

Income Tax Act

trying to agree on a joint program with the provinces, Quebec decided to go ahead with their own scheme after I had brought down my budget and before they introduced their own. They chose to reduce unilaterally their sales tax, just as Ontario had done some two years ago. The Ontario government had acted unilaterally when they had reduced their sales tax on cars from 6 per cent to 0 per cent. They did not ask the federal government to compensate for that, for they had acted in their own best interests, without ever taking into account the economic interests of the nation; they did not therefore seek any compensation from the national government. Since we were left with \$186 million, I funnelled them into Quebec's economy as fast as I can. And if Mr. Parizeau wants to recoup them, I made fiscal room, as I had done in January last when implementing the \$100 income tax cut. If they want to fill that room let them do so. They will do it now. If the hon. member wants to avoid a lot of problems, if he wants to put an end now to all this fuss, here is the answer: I cut my own tax. If Mr. Parizeau feels he must go and get it, let him do so next month, or next week, and that is the end of the debate. I cannot see why people are concerned with the 1977 or 1978 issue. In both cases it was a personal income tax cut, and the alternative would have been a collecting agreement.

I must tell the hon. member, when I made that proposal during the negotiations that the Quebec government in that area only reacted like offended virgins. "Mr. Chrétien, how dare you propose such a thing? There is no way that we Quebecers will ask the Canadian government to collect our taxes." But now they are stuck, and all of a sudden no mention is made of autonomy and so forth. After trying for two months to get into my hair. Well, that is that. We made a decision, we made fiscal room as the hon. member is requesting it, and if the Quebec government want to step in, let them do so. That is their privilege, indeed it is their duty if they feel that it is needed. The fact is that we will have vacated a \$186 million tax field, and this is not a payment to taxpayers as intended in the proposals because we are not vacating a tax field. We made a proposal which Quebec felt was unacceptable, and \$186 million were left on the table so we are now giving that money back to the Quebec taxpayers. Things are not as they were, we wanted to act as soon as possible. So my feeling is there is no basic disagreement between the hon. member's proposal and mine. He wants this to be done next spring, and I said that we shall do it now so that we do not hear any more about it.

Mr. Joyal: One of the reasons he would make direct payment was that there were no estimates for interest on the loss of revenue until the next fiscal year. However, will the minister not agree that if the amount of \$186 million remains in the federal treasury until the end of the current fiscal year, it will bear interest that could eventually be used to cover interest on income lost by Quebec.

Mr. Chrétien: Mr. Chairman, the hon. member assumes that there is an agreement with the government of Quebec.

[Mr. Chrétien.]

There would be such agreement if they had agreed to cut their sales tax the same way the other provinces did; then we could have negotiated such an arrangement. But there is no such agreement because, without taking into account the priorities of the federal government, Quebec decided to act unilaterally in its best interest according to its own views.

Of course, I would urge the hon. member to read carefully the finance minister's letter to the Association of Shoe Manufacturers where he laughed at the idea of lowering the sales tax from 8 per cent to 0 per cent. That was not a long time ago; that is very recent. But when he shows in which spirit he acted, we can see that he was just trying to trip us, while we were only seeking to improve the economic performance of our country. That is what people do not understand or do not want to understand in our proposals. Last week, even though Mr. Lévesque had not even seen the white paper yet, he found it altogether insignificant. It is always like that. What do you want? I find it difficult to act as Minister of Finance for all of Canada and integrate everybody in the best interest of the Canadian economy when you know that the very aim of one government is precisely to prove that the Canadian federation cannot work. I acknowledge the hon. member's lofty motives, but I would like to mention that he did not say a word about that. Following representations made by many members from both sides of the House, I have shown great flexibility, but this was matter-of-factly ignored by Mr. Parizeau.

The Chairman: Order, please. It being one o'clock, I do now leave the chair until two o'clock.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2 p.m.

[*Translation*]

The Chairman: Order, please. When the committee took recess at one o'clock, clause 30 of Bill C-56 was under consideration.

On clause 30:

[*English*]

Mr. Clarke: Mr. Chairman, I should like to ask the minister some questions concerning the treatment of taxpayers in some provinces compared to the treatment of taxpayers in other provinces. The Prime Minister has tried to explain to the House a number of times that the treatment was exactly the same for taxpayers in British Columbia, for instance, as for taxpayers in Quebec. May I ask the Minister of Finance if he sees the treatment of taxpayers in the province of Quebec the same as the treatment of taxpayers in British Columbia and, if so how?

Mr. Chrétien: Mr. Chairman, on the night of the budget I reduced the income tax of the province of British Columbia up