

*The Budget—Mr. Lesage*

And it would go round and round. Quebec would no longer be satisfied with 15 per cent. If it is fair to say, as has been said, that we should accept the principle of authorizing a deduction corresponding to the amount which the province would have received had she signed an agreement, Quebec would then request a 31 per cent deduction from personal income tax.

Again Ontario could say: "I am entitled to the same treatment", and so on. The ultimate and ridiculous consequence of all this would be that the federal government would no longer enjoy the fields of taxation granted to it by the constitution.

Some have said: "Why is it that last year parliament authorized the deduction of the Quebec educational tax and increased the amount of deductibility from 5 to 7 per cent in the case of corporation taxes?" The answer is quite simple: such a decision did not have the effect of undermining the very basis of fiscal agreements with the other provinces. The other provinces, and more particularly Ontario, had they not signed the agreement, could have received in deductible taxes, including that part of provincial taxes which became deductible last year, an amount not greater than the amount paid to each province under the agreements. But that is no longer the case, because, I repeat, the two amounts are now equal as far as Ontario, the richest province, is concerned.

Some would lay down as a principle that any province which has not signed an agreement should be entitled to levy deductible taxes in proportion to the amount it would receive under the agreements.

I have mentioned that, taking into account the present deductibility of corporation taxes, the deductible percentage in Ontario for personal income tax would have to be 5 per cent, which is the present rate, in order to maintain a proper balance. In Quebec, as I will show later on, it would have to be a little less than 15 per cent. I made the calculation for New Brunswick also and in that province it would have to be 63 per cent.

We can already see the tremendous confusion that would follow the application of that principle subscribed to by the Conservatives at their last convention, but conveniently forgotten by them since.

If, for instance, we were to recognize that, in the case of New Brunswick, the deductible

percentage from personal income tax should be 63 per cent, would not the Quebec government be the first to ask for the same treatment?

How could we amend the Income Tax Act so as to recognize a percentage of deductibility which would vary from one province to another?

I cannot bring myself to believe that some would want to place us in such a position that we would have to put into force a law which would differ from one province to another.

It may be said that this could not happen, since all the other provinces, nine out of ten of them, have signed agreements. But these agreements are temporary and could be denounced for valid reasons. By laying down, at this time, the principle of discrimination, we would pave the way for anarchy.

But I will be told also that deductibility is being claimed, not in respect of 15 per cent of the whole of the federal income tax collected in the province of Quebec, but only in respect of 15 per cent of the income tax to be paid by the 300,000 taxpayers liable to the provincial income tax according to a scale of contributions providing for higher basic exemptions.

But let us not forget that section 33, which I quoted a while ago, provides for deductions on an individual basis. It could not be otherwise. This section allows every federal taxpayer to deduct up to 5 per cent in respect of the income tax paid to a province which is not party to an agreement.

If the figure 5 is changed for the figure 15, any non-signatory province, or any province which has allowed its agreement to lapse or which would have denounced its agreement for good and valid reasons, may benefit from the amendment. We must legislate here for all provinces, and when we allow a percentage of deduction, this percentage must be established in respect of the amount of income tax payable to the federal treasury, without any regard for the variable exemptions which may be allowed by the provinces in respect of their own tax. As a matter of fact these exemptions may well vary in a single province from session to session. How are we to know, for instance, whether, a few months from now, the Quebec government will not change their exemption levels to bring them down to the federal level, which would be much to their advantage since they would