

Income Tax Act

much more difficult—would be affected to the extent of about \$145 million or \$150 million.

Mr. Nowlan: Since the minister is dealing with estimates, I should like to ask him a question which will certainly require an estimate. He has referred to the fact that these abatements have been part and parcel of arrangements made vis-à-vis the proposed pension plan. Is the hon. gentleman in a position to say what will be the effect of a pension act on the floor upon which national revenue taxes are imposed? I presume that contributions made to the pension scheme will be deductible for income tax purposes. Millions of Canadian taxpayers will, I take it, be making contributions to the scheme and as a result the tax base will be reduced by so many millions of dollars. The minister has just told us how the abatements will affect his revenue. I wonder if the hon. gentleman is now in a position to advise the committee what the impact of the pension scheme is likely to be upon income tax collections? I realize this is likely to be difficult, but at the same time I assume intensive studies are being made in this field by officials in the Department of Finance and in the Department of National Revenue, whose ability in these matters is well known to me.

Mr. Gordon: I will do my best to answer this question. As the hon. gentleman knows, officials in both the Department of Finance and the Department of National Revenue are very loath to speculate in the unknown fields of the future. Unquestionably these contributions will be deductible for tax purposes, so on the face of it tax revenues receivable will be reduced correspondingly. On the other hand, the funds paid into the Canada pension plan will be invested and those investments will be put to productive use. This in turn will generate greater activity in the economy, so it is quite possible that in the long run revenues will be increased rather than diminished.

I am not in a position to give a specific answer to the hon. gentleman today. In any case, it will depend on the date on which deductions are to begin. The government is anxious that this should take place as soon as possible in order that the pension plan may go into operation at the earliest possible date, but we have to wait until the legislation is before the house; until it has been passed by the house. In the meantime I think it would be unwise, even if it were possible, to speculate about the exact effects upon any one year's budgetary receipts.

[*Translation*]

Mr. Grégoire: Mr. Chairman, section 8 of the legislation now before us, contains—

[*Mr. Gordon.*]

The Chairman: Order.

Mr. Grégoire: I am sorry; section 9 which is now under consideration contains an amendment which, it seems to us, is of great consequence. I am not speaking of the amendment made but of the provisions which are not changed.

Hon. members will remember that approximately 13 months ago, the Quebec government delivered an official ultimatum to the federal government, claiming 25 per cent of the individual income tax, 25 per cent of the corporation tax and 100 per cent of the estate tax. Since then, there has been some change concerning the estate tax. The provinces now get 75 per cent of such revenues instead of the 100 per cent which were requested. However, nothing has been done yet with respect to corporation income tax.

Under section 9, the federal government will give the provinces 21 per cent of the tax in 1965, that is one year from now, and 24 per cent in 1966, two years hence, whereas Quebec asked for a minimum of 25 per cent immediately. Therefore, the federal government is taking a heavy responsibility upon itself by retaining those taxation fields which the provinces want and are entitled to.

It must not be forgotten that direct taxation was the prerogative of the provinces and that the latter rented and lent those fields to the federal government so that it could cope with the emergency situation which arose during the last war. Now, the war has been over for 20 years and the federal government still controls direct sources of taxation which, in effect, should come under each provincial government.

In view of the restlessness existing in the province of Quebec, as well as in other provinces which also insist on their rights, a small 2 per cent increase was granted, bringing the abatement to 21 per cent in 1965 and 24 per cent in 1966. Mr. Speaker, I contend that it is not enough, that the requests from the ten Canadian provinces or, at least, from several provinces, insisting on an immediate 25 per cent, should have been granted immediately. Furthermore, the income tax percentage should be raised still higher, within a short time, and brought up to 100 per cent.

Mr. Chairman, clause 9 which is now under discussion is the main problem. It also touches a sore point, because the claims put forward by the provinces and by the Quebec citizens, indeed create a difficult problem.

Over the week end, there was great excitement everywhere especially in Winnipeg—and I want to commend the Prime Minister for his courageous stand on that occasion, when he was not afraid clearly to present