

CHAPTER 7

Co-ordination with the Provinces

The White Paper at 7.1 states: "A major concern of the government in the program of tax reform will be to maintain the high degree of co-ordination which has been achieved in recent decades between the federal and provincial income tax systems."

This Committee fully shares this view, and this concern has been a major factor in the shaping of the Committee's recommendations on a number of the White Paper proposals.

As indicated in the introduction the Committee either formally or informally has received the views of all but two provinces—British Columbia and Prince Edward Island. These views reflect for the most part what the Committee has found to be the general view of many Canadians from whom it has heard, namely that at this stage of Canada's development economic growth is regarded as having a higher priority than the degree of equity sought in the White Paper. The succinct phrase "too far, too fast" perhaps best sums up the tenor of the views of most of the provincial governments on the White Paper proposals as a whole, in particular on taxing capital gains.

The Committee believes its recommendations reflect to a large degree the views of most of the provinces and that their adoption would pave the way for the acceptance of tax reform by the provinces and continued co-ordination of federal and provincial tax systems.

Such continued co-ordination the Committee regards as a paramount objective of Canada's tax policy. Without it, Canada could quickly return to the tax jungle of the 1930's in which the loss of equity and the adverse economic impact might make meaningless the White Paper's objectives of reform.

The Committee's recommendations together with the proposals concerning taxation of the Canadian mining industry made by the Minister of Finance in his letter of August 26 to provincial Finance Ministers and Treasurers, should, the Committee believes, produce a firm basis for federal-provincial discussions and agreement on the subject of tax reform.

The additional provincial abatements proposed by the Minister of Finance for the income of mining companies is, we believe, a sound proposal directed