

zation of provincial revenues. I suppose one could consider that the equalization system itself provides a type of effective stability of provincial revenues in the less wealthy recipient provinces. But the express stabilization feature which is carried over from the former act of 1967 into this bill is designed to meet other potential needs. These include the maintenance of revenues not only for the so-called have-not provinces but for the other three provinces, indeed for all the provinces. In other words, stabilization applies to all the provinces of Canada in the event of a general decline in total provincial revenues.

What the bill does under the stabilization provision is provide for a floor under provincial revenues. This floor consists of a federal guarantee to make a grant to any province whose revenues fall below 100 per cent of those received in the immediately preceding year. The year to year comparison for the province would of course be based upon the same rates and structure of its taxes.

[Translation]

This program, Mr. Speaker, is an improvement over the provisions of the 1967 act in which the revenue "floor" was set at 95 per cent of the preceding year. Fortunately, in the last five years, not a single province has been faced with circumstances such as would have entailed a federal stabilization payment. We hope that this situation will continue in the next few years. This bill guarantees however to each province and its people the maintenance of most public services, even though economic conditions might suddenly and unexpectedly deteriorate.

Another benefit of stabilization is the help it provides to provinces when they attempt to borrow on international money markets. Borrowers will be conscious of the new "floor" set at 100 per cent instead of 95 per cent, and the general financial position of the provinces should consequently improve.

[English]

I come now to deal with Part III of the bill in general terms. This extends the system of intergovernmental tax collection agreements which has developed over the past 30 years. You will be aware, Mr. Speaker, that despite the taxes imposed both by this parliament and by the provinces, the great majority of Canadians need comply with only one income tax system. They file only one return and deal with only one group of tax collectors. This contrasts sharply with the situation which obtains in many other federal countries. Frequently the separate jurisdictions in other nations have different income tax laws. These are potentially confusing, irritating and burdensome to individual taxpayers and corporations.

Canada has developed both formal co-ordination and informal co-operation which minimize these difficulties. In all provinces except Quebec individual citizens are able to use only one return for federal and provincial taxes, based upon the same definition of taxable income, the same allowable deductions, and the same progression of rates.

Both provincial and federal taxes are collected through the federal machinery at no cost to the agreeing provinces. They and their taxpayers are thereby relieved of administration costs which have been estimated to run as high as \$100 million annually.

#### *Federal-Provincial Fiscal Arrangements*

Similar joint arrangements apply to the corporation income tax in all provinces except Ontario and Quebec. Even here I expect that substantial and effective harmonization in both law and administration will be rapidly restored as the reformed federal tax law settles firmly into place.

Within this framework of tax harmonization and uniformity, provinces are perfectly free to establish their own rates of taxation. They have been doing so to an increasing extent. This is the real test of fiscal independence and decentralization—the willingness to exercise the responsibility to tax as well as the responsibility to spend.

• (1610)

We are also continuing to improve the degree of flexibility available within the arrangements. A new agreement with Ontario was recently announced by the provincial treasurer of that province which will tie credits against provincial income taxes into the system, replacing that province's existing program of separate property tax rebates. Under the new system, individuals may file proof of property taxes paid, and certain deductions from income tax will be allowed, or rebates of the property tax already paid will be issued. Persons who do not normally file income tax returns will be able to do so, in order to claim their rebates. Similar consultations are being held with Manitoba about credits for their provincial sales tax.

The present bill would also empower the federal government to collect, on behalf of Manitoba, Saskatchewan, and the four Atlantic provinces the succession duties which they have proposed. I want to emphasize that these provinces have made the decision to rejoin Ontario, Quebec and British Columbia in the succession duty field entirely on their own. We have had no part in their decision and have agreed to assist in collections only in response to their urgent requests to us. I believe that the people of the provinces of New Brunswick and Nova Scotia should be aware of that. The aforementioned provinces have pointed out that they do not have collection machinery available for this purpose and that considerable benefits in terms of efficiency and cost-savings could be achieved by federal administration. Under the terms of the bill, however, this commitment would end in three years' time—it lapses after three years. The bill would also authorize the federal government to collect gift tax for certain provinces.

Parts IV and V of the bill deal with special questions arising out of the reform of the federal Income Tax Act, passed by this House before Christmas. Provinces were concerned that the higher exemptions, increased deductions and revised rate structure in the new federal act might cause them a loss of revenue if they adopted all these features as a part of the reform package. The bill therefore provides a five-year guarantee that each province will receive as much revenue from the reformed personal income tax as it would have under the old system. This guarantee would be available to provinces which harmonize their personal income tax acts with the federal statute, and which levy rates of tax at January 1 no higher than the effective burdens imposed in 1971. Because of this guarantee, nine provinces have remained within the tax collection system and Quebec has stated its