

Income Tax Act

no takers and I would have done something less valuable than that.

An hon. Member: Too bad.

Mr. Chrétien: I wanted to explain that point.

We are having problems at this moment, I do not deny it. We are trying to be fair. We do not want to penalize the taxpayers in Quebec because Mr. Parizeau wants a confrontation with me. It is not I who wants a confrontation with him. I said, and I repeat, that if he had said "I will go along with the other provinces", I would have praised him because he had been able to look at the national economy and the Quebec economy as a man who could look at problems as a minister of finance should look at them, in a non-partisan way.

● (1702)

Let us talk about the facts. I am talking about what happened. I am not surprised that the National Assembly does not like my proposition. What I am surprised at is that the opposition, even in the Quebec Assembly, make no suggestions as to how to solve this question. They just blame the government. At no point since the beginning of this debate have we received any suggestion on how to resolve this.

The Quebec government just want me to send them a cheque. The Prime Minister (Mr. Trudeau) explained that very carefully today. The reason Quebec will have to raise their taxes is because they collect their own taxes. It is as simple as that. We made room in Ontario and in the other provinces. On the same day as my budget, or the day after, they introduced an increase in their income tax equal to my decrease in income tax. That is exactly what happened.

I was amazed to hear the Leader of the New Democratic Party talk about the budget of October. It is not that. If he will read the bill, he will understand. They have raised their taxes. Now that I have made room in Quebec, they can tax their own taxpayers.

[*Translation*]

All Quebec premiers have said it was essential for Quebec to raise its own taxes. Yet, in this case, I collect for the other provinces the income tax they increased since my budget. In fact, it is the federal government that collects it for them. As concerns the province of Quebec, the only way to transfer funds exactly as for the other provinces, is to leave some tax room.

If the Quebec government wants to raise taxes, let it do it! Since 1954, they have been asking to raise their own taxes, and I made it easier for them through this tax cut. Obviously, the taxpayers will think that this tax cut is due to the generosity of the federal government. We are generous, but not any more than we are towards the other provinces.

The only difference is that in the other provinces, as the finance ministers wanted to share with the Canadian government the economic and political credit for the sales tax cuts, no mention was made either in the debates or in the press that

[Mr. Chrétien.]

we had actually reduced our taxes while they had increased theirs. In the province of Quebec, every taxpayer gets an \$85 tax cut, which is the amount of the difference.

If the Quebec government wants to negotiate with me, I am waiting for their proposals. I cannot send them a cheque directly, as I do not do that for the other provinces. It is easy to understand. Each time I send a cheque, I consider it as an expense. To avoid any increase in government spending, since everybody complains about the level of spending, we decided to leave some tax room in Ontario, Manitoba, Saskatchewan, British Columbia and the maritimes. It is as simple as that. We do the same thing for the province of Quebec. But as they do not agree about tax collection in Quebec, they choose not to collect the taxes we cut. They would like me to send them the money directly. In so doing, I would increase my expenditures and the members of the opposition who are asking me to do this are those who complain about our spending. If I leave some tax room, I do not spend anything, I just reduce my revenue.

[*English*]

The tax is very important. If I had decided just to pay by cheque, the increase in the expenditures of the federal government would have been more than \$800 million. Everyone would have said that the Minister of Finance is increasing his expenditures, while in fact it would have just been a matter of transferring cash to the provinces to reduce their taxes.

In order to be imaginative and to do what I wanted to do without creating the false impression that we are spending money—and the ministers of finance agreed with me—I said we would reduce our taxes and they could increase their taxes. As we are collecting taxes, nobody has noticed what is happening. The federal tax in Ontario and elsewhere has been reduced by \$100. The legislatures of Ontario, Manitoba, Saskatchewan, British Columbia and the maritimes have introduced legislation increasing their income tax accordingly. However, as we collected it, nobody noticed.

We do not have an agreement with Quebec to collect their taxes. I offered that at the time of the negotiations, but we never came to an agreement with Mr. Parizeau. He did not respond before the budget. Then after the budget he said, and has been saying since that time, "Send me a cheque". That is the only proposition he has made. I told him that we have to be fair to everybody. We have to make tax rules for Quebec like everywhere else. Because the system is different in terms of collections, he does not want us to have credit for reducing our income tax in Quebec. He wants to take the credit for what he will do if he raises the taxes we have vacated.

There was no problem in the other provinces. I did not take credit for cutting taxes in my budget because the provinces were generous enough to let me share in the benefit of cutting sales tax. Nobody else talked about the income tax mechanism. The problem is that the mechanism does not exist in the same way in Quebec.

I cannot understand the Quebec government not wanting to raise their taxes to collect the amount I am vacating. In 1954