

*Income Tax Act*

Canadian government and the provinces. Following that announcement we now have this legislation brought before us, which increases the abatement given to provinces over a period of two successive years. I am not quarreling with this at the moment, although it is a matter which could be debated one way or the other. However, I am wondering whether the committee has been constituted and what it will be doing in this connection.

Further, in view of the fact that the Carter commission has been working for a long time on the matter of taxation, and that the minister hopes it will be reporting before the end of the year, it is desirable to discuss what action should be taken in this direction at this time. It may be that neither the minister nor anyone else knows what the royal commission will recommend, but that commission may be making extensive recommendations vis-à-vis changes in the Income Tax Act. I would like the minister to speak for a moment or two on the situation respecting the committee which was announced by the Prime Minister.

Has the committee been constituted? Is it carrying on an investigation at the moment? What is expected to flow therefrom? Following the announcement regarding the setting up of this committee, why has this rather drastic action been taken of making a change in the middle of the golf course?

**Mr. Gordon:** I am not sure about the simile about making changes in the middle of the golf course.

**Mr. Baldwin:** In the bunker.

**Mr. Gordon:** I don't think anybody found themselves in a bunker or even lost their ball in the rough. As hon. members know, this proposal to increase the abatement to the provinces was made at the time agreement was reached upon a uniform Canada pension plan. At the time this announcement was made the so-called tax structure committee was proposed. I do not know if that is the name which will eventually be used for it, but it is the name that has been used so far. The committee has not yet been set up, although it is the intention of the government to go ahead with the idea.

The committee will include representatives of the provincial governments and of the federal government, and I mean representatives at the cabinet level. It will review the whole question of tax fields and the shares that are available to the federal and provincial governments respectively. I think my hon. friends will agree that this does not come within the terms of reference of the royal commission on taxation.

It was understood, when this tax structure committee was being discussed, that its

members, before they reached any final conclusions, would have the benefit of the reports of the royal commission on taxation, as well as the reports of certain provincial royal commissions on taxation, especially the ones in Ontario, Quebec and one of the prairie provinces.

Major changes that might be contemplated in the tax structure of the country will obviously be taken into account by the tax structure committee in trying to arrive at suitable divisions of responsibility, suitable divisions of tax fields as between the federal and provincial governments. In the meantime this proposal that is incorporated in clause 9 has been very well received by the provinces.

**Mr. Nowlan:** Naturally. Did you ever see anybody kick about getting money?

**Mr. Gordon:** I can only repeat that it seems to have been very well received not only by the provinces, but enthusiastically by hon. gentlemen opposite. I certainly did not notice any objection to this.

**Mr. Nowlan:** Was it as enthusiastically received by the Minister of Finance?

**Mr. Gordon:** I will let that question pass, Mr. Chairman. I have nothing more to say.

**Mr. Monteith:** As I understand it, the 21 per cent of the basic tax in respect of the 1965 tax year applies to the calendar year.

**Mr. Gordon:** That is right.

**Mr. Monteith:** I also understand this first increase from 19 per cent to 21 per cent is going to cost something like \$65 million, and the increase from 20 per cent to 24 per cent in the 1966 tax year is going to cost something like an additional \$135 million, so that in round figures by the 1966 tax year the provinces will be receiving something like an extra \$200 million. Can the minister give us any breakdown as to how this will affect the government's fiscal period? In other words, what is going to be the extra amounts for the years ending March 31, 1965 and March 31, 1966? How much additional money will have to be raised in taxes, or by how much will this increase the deficit?

**Mr. Gordon:** This year's figures, for the year ending March 31, 1965, will be affected by approximately \$6 million because while it is \$60 million to \$65 million for a full 12 months, the dates when the collections are received make a big difference as to the amount which will fall into this calendar year. The calendar year 1965-66 will be affected, as closely as can be estimated, by about \$68 million and the calendar year 1966-67—and here the calculation becomes