

25 per cent of the tax is collected on estates in British Columbia by the federal authority, and that province collects its own 75 per cent. In Ontario and Quebec, so far as this extra 25 per cent is concerned, these provinces have asked that the matter be let stand for the time being, and that the federal authority retain for the provinces the extra 25 per cent. Both of these provinces have tax commissions studying the question, and until these commissions have reported and consideration has been given to what kind of legislation the provinces wish to introduce, they want the matter to stand as it is. In the meantime the 25 per cent represents an actual cost to the federal authority which it pays to Ontario and Quebec, but the 50 per cent is an abatement which involves the payment of no money.

The other provinces which do not have succession duty acts have the federal authority collect the 100 per cent of the estate tax in relation to estates in those provinces. It then remits 75 per cent—it was originally 50 per cent—to the province.

I have been trying to make a distinction which will become important later. The difference between abatement of tax and the payment of money as a cost or as a contribution to the provinces is important, because the proposition I want to put to you is that where the federal authority abates there is no money paid to the province. It simply abates an amount of the tax otherwise payable by the individual, and then it is open to the province to impose a tax up to or in excess of the amount of that abatement. In two of the provinces of Canada at the present time you have rates of individual income tax greater than the federal rate of abatement.

Hon. Mr. Hugessen: Succession duties?

Hon. Mr. Hayden: I am talking about income tax now. In two of the provinces of Canada—Manitoba and Saskatchewan—you have a rate of abatement for individual income tax, on a percentage basis, in excess of the abatement that is provided under the Income Tax Act.

My purpose in pointing this out at this time is to draw attention to the fact that you cannot look upon the abatement of tax as involving the federal authority in having to find or raise money to pay to the provinces the amount of the abatement. Therefore, it becomes necessary for the provincial authority to impose tax if it wishes to get such income tax revenue from individuals. This is going along the line I have counselled and advocated many times in this chamber, that the spending authority should be the taxing authority.

There is one additional proposition that I wish to make, and I know of no better time

for doing it than now. It is that I think this matter of abatement should be done away with, and the federal rates of tax should be reduced accordingly so that you would have a realistic federal rate. It would then be up to the provinces to impose, in the case of individual income tax or, as a matter of fact, in the case of corporate income tax, its rate to meet its needs. The taxing authorities in the provinces would not then have the federal authority running interference so as to disguise the full impact of the taxation its residents are paying and the identity of its authors.

When you file a federal income tax return your tax is calculated at the higher rate, and on the form there is provision for, say in 1965, a 21 per cent abatement; so you get a lower figure of tax payable. Then you go down to the next line and you see that you have to add back at least that amount for provincial income tax. What I say is that the proper, realistic and most effective way, so that the taxpaying public in the provinces know exactly what they are being assessed and who is assessing them, is to have the federal rate a realistic effective rate representing the amount of money that the federal authority levies and keeps, and the provincial authorities should do their own taxing. I think that would have a very salutary effect, and would be somewhat of a check rein on every expenditure, or on expenditures beyond what the particular province can really afford at the time.

Hon. Mr. Crerar: When the federal Government gives an abatement on a tax it relinquishes the right to collect that amount in favour of the province. Am I correct in that?

Hon. Mr. Hayden: The rate of abatement is provided for in the taxing statute. Suppose you have an income of \$1,000, and under the statute the rate is 14 per cent. The rate of abatement is a calculation which reduces the amount you owe the federal Government by 21 per cent and, therefore, if you stop there all you would have to pay the federal Government would be its rate of tax on your taxable income, with the percentage of abatement reflected, and you would pay the net amount resulting from that calculation.

Hon. Mr. McCutcheon: In fact, you pay it to the federal collector.

Hon. Mr. Hayden: In fact, that is such common knowledge I thought I would not take up the time to tell you about it. However, as my honourable friend has interjected, I will say that of course the federal agency is the collecting agency for the provinces, but that is a matter of convenience for the provinces, and I think the economics might be very sound too.