

*Income Tax Act*

**Mr. Gordon:** If you will let me finish—the benefits of which will be the same across the country, which will be fully portable throughout the country and which, following agreement upon a constitutional amendment, will provide for survivor benefits.

I also think that the other agreements reached at the same time, including the decision to increase the tax abatements provided for in this clause for the years 1965 and 1966, met with general approval across Canada. On the second question—

**Mr. Martineau:** Before the minister goes on to the second question, may I ask him a supplementary question? Did the agreement on pensions hinge on agreement in regard to greater tax abatements in the income tax field?

**Mr. Gordon:** As I have said, these were the important matters that were discussed at the conference. Subsequently agreement was reached on both of them. I cannot go further than that. We succeeded in arriving at a solution which solved both of these problems at least to a very large degree.

Second, my hon. friend asked me whether the reduction in federal revenues that will follow these changes will result in the federal government either retiring from certain present programs and reducing its expenditures to that extent or, failing that, what the effect on the government's revenues and budgetary position will be. I am not in a position to indicate the budgetary position for the year 1965-66 or for the year 1966-67 at this time. When decisions of this importance, which are obviously decisions of government policy, have been arrived at, they will be announced in the house in the ordinary way.

**Mr. Martineau:** Mr. Chairman, it is all very well for the minister to say that decisions on these matters of policy will be announced in due course, but we are now studying a specific amendment to the Income Tax Act and we want to know the motives for the change. The minister says the motives will be announced in due course. I know he cannot discuss his budgetary dispositions for future years, but at this stage he certainly can discuss the policy of the government if it pertains to the particular clause we are studying. I think the minister should give us an answer.

**Mr. Gordon:** There is nothing further I can add. The proposal in this clause is to make certain additional abatements in the personal income taxes available to the provinces. The amount of these abatements I have estimated and have supplied to the committee. As I see it, that is the only question before the committee in discussing this particular

clause. If it is the wish of the committee to approve the proposals of the government in this respect, that is one thing; if it is the wish of the committee to oppose them, that is another.

**Mr. Martineau:** That is arrogance.

**Mr. Gordon:** But I suggest it would be quite impossible for any minister of finance in introducing amendments, even important amendments, to the Income Tax Act to go on and give an indication of how the budgetary problems of next year or the year after will be dealt with. Quite obviously no one can estimate what the total expenditures and revenues will be, beginning a year from now, until there has been an assessment of the condition of the country and the prospects for the immediate future. That cannot be done very accurately a year or two years ahead of time.

Second, when these estimates have been prepared the government, as a matter of policy, will be confronted with three choices. The first one was referred to by the Prime Minister when he first announced these proposed changes. He pointed out that if the federal government makes certain additional tax fields available to the provinces, and if the federal government's revenues are reduced by a proportionate amount, then the government will have to consider when the time comes to prepare the next budget whether it will, in the interests of the country impose more taxes and obtain in this way some other source of revenue.

The second choice, and one that I can assure my hon. friends the government is engaged upon now, is another review of all government expenditures and all the various programs that are under way to ascertain if there are any items of expenditure that can be eliminated or reduced without damaging either the Canadian economy or the welfare of the Canadian people.

The third choice, obviously, is to consider, in the light of the fact that additional revenues are being made available to the provinces and therefore that their deficits would be reduced below what they otherwise would be, whether in these circumstances a higher federal deficit may be justified. This is something no one can tell until the economic conditions a year from now are known. I cannot, therefore, answer my hon. friend's question any more specifically.

**Mr. Martineau:** I thank the minister for making this additional effort. He certainly has proven he could have gone farther than he did at the outset. I am thankful for the statement because it does give some indication of the problems that are involved in this change in the rate of federal abatement.