

AFTER RECESS

Mr. Fleming (Eglinton): It is, Mr. Chairman.

Mr. Pickersgill: It is not.

Mr. Fleming (Eglinton): They did not indicate opposition to the new system at all. They were quite prepared to accept the responsibility for the new system, but they did express the hope that the federal government would collect their taxes for them because they have not the tax collecting machinery—

Mr. Pickersgill: Would the minister mind answering my question? My question is this. Did the premier of any of the eight provinces that now have tax rental systems ask the federal government to drop that option?

Mr. Fleming (Eglinton): I do not recall that any of them asked us to do so—

Mr. Pickersgill: In fact most of them asked you to keep it.

Mr. Fleming (Eglinton):—but several urged the continuation of the tax rental system. There is no secret about that. They wanted the federal government to go on taking the responsibility of levying and collecting these taxes and sharing the proceeds with the provinces, for very obvious reasons. Some had grown accustomed to a system under which they had not taken the responsibility before their own electors and provincial taxpayers of levying and collecting taxes. Under that system when they found that what they were receiving was not adequate, what did they do? They came to Ottawa and pleaded for more money, blaming the federal government if more money was not forthcoming. That is not a constitutional position.

Mr. Pickersgill: This has nothing to do with the constitution.

Mr. Fleming (Eglinton): The new system will restore the constitution and place responsibility where the constitution puts it, namely on the shoulders of the federal government with respect to federal levies and on the shoulders of the legislatures of the provinces with respect to provincial levies.

Mr. Pickersgill: Rubbish.

Mr. Fleming (Eglinton): The argument about the return to the tax jungle was also advanced, but I see that it is one o'clock and therefore I shall have to reserve my comments in this respect until we resume.

Mr. Martin (Essex East): The minister is in the jungle.

At one o'clock the committee took recess.

The committee resumed at 2.30 p.m.

Mr. Fleming (Eglinton): This morning the hon. member for Laurier referred to the expression "tax jungle".

Mr. Chevrier: So did the premiers.

Mr. Fleming (Eglinton): As a matter of fact, the hon. member went further and said that this subject had been referred to in those words by many persons at the conference.

Mr. Chevrier: By several premiers.

Mr. Fleming (Eglinton): His expression was "by many persons"; I made a note of it at the time. It was not referred to by many persons; it was referred to by one or two premiers. This is a subject in which the premier of Saskatchewan has shown some special interest. Whatever may be said about the condition of tax collection in this country in the 1930's, whatever may then have been the differences in tax rates applied by different provinces in the field of income tax, it is a fantastic inaccuracy to talk about a return to the tax jungle and associate that lurid expression with a measure of this kind.

This bill has two important provisions. In the first place it offers to the provinces the services and the facilities of the federal government in collecting their taxes. The only requisite in this respect is that the definition of income under provincial legislation should be the same as that contained in the federal legislation. It would be quite unreasonable to expect the federal government to undertake this service, particularly as it is being offered gratis, if the provinces were to create a diversity of definitions of income. This is a very necessary condition; but, subject to that one condition, the provinces are at liberty to impose whatever rates they choose with respect to the personal income tax and the corporation tax, and the federal government will collect their taxes for them and will do so without any charge whatever.

It is a substantial undertaking on the part of the federal government to assume the cost of collection. This will mean a service costing some millions of dollars offered by the federal government to the provinces. It is not necessary that the provinces confine their tax rates to the extent to which the federal government is withdrawing from the income tax field. That is not necessary; the federal government will provide the tax collection machinery and service regardless of the rate established by the province, provided the definition of income is the same.