

*The Budget—Mr. Lesage*

We must clearly distinguish between two facts: on the one hand, there is the provincial legislation on personal income tax, the passing of which caused double taxation. On the other hand, there are the demands made upon the federal government to allow the total deduction of the provincial tax from the federal tax. These two questions should be distinguished with respect to their very nature as well as chronologically.

I would be the last one to suggest that the Quebec legislature had no right to impose such a tax. The constitution gives it the right to impose direct taxes within the province for provincial purposes. The problem is not whether the province has the right to tax personal income, for such a right is recognized.

The problem which we have to solve—and it seems to me it is important that we know just what this problem is—is not the matter of the right which the province has to levy income tax. This is a unanimously recognized right. That is not a problem.

The Quebec government has not consulted the federal authorities, neither before, during, nor since the passing of its law, in order to find grounds for a mutual agreement as far as deductibility is concerned, which is the second point at issue. We have read statements in newspapers, we have received claims from the taxpayers, but we have not heard from the Quebec government.

Is it necessary to make any comments on such a procedure? I do not believe so because, I repeat, we must avoid charges and counter-charges.

Some citizens of Quebec have asked us to amend our income tax law in order to allow those taxpayers who pay the provincial income tax to deduct the total amount of this tax from the federal personal income tax, up to a maximum of 15 per cent.

The Minister of Finance (Mr. Abbott) has pointed out to us why this was impossible. But I repeat that it is the intention of no one to deny the legislatures their right to tax the income of individuals.

We cannot, however, accept the unjustified claim that the provinces have priority over the Canadian government in so far as direct taxation is concerned. To my knowledge, it is neither arrogant nor provocative on the part of anyone to mention politely, according to the terms of our oath, the rights that are

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granted to the federal government by our constitution. Nothing in the B.N.A. Act may be construed as giving priority to local governments in the field of direct taxation.

I have already discussed this matter thoroughly in the house, and the member for Joliette-L'Assomption-Montcalm (Mr. Breton) expounded it in a masterly speech last November.

May I add that the law is so clear that it has never been referred to the courts. The right of the Canadian government to tax by every means has never been questioned, because the matter is beyond discussion. In 1945, the Leader of the Opposition himself, while premier of Ontario, stated:

The provinces were authorized to levy direct taxes . . . whereas the federal government was authorized to procure funds by means of any kind of taxes.

For that matter, the theory that the provinces have a prior right is absurd. If such a theory were accepted, a province could levy a tax amounting to 100 per cent of the federal taxes on personal and corporate income and even of the federal sales tax, and if this tax were deductible from the federal taxes, nothing would remain of the latter.

I have sometimes heard the following: inasmuch as parliament allows a deduction of 5 per cent in regard to provincial taxes, it therefore recognizes the prior right of the latter. Or the following: since parliament pays a rental to the provinces that have signed tax rental agreements in return for their rights to direct taxes, it recognizes that local governments have a prior right in this field.

In neither case, Mr. Speaker, is there anything but the recognition of a parallel and concurrent right; in both cases, the Canadian government makes an honest effort to help the provinces, while eliminating the inconvenience of double taxation for the taxpayers, and the cost thereof for the governments.

If, having entered a business partnership, my partner and I have equal rights, nothing prevents me from leasing out my share to my partner. But such lease surely does not imply any priority either of his right or mine. It implies equal rights.

Mr. Speaker, before giving an answer to those who have asked that the new provincial tax be made deductible, you may rest assured that we considered the matter seriously, that