

Hon. Mr. McCutcheon: I am not quarrelling with it, but I think what has confused the general public is that they make out their cheques to the Receiver General of Canada.

Hon. Mr. Hayden: I am not sure that that in itself confuses the public inasmuch as they pay their taxes calculated on the going federal rate, and then the arithmetic is done further down. If that is a source of confusion, then you have to weigh the two evils. You have to weigh the possible confusion that results, with the significant saving in administrative costs. The saving in administrative costs by having one collection agency is very substantial.

May I then tell you about the change in equalization? Let me illustrate it in this way: In 1956 when the tax-sharing arrangements act came into force a formula was worked out for equalization. The per capita income from standard taxes in a province was equalized to the average of the per capita income from standard taxes of the two top earning provinces in Canada. In 1961 when the revisions in the act took place, we were coming into another five-year period—these arrangements seem to run for five years—and several changes were made in the formula for this equalization. One change was that instead of having the per capita income from standard taxes of a province equal to such per capita from the two top earning provinces, the per capita income from standard taxes of a province was to equal the national average of income from standard taxes of all provinces instead of the average of the two top earning provinces.

There were actually three changes made in 1961. The second was that for the first time there was brought into this calculation what is called the natural resources revenue. In the 1961 formula it was provided that, when attempting to arrive at the difference between the per capita standard tax income of a province in relation to the national average, you must add to these standard taxes of the province the amount of one-half of the average of the natural resources revenue of that province over the three preceding fiscal years. You then got your per capita on that basis by dividing by the population. Then, to get your national average you took the income from standard taxes of all provinces in Canada and you added to that an amount equal to one-half of the three preceding fiscal years of the natural resources income of all Canada, and divided by the population.

One thing I have to add there is that instead of taking the total natural resources revenue of the province and the total natural resources revenue of all Canada, you take one-half the total, but you add it to both sides

of the calculation—to the figure of income from standard taxes for the province and to such figure for all Canada. The problem then in determining the equalization payment was that it had to be such an amount as would cover the difference between the per capita on a national average basis and the per capita of the particular province. That amount of excess was the equalization payment which was made to the different provinces.

Now, there are three provinces in Canada which have not benefited from equalization. They are British Columbia, Alberta and Ontario. There has been some question raised as to why the gross figure of natural resources revenue is used in the calculation, because there are costs. In answer to that I point out that the figure you use is one-half the natural resources revenue, and by taking only one-half it was felt that there is compensation for all these other factors of offsets.

That was the picture in 1961. Under this bill there is a change in that aspect. The change is, that in attempting to arrive at the per capita of the standard taxes income in a province you take that amount—that is, the whole amount of income from standard taxes for a province—and subtract from such income one-half of the natural resources revenue of that province on an average basis calculated over the three previous fiscal years. That is the only place where natural resources income comes into the formula under this bill.

In other words, in 1961 the natural resources income of all the provinces—as an average—calculated over the three fiscal years preceding the fiscal year you are dealing with came into the calculation on both sides. It was a plus. But, under this bill it comes in on one side only as a deduction from what would otherwise be the income from the standard taxes attributable to that province.

Maybe I should say what standard taxes are. Standard taxes are defined as including individual income tax, corporation income tax and estate tax. When I am talking about standard taxes I mean those three items of tax, and the abatement that goes to the province on those.

Hon. Mr. Paterson: What is a natural resources tax?

Hon. Mr. Hayden: It is not a natural resources tax; it is natural resources revenue, and it is so described. That is the revenue which a province has from the operation or sale, or whatever it does with its natural resources. I have not examined it myself to check it, but I am told that the provinces, in their balance sheets or statements, describe whatever they receive from their dealing,