

Income Tax Act

income tax, it can do that. But basically we have to realize that with Canada as it is, the weakening of federal institutions being *à la mode*, the result may be that Canada will not have to hold a referendum to split up. You will have *de facto* separation. I will try to bring about policies which will produce the maximum economic growth with the maximum distribution from east to west. We have to be careful about all these things. I will carry on as long as I have the support of the Prime Minister and of my colleagues. It is very important to try to bring about justice in this country.

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Could I ask the Minister of Finance a question? On three occasions in the course of his speech he said Quebec could always increase its income tax and take up the room the federal government has provided. In order to clarify this matter, would the hon. gentleman explain clause 30 of the bill? How could this be done in view of the fact that the taxable income dealt with in reference to the tax is for the taxation year 1977 for Quebec and 1978 for the other provinces? How could the Quebec government move into that field when the tax has already been paid?

Mr. Chrétien: I will have other occasions at the committee stage to explain this point but perhaps it is worthy of explanation at this moment. The problem is that this year for the first two months, January and February, we have cut the income tax for the fiscal year 1978 by \$100. Everyone knows about it. It was for the first two months. If I choose to apply this reduction to the same fiscal year—1978—making a further credit of \$85 available to the Quebec taxpayers, what would happen? It would mean that the taxpayers in Quebec who already have received an exemption of \$100 this year would not receive anything. So I would be affecting in a negative way the people who would be paying least taxes.

Suppose that in 1978 they were paying \$100 in taxes. We have already said to them that for January and February they will pay no tax at all. If I give another tax credit in 1978 they will not qualify to receive it. That is why I decided to look at the situation for 1977 which, even though it may not be perfect, is an attempt to protect as much as possible the taxpayers who are at the lower end of the scale. This is the reason I am doing that. If hon. members over there have a better suggestion to guarantee that result, I am willing to look into it. I am not stubborn about it. I have just given an explanation for my actions; it is a technical explanation.

There is another thing, too. The other provinces have increased their taxes already and we have effectively decreased our taxes for them since the night of the budget by collecting them for them. Because of the time of the year at which we have now arrived we will have to wait until October to bring about a reduction for the taxpayers in Quebec. As to the problem of those who pay only \$100, we can give them a credit for the whole year of 1979 and they would receive the cash in the spring. I do not think this is fair to them.

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, having listened to the Minister of Finance (Mr. Chrétien) in his

[Mr. Chrétien.]

introductory remarks to Bill C-56, I think there is a fundamental misunderstanding by this government as to what an agreement means.

● (1722)

In his remarks the Minister of Finance took us through those trying times when he tried to negotiate with various provinces. But the important thing he omitted to tell us is why he chose on April 10 to go ahead with his budget knowing that he had no agreement with such a key province as Quebec. The Prime Minister (Mr. Trudeau) has indicated that he feels there is no rush for an election now. Presumably he felt that way on April 10, so why was there a rush for a budget? Why could one or two more weeks not have been taken in the earnest hope that there could have been an understanding arrived at, not just with eight or nine provinces but with all ten provinces in the country.

I believe that the minister clearly demonstrates that there is no understanding on his side of the House as to how to negotiate, bearing in mind the sensitivities of other levels of government. If the government made a mistake on April 10 by going ahead rashly and bringing in a proposal which was subsequently shown to be clearly unacceptable to the government and, presumably, to the members of the National Assembly of Quebec, why did the federal government then hasten to bring in Bill C-56, again to create the consternation we are now living with in this country? What was the rush? Why first reading on May 15 and second reading debate beginning on May 17?

In what has happened on the government side we can see that the government feels there are three distinct divisions in Canada. There is Alberta, which is treated, in a sense, as the outcast. It gets no benefit whatsoever as a result either of the budgetary measures announced or of the provisions now written into Bill C-56. There are the eight provinces which do receive the benefit of the initially announced budget of April 10. Finally there is Quebec, which seems to be treated in a unique fashion. Quebec residents—certainly those resident in Quebec as of December 31, 1977—will be getting a tax credit of up to \$85 simply because they are residents of Quebec. We know that Caesar divided Gaul into three. Our emperor has divided Canada into three. Is this the way the Minister of Industry, Trade and Commerce (Mr. Horner) wins big for Alberta?

To support Bill C-56 would be to condone government incompetence. To facilitate passage of this legislation would be to aid and abet a Minister of Finance who is the most inept minister to hold that office in living memory.

Any member of this House who chooses to vote for Bill C-56 will contribute to divisive forces in this country and will seriously undermine a satisfactory working relationship between our federal and provincial levels of government. As it has been presented to us, this legislation contains insidious provisions which were not contained in the minister's budgetary statement of April 10. Indeed, they were never even thought of as of that date. These provisions, to which I will