

March 26

Ontario Can Terminate Tax Pact at Any Time, Hepburn Informs House

Premier Says Neither Legislature Nor Hydro System May Initiate Policies Contrary to Wishes of Federal Government Due War Act

Premier Hepburn told the Legislature yesterday at second reading of the tax transfer bill that the Province has practically no control over its own affairs, and must simply legislate policies enunciated for them by the Ottawa Government. Even a Provincially owned system such as Hydro could not be made subject to legislation without the consent of the Dominion, he said. This situation was ascribed to the wide powers given the Government under the War Measures Act.

The debate on second reading of the validating bill took exactly fifty-five minutes. Leopold Macaulay, Acting Opposition Leader, spoke briefly on the subject. George S. Henry, former Conservative Premier, and L. M. Frost, Conservative member for Victoria, also dealt with various aspects of the bill. The suggestion was put forward by Mr. Frost that the Province should be permitted to use its collection machinery for all succession duties instead of having duplication by both Dominion and Province.

Mr. Macaulay questioned whether the \$2,896,000 which the Federal Government is to pay Ontario before March 31, 1942, was not a prepayment. He suggested that it was a "sweetener" for the Government's Budget. This was denied by Premier Hepburn and Attorney-General Conant. The Acting Conservative Leader said at this stage it appeared to him that double taxation, which the bill aimed to eliminate, appeared to exist. The Province was taking the \$2,896,000 into the present fiscal year. It appeared to be a prepayment, he declared.

Can Terminate Agreement.

Attorney-General Conant explained that during the first year of the agreement, from April 1, 1941, to March 31, 1942, the Province will have collected and will retain a substantial amount from corporation and income taxes.

"From the amount that would otherwise be payable by the Dominion to the Province for the first year, these amounts so collected by the Province from the taxpayers are to be deducted," said Mr. Conant. "For example, although the figures are purely hypothetical, we may collect \$25,000,000 from these sources during the fiscal year ending March 31, 1942. In that case the Dominion would pay us the balance, or \$3,964,039, with respect to that year. Then next year we may collect this further \$3,964,039 from the taxpayer, and if we do so, or whatever we may collect, will be deducted from the \$28,964,039 payable by the Dominion to Ontario next year.

"There is, however, one important provision," continued the Attorney-General. "Anything that we may collect from the taxpayers after April 1, 1941, in excess of the stipulated figure, \$28,964,039, is retained by the Province and is not deductible by the Dominion. In other

words, we have that much to the good. It does not enter the picture, and we are not accountable to the Dominion for it."

"If any sincere difference arises we have the right to terminate the agreement?" asked Mr. Macaulay. "Yes, that is so," was the reply.

"Well, that is a safeguard," observed Mr. Macaulay.

Not a Prepayment, Hepburn Says.

Mr. Hepburn declared the \$2,896,000 item was not a "prepayment in any sense of the word." In the transfer of taxing authority, he said, a specific date must be set from which the Federal collection must start. Personal income tax is payable by the calendar year and the Province has not collected any since Jan. 1. Nor has it collected any corporation income tax since Jan. 1.

"Had we not entered into the agreement, these revenues would have been collected and the 10 per cent is a fair estimate of the revenues which would have been between Jan. 1 and the end of the fiscal year, March 31. There is nothing sinister in it and there is not an attempt on the part of this Government to bolster up its budget," he said.

Mr. Frost declared that the centering of tax collection authority in the Federal Government was not an "unmixed evil." He said: "It is one of the first steps to avoid the duplication with which this country has been cursed for seventy years."

"Lawyers Get Paid Twice."

He saw in the move one way in which the "long-burdened taxpayer" could be relieved of spending a "lot of money," and he suggested, as a forward step, that now the Federal Government has entered the succession duties field, that the Ontario duties collection machinery "which the Prime Minister has maintained so efficiently," should be the one collection source in Ontario and that the Dominion's share should be handed over to the Dominion at pre-arranged intervals.

The one collection source would eliminate one set of returns and one set of valuations. Under the present duplication, declared Mr. Frost, a barrister, "the lawyers get paid twice."

"Millions of dollars are going down the drain" in the duplication of collection, he claimed, and he stressed that elimination of collection dupli-

cation in corporations and personal income taxes was "commonsense in wartime."

Of claims that the Legislature had been reduced to the status of a "glorified county council," Mr. Frost said: "I have felt that many county councils' methods might be introduced with benefit into the Legislature."

Ottawa Declined Hepburn Offer.

Premier Hepburn declared that, at the time of the Sirois Report Conference at Ottawa, he had suggested to the Dominion that the Ontario succession duties collection branch could function for both Governments. "We offered the full services of the department to act with succession duties as the Federal branch collected income tax for both jurisdictions.

"However, the Dominion Government did not see fit to take advantage of this offer. I agree entirely that the duplication has caused unnecessary delay in the settling of estates, but the offer still stands."

George S. Henry, Conservative, East York, charged the Hepburn Administration with extravagance, and declared his conviction that it should not have entered the personal income tax field, and should not have increased corporation tax levies to the present rate.

"In the last eight years the Government has gone on and on in increasing taxation. The Government imposed the personal income tax, which I opposed, and still oppose. It is not a Provincial tax. Others say the same of the corporation tax," said Mr. Henry, and, in declaring his opposition to the corporation levies, said that, in the final analysis, while many companies may have their head offices in Ontario, their revenues were derived from the Dominion as a whole.

In 1933, said Mr. Henry, corporation tax revenues amounted to \$7,600,000. While a normal increase in business revenues would account for some of the current increase in tax revenues, he charged that the great part of that increase was derived from the increased rates charged by the Government.