

changes because they apply to 1947. They are in no sense postponed changes but simply changes for which legislation affecting the coming year is necessary for good and sufficient reasons. I do not recall that the Minister of Finance has ever made any statement which implied directly or indirectly that there would be a further reduction in 1946 over and above the sixteen per cent reduction now in effect. This cut of sixteen per cent is on a level with reductions made in some English-speaking countries for 1946 and is higher than in others. Further, it is now anticipated that without tax reductions in 1946 we shall still have a gap between our revenue and our expenditure of \$300 million. While this is encouraging in comparison with the deficits of earlier years, it still represents a substantial gap, and it would be, in my opinion, unwise to make that gap larger and live on borrowed money when our incomes are high and we can better afford to meet our current expenses out of our current income than we may be able to at a later day. Finally, our obligations to make reductions in the personal income tax for the year 1947 under the existing dominion-provincial agreements have been overlooked in assessing the personal income tax changes. These agreements call for reductions applying to the year 1947, and the dominion would certainly have been giving hostages to fortune, even if financial conditions had warranted a reduction in 1946, to make a reduction in that year in the expectation that the provinces would accept this reduction as fulfilling the terms of the agreements.

I wish to deal now with the effect of the proposal regarding succession duties made in connection with the offer to the provinces. The impression created by editorials and statements appearing in the press is that the dominion has doubled the rate of succession duties that will apply on estates in 1947. How such a gross misstatement of the facts could have been seriously advanced is beyond my comprehension. The dominion's proposal was simply that the rates of duty under the dominion act would be doubled and that any duty paid to a province would be offset against the dominion duty up to one-half the amount of the increased dominion duty. Since existing provincial duties are now generally as high as or higher than one-half the increased dominion duty, in general there will be no increase in total duty under the change.

A simple illustration will show the truth of this statement. Take the case of an estate of \$50,000 left to a widow in the province of Quebec. At the present time the Quebec duty on this estate is \$2,000, and

the dominion duty, \$1,470, giving a total duty of \$3,470. Now assume that the dominion duty is doubled, which would increase the \$1,470 to \$2,940. Under the proposal the provincial duty will offset half of the new dominion duty, so that the new duty will be \$2,000 paid to the province plus \$1,470 payable to the dominion—that is, half of \$2,940—or a total of \$3,470, the same as the present duty.

Let me take another example. Assume an estate of \$2,000,000 left to a widow in Ontario. The present provincial duty is \$494,500, and the present dominion duty, \$451,440, giving a total of \$945,940. The dominion duty doubled would be \$902,880, which, reduced by half for the credit for the provincial tax, would leave a net dominion duty of \$451,440, which along with the provincial duty would give a total of \$945,940, or exactly the same total duty as the estate now pays.

I think these illustrations show clearly enough that, in general, succession duty rates in Canada will not be increased by the dominion's proposal. This will be true in any province where the provincial rates are as high as or higher than the present dominion rates, which is generally true of all provinces with the exception of Manitoba and British Columbia. There may also be individual cases where the dominion taxes a succession which the province does not tax or possibly taxes a succession in a manner different from the provincial practice where the duty under the dominion's proposal might be increased. In these cases, however, the increase would normally be relatively small in amount, and would not affect the general statement that the level of succession duties in Canada has not been raised.

Further proof of this may be shown by the fact that the revenue from provincial succession duties in Canada has averaged around \$25,000,000 in recent years compared with revenue of about \$21,500,000 from dominion succession duties in the last fiscal year. It is obvious that provincial succession duties are high enough in general to absorb the credit against the dominion duty, and that the dominion duty remaining payable will be the same as under the present rates.

So much for the arithmetic of the proposal. Its purpose, of course, is to provide a way by which any province, whether it enters into an agreement with the dominion or not, can remain in the succession duties field or withdraw from it as it may choose. If a province remains, the credit against the dominion duty is allowed for provincial taxes. If, on the other hand, a province withdraws its duty, then the new increased dominion duty replaces