

*Equalization Payments to Provinces*

Fourth, they should give to the federal government sufficient fiscal power to discharge its economic and monetary responsibilities, as well as to pay its bills. In particular, they should retain for the federal government a sufficient part of the income tax field in all provinces—both personal and corporate—to enable it to use variations in the weight and form of that tax for economic purposes and to achieve a reasonable degree of equity in the incidence of taxation across Canada.

Fifth, they should lead to uniform inter-governmental arrangements and the uniform application of federal laws in all provinces.

Sixth, the fiscal arrangements should seek to provide machinery for harmonizing the policies and the priorities of the federal and provincial governments.

These principles underlie the proposals contained in the legislation which the resolution now under consideration seeks permission to introduce. Before proceeding to a discussion of the terms of the resolution, I would like to review very briefly the major fiscal proposals put forward by the federal government at the federal-provincial conference of last October.

• (9:40 p.m.)

On tax sharing or, more accurately, the use of tax fields by the federal, provincial and municipal governments, we maintained that so long as provincial governments had access to sufficient tax fields and so long as provincial revenues were equalized fairly, the provinces should impose their own taxes to finance their own programs. Only when parliament was prepared to acknowledge the exceptional priority of some provincial programs of expenditures should the federal government recommend that taxes should be imposed or federal expenditures reduced for the purpose of financing a federal contribution toward provincial expenditures. Since the priority of expenditures for higher education is now well recognized the federal government undertook to ask parliament to abate or reduce the federal income by four additional percentage points of personal income tax and one additional percentage point of corporate profits. This would enable the provincial governments to take up the extra tax room by making corresponding increases in their income taxes to help meet the rising costs of higher education.

An amendment to the Income Tax Act authorizing these tax abatements is now before the house. Thus the general abatement of the

federal individual income tax will be increased from 24 to 28 percentage points and the abatement of the federal corporation income tax will be increased from 9 to 10 per cent of corporate profits.

**Mr. Douglas:** I do not like to interrupt the minister, but at some point will he tell us what the net gain or loss will be to the provinces by virtue of the government's discontinuing these payments to the universities? What is the net figure that the government has been paying out, and what will the abatement mean to the provinces with respect to higher education? If the minister has not that information now, perhaps he could give it to the committee at some later time?

**Mr. Sharp:** I do not think that in my relatively short presentation on this occasion I can give this information. I shall be happy to let the hon. member have it when the bill is before us.

The federal offer to the provinces to help them finance the rising costs of post-secondary education goes beyond this tax transfer. It includes equalization payments associated with the revenue derived from these additional tax points, together with special adjustment payments to each province which will bring the total value of the fiscal transfer to \$15 per capita or 50 per cent of post-secondary education operating expenditures. My colleague, the Secretary of State, will speak to this aspect of the proposed fiscal arrangements with the provinces.

As to the equalization of provincial revenues, a central feature of federal-provincial fiscal arrangements since 1956, a fundamental reform was proposed. The plan put to the provinces—and which is provided for in the bill to be introduced upon the passage of this resolution—is designed to ensure that all provinces, regardless of their fiscal circumstances, will be able through a redistribution of Canada's wealth to provide their citizens a reasonably comparable level of basic services without having to resort to unduly burdensome levels of taxation. Instead of selecting certain taxes at given or standard rates and equalizing their yield to the level of the top two provinces, the proposed formula will take into account all provincial revenues, at average provincial rates, and will bring the revenue yield in all provinces up to the national average yield. Thus any province in which average provincial tax rates would yield less revenue per capita than the yield of provincial tax rates in Canada as a whole will be

[Mr. Sharp.]