Right Hon. Mr. MEIGHEN: I think the honourable leader might well leave third reading over until to-morrow. We are really not giving very bright and animated attention to the measure at this hour, and I think no undue delay would be occasioned by putting third reading over until the next sitting.

Hon. Mr. DANDURAND: Of course, we cannot amend this Bill.

Right Hon. Mr. MEIGHEN: I know that, but we may have some worth-while suggestions to offer when we have had time to go through the Bill more carefully.

Hon. Mr. DANDURAND: Then I will postpone the motion for third reading until the next sitting.

DEPARTMENT OF MUNITIONS AND SUPPLY BILL FIRST READING

A message was received from the House of Commons with Bill 5, an Act respecting a Department of Munitions and Supply.

The Bill was read the first time.

MOTION FOR SECOND READING

Hon. Mr. DANDURAND moved the second reading of the Bill.

He said: My right honourable friend (Right Hon. Mr. Meighen) is aware of the legislation which was announced to create a Department of Munitions and Supply. I may say the Bill follows very closely the terms of the British Act passed during the war of 1914-1918. It is intended to give the Government the necessary authority to set up a Department of Munitions and Supply.

In the United Kingdom during the last war, as honourable members are aware, it proved necessary, in order to meet the unprecedented demands for munitions and other supplies, to set up a separate Ministry of Munitions. Mr. Lloyd George, in his memoirs, makes some