

Section IV

Taxes To Be Left To The Provinces Exclusively

Although ministers in past Dominion Governments have admitted that personal income and corporation taxes and succession duties belong to the provinces, we believe that the first two should be shared by both the Dominion and the provinces. As already stated, the Ontario Government submits, however, that the Dominion Government should vacate succession duties and certain other direct taxation fields. The Dominion Government has access to all fields of taxation, direct and indirect, and also enjoys exclusive jurisdiction over banks, banking and the issuing of money. The provinces are restricted to direct taxation and with their wide duties and functions must have revenues which are adequate to enable them to discharge their full constitutional responsibilities. The Dominion Government therefore must leave certain of the direct taxation fields exclusively for the provinces if they are to have the taxation sources with which to function effectively. This point of view has been widely acknowledged and indeed asserted by both Dominion and provincial leaders in the past. When the Dominion Income War Tax Act was introduced in 1917, the then Minister of Finance emphasized that the measure was being introduced only because of "manifest public necessity" and acknowledged that the Dominion Government was invading a field "to which the provinces are solely confined for the raising of their revenue." In fact he went so far as to say that this Dominion taxation was a temporary measure only. From Confederation onwards a tacit understanding existed to the effect that direct taxation should be reserved for the provinces.

At this time it is not sufficient to deal only with the three taxes referred to in Section III. In addition, ample direct taxation fields must now be reserved for the provinces. The Dominion Government should vacate the following fields: succession duty, gasoline tax, amusement tax, race track pari-mutuel tax, security transfer tax, electricity tax; and effectively recognize priority of provincial taxation on mining and logging operations. Moreover, the Dominion Government should refrain from invading further direct taxation fields now or in the future.