

*Tax Agreements with Provinces*

finance in 1941; and I am quoting from *Hansard* of April 29, 1941, as reported at page 2345. In explaining that it was intended to place the proposals before the provinces for the vacation of the tax fields, the minister of finance said:

... it is proposed, therefore, as a temporary expedient for the duration of the war only to ask the provinces to vacate these two tax fields.

Surely those words are clear enough. It was for the duration of the war only. He went further, so there might be no doubt about his intention, and said:

I should like to emphasize that this is not an attempt to get the provinces out of these tax fields permanently.

Later in the same speech he said:

I should like to emphasize that no province is being forced to accept this offer and any province which does accept will have the right to withdraw from the plan at the end of any year subject to reasonable notice. Furthermore, the arrangement with the provinces will be discontinued and the dominion will cease making the payments which are contemplated in the proposal and will agree to reduce its taxes in these two fields proportionately, within one complete fiscal year after the termination of the war.

The plan which I have outlined for alleviating the present difficulties is by no means perfect and is not intended to be more than a temporary wartime expedient.

What we now have before us for the second time since the end of hostilities is a return in form for all practical purposes, with nothing more than the figures altered, of an agreement which according to the clear and repeated declaration of the minister of finance in 1941 was not intended to be more than a temporary wartime expedient.

I have some personal recollection of the discussions which took place prior to the original acceptance of these agreements by the provinces in March of 1942. It was emphasized at that time that the war emergency made it desirable to centralize in the hands of the dominion government a measure of authority which the dominion government did not wish to be regarded as more than a temporary measure, but which they suggested was advisable in view of the fact that there was such a centralization of authority to meet the unusual tests and strains of war.

I am speaking there of what I heard at that time in the way of arguments presented in support of these agreements. I heard the arguments put forward by the dominion government. I was in the Ontario legislature when that province accepted these agreements. The arguments of the dominion government and the arguments accepted by Ontario and the other provinces of Canada at that time all related to a measure of centralization which no one suggested was desirable—in fact it was clearly indicated it was

[Mr. Drew.]

not desirable in peacetime—so that the unusual concentration of power demanded by the test of war could be met in that way. So far as I can recall all the provinces accepted those agreements in the belief that they were performing a patriotic duty in turning over the tax fields which had been traditionally theirs.

It is no answer today to the suggestion that this is an undesirable invasion of the taxing powers of the provinces, Mr. Chairman, to say that the British North America Act clearly leaves it open to the dominion government to occupy any tax field. The very fact that from the time of confederation until 1917 the dominion government had never at any time entered these tax fields had, by precedent, created an understanding that these were the tax fields from which the provinces should draw their main sources of revenue to carry out the administrative responsibilities imposed upon them by our constitution. So clearly was that principle recognized that when, during the first world war, an income tax was imposed for the first time by the dominion government the finance minister at that time, Sir Thomas White, pointed out that they were entering this field with great regret. He made it clear that he regarded this as a provincial field of taxation, and reassured the provinces that they would vacate this provincial field of taxation as soon as possible after that war. The principle was embedded in the very argument that was made in favour of the entry into that field by the dominion government for the first time.

The arguments that were put forward in 1941 in support of this course were arguments that in no way changed the right of the dominion government to enter the fields, but they nevertheless did very clearly accept the established position of the provincial governments in that field. No words could more clearly state the acceptance of that proposition than the words of the Hon. J. L. Ilsley, as minister of finance, who made it clear that the rights of the provinces in that field were to be returned undiminished. In order that they might understand how that was to be done he used these words, which I submit are not open to any misinterpretation. I read from *Hansard* for April 29, 1941 as recorded at page 2345:

... the arrangements with the provinces will be discontinued and the dominion will cease making the payments which are contemplated in the proposal and will agree to reduce its taxes in these two fields proportionately, within one complete fiscal year after the termination of the war.

If that undertaking had been carried out, it would have been fulfilled in 1946. This is 1952, and no attempt has ever been made to