

The Budget—Mr. Arsenault

did not choose to take advantage of this federal offer. In this way, then, the people of that province have, so far, been deprived of an amount of more than \$100 million.

The government of Quebec, having neglected to avail itself of so many opportunities to lighten the load which its taxpayers were called upon to carry, has suddenly come to life and taken upon itself to impose a new personal income tax upon the people of that province.

Moreover, with no previous consultation or negotiation with the Canadian government—which, after all, is not exactly that of an enemy country—taking no account of a law voted by the federal parliament under whose terms the amount which provincial taxpayers may deduct from federal income tax is limited to 5 per cent, heedless of the fact that this action constitutes a serious threat to the fiscal agreements concluded by all other provinces and whose basis is this 5 per cent of personal income tax, the Quebec government maintains, through the press, that the federal government should allow Quebec taxpayers to deduct from the income tax which they are legally obliged to pay to the federal government, the full amount which it has pleased the Quebec government to provide for through its own legislation.

I am all for the idea of the province of Quebec receiving its share, and all its share, of the financial advantages made available to the provinces by the Canadian government; and in my humble opinion, the province of Quebec never went far enough in that direction.

But to demand at the same time that this transfer of funds, from the federal government to the province—since the matter indeed concerns the revenues derived from federal taxes—be made solely upon the terms arbitrarily dictated by Quebec is, in my humble opinion, going a bit too far.

Our tax legislation does not allow a deduction of 15 per cent, but of 5 per cent. The basis of financial agreements concluded between all the other provinces and the federal government is not 15 per cent, but 5 per cent, as far as the personal income tax is concerned.

And that basis of 5 per cent is not the upshot of a dictatorial challenge by the federal government or of any of the provinces which gave assurance of their co-operation, but the result of patient studies and painstaking negotiations between the Canadian government and the provinces which have signed fiscal agreements, under our democratic processes.

In order to modify this basis of 5 per cent, the assent of the nine other provinces which have signed fiscal agreements would be required and the Canadian parliament would have to consent to a revision of the Income Tax Act.

Yet, as has been ably shown by the hon. Minister of Northern Affairs and National Resources, at page 4079 of *Hansard* of Wednesday, April 14 last, one of the main results of the suggested changes in our Income Tax Act, that is the substitution of the figure 15 for the figure 5, would be to allow Ontario to collect \$62 million more for each \$29 million received by Quebec, should Ontario denounce or terminate her present fiscal agreement. And it would be in Ontario's interest to do so, unless the federal government agreed to grant this additional \$62 million to Ontario through an amendment to the existing fiscal agreement.

For we know that the collection of individual income tax yields more than twice as much in Ontario as in Quebec.

Therefore, by virtue of what provincial rights can the Quebec government leave the federal government with but one alternative, that is to grant Ontario \$62 million for each \$29 million paid to the province of Quebec? Is that the best suggestion Quebec can offer for the solution of this distressing problem?

To create a multitude of other more serious difficulties is not the best way to solve a problem.

Let us suppose for example that the city of Montreal, under the principle of unilateral deductibility, should decide by a resolution of its council and without consulting the provincial government that granted its charter, to collect a gasoline tax, the proceeds of which would be specifically earmarked for the improvement and the maintenance of the city streets.

Rather than enter into negotiations with the Quebec government, suppose the city claims, through advertisements in the newspapers, that, in the interest of autonomy and of the citizens of Montreal, this tax should be deducted from the amount derived by the provincial government from its gasoline tax, within the limits of greater Montreal, up to at least the amount the city is obliged to levy for the maintenance of its streets.

What would then be the attitude of the premier of Quebec?

In the extremely unlikely case where the Quebec government permitted such a tax