

Income Tax

with a type of conglomerate and carry out development. I am sure the minister is familiar with the area I have in mind. These several thousand people would not be working today had it not been for the flexibility of policy on both the provincial and federal levels in respect of royalties.

It seems to me that the minister does not really care very much about what anybody says in this regard, or perhaps it is extremely humorous to him that 10 years from now such a community might be evacuated because of the rigid federal and provincial decisions now being taken. I think that is an extremely serious situation, one which Canada is galloping toward by confrontation, lack of consideration, and negotiation on the basis of powers both federal and provincial.

This does not only apply to the west, that is, Alberta or British Columbia; it applies to the Atlantic region as well. In the forestry industry, for instance, there has been no definite statement by the government that would indicate a stumpage, or any other charge by the Crown in a province against industry, will be a deductible expense. There has been no direct statement to clarify that situation. This situation has an effect in the provinces of Quebec, New Brunswick, Nova Scotia, Ontario and others, and it is extremely important. There has been no definition as to what might be allowed as a stumpage charge by a provincial government. Is this a royalty, a tax, or what is the position?

We are not dealing just with the province of Alberta or the province of British Columbia; we are dealing with something that affects all provinces as a result of this distinct change in the philosophy of the government of Canada. This change further subjugates the provinces to the authority of the federal government, and this is a deplorable situation.

I believe in a strong federal state within the scope intended when our Confederation was formed. I do not believe that the government of Canada should impose itself in fields which were never intended as its own. This philosophy subjugates the provinces to the whims of the government in Ottawa, and that never was intended at any time when a province became a part of Confederation.

The provinces have seen their fields of authority, including health, education and others, virtually emasculated by the imposition from above of the policies of the federal government. Now the last area in which the provinces had an element of independence is being taken away by the imposition of an income tax structure that further subjugates the provinces to the whims of the government of Canada. This is an unfortunate position in which the provinces find themselves.

I sincerely believe there is a limit to this and that the limit should be clearly delineated in this act, beyond which royalties cannot be charged by the provinces and still be tax exempt. If an extremist province imposes too much royalty in respect of a natural resource, that is the fault of the province. But as the situation exists at this moment in time the government of Canada is imposing a tax structure which punishes all 10 provinces without mercy.

I wish there were a reasonable standard established within which the provinces might work. In this way perhaps the mining corporations could continue to mine all the ore, and not just carry out the high grading which is taking place at this time. A lot more ore that was formerly saleable is now being left in the ground, and many mining communities will be abandoned decades earlier than necessary because of an act which fails to take into consideration the actual costs of operation and the humanitarian results of employment for the people.

This is a social problem which indicates the need for a change in federal philosophy under which this government imposes strictures on the provinces that they do not deserve. I would plead with the minister to get himself out of the straitjacket in which he was placed himself, and relieve the provinces from the straitjacket this government has laced on them by the inconsiderate legislation contained in this bill.

Mr. Andre: Mr. Chairman, I do not intend to take a great deal of the committee's time, but I do want to talk about one aspect of the minister's budget which relates to this matter of the deductibility of exploration expenses.

In the budget of May 6 the minister indicated that exploration expenses would not be deductible. I guess the computer said that would be O.K. and would do no harm to Canada's future supplies. After the representations the minister received and, I presume, a reprogramming of the computer, the minister realized in fact that this was not the situation and that it would not be in the best interests of Canada to change the law, disallowing the deductibility of exploration expenses from income tax.

There is one other provision I wish the minister would consider, and that is the matter involving the principal business test inherent in the legislation. The Canadian income tax law justifiably provides that when filing an income tax return one is required to consolidate one's income. A professional who owns a pizza parlour, for example, in submitting his income tax forms must consolidate the income from his profession with the income from his pizza parlour business. If the pizza parlour loses money, then the individual has a negative income which he combines with his professional income.

This situation is true under our income tax laws, with three exceptions, or perhaps with only two after the passage of this bill. Those three exceptions relate to real estate income, or income from rental property, income from farming when that is not the principal income, and income in respect of the oil and gas industry.

There was a change in the law which disallowed the consolidation of professional and real estate income when the real estate income was in a loss position. That, I understand, is being changed, and hopefully will result in more rental property for Canadians.

The second exception is in respect of gentlemen farmers. The loss provisions under the Income Tax Act are only available to farmers when farming provides the principal income.

The third area of discrimination exists in respect of the oil and gas industry. In other words, if a professional or a man in some other business not related to oil and gas went into the oil and gas industry by drilling a well in the hopes