

*Tax Agreements with Provinces***TAX AGREEMENTS****COMPENSATION TO PROVINCES IN LIEU  
OF CERTAIN TAXES**

**Hon. Douglas Abbott (Minister of Finance)** moved that the house go into committee to consider the following resolution:

That it is expedient to present a measure to authorize (a) the Minister of Finance, on behalf of the government of Canada, to enter into agreements with the governments of the provinces to provide inter alia, subject to terms and conditions to be agreed upon, that in consideration of the said governments agreeing not to levy income tax, corporation income tax, corporation tax or succession duties for a period of five years or any lesser period the government of Canada will pay compensation to the said government; and (b) the Minister of Finance to pay to the government of each province one-half of the income tax collected from corporations whose main business is the distribution to or generation for distribution to the public, of electrical energy, gas or steam in respect of income of the corporations derived from the said distribution or generation in that province during the period commencing on January 1, 1952, and ending on December 31, 1956.

**Mr. Fraser:** Is the minister making a statement?

**Mr. Abbott:** I have a very brief statement. I thought I might make it in committee.

**Mr. Knowles:** Without prejudice.

**Mr. Deputy Speaker:** Is it the pleasure of the house to adopt the motion?

**Mr. Knowles:** Without prejudice.

Motion agreed to and the house went into committee, Mr. Beaudoin in the chair.

**Mr. Abbott:** Mr. Chairman, the bill to be based on this resolution seeks authority to authorize the governor in council to enter into tax rental agreements with those provinces which may wish to participate in such agreements. At a later stage I would expect to make a more detailed explanation of the provisions of the bill, but perhaps all I need to say at the present time is that the bill will be in practically the same form as the bill which was passed by the house in 1947. The only differences of any substance will be the provision of different guaranteed minimum payments for the various provinces, a different method of calculating the adjusted payment in relation to the minimum, and the consequential changes which result from the decision to eliminate the 5 per cent provincial income taxes.

**Mr. Drew:** Mr. Chairman, the subject now before us involves a great deal more than merely the form of a statute. Hon. members should realize what the statement the minister has just made means. The adoption of this bill in no way disposes of the fundamental problem which it has been drafted to meet. The minister has just said that this measure will be in practically the same form

as that which was introduced in 1947. In 1947 it was explained that the bill was practically in the same form as that which had been introduced in 1942. This is the third stage of what was intended and declared to be only a temporary expedient for the purpose of the war, when it was originally brought forward in 1942.

I intend to recall the circumstances under which this situation arose because the adoption of this bill at this time in no way disposes of a problem which must be faced unless our whole federal system is to be threatened. There was a time when members of this government were not so casual in their attitude towards the constitution. There was a time when members of this government felt impelled to explain their position when they introduced a measure that made very real changes in the normal relationship between the dominion and the provincial governments in the tax fields available to the governments of this country. I will quote from the words used in this house in 1940.

These were the words of the minister of finance at that time, Hon. J. L. Ralston; and an agreement of this nature was not yet before the house. Nevertheless the whole question of dominion and provincial taxes was under consideration. I would like to quote the words simply to indicate the attitude of the minister of finance at that time. In discussing the necessity for raising taxes and what that might mean he said:

This means that unless we are prepared to be entirely arbitrary and unfair and to set up schedules of rates which when added to the rates imposed by other taxing authorities would be nothing short of fantastic, the dominion must, in fixing its schedule of rates, take cognizance of the highest schedule of rates effective in any province. This is but an instance of the chaotic situation in the fiscal systems of Canada to which the Sirois report has drawn attention and which, I regret to say, appears to be getting worse rather than better.

The following year Hon. J. L. Ilsley was minister of finance. At that time in his budget speech he explained that it was intended to place before the provincial governments a proposal that they should vacate certain tax fields which had traditionally been regarded as those fields available to them. In doing so he made it perfectly clear that this was something he was only proposing because of the emergency of the war, and that it was the intention of the government as soon as the war was over to take the appropriate steps to return the provinces to their taxing position with their powers undiminished.

Because we must bring our minds back to this problem, no matter what is done in regard to the measure before the house, I wish to recall the words of the minister of