

Dominion-Provincial Relations

the premiers had said anything about the tax jungle. I have in my hand a clipping from the St. John's daily *News* of September 14 this year. The article is entitled "No Change With Provincial Income Taxes" and it reads:

Corner Brook. Premier Smallwood says there will be no change in the scale or method of corporate and income taxation when it becomes a provincial responsibility January 1 next year.

Ottawa will continue to collect taxes imposed by the province, the premier said in an interview Tuesday night.

Premier Smallwood said the federal government's decision to abolish the tax rental agreement with the provinces "sets us back in the tax jungle".

He preferred the present tax rental system under which Ottawa imposes and collects income and corporation taxes and, under an agreed formula, shares the proceeds with the provinces.

I suggest that the position taken by Premier Smallwood was taken by almost all the other premiers who had tax rental agreements. The Prime Minister and the minister have talked about restoring constitutional rights. There were no constitutional rights to restore; the constitutional rights were there. What they are doing is terminating a fruitful field of federal-provincial co-operation; and they are terminating it unilaterally.

Mr. Martin (Essex East): Hear, hear.

Mr. Pickersgill: They are terminating it unilaterally and forcing on several of the provinces a system which they do not want. That is what this restoration of constitutional rights really means.

Mr. Fleming (Eglinton): Mr. Chairman, we are engaged in a repetition of things that have been said again and again. Evidently I have not succeeded in changing the mind of the hon. member; nor has he by his repeated arguments, I must tell him, made very much impression on me. I think I may best answer some of his flights into the realm of fancy in his last intervention by reading this Canadian Press dispatch. I will leave one name blank while I am reading it and I will give the name when I have finished reading the extract.

Mr. Martin (Essex East): Don't be so dramatic.

Mr. Fleming (Eglinton): The article reads:

The federal government's tax sharing offer to the provinces stands today as take it or leave it.

Premiers at Friday's one day federal-provincial conference were hit bluntly with this information after they had spent much of the day outlining a miscellany of proposed changes favourable to the province from the federal offer.

Finance Minister—

—blank:

—said flatly that the central government's plan goes "as far as we can go at this time" in money terms.

His statement, given at a closed meeting and made public later, means the premiers are going

[Mr. Pickersgill.]

away empty handed from a conference from which several had hoped to get a better split on taxes with the central government.

The date of that Canadian Press dispatch is March 10, 1956.

Mr. Pickersgill: And the name is Harris.

Mr. Fleming (Eglinton): The finance minister concerned was Mr. Harris.

Mr. Chevrier: Mr. Chairman, a moment ago the minister in replying to my question in which I sought to obtain from him a hypothetical illustration as contained in table 3 projected from 1962-63 to the end of the term in 1966, stated that it was difficult to do that for many reasons, one of which was growth, which he said was impossible to predict and prophesy. The minister said it was impossible to predict what the growth would be in the province of Quebec, and in other provinces for that matter.

I should like to bring to the attention of the minister this fact. If there is any growth it will apply to both formulae, the present one and the new one as well. Therefore growth certainly cannot prevent, by any stretch of imagination, a comparison between the two. I make that point because I do not think, the minister's argument was a valid one, having regard to what I have just said.

Clause agreed to.

On clause 2—*Definitions*.

Mr. Pickersgill: Mr. Chairman, there are a good many questions on clause 2. A few minutes ago the minister said something and I want to be absolutely sure about this. I raise this matter under the definitions section because, to be quite frank about it, I have not had time to reread the definition since we started our proceedings today. I would like the minister to tell us whether I was right in my assumption that the provincial governments may impose any rate of taxation, either corporate or personal, that they choose so long as all the rest of the scheme is exactly the same as the federal scheme.

Mr. Fleming (Eglinton): It depends on what the hon. member means by the word "scheme". I have already said this afternoon that a province may set its own rate. It is a matter entirely for decision by the provincial authority what the rate of taxation should be in respect to both personal and corporate income. But the definition of income must be the same as it is in the federal legislation if the federal government is to be asked to collect these taxes on behalf of the province.

Mr. Pickersgill: Must the exemptions be the same?