

*Income Tax*

**Mr. Benjamin:** Let us go into a little more of this. The arrangements were understood by the men who sat around the table and took one another's word for things. Out west a man is as good as his word, though I am ashamed to say that there are a few from the west who are not as good as their word. The Minister of Finance quoted the Prime Minister's letter to the premier of Saskatchewan on this whole subject, and I too quote:

I must make clear that any action that you may decide to take in respect of royalties has to be regarded as being without prejudice to our freedom of action as regards to federal taxation.

I presume the Minister of Justice was party to that. The Minister of Finance says that the Prime Minister said that that was serving warning; that those provinces were forewarned. The Prime Minister went on to say that he felt that this was a clear warning that the federal government was considering changes in the long standing treatment of provincial royalties and whether they would be deductible.

In his words, when the Prime Minister spoke, the warning was about as clear as he could make it. Well, the premier of Saskatchewan did not think it was all that clear. He thought it was far from clear. He addressed a letter to the Prime Minister on March 22, 1974, a copy of which he insisted the Prime Minister table in this House, a request the Prime Minister conveniently neglected to refer to in his diatribe of last November. The Premier of Saskatchewan in that letter put it to the Prime Minister point blank:

Do you have in mind not allowing provincial royalties as deductions from taxable income?

The Prime Minister did not reply in writing, nor did he give any indication verbally that he intended to take the unprecedented action of disallowing the royalties as an expense. If he wished a warning to be as clear as he could make it, it would have been simple for him to answer the premier of Saskatchewan's question with a direct yes or perhaps, "We reserve the right to do so." But this was not done. Mr. Blakeney did not know that. Mr. Blakeney did not understand that.

**Mr. Lang:** He did, and his letter proves it.

**Mr. Benjamin:** Mr. Blakeney asked the Prime Minister. The Prime Minister has yet to answer that.

I am reading and presenting material which both the Prime Minister and the Minister of Finance conveniently forgot to include in their speeches.

When Saskatchewan went to the meeting of March 27 and bargained long and loud, there were many issues, and the premier left the meeting of March 27 with the clear understanding that the price of oil was to be \$6.50, that all proceeds over \$6.50 would go to the federal government through the export tax, and that the amount up to \$6.50 was to be divided between producers and the provinces, subject to the normal federal income tax provisions. To use the premier of Saskatchewan's own words in the Saskatchewan legislature, "I did not understand that the federal government proposed to attempt to get a part of the \$6.50 by taxing royalties." The premier of Saskatchewan also said, "If I understand Premier Lougheed's letter of November 22nd to the Prime Minister, he did not understand it either".

[Mr. Nystrom.]

The Minister of Justice, the Minister of Finance and the Prime Minister may feel that one premier's not understanding is understandable, but are they trying to suggest that there are two premiers under a misapprehension? This is why I suggest to those premiers that the next time they meet with these birds they keep their backs to the walls, their guns loose in their holsters, and get it down in writing.

The Minister of Finance talks about an equitable sharing between the federal and the provincial governments and the oil industry. What is the Minister of Finance trying to give us? What is he talking about? He does not even know what he is talking about. I will give you a "before and after" the federal budget.

● (2040)

The \$11.28 per barrel of oil is the international price, and out of that the federal government takes \$6.75 in income tax and export tax. This is slightly over 59 per cent. Then the province of Saskatchewan will take 36.4 per cent or \$4.10 out of that international price, and the industry, before the budget, would have got 5 per cent. After the budget, however, it gets 4.9 per cent. Who took what from whom? Who is doing what to whom?

The Minister of Finance talks about fair sharing between the federal government, the provincial governments and the industry. It is sophistry. It is chicanery. It is all part and parcel of that gathering up in the hands of the federal authority of the ability to tax far beyond any right in law, or any constitutional or moral right.

I am sure no hon. member would expect me to make a speech sympathetic to the oil industry. Had it not been for the province of Saskatchewan moving into a vacuum which the federal government refused to move into, had it not been for the government of Saskatchewan saying that the industry was not going to get all those windfall dollars, then the oil industry would have been raking off those windfall dollars.

The budget said that if a company develops its mineral resource—in Saskatchewan, for example, oil or potash—and it pays a royalty to the provincial government, then when it pays its corporation income tax it cannot deduct the royalty as a business expense. Any accountant, Mr. Speaker, would call a royalty a proper business expense. Any economist would call a royalty a proper business expense. Royalties have been allowed as a proper business expense since companies began paying corporation taxes.

Under this budget if a royalty is paid to a private mineral owner like the CPR or the Hudson Bay Company, it will be allowed as a business expense. If a royalty is paid to someone in Montana or Texas, it will be allowed as a proper business expense. But if a royalty is paid to the people of Saskatchewan, it will not be allowed as a proper business expense.

That is the same thing as telling a farmer who rents land that he cannot deduct his rental payment from his income tax. It is the same as telling a farmer when he is totalling up his taxable income that he cannot deduct municipal taxes as an expense. And the Minister of Justice tells us he is going to protect us all from the likes of the Minister of Finance and the Prime Minister!