

everything was duly weighed because, as I have said, the members of this government are not satisfied with the present situation.

But we must consider the facts as they are. What we are being asked is, in fact, from the point of view of deductibility, to amend section 33 (1) of the Income Tax Act which now reads as follows:

Where an individual has paid tax on income for a taxation year to the government of a province in which he resided, was employed or carried on business during the year, there may be deducted from the tax otherwise payable under this part for the year the lesser of (a) an amount equal to the tax so paid, or (b) 5 per cent of the tax otherwise payable under this part for the year.

In other words, we are being asked to amend this section by changing the figure 5 to 15.

It is, in fact, what we are requested to do because, in order that each Quebec taxpayer may deduct his provincial tax in full, the deduction provided by section 33 on an individual basis must be allowed up to 15 per cent. This cannot be done otherwise than on an individual basis, of course.

What would be the effects of an amendment of that kind? Here I shall refer to the tax agreements since an attempt has been made to justify the merits of the suggestions which were brought forward by establishing a comparison between what the province of Quebec would receive under such agreements and what it now collects plus what it could collect in deductible taxes.

The suggested amendment would permit any province which has not signed an agreement or lets an agreement lapse, to levy on every taxpayer a personal income tax equal to 15 per cent of his federal tax and deductible from the latter. That means therefore that with a possible deduction of 15 per cent, Ontario would be greatly tempted to drop the agreements because that province could then collect over \$60 million more than what it now receives under the agreements, at no additional cost to its taxpayers.

And more than that, I believe that Ontario could go so far as to request the termination of the agreement it signed on October 29, 1952. It could hold that there has been a breach of faith on the part of the federal government, since one of the bases of this agreement is precisely an amount equal to 5 per cent of the personal income tax liability

of the residents of the province, as provided for by section 4 (1) (a) of the said agreement.

The \$60 million surplus that I mentioned a moment ago could be collected by the Ontario government and would then be part of its revenue instead of going into the nation's consolidated fund. The benefit of the regulating effect of our taxation system would thus be lost for the nation and the province of Ontario would be placed financially in a privileged position, simply because it happens to be situated, geographically, in the centre of our country. Let us remember the case of Montreal, which I gave as an example, in relation to the rest of the province. Situated as it is, at the head of navigation, it pays the greater part of the provincial taxes.

On page 10 of its submission to the Prime Minister of Canada, the Montreal chamber of commerce says this:

In practice, the federal government accepts the deduction of the provincial income tax from its own income tax within certain limits.

On page 27 of the same brief, the chamber of commerce determines what that limit should be when it says that one could seriously object to the full deduction of the new provincial tax only if the said deduction gave the province of Quebec a privilege not granted already to the other provinces.

Now, I indicated a moment ago that one of the main characteristics of the present agreements is that the province of Ontario obtains the same amount it would get if it levied its own personal and corporation income taxes according to the present rates of deduction from the federal income tax, that is 5 per cent in the case of personal income tax. The province of Quebec would thus have an advantage over Ontario, although the latter provides nearly half of the federal revenue derived from personal income tax.

Or else, the province of Ontario could consent to the continuation of the agreement, on condition that it be revised so as to give her as much as she could levy herself in the form of deductible taxes, including 15 per cent of the federal income tax. Consequently, that province could ask for a payment of \$196 million instead of \$134 million, that is, an increase of 45 per cent.

But the amounts payable to the other provinces would also have to be changed. Under the new formula with its 45 per cent increase, if it were accepted for Ontario, the amount would be \$164 million instead of \$113 million for Quebec.