

the magistrate would plead that the Act was invalid, raising this same point, and his defence were rejected, and he would be condemned to either a fine of \$1,000 or six months in jail, what would be his recourse, in the face of this remedial legislation validating, so to speak, a judgment which was ab initio wrong, since the Supreme Court would declare that the whole proclamation was invalid, but was estopped from registering a judgment against the defendant?

Hon. Sir JAMES LOUGHEED: I am informed, in the first place, that there are no such cases; but, in the second place, if there are such cases the Government will assume the responsibility of seeing that there is a remission of any fine that may be imposed under the circumstances mentioned by my honourable friend, namely, where the question should arise as to the irregularity of the proclamation.

Hon. Mr. FOWLER: What about the costs?

Hon. Sir JAMES LOUGHEED: Power is given as to costs here.

Section 1 was agreed to.

Sections 2 and 3 were agreed to.

The preamble and the title were agreed to.

The Bill was reported without amendment.

THIRD READING

Hon. Sir JAMES LOUGHEED moved the third reading of the Bill.

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

INCOME WAR TAX BILL

SECOND READING

Hon. Sir JAMES LOUGHEED moved the second reading of Bill 221, an Act to amend the Income War Tax Act, 1917.

He said: Honourable gentlemen, this is a Bill chiefly for the purpose of reducing the penalties which were imposed for the infraction of the Income War Tax Act of 1917. It proposes reducing the penalty from 25 per cent which was imposed in the event of an infraction, to five per cent. Then there is an additional penalty for each day's default. I may say that the Bill deals entirely with penalties, and we can discuss it more advantageously clause by clause in Committee of the Whole.

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

Hon. Mr. DANDURAND.

CONSIDERED IN COMMITTEE

On motion of Hon. Sir James Lougheed, the Senate went into Committee on the Bill. Hon. Mr. Schaffner in the Chair.

On section 1—penalty for failure to file returns:

Hon. Mr. BOSTOCK: Is it the intention of the Government to continue the system of requiring the taxpayer to make out his own returns?

Hon. Sir JAMES LOUGHEED: Yes.

Hon. Mr. BOSTOCK: Of course, it was a new idea when it was introduced, and my honourable friend can give us some idea of how it has worked. There have been many expressions of opinion in the country against the policy of the Government in forcing the taxpayer to make out his own return, and to pay the greater part of his tax at the time he sends in the return. As I understand this section, the penalty is reduced from what it was in the Act of 1919?

Hon. Sir JAMES LOUGHEED: Yes.

Hon. Mr. BOSTOCK: Is it on account of the working out of the Act that the Government have thought it wise to reduce the penalty, in order to encourage the people to send in their returns more freely?

Hon. Sir JAMES LOUGHEED: No. It was felt that 25 per cent was too great a penalty to impose; and yet it became necessary to name a drastic penalty on account of the reluctance of the public to conform to the requirements of the Act. It is unnecessary to say that all countries that have imposed an income tax have realized the difficulty of collecting it. That has always been urged as the chief reason why the income tax should not be adopted as a method of taxation. But the imposition of the penalty of 25 per cent was quite an encouragement, I might say, to the payment of the tax, and up to the present time it has resulted very favourably. I think the collection of the tax by Canada has proven much more satisfactory than has been the case in other countries that rely upon their income tax. Cases have been pointed out, however, showing that the penalty was too drastic, and therefore we are reducing it to five per cent. So far as regards the casting of the duty upon the taxpayer of making his own return, that has been found to work very beneficially. In the first place, it impresses upon the taxpayer that he has a duty to perform to the state entirely irrespective of the initiative