

Minister (Mr. Mackenzie King), that what we are doing here is amending the British North America Act. That is the effect of the resolution. That is a tremendously important matter. It is something which has been rarely done. It has been done on occasion, but it is what might be termed a major action on the part of this parliament. That being so—and I do not think it will be disputed—ought not a major action on the part of this parliament in dealing with a constitutional matter achieve a major result, that is, if we are justified in taking action at all? The question which occurs to my mind is whether we are justified in making or asking for an amendment to the British North America Act.

This brings me to the resolution itself, and I shall try to be brief. Like the Minister of Finance, I disclaim any capacity or ability to discuss this matter in a constitutional or legal way. I am not in my observations presuming to do that. Dealing first with section 1 which refers to the question of taxation, in the first place, I do not think it solves the outstanding problems facing the dominion and the provinces. Let me illustrate what I mean. One of the most perplexing difficulties facing the people of Canada to-day—I am talking about the taxpayers—is the dual power to impose income tax. That is not provided for in this resolution. We are not dealing with that. It is something with which we ought to deal in making a major amendment to the British North America Act. I think it is far more important than what is contained in the resolution. That is one problem.

Let me turn to what is being done by the resolution and ask if this parliament really appreciates the extent to which we are going in this proposed subsection 2A to section 92 of the British North America Act. What we are proposing to do is to empower the provinces to impose indirect taxation in the form of a tax on retail sales. That is a turn-over tax on retail sales. I suggest that that places in the hands of the provinces the power to impose a tax which will make it impossible for the dominion to continue the sales tax as we now have it as a source of revenue. If we are going to give the provinces this power, then I think we ought to say to parliament and to the country that when this power is exercised by or made available to the provinces, the parliament of Canada will abandon the sales tax system. I venture the opinion—I claim the right to express an opinion because this is within my own sphere; it is not legal—if this power is taken advantage of by the provinces, such a burden will be placed upon commerce that it will be impossible to carry on.

[Mr. Stevens.]

Supposing the provinces impose a two per cent retail sales tax right across the country. That would be a terrific tax. I question whether the provinces realize the magnitude of such a tax. Another point is this: If you give to the provinces such a power without restriction—it is restricted only as to liquor, tobacco and so forth—the power is unlimited as to the extent to which they can go and they might impose a tax of four, five, six, seven or even ten per cent. In other words, a province in dire distress, under pressure of need, might go to an extent which would be ruinous to business. Rather than give the provinces a power of this kind, I think we should have endeavoured to come to an understanding with them on the question of income taxes. The minister very properly pointed out the advantages of having local authorities impose taxes as they were closer to the people and could supervise expenditures, but so complex has business become that I think he will have to abandon that principle in favour of such a proposition as I am now going to make. Supposing we could come to an understanding with the provinces as regards income tax that they should abandon the field of income tax to the federal authorities?

Mr. DUNNING: We tried that.

Mr. STEVENS: The minister laughs before I make my proposition.

Mr. DUNNING: Not at the hon. member.

Mr. STEVENS: The provinces would abandon the field of income tax provided the dominion would collect the tax and divide with them on a fifty-fifty or some other basis. The dominion then, being the one income tax imposing body, could raise that tax to the level of the tax imposed in Great Britain or in other countries where circumstances prevailing are similar to ours. This could be done when it was known that there was not a second authority which could impose another income tax. In other words, we could gauge what would be the justifiable, equitable and workable level to which we could raise the income tax. As matters are to-day, we are forced to recognize that some of the provinces have an income tax which makes this action impossible.

I submit to the minister that an indirect retail sales tax virtually means a turn-over tax. Ever since we imposed the luxury taxes in 1917 I have been of the opinion that it was incompatible with equity or practical administration to impose both a sales tax and a turn-over tax. It should be one or the other, and it should be under the juris-