

*The Budget—Mr. Hanson (York-Sunbury)*

Mr. HANSON (York-Sunbury): That may be a mechanical or a taxation reason—

Mr. ILSLEY: It is not.

Mr. HANSON (York-Sunbury): —but that is viewing it from the point of view of departmental administration.

Mr. ILSLEY: No; it is not.

Mr. HANSON (York-Sunbury): It is not viewing it from the point of view of the needs of industry. The minister's interjection indicates to me that expediency in administration has dictated this arbitrary half, and nothing else.

Mr. ILSLEY: The hon. gentleman does not understand my interruption, but I will explain it later.

Mr. HANSON (York-Sunbury): I think I understand what is meant by the proposal.

Mr. ILSLEY: But not my interruption.

Mr. HANSON (York-Sunbury): However, I will wait and hear what the minister says. I am not surrounded by a group of braintrusters. They do not tell me what is in the backs of their heads, nor do they tell the public.

There is one thing that has exercised my mind ever since I heard about it, though some may not consider it a very important matter, and that is section 32 of the income tax resolution. I would like hon. gentlemen to listen to me, because the matter is important, as I see it. Prior to the budget of 1942 provision was made that corporations might deduct from income moneys paid by way of donations to charitable and educational organizations. I am interested in both charitable and educational institutions in Canada, which by the way are suffering because of high taxation. These corporations were allowed to donate up to ten per cent of their profits—

Mr. GIBSON: Five.

Mr. HANSON (York-Sunbury): Prior to 1942 it was ten per cent. If the minister will be good enough to follow me he will see that I am right, and we both mean the same thing. In 1942 the general limit of ten per cent was reduced to five per cent without any strings or limitations. That was the established policy of the administration, announced here. It was a tremendous reduction, but I have no doubt the ministry had good reasons for it. I questioned it somewhat at the time, but after all I do not think any of us raised very much controversy over it. Industrial companies were allowed to give five per cent of their profits without strings or limitations at all. In the case of those in the 100 per cent excess profits brackets it was well understood

[Mr. Ilesley.]

by industry, by the government and by the membership of this house if they followed the announcements of the Prime Minister, that such donations came out of the 100 per cent excess, and therefore wholly out of taxation—well, practically so. Now, what have we? I was astonished to read a few days before this house met an announcement by the minister that the settled policy of parliament was to be done away with by a stroke of his pen; and here we have retroactive legislation withdrawing the provision and substituting a new formula, the effect of which is a serious detriment. In fact, it is a knock-out blow to our educational institutions. Retroactive legislation, especially with regard to taxation, is wholly reprehensible. It is a bad principle; retroactive legislation is vicious at any time. I cannot visualize any more honorary degrees for the Minister of Finance. It is now proposed to withdraw the reasonably mild, I will not say generous, provisions under which institutions stood to benefit and to provide that the amount of donations made in excess of the average of the taxpayers donations, in the last two fiscal periods ending before July 1, 1942, shall be allowed as deduction for the purposes of the income tax and excess profits tax only—and listen to this—to the extent that the total taxes payable by the taxpayer under those acts are thereby diminished by forty per cent of the excess, unless made before February 1, 1944, and paid, or evidenced in writing before that date.

That is an involved formula, and one has to sit down and study it carefully and have illustrations before one in order to know just what it means. But it is just as clear as daylight that it means a definite reduction in the amount that taxpayers may give to charitable institutions under the tax-free clause. In fact, for the reasons which I now give, there will be no further contributions to education from this source. The average of such donations in the two fiscal periods made by corporations which are within the excess profits clause before July 1, 1942, in most cases, was exactly nothing, and therefore in most cases the amount now allowed will be exactly nothing. The larger institutions were very alert. In one case millions were obtained in payments and written pledges. No wonder they gave the minister an honorary degree. The smaller institutions, not so well informed, less alert, not so well organized, got practically nothing. I consider that the minister's action in changing the regulation and giving notice of the change on the eve of the meeting of parliament, and without parliamentary sanction, was a distinct breach of faith that merits the condemnation of the country. I cannot imagine any