

*Income Tax—Deduction of Quebec Tax*

adopted legislation taxing the income of a certain number of its taxpayers. I will not spend any time discussing the various details of this legislation. I would nevertheless like to say briefly and simply that it only affects those taxpayers whose income is greater than \$3,000, and more if they are married, and the single persons who earn more than \$1,500 a year, and the rate of this income tax is 15 per cent of the federal tax.

The purpose of this provincial legislation and the reasons why it has been adopted are outlined in the preamble of the act, 2 and 3, Elizabeth II, chapter 17 of the statutes of the province of Quebec. The act which was adopted by the legislature this year is entitled: "An act guaranteeing to the province the income required by its developments".

Mr. Speaker, I should like to quote the preamble of this act which outlines its purpose and which, at the same time, is a declaration of principle:

Considering that the extraordinary progress enjoyed by the province in the last few years implies ever-increasing governmental expenses, especially in the fields of education and public health;

Considering that it is essential to the survival of the provinces that they have at their disposal the necessary financial resources to exercise their rights and fulfil their obligations;

Considering that the Canadian constitution grants priority to the provinces in the matter of direct taxation;

Considering that the province wishes to co-operate with the federal authority in order to establish a fiscal system that is fair, proper and in accordance with the spirit and the letter of the federative pact;

Considering that, in that spirit of co-operation, the province, since 1946, has not availed itself of its rights in the matter of income tax;

Considering that it would be unfair and detrimental to the province if it were deprived any longer of a source of revenue where it has a priority by right and which it requires in order to face the new needs resulting from its powerful development;

Considering that, under the circumstances, it is advisable to enact for a period of three years . . .

. . . an act taxing the income of the taxpayers in the province; and section 168 states more precisely the purpose of the act. I quote:

The purpose of this bill is to provide for expenses which are necessitated on account of the needs and the developments of the province in the fields of education, public health and social legislation, and all revenue derived from it will be used to such ends as the lieutenant governor in council may determine for each fiscal year.

In other words, as Quebec lacks the means required to meet the growing needs of education, public health, and of the different social measures which it has to administer, the province had to find a new source of revenue.

Those who have examined the financial position of the universities in our province during recent years, as well as that of our

secondary schools and of the various specialized institutions within our Quebec school system; those who, in another field, are familiar with the balance sheet of our hospitals, of our asylums, our charitable institutions, have been able to satisfy themselves that those resources are necessary in the various fields of social activity, and that there is a great need of money.

Those needs are due, up to a certain point, to the tremendous development of the province of Quebec, a development that also prevails throughout the country.

No one has denied, up to now, and no one will dare deny I hope, that the province of Quebec has the right to tax the revenue of its citizens. The question is whether the federal government will allow this new provincial tax to be deducted from the tax it collects.

Section 92 of the British North America Act sets forth, among matters exclusively reserved to the provinces, "direct taxation within the province". It is perhaps the clearest clause in the constitution. Even if section 91 confers on the federal government the power to collect moneys, by any means or system of taxation, in fields other than those reserved to the provinces, it follows that the provinces enjoy at least a priority right in that field.

Moreover, it is the historical interpretation given to those sections of the constitution. And, on constitutional matters, we must not disregard history if we want our federative system to survive.

In 1917, when the federal government established the income tax as a temporary measure to meet war expenditures, the then minister of finance, Sir Thomas White, stated in that debate, as reported at page 1441 of *Hansard* of 1917, volume II:

The income tax is peculiarly within the jurisdiction of the province and is a suitable tax for the purposes of the province and the municipality.

Up until that time income tax had been considered to be a provincial matter, and was considered as such thereafter, so much so that when the matter of wartime taxation agreements was brought up in 1941, the hon. minister of finance, 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.

That is the personal income tax and the corporation tax. And when in 1942 the provinces entered into an agreement with the federal government, surrendering for the duration of the war their rights with respect to the personal income tax and the corporation tax, it was then agreed that:

The dominion alone will have the right to levy taxes on the income of individuals, institutions and