

Federal-Provincial Fiscal Arrangements

• (1650)

The Minister of Finance emphasizes that it is the provinces that are making this decision—he is suggesting that the federal government is not responsible for it in any way—but I would throw that claim back at the minister. Indeed, I feel I have to because the minister and his predecessor, and the government to which they belong, abdicated their responsibility. Instead of simply vacating the field at very little financial cost to themselves, they should have negotiated with the provinces an arrangement to integrate succession duties in a sensible way with capital gains tax payments, perhaps by some system of cross credits.

I would regard this as an important priority for any federal government in this country to pursue. We already have a situation where we will have this kind of jungle in relationship to succession duties and capital gains tax. We already have an increasing number of provinces imposing a higher income tax rate than that contemplated by what I might refer to, if I am in order in doing so, for purposes of shorthand, as the "Benson bill". What the members of this House have to ask themselves is: What are the provinces going to do if these projections are correct and their expenditures are going to increase, as predicted by this joint team of officials? Can the provinces cut back on their programs, must they resort to additional taxation, or both? I suggest that they will have to do both, and the municipal and urban taxpayers will suffer in the process.

On the basis of the evidence that we now have, we have to conclude that the provinces will need to resort to additional taxes to meet their own needs, plus the needs of the municipalities. The provinces have been saying this themselves, of course, but it is backed up by the study made by the joint team of provincial and federal officials.

I suggest it is all very well for the Minister of Finance to talk so earnestly about a policy of jobs for all, a policy of development for this country. Nevertheless we are already heading into a tax structure that is not conducive to growth. If by any stretch of the imagination one can argue that the bill that was passed was a sensible piece of tax reform, conducive to growth, which I would not admit, then even if the bill were sensible, it would not meet the realities today in this country. Because on top of the bill there will be succession duties and income taxes that the provinces are now imposing at increasing rates, indeed which they will have to impose in order to enable them to keep afloat and to provide the very basic services to their own people. I contend that the bill that was passed before Christmas will become increasingly meaningless as time goes on. These two bills together, the so-called tax reform bill and the bill we are now debating, do not constitute a package that indicates equity in this country in terms of taxpaying, or a package that will lead to equity in terms of taxpaying, or which will encourage economic growth in the fight against poverty and unemployment.

This government cannot consider tax reform in isolation from provincial taxes, which are very much a part of the tax picture across the country. For tax reform to be meaningful it really must be approached on a truly national basis, not simply on the basis of the taxes that the federal government admits to being its own. I still believe that the tax reform bill in itself is a mess; but that bill,

[Mr. Stanfield.]

plus the implications of this one, I contend will produce a mess of really massive proportions in this country during the next five years. The pressures of provincial and municipal expenditures are going to add to the eventual distortion.

What is there here to ensure that the fund of taxes contributed by the people of this country is going to be devoted to the priority items, or to ensure that the tax structure really is equitable and is designed to promote growth? The federal government is prepared to carry on where it began some five years ago, but it has not been prepared to take into consideration the findings of the study that was made at that time. At least prior to the 1967 arrangements a study was made and a projection put forward, though no particular attention was given to it when completed. But this time, so far as I know, no study at all has been made. The government of which the Minister of Finance is a member simply said: "This is it, gentlemen; we will discuss details with you, but this is it". And that was that.

It is all very well for the Minister of Finance, his predecessor or for any of their associates to say that if the provincial governments need more money, then let them raise it. The minister talks of fiscal responsibility, but in terms of personal and corporate income tax this is a field of taxation that is just as much provincial under the constitution as federal. When the federal government ignores the findings of its own officials as to the growing need for the provinces to discharge their own responsibilities, then it is harmful to the establishment of a sensible tax structure, to the growth of the country and to the meeting of the most urgent needs. If that is right it places strains upon national unity by increasing the reluctance of the relatively well-to-do to aid in the provision of services in the less well to do parts of the country.

I realize that we have the fine words, but I should like somebody on behalf of the government to indicate to us in some convincing way that under the arrangements that the minister has put forward there will not in fact be an increase in the piling of provincial income tax upon the schedules in the income tax laws that have been adopted. Is there not, in fact, as a result of this and as a result of the pressure to try to cover services even in the more prosperous provinces, going to be an additional strain upon national unity to maintain this kind of equalization program in the country? I feel very earnestly about this and it is my hope that this bill is referred to the committee quickly. I realize that the old arrangements run out at the end of the month, but I hope nevertheless that the committee will take the time and the trouble to hear representations from the provinces on the point I have raised as well as other points, in order to make certain that the bill we are adopting is really the bill that is best designed to serve the people of Canada, and in order to make certain that at least all the time and effort that was devoted to tax reform during the last year or two in this House will not go down the drain as a result of the inadequacies, not only of the tax reform bill but of the measure that the minister has presented to the House at this time.

• (1700)

Mr. Max Saltsman (Waterloo): Mr. Speaker, I do not think there is anyone in this House who does not approve