

Subsection one of section five of the Income War Tax Act, chapter ninety-seven of the Revised Statutes of Canada, 1927, as amended by chapter forty-six of the statutes of 1939, is amended by adding thereto the following paragraph:

"(n) not more than fifty per centum of the net taxable income of any taxpayer which has been actually paid within the taxation period to, and received for as such by, any patriotic organization or institution in Canada which hereafter receives the written approval of the Secretary of State of the Dominion of Canada."

I suppose this meets with no objection. It relates to gifts made for patriotic purposes out of the income of the ratepayer.

Paragraph A of the First Schedule of the said Act, as amended by chapter forty-one of the statutes of 1932-33, is amended by the addition thereto of the following proviso:

"Provided, however, that the above-mentioned rates shall in each case be increased by twenty per centum thereof."

Paragraph AA of the First Schedule of the said Act, as enacted by chapter forty of the statutes of 1935, is amended by the addition thereto of the following proviso:

"Provided, however, that the above-mentioned rates shall be increased by twenty per centum thereof."

This covers the status of the taxpayer, who, after having prepared a statement of the amount that he owes under the law in existence, adds twenty per cent.

Hon. Mr. LACASSE: How can a man who does not pay the tax add twenty per cent?

Hon. Mr. DANDURAND: Twenty per cent of nothing is nothing. There is a saying in French: "Là où il n'y a rien, le Roi perd ses droits"—Where there is nothing, the King loses his rights.

Hon. Mr. LACASSE: On the basis of an additional twenty per cent persons who are not now assessable cannot be assessed at all.

Hon. Mr. DANDURAND: They cannot.

Paragraph B of the First Schedule of the said Act, as enacted by chapter forty-one of the statutes of 1932-33, is amended by the addition thereto of the following proviso:

"Provided, however, that the above-mentioned rate shall be increased by twenty per centum thereof."

That is the war surtax.

Paragraph C of the First Schedule of the said Act, as amended by chapter thirty-eight of the statutes of 1936, is repealed and the following is substituted therefor:

"C. Rate of tax applicable to corporations and joint stock companies, except as hereinafter provided:

On the income of the company eighteen per centum."

This was fifteen per cent; it is now increased by three per cent.

Paragraph D of the First Schedule of the said Act, as enacted by chapter forty-one of the statutes of 1932-33, and as amended by chapter thirty-eight of the statutes of 1936, is repealed and the following is substituted therefor:

"D. Rate of tax applicable to corporations and joint stock companies which file a return consolidating their profit or loss with that of their subsidiaries as provided for by subsection three of section thirty-five:

On the consolidated income of such company and its subsidiaries—twenty per centum."

There again the increase is three or five per cent.

Hon. Mr. HAIG: Three per cent.

Hon. Mr. DANDURAND: Yes, three per cent.

(1) Sections one, two, three and four of this Act shall be applicable to the incomes of the 1939 taxation period and of fiscal periods ending therein, and of subsequent periods.

(2) Sections five and six of this Act shall be applicable to the incomes of the 1940 taxation period and of fiscal periods ending therein after the 31st day of March, 1940, and of subsequent periods.

Right Hon. ARTHUR MEIGHEN: Honourable members, nobody, I fancy, who is in earnest about the job we have in hand is going to complain of these taxes. We have to bear the burden, whatever it may be. I can only stress the need of taking care that enterprise is not stifled or seriously crippled, because in the end the burden falls on those who are unemployed.

If I caught the intent of what the honourable senator from Essex (Hon. Mr. Lacasse) was trying to drive home, I agree with him. I think the Government might very well consider extending the base of the income tax—

Hon. Mr. DANDURAND: What is that?

Right Hon. Mr. MEIGHEN: —lowering the exemption, so that the whole population, or nearly the whole of it, will be tax conscious. The man who receives an income of \$2,000 or more has his tax increased by twenty per cent. The fellow who receives just below \$2,000 is not touched at all. In England and other countries the area of taxation is spread more widely, so that the mass of the voters pay a direct tax right out of their pockets, and know what it is. This is a good thing, for they then have some concern in preventing waste in government. The greater the exemption the less the general body of the electorate care how the money is spent.

Hon. Mr. DANDURAND: I am sorry that I have not a statement showing the tax imposed on incomes of \$2,000 and upwards. I have seen a statement showing the effect