

only point that is abundantly clear is that this is a very complex subject. I remember when I was studying the Bankruptcy Act during my law course my professor said, "The more often you read some sections of this act the less you are apt to understand their meaning." This, I think, is applicable to the sections of the bill before us, and probably to the sections of many of our other taxing laws. Because it is so complex I trust I may be allowed, in the hope of making my remarks a little clearer on the record, to continue them in French.

*(Translation):*

The field of fiscal relations between Ottawa and the provinces rests on the British North America Act which, under section 91, gives the federal Government, the federal Parliament, the right to collect money through any method or system of taxation, and the provincial legislatures, the right to direct taxation within the limits of the province in order to raise revenues for provincial purposes.

Those provisions with which we have been experimenting for nearly 100 years have gone through four periods. The first, which was free of conflict and lasted until the First World War, shows that the federal Government abstained from levying direct taxes; it was satisfied with getting its revenue from indirect taxes, and during that same period, the provinces balanced their budgets almost exclusively with revenue from their natural resources. Indeed, it was only at the end of the 19th century, that is around 1898 or so, that the provinces started levying one of the major taxes which Senator Hayden called standard taxes, namely estate taxes. But until the war, that was the only major tax levied by the provinces. Income tax was still unknown.

I will set the other period in 1914, instead of 1917, when the federal Government levied a personal income tax while apologizing for doing so. It must be remembered that at that time if it was not an interpretation of sections 91 (3) and 92 (2) which I mentioned a little earlier; it was at least a kind of tacit agreement that the federal Government would not enter the field of direct taxation. In any case, that personal income tax, which was called wartime tax, became a permanent tax. Of course it is today one of the main sources of revenue for the federal Government as well as the provinces.

The third period is that which we knew during the last war. The tremendous effort the

country had to make at that time justified the step taken by the central government in taking over the whole field of direct taxation, of the main taxes; the personal income tax, the corporate income tax and the succession duties. At that time, the federal Government, because of the war, wanted the provinces to withdraw definitely from this field of the three major taxes and it is then that the tax rental agreements took place. Those agreements were continued after the war, and that is why I am right in suggesting that after 1945 the Government wanted to force the provinces to fully withdraw from the field of the three major taxes.

It so happened, and it was the beginning of the fourth period which is still with us today, that the Province of Quebec, in particular, followed by Ontario and subsequently by other provinces, opposed that firm policy of the federal Government to get the provinces to withdraw from these three major fields in return for compensatory payments. We have witnessed during this fourth period a partial retreat of the federal government and the establishment of a coexistence system between federal and provincial taxations in the field of personal income tax, corporate income tax and estate duties. However, at the same time while the federal Government was granting subsidies to provinces and was taking away from the provincial governments the responsibility of assessing and collecting taxes, it happened, as Senator Hayden mentioned a while ago, that each time the provinces needed additional income they appealed to Ottawa.

I have already mentioned on a previous occasion that the 1961 act was nevertheless a landmark by handing over their responsibilities to legislatures in fiscal matters with regard to the three main taxes, because that act put an end to rental agreements. It allowed the abatement of the federal tax in favour of the provincial tax. But it also enabled the provinces to set the rate of the provincial tax.

Therefore, we are in the midst of that period. Yet, for reasons that are not always very consistent, the provinces still tried to make both ends meet by means of adjustments or grants obtained from the central government. As I said earlier, these last few years federal-provincial conferences have been typical in that threats and ultimatums were made along these lines: "If you do not settle our fiscal problems, if you compel us to