

*Income Tax—Deduction of Quebec Tax*

not embarking upon a practice which would not be in conformity with the rules. This is what I am concerned about, and it is only in that spirit my comments have been made. I know hon. members will want to co-operate with me in trying to clear up this matter. However I do not think this is the right type of grievance to bring in on a motion to go into committee of supply.

We have heard now from the official opposition and the C.C.F. and I would at this time invite a representative of the Social Credit group if one wishes to speak. If not, I will hear the hon. member for Chicoutimi (Mr. Gagnon).

**Mr. Blackmore:** I would like to speak on another matter, that of old age pensions. If it is in order I shall do it now.

**Mr. Speaker:** Is the debate on the Canada Grain Act concluded? If so, the hon. member may proceed or allow the hon. member for Chicoutimi to speak; he can follow him.

## INCOME TAX—PROVINCE OF QUEBEC

**Mr. Paul E. Gagnon (Chicoutimi):** Mr. Speaker, I should like to take this opportunity to call the attention of the government to a matter which is highly important for the citizens of this country.

The legislature of the province of Quebec has recently passed an act levying a personal income tax. The main object of this bill is to safeguard the autonomy of the province in the educational field, and to assist universities by giving them grants. It also provides for social and health improvements. In other words, the purpose of this bill is to promote the interests and the welfare of the people.

(Translation):

Mr. Speaker, excellent in its principle and purpose, this act has the approval of all who consider the prime interest of their country above party politics. The federal authorities are now constitutionally bound to co-operate in its operation.

Among the exclusive powers of provincial legislatures under section 92 of the British North America Act, we find "Direct Taxation within the Province". It is true, however, that section 91 recognizes the right of the federal parliament to "raise money by any mode or system of taxation". These wordings are not contradictory; rather they indicate that the provinces, with an exclusive right on direct taxation, have unquestionable priority in that field.

Until the end of the first world war, that is for nearly half a century, the central government generally refrained from resorting to this taxation. It was only in 1917, after

[Mr. Speaker.]

solemn statements to the effect that this encroachment was only temporary, that it entered this field, never to leave again.

In 1942, the provinces made an agreement with the federal government, under which they yielded, for the duration of the war, their right to levy personal income tax, as well as the tax on corporation income and capital. The federal government then formally undertook to facilitate the use of these sources of revenue by the provinces at the end of the war. The agreement prescribed that:

The federal government shall have the exclusive right to collect personal and corporation income tax for the calendar year ending on the thirty-first day of December nearest to the date of termination of the present agreement and undertakes to reduce the rates of the said personal and corporation income taxes, for the next calendar year, by an amount sufficient to allow the province to re-enter the field of personal and corporation income tax and particularly to reduce its rate of taxation on corporation revenues by at least 10 per cent of such revenues.

In 1941 the Hon. Mr. Ilsley stated: "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". The minister of finance was referring to personal and corporation income taxes, recognizing at the same time that these taxes rightly belonged to the provinces.

According to official statistics the net income of the ten provinces of the Canadian confederation for the fiscal year 1952-1953 amounted to \$1,220,889,000; the government's contribution to this over-all budget was \$333,277,000, which represented 27.3 per cent of the grand total. From that federal source, the province of Quebec received \$4,211,000, that is 1.49 per cent of its total budget for the fiscal year, of \$281,735,000. The details are as follows:

Provinces	Total Revenues	Federal Contribution
Nova Scotia .....	\$45,228,000	\$20,360,000
New Brunswick .....	46,401,000	16,333,000
Prince Edward Island .....	7,133,000	3,939,000
Ontario .....	339,566,000	127,442,000
Manitoba .....	53,737,000	28,173,000
Saskatchewan .....	88,960,000	28,193,000
Alberta .....	142,467,000	35,440,000
British Columbia ...	184,737,000	48,579,000
Newfoundland .....	30,925,000	20,107,000
Quebec .....	281,735,000	4,211,000

Thirty-five per cent of the sum of \$333,277,000, which was subsequently divided among the ten provinces by the federal government, was contributed in taxes by the citizens of the province of Quebec; thus, Ottawa's generosity has cost Quebec taxpayers over \$100,000,000.