

levy an additional tax and to increase the rate of the existing tax, well, the war is on." That was the attitude taken in particular by the Quebec government. That province precisely tried to get out of solving its own budgetary problems.

At any rate, that is what led to the confusion we have at this time. Under the present system, a series of minor adjustments have to be made to the fiscal legislation to solve a number of individual cases. That is what created this fiscal jungle and this intricate labyrinth I mentioned a while ago. If a solution is to be found eventually, certain terms will first have to be redefined. In the public mind and even here and at the other place, there is an extraordinary confusion concerning the meaning of certain words and expressions used currently in the field of taxation. On a previous occasion, I spoke of the obscure meaning of the words "double taxation."

I feel it is inevitable that the federal Government and the provinces should both derive some revenue from personal and corporation income taxes. I believe that both should have a share in those sources of revenue, which are the major sources, those that reflect most clearly the general prosperity. Of course, one may use the expression "double taxation" to indicate that two governments are taxing the same thing. But those words ought not to be used to indicate that, in a certain province, such a tax is higher than in another. That already exists in the Province of Quebec where, in some cases, the provincial personal income tax exceeds the abatement allowed on the federal tax. That is why that province already had "double taxation." It is the case in other fields, such as, for example, the estate taxes. The inequity of some taxes is obvious between certain provinces in Canada. Some of them even refuse to impose some taxes, while others levy them. For instance, the rate of taxes on retail sales varies between Quebec and Ontario, and other places, and in some provinces this tax is totally nonexistent.

These words "double taxation" must be qualified and determined more precisely, and should not, in my opinion, be used only as veiled threats when negotiations are being carried out between the central government and the provinces.

Another expression which suggests much vagueness is the one concerning the sharing of taxation fields. It seems clear to me that

the B.N.A. Act gave the central Parliament a right to levy direct taxation and also indirect taxation, and to the provinces only a right to levy direct taxation for the purposes of balancing their budgets. It was suggested that the provinces had a priority in the field of direct taxation. I do not think so. The personal income tax and the corporation tax, in particular, were unknown at the time of Confederation and those major taxation fields cannot, as I said, belong exclusively to one level of government. The presence of both governments in this field must be accepted. But that does not mean that it is not advisable to take into consideration that problem of the sharing of taxation sources, and to allocate definitely and exclusively to the provinces certain very definite sources of income and to the federal Government other incomes also very definite. That sharing formula contained in the B.N.A. Act dates from a time when our present taxation could hardly be foreseen. An extraordinary development has taken place since then. But the sharing of sources must not be confused with the sharing of the proceeds of all sources. Now this also happens frequently in the discussions that are taking place here or in the other place or in provincial legislatures. The tax dollar is not something static; indeed any tax can have its ups and downs. We seem to think that the major problem consists in dividing this tax dollar by giving a percentage to the central government and another percentage to the provincial governments. This is, I think, another cause of confusion which should be dispelled.

Another point on which I feel some light should be thrown has to do with the responsibility for determining the rate of a given tax. At the present time, for all practical purposes, the personal and corporation income tax rates seem to be set only by the federal Parliament. The provinces, though free to decide upon a rate of their own choosing, seem to take for granted that such a rate can only be determined by the federal Government.

Now, I submit that Senator Hayden's suggestion in that connection would be a fine first step towards clarifying the situation. When those agreements expire in 1966, the rate of the federal tax should be adjusted to its true level. Then, each government could solve its problems by itself and deter-