

The Address—Mr. St. Laurent

income taxes; and succession duties. I think there is a small excise tax on the transfer of bonds and other evidences of indebtedness or security.

There is a constitutional responsibility in this country which, in the language of the hon. gentleman, is very serious at this time—the responsibility for taking all measures required for the continued existence and freedom of this country. That constitutional responsibility was clearly envisaged by those who drafted the British North America Act which came into force in 1867. It was that defence, national security, would be the responsibility of the federal government and that the federal government would have by constitutional declaration the right to resort to any and every form of taxation of the Canadian people. Now, no responsible Canadian government can ever give up the right to resort to any and every form of taxation when that may be required for the discharge of its responsibility to assure the security and freedom of the country at large. There can be no permanent allocation of those fields of taxation in which we are now raising the considerable sums that are required to meet the obligations of the federal government.

Unlike customs and excise, personal or corporate income taxes were sources of income that were not used prior to the first world war, although I believe they were used to a certain extent in the province of British Columbia and there was also some slight form of corporation tax; but they have become the very foundation stones of fiscal policies not only of this nation but of all nations in the world. There can be no undertaking by any responsible government not to resort to the levying of customs, excise and sales taxes, succession duties, personal income and corporate income taxes.

With respect to succession duties that were imposed during the war, after the war this parliament on the recommendation of the government withdrew to the extent of estates of a value of not more than \$50,000, and nothing has ever been done to prevent any provincial government from levying succession duties. On estates valued up to \$50,000 only the provincial governments levy succession duties. Beyond that figure, except for provinces having made temporary tax rental agreements for a period of years with the federal government, the provinces continue to levy succession duties. A credit is given by the federal government to the debtor of the succession duty of as much as half the federal duty, if he has paid that much to the government of the province in which he resides.

With respect to corporation taxes there is nothing in our legislation, nothing except the tax rental agreements that have been signed by some of the provinces, to prevent the provincial governments or provincial legislatures from levying corporation taxes to any extent they see fit. As a matter of fact, Quebec and Ontario have levied corporation profits taxes to the extent of 7 per cent although only 5 per cent was recognized by the federal taxing authorities as an expense of carrying on business. To the extent of 2 per cent there was double taxation there. That was because both governments wanted the amount of income produced by that tax rate. I do not know what special corporation taxes there are in the province of Ontario, but I know that in addition to the 7 per cent profits tax there are several corporation taxes existing and collected in my province of Quebec. There is nothing to prevent the legislature from fixing at any figure it may see fit the tax rate it imposes on these corporations except the very serious reason mentioned by the hon. leader of the opposition—that is to say, the unwisdom of trying to take too much from an individual taxpayer. The provincial legislatures, like the federal government, have to exercise such wisdom as they have in determining the rates that it is possible to impose on individual taxpayers without undue interference with the economic activity of such taxpayers.

With respect to the personal income tax the legal situation is exactly the same. In addition to that, at all times since the expiry of the first tax rental agreement there has been a provision in the federal income tax act that a taxpayer who had to pay an income tax to his provincial government would get credit up to 5 per cent of the amount of his federal tax, if he paid that amount to his provincial government. Neither the government of Ontario nor the government of Quebec, during the period in which they did not see fit to have tax agreements with the federal government, ever attempted to impose that amount of personal income tax on their people. It would have meant no increase in what the individual would have paid, but would have meant simply that the provincial governments would have the inconvenient responsibility, if it is an inconvenient responsibility, of having imposed a personal income tax and having collected it.

The hon. gentleman says there was an undertaking in 1942 to restore the taxing powers that had been rented to the federal government during the war period. There was, and at the expiry of those agreements there was no obligation upon any province to renew them. There was an undertaking that if the agreements were not renewed there would