

## THE SENATE

Wednesday, August 12, 1964

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

### FEDERAL-PROVINCIAL FISCAL REVISION BILL, 1964

#### FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-111, to provide for the revision of certain fiscal arrangements with the provinces and to provide adjustments of fiscal arrangements and taxation provisions consequential upon the provision of youth allowances to parents resident in certain provinces.

Bill read first time.

#### SECOND READING—DEBATE ADJOURNED

Hon. Salter A. Hayden, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, the title of this bill may in some aspects be said to be a little ominous, and on reading the bill you may find a little difficulty in mastering the language of it. I shall try to reduce it to what I would call a basic simplicity.

First, the subject of federal-provincial fiscal arrangements has been growing in importance since the end of the war. There have been many factors which have contributed to that and which it is unnecessary for me to do more than mention at this time. They include the substantial increase in population, and the demands for services of the sort that are required to be provided under our Constitution by the provincial authorities. Those demands have been piling up and increasing, particularly in the field of education, as the school population has been expanding very rapidly.

Then, there are services that at one time in the past might have had a local or provincial aspect but which, with the developments in Canada, have assumed a broader scope and have taken on some of the national aspects that are so recognized. The Government of Canada over the years since the war has tried by various means to see to it that the provinces secured additional revenues so that they might be able to carry on effectively their obligations and responsibilities under the Constitution in relation to those things in which they have their own

sovereignty or exclusive jurisdiction; and also to take a larger share or, in some cases, a share of some of the responsibilities that heretofore the provinces had been looking after, but which have become larger and more and more national in character, and therefore justify the intervention of the federal authority and the provision of financial assistance.

This subject of fiscal arrangements with the provinces is one that I think will be with us for a long, long time. If you follow the course of these arrangements over the years since World War II, you will see that during the war, and immediately following, they took the course of tax rental agreements. Then the situation changed, and they took the course of provision by statute for the arrangements and the formulae, etc., under which the federal authority would either contribute to the cost of the particular services or to provincial revenues, or abate federal taxes so that the province might in an increasing amount levy taxes for its own revenues without increasing the overall burden of tax upon the taxpayer.

I should add that in 1956 we passed a statute dealing with tax-sharing arrangements, and in 1961 a further statute was passed. The statute of 1961 carries on for five years, and for our purposes it should be looked at as the basic statute. Bill C-111 in some aspects amends that basic statute.

You may find a reference to the original act of 1956, but that is an isolated reference and is for a particular purpose, as I will explain later. However, we start off with the basic statute of 1961; and now we have the bill today. I propose to explain as briefly as I can the manner in which the bill now before us changes the provisions of the act of 1961.

I should say that the three important changes to be brought about by the provisions in the bill are these: First, there is a change in the basis of equalization to take effect for the fiscal year 1964-65; secondly, there is provision for an increase in the share of estate tax for the provinces; and thirdly, there is an abatement provided by which federal individual income tax is decreased by an additional two percentage points in the taxation year 1965 as against the present provision in our law, and by four percentage points by the year 1966. To that extent the abatement would be above the present level of abatement.

Let me deal first with this question of abatement. This additional abatement has already been provided—you will recall it was Bill C-91, passed by this house and given royal assent in June of this year—by an amendment to section 33 of the Income Tax Act. The former rates of abatement for 1965 and 1966,