

To Seek Solution of Tax Disputes, Premier Declares RIGHTS SEIZED

Adjournment of the Ontario Legislature session until such time as the financial relations between the Province and the Dominion are clarified, will be moved today by Premier Hepburn.

The Premier will present this motion on the grounds that his Government is unable to budget for the coming fiscal year, or otherwise carry on its monetary policies because of the lack of knowledge of what Ottawa plans to do.

In the course of the two-and-half-hour session of the House yesterday, Colonel George Drew, Ontario Conservative Leader, and the Premier saw eye to eye on such an adjournment, and were in agreement on the uselessness of the House continuing to sit with nothing of an important character before it. A Cabinet meeting was held later, and, following it, the Premier announced: "Tomorrow afternoon I am going to move that the House adjourn, to be re-assembled on a date to be fixed by the Lieutenant-Governor-in-Council."

"In the meantime we are going to try to straighten out our tax problems with Ottawa. There is no use going on under the present situation. I am not prepared to make recommendations on the budget."

Mr. Hepburn said he was not able to predict the length of the adjournment, adding that Treasury officials had no immediate conference appointment with Ottawa. Meantime, he said, he proposed to send the members home with half their sessional indemnity.

It was Leaders' Day in the Legislature and Colonel Drew, in an address attacking the lack in the Speech from the Throne of a program of legislation, urged adjournment of the House.

He declared: "I believe this House should adjourn until the Government is ready to place before us measures in keeping with the part this Province must play in the combined war effort of the whole Dominion."

Crux of the dispute between Ontario and the Dominion Government is the proposed transfer from Ontario to Federal jurisdiction of the corporation and income tax. In many other fields of revenue as well, the Premier told the House, the Province was unable to prepare a budget of approximate income because of the indefinite attitude of the Dominion Government.

The Premier tabled his interpretation of a legal report made to him by Attorney-General Conant in connection with Mr. Conant's recent conference with Finance Minister Ilsley over the proposed transfer. After citing Ontario's objections to the basis on which the Dominion Government is seeking the sources of revenue, the Premier said: "It is only within the last few days that Ontario has learned definitely that while the Province is being asked to sign away its rights of taxation which are derived from the British North America Act, and to pass an Ontario statute validating the suspension of these rights, the Dominion Government has no intention of passing complementary legislation but has voted a sum estimated to take care of the amounts covered by the agreement for the year 1941-42, which will be made available to implement the agreement insofar as payments to the Province are concerned for this year."

"Questionable Methods."

The Premier added: "It is objectionable and unthinkable that the rights of the Provinces guaranteed by the constitution are to be taken from us by such questionable methods."

The House then was given an outline of the general agreement under which Ontario is to receive in compensation for the surrender of income and corporation income taxes, the sum of \$28,961,488, and a further guarantee of amounts to cover losses in gasoline revenue. The memorandum tabled by the Premier, giving the "Treasury view" of the tax transfer agreement, dealt with the subject at length. It declared that the suggestion of the Dominion Government, that, after 1942, the Provinces will be expected to make provision whereby the municipalities may resort to some alternative method of taxation which will recoup them for the loss of revenue through the suspension by them of the collection of municipal corporation tax, "is unacceptable to the Province of Ontario."

"The Province," said the Premier, "raises the objection that the Dominion is tampering with the rights of the Ontario municipalities and that they should not be brought into the scheme at all, or if they are to come into the scheme, it should be as a result of direct negotiation between the Dominion authorities and the municipal authorities. The Province takes a strong stand on this matter, and refuses to be a party to taking away the rights of taxation from the municipalities without their consent."

He declared the "Province of Ontario has co-operated in attending the different conferences held in Ottawa and by taking a firm stand has succeeded in ironing out many points of differences, and preventing a number of injustices being imposed upon all of the Provinces."

He said Ontario has also insisted that a clause be inserted in the agreement declaring that, notwithstanding the agreement, the Provinces have neither abandoned nor given over to the Dominion any of their rights as vested in the Provinces by the British North America Act.

"To this the Dominion has agreed, although contending that it is not necessary," said the Premier. "For the reasons which will be stated later, it will be observed that this provision in the preamble of the agreement is of vital importance, and it is believed will prove to be the only protection which the Provinces will have from losing permanently their fiscal autonomy now guaranteed by the British North America Act."

The Province, while contending that the proposals of the Dominion Government to take over the corporation and income taxes are not justified, "is willing to enter the agreement for the duration of the war."

But before committing the Province to this agreement, Ontario raised three objections to the Dominion proposals. First the definition of corporation tax as proposed by Dominion Government officials is "ambiguous and unsatisfactory, and is bound to lead to discord and misunderstanding." Mr. Hepburn said Quebec was not satisfied with the definition and "yet the officials of the Department of Finance steadfastly refuse to adopt a simple, sensible definition which will make for clarity and future harmonious relations in respect to the working out of the agreement."

The second point was with relation to the proposal to take over corporation taxes from the municipalities. "The amount involved (less than \$300,000 per annum) compared with the total sums of revenue that are to be dealt with is petty," said the Premier.

"The Dominion Government," added Mr. Hepburn, "seeks to impose this agreement upon the Provinces without securing the authority of the Parliament of Canada, without passing a Dominion statute; but we, the people of this great Province of Ontario, are asked to give up our rights of taxation, our fiscal independence, our power of progress and development and to pass legislation validating the proposed agreement, by the terms of which we alter for the time being the provisions of the British North America Act.

"And what do we get in return? We get an agreement signed by the Minister of Finance, undertaking on behalf of the Dominion Government to pay certain moneys in certain times to the Province of Ontario. The agreement is to be signed by the Minister of Finance, but it is not, I repeat, the intention of the Dominion Government to ask Parliament to pass an act authorizing the signing of the agreement.

"Subsequent Dominion Governments, not being bound by statute, may delay the passing of estimates providing the necessary moneys to repay the Province of Ontario, or may withhold supply, or may even repudiate the agreement in whole or in part. Can you imagine a state of affairs so charged with threats and dangers to the autonomy of this Province?"

Rising to carry on the Throne Speech debate, Premier Hepburn said at the outset that the Leader of the Opposition had raised a most important question; whether the Government proposed to place a Budget before the House.

"We are not, through no fault of our own," said the Premier. "We cannot budget when we have no idea of what steps Ottawa intends to take with regard to revenue."

Ontario's Contribution.

The Premier reviewed Ontario's contribution to the war effort. Buildings valued at \$15,000,000 had been placed at the disposal of the Dominion Government for war purposes, and the Province had made generous proposals to Ottawa in connection with soldiers who were tubercular. In November, 1939, an agreement was reached with Ottawa regarding the care of tubercular soldiers in Ontario sanatoria. The Ontario Government, he declared, had offered to give free hospital treatment to soldiers from Ontario who contracted tuberculosis or mental illness within ninety days of their enlistment. The Premier said it was a "dastardly act" on the part of the Federal authorities to take men into the armed forces, declare them physically fit, and then bring them back from overseas suffering from tuberculosis or mental disease and then refuse them a pension.

The Premier tabled a report from Dr. B. T. McGhie, Deputy Minister of Health for Ontario, which told of a conference in Ottawa concerning the problem of returned men and their treatment. Dr. McGhie said the Dominion's offer was to give a grant of \$1,000 per anticipated bed required for the treatment of mental patients discharged from the army over the next three years. The Ottawa authorities also indicated they were willing to pay four months' maintenance for all mental patients, irrespective of whether or not they were pensioners, but after the four months period only those receiving pensions would be hospitalized at the expense of the Dominion Government.

One of the objections to this offer voiced by Dr. McGhie was that the Ontario Department of Health was