

Mr. ILSLEY: It is a proviso put on at the end of (b). It is not (c). This is at line 23 of page 7, after the word "children".

Mr. NEILL: And will it be (c)?

Mr. ILSLEY: No, it is a proviso.

Amendment agreed to.

Mr. ILSLEY: My officers direct my attention to one small change in these rules. It was provided in the resolution that the normal tax should not operate to reduce the income of a married person below \$1,200. These rules provide that neither the normal nor the graduated tax will.

Mr. STIRLING: Is that on page 2?

Mr. ILSLEY: That is at the bottom of page 6, and the top of page 7, and involves a slight change from the resolution.

The ACTING CHAIRMAN (Mr. McCann): Is section 1 carried?

Some hon. MEMBERS: Carried.

The ACTING CHAIRMAN (Mr. McCann): On section 2; shall section 2 carry?

Mr. NOSEWORTHY: Do I understand by the change in section 2 that a married man may earn \$1,200 and his wife \$660 and be exempt from taxation, provided she is working?

Mr. ILSLEY: The hon. member is now going back to section 1. I understood that section 1 was carried. But if the hon. member wishes, we will return to that section. We did not take it up rule by rule. I suggest, Mr. Chairman, that we refer to these as clauses. Is it the practice to refer to the sections as clauses, or to the clauses as sections?

The ACTING CHAIRMAN (Mr. McCann): The numbers in heavy black are the sections. For instance, section 1 goes to the middle of page 7. The subsections are the rules.

Mr. ILSLEY: There seems to be some ambiguity about that. The method you have described, Mr. Chairman, is the one we usually follow. The trouble is that the rules are divided into sections.

The ACTING CHAIRMAN (Mr. McCann): Do you wish to take them up in detail?

Mr. ILSLEY: No, I do not.

Mr. FRASER (Peterborough West): Take them up page by page.

Mr. ILSLEY: I think section 1 of the bill is carried.

The ACTING CHAIRMAN (Mr. McCann): Section 1 is carried. The next is section 2, at page 7.

Mr. ILSLEY: Correct.

Mr. NOSEWORTHY: May I have an answer to my question?

Mr. ILSLEY: Then section 1 is not carried. The hon. member wishes to go back to what part of section 1?

Mr. NOSEWORTHY: The section referring to the exemption of a married woman that gives the husband the right to be taxed as a married man. My question is: does that give an exemption of \$1,860 on the two incomes? The husband gets an exemption up to \$1,200, and the wife up to \$660.

Mr. ILSLEY: If the wife's income is earned income, that is correct.

Mr. NOSEWORTHY: What is the tax which that couple will pay if the husband's income is \$1,860 and the wife stays at home to raise two children? Would it be \$153?

Mr. ILSLEY: Something in that neighbourhood. I see what the hon. member is driving at, and I should like to know whether he thinks we should do that.

Mr. NOSEWORTHY: I agree with the principle, but I think there should be some exemptions in lower income brackets for the married man with a family. For instance, I have worked out a table which shows that the married man without children is exempt to \$1,200. If he has \$1,250 he pays the entire \$50 in taxation. If he gets \$1,300 he pays the \$100 in taxation. That is 100 per cent of his increase over the \$1,200. If he has \$1,350 he still pays 100 per cent of his income over \$1,200 in taxation. If he has \$1,400 he pays 68 per cent of his increase over \$1,200 in taxation. The higher his salary or income becomes, the lower the percentage he pays on his income over \$1,200.

Mr. ILSLEY: But he gets half of all this back.

Mr. NOSEWORTHY: That applies until you get to \$2,500, and then it starts to rise. And the higher his income becomes, the higher the percentage on income over \$1,200 he pays. It looks as though the budget is in reverse up to \$2,500.

Mr. ILSLEY: It is just in reverse of what the hon. member says it is.

Mr. NOSEWORTHY: That is, the lower a man's income, the more of his income over \$1,200 he pays in taxation. The same applies to the married man with one child. At \$1,250