

March 23

Hands Off M.P.'s Pay, Tax Bureaucrats Told

If the "bureaucracy of the income tax offices" in Ottawa is not controlled by the Federal Government, and launches action to recover taxes on the \$2,000 allowances to members of the Ontario Legislature, the Ontario Government will "carry the suits to the highest court in the Empire," Attorney-General Leslie Blackwell pledged yesterday.

Stressing that he did not expect such action, Mr. Blackwell took occasion on second reading of his bill to amend The Legislature Act, which changes the \$2,000 indemnity of each member to a tax-free allowance, to lash into officials of the income tax office who had questioned the legality of the Ontario action. He pointed out at the same time that neither Prime Minister King nor any other Minister of the Dominion Government had commented; but "bureaucratic officials" had commented in press reports that Ontario could not make the Legislature indemnities tax-free.

Opposes Discrimination

Mr. Blackwell spoke at great length on the matter, and recalled that Ottawa, only last December, had taken similar action to provide tax-free emoluments for Parliamentary members and Senators by amending the legislation covering the two Houses.

If the income tax branch, he said, attempted to differentiate between members of Parliament, members of Legislatures and members of municipal councils, "then we will be treated to the amazing spectacle" of Parliament and Senate bargaining for their own exclusive privilege and refusing that privilege to other elected representatives in comparable positions.

Apart from the justice of Ontario's position as compared with Ottawa's, Mr. Blackwell quoted from the income tax law to define his department's legal opinion that the payments to members of Legislative Assemblies and municipal councils could not be taxed. He cited

the case of a Manitoba M.P.P. who had refused taxes on a similar \$2,000 amount, who had been ordered by court to do so, and whose appeal to the Supreme Court of Canada was pending, "with some prospect of success, I may add."

Mr. Blackwell cited reports in the three Toronto newspapers, all quoting Ottawa income tax officers saying Ontario's action was illegal. The opinions expressed in Ottawa were, he said, some relating to legality, some which should be expressed only by a Minister because they involved policy, and one "nothing but downright impudence to Canada's and Ontario's Governments."

For a long time, he said, bureaucracy had taken a course which indicated "abdication of elected government in political consideration." Officialdom had been able to issue orders, and when flouted had run to Ministers and obtained amendments to laws which inserted into statutes the opinions they previously had held. In the final analysis, he stressed, Canada's Parliament could uphold Ontario's action or refuse to support it. That point, he said, he wished to emphasize.

Quotes From Prime Minister

Quoting at great length from Mr. King's remarks in Parliament, supporting that body's move to provide \$2,000 allowances tax-free for M.P.'s and Senators, he held that they were as applicable in the case of M.P.'s and municipal councillors. However, his department held that the tax laws respecting salaries, indemnities and "other earnings" did not apply to sessional allowances because the recipients were not employed by the Province.

"But if the Government of Canada sees fit to tax these allowances, its power is plain and in sight," said Mr. Blackwell. "Whether these proposed allowances are to be taxed or not, I submit, is a matter of policy and not of officialdom's dogmatic assumption. It is significant that neither the Prime Minister nor any of his Ministers has expressed

an opinion or questioned our action."

(Without saying so, Mr. Blackwell also made clear in this way that there had been no interchange of opinion between Ottawa and Queen's Park before introduction of his bill.)

Permissible Exemptions

The income laws, he said, made it permissible for exemption of moneys used for "meals and lodgings while away from home in the ordinary course of business." Thus, he said, "captains of industry and labor organizers" were permitted to do what Ontario's legislators could not, according to officialdom at Ottawa.

Using an unstated figure as an average legislator's annual income, he set forth then the position of members of three groups: Those who spent \$750 of their \$2,000 on expenses during the session while living in Toronto and on "the burden of serving a riding in all its multitudinous duties"; those who spent \$1,250 of their allowance, and those who spent all of it. In the respective cases, after deducting taxes, the first made about \$500 a year, the second just about broke even, the third "paid \$750 a year for the privilege of representing a constituency."

Ontario, he said, would cease immediately deducting the statutory amount for the income tax branch. If, he pledged, any member then became the object of the income tax officials' efforts to recover taxes on the allowances, his department stood prepared to "fight the case through to the highest court in the Empire."