

*Oral Questions***FEDERAL-PROVINCIAL AFFAIRS****PAYMENT OF MANITOBA PAYROLL TAX**

**Hon. Jake Epp (Provencher):** I would like to ask the Minister of Finance whether a decision has been made as to whether a provincial level of Government can in fact tax the federal Government. Has that been determined in a constitutional sense? This relates back to the Manitoba payroll tax, and he said he would give me an answer. Second, has the federal Government decided that it is in fact obligated to pay the Manitoba payroll tax?

**Hon. Marc Lalonde (Minister of Finance):** Madam Speaker, I believe it is well established that the two levels of Government in Canada cannot tax each other. It is part of our constitutional tradition. I believe there are court decisions, as a matter of fact, to that effect. However, as the Hon. Member knows, all through the years the federal Government has agreed to pay grants in lieu of taxes, or has voluntarily agreed to pay an amount equivalent to a particular tax. This has happened, for instance, in terms of taxation at the municipal level, and there have also been reciprocal taxation agreements with the Provinces. Several Provinces have signed such an agreement. The western Provinces have not, however, reached an agreement with the federal Government, with regard to this matter as yet, most of them feeling that they would end up paying more taxes than they would be collecting, I suspect. But now that the situation seems to have been reversed, the Government of Manitoba has shown a great interest in signing a reciprocal taxation agreement, suspecting that it will be receiving more money than paying under such an arrangement. Therefore, I am considering the matter, therefore, at the present time and I will bring it to Cabinet for consideration.

**POSITION OF FEDERAL GOVERNMENT**

**Hon. Jake Epp (Provencher):** This question has been before us for some period of time and, constitutionally, one level of Government cannot tax another. The whole justification for the tax was that the Manitoba Government would recover from the federal Government moneys which the Province did not receive, moneys which it thought it would receive under Established Programs Financing. It is a worker's tax. It has had serious and deleterious effects on the creation of employment in Manitoba. The facts remain the same, but the Minister has not answered the question. Manitobans are waiting for that money because it was part of their projected revenues. Has the federal Government now made a decision on whether or not to pay that money?

**Hon. Marc Lalonde (Minister of Finance):** Madam Speaker, as the Hon. Member knows, there are two Provincial Governments in this country that have resorted to such a payroll tax, the Government of Quebec and Manitoba. I must say that

this is an evolution which is a cause for concern. I have warned my provincial colleagues about this situation and I hope that we will have an opportunity to discuss this further. As far as the Government's decision is concerned, however, I hope that I will be in a position to announce a decision soon. Again, this is a matter which will be brought to my colleagues for their consideration.

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**CANADA-UNITED STATES TEST AND EVALUATION PROGRAM****RATIFICATION OF ARMS TESTING AGREEMENTS**

**Mr. John Bosley (Don Valley West):** Madam Speaker, I would like to ask the Prime Minister a question with regard to the weapons testing agreement. I would very much like to know the Prime Minister's view as to whether only the Government should ratify potential arms testing agreements with the United States, or should the Parliament of Canada ratify those agreements?

**Right Hon. P. E. Trudeau (Prime Minister):** Madam Speaker, if we consider what is done in every case of which I know when Parliament considers foreign policy matters, usually the Government sign such an agreement and then it comes before Parliament. We would be happy to hear the views of the Conservative Party on the Cruise and the weapons testing agreement at any time it chooses to devote one of its opposition days to that subject.

**ROLE OF PARLIAMENT**

**Mr. John Bosley (Don Valley West):** Madam Speaker, would the Prime Minister not agree that on a matter as potentially divisive and as seriously important as the Cruise test, perhaps the Parliament of Canada should deal with the matter prior to any agreements being signed?

**Right Hon. P. E. Trudeau (Prime Minister):** Madam Speaker, perhaps it should and perhaps it should not. I do know that an all-Party committee has just reviewed the rules of the House of Commons and it has not chosen to insert any rule which indicated that foreign policy agreements should be ratified by Parliament before becoming operative. The Hon. Member will realize that that is the system in the United States, but it has never existed in Canada.

**Mr. Nielsen:** That is not so.

**Mr. Trudeau:** If the Hon. Member and his colleagues are interested in this reform, maybe they should bring the matter forward when they are debating reform of the rules.

**Mr. Hnatyshyn:** If that is your recommendation, I am prepared to give it serious consideration.