

The Hon. the Speaker: Honourable senators, the question is now on the motion of the Honourable Senator Haig for the third reading of the bill. Is it your pleasure to adopt the motion?

The motion was agreed to, and the bill, as amended, was read the third time, and passed.

FEDERAL-PROVINCIAL TAX-SHARING ARRANGEMENTS BILL

SECOND READING

Hon. John T. Haig moved the second reading of Bill 247, to amend the Federal-Provincial Tax-Sharing Arrangements Act.

He said: Honourable senators, this bill has two features: First, it provides for grants by the federal Government to the Atlantic provinces; and secondly, it provides for an amendment of the tax rental agreements with respect to contributions by the federal Government to the provinces. I shall deal, first, with the federal contribution to the provinces generally; and secondly, with the grants to be made to the Atlantic provinces.

At present the agreement between the dominion and the provinces requires that 10 per cent of the income tax collected in a province shall go to the province, that 9 per cent of the corporation tax shall go to the province, and that 50 per cent of the succession duties shall go to the province. That is the general law today. The first amendment in this bill would change the provincial portion of the income tax from 10 per cent to 13 per cent. At present the Province of Manitoba, for instance, gets as its share 10 per cent of the income tax collected in that province. Under this amendment, if the bill passes, the province will get back 13 per cent. That arrangement will apply to every province in Canada.

This question arose out of discussions on whether the extra money should come from corporation taxes or from income tax. I am one of those who held the view, and I still hold it, that in fairness to the province it should come from income tax, because the income is earned in the province.

Let me illustrate. If I own some stock in the Bell Telephone Company of Canada—a company that is, for the most part, located in Ontario and Quebec, and to some extent in the Atlantic provinces—the income I get from that stock goes to me in Manitoba, and I make a return on it as part of my income in that province. It is Manitoba money which is invested in the Bell Telephone business and which helps to keep it operating in these other provinces. Under this bill, instead of my province getting 10 per cent of that income it will now get 13 per cent. And,

as I have said, that arrangement will apply to every province. That is fair distribution.

It has always been argued that the big corporations have their head offices in Ontario or Quebec, and to some extent in British Columbia, and that when money from Saskatchewan or the Maritime provinces is invested in these corporations the benefit of the taxes goes to the central provinces where the head offices are located. There has always been a dispute about that. However, it does not apply to the income tax feature of the bill. Whatever portion of the income tax is given back to the provinces, it represents a percentage of its own money; it was not earned anywhere else but in that province. If the income figures remain as they were last year, the increase from 10 per cent to 13 per cent will mean an additional contribution to the provinces of \$62 million in the coming fiscal year.

As honourable senators know, the federal Government had a conference with the provinces last December. There was to have been a second conference, but as the present session has lasted much longer than was expected it has not been possible for the federal Government to meet since then with the provinces. Therefore, an arrangement was made to increase the contribution to the provinces, and passage of this bill will put the new arrangement into effect. It is made at this time of the year when the provinces are preparing their budgets, so that they will have the money on hand to deal with it in their own provincial affairs.

Hon. Mr. Euler: May I ask the Leader of the Government a question?

Hon. Mr. Haig: Yes.

Hon. Mr. Euler: Does the figure which he gave with respect to the amount of money that will go to the provinces represent the first figure given out by the Minister of Finance or the corrected one?

Hon. Mr. Haig: I am not in on the secrets of the Government, and I cannot answer that question. I am only giving you the figure that I have.

Hon. Mr. Euler: Which one is it?

Hon. Mr. Haig: These were the figures given on the floor of the house, though they may be a few dollars out one way or the other. They are based on the anticipated income tax collections.

The other feature of the bill is that the federal Government will grant to each of the Atlantic provinces of New Brunswick, Nova Scotia and Newfoundland the sum of \$7.5 million a year for the next four years,