

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
First Session — Thirteenth Legislature
28th Day

Monday, March 25, 1957

The House met at 2:30 o'clock p.m.

SECOND READING

Bill No. 79 – An Act to authorize the Government of Saskatchewan to enter into a Tax Rental Agreement with the Government of Canada.

Hon. C. M. Fines (Provincial Treasurer): — Mr. Speaker, this is the Tax Rental Agreement with the Federal Government. During the Budget Address I outlined in some detail the terms of this Agreement. I also did so a year ago. Therefore, because it is all on the record, I feel there is little to be said at this time, except that this is an Agreement under which we rent our three major fields of taxation – income tax, corporation tax and succession duties – to the Federal Government for a period of five years, from 1957 to 1962.

This Agreement is in some respects better than the previous one. Had we continued under the old Agreement we would have received, this year, approximately \$31.4 million, whereas under the Agreement as it is now we shall receive approximately \$34 million; so we are going to be about \$2½ million better off by this new Agreement.

The basic differences in this Agreement and the old one is that the old one fixed a definite minimum, and then the payment to the Province went up according to the population of the Province in relation to the population of the Dominion, and also in relation to the increase in the gross national production. With this, what we do is to simply take the yield that would be obtained with the tax being applied in the Provinces of British Columbia and Ontario – or in other words, the two provinces that get the highest return – and then every Province is given this amount per capita. I could go on to discuss the different ways in which this is made up, but, to put it very simply, it means that it is determined what each Province would collect were they levying the standard tax rate and then they will get, by way of equalization payment, the difference between that and the per capita payment I have referred to paid by the Federal authorities.

So we expect, this year, to get \$34 million, and if the gross national production continues to go up, and if business continues to go up in British Columbia and in Ontario so that their yield is particularly high,

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and if our population is maintained at its present level, or increases, we will naturally get more year-by-year.

There are weaknesses in the Agreement. We would like to have seen more attention paid to the principle of equalization. We would like to have seen, for example, those Provinces which are away below the national average and that haven't taxing power in other fields, get more. I think, for example of the Maritime Provinces; and that is one of the things that we endeavoured to get into the Agreement but we were not successful in doing so.

However, on the whole there is no question but that it is in the best interests of Saskatchewan that we should have this Tax Rental Agreement. We in this province do not have many large incomes. It is true we pay a great many of these large incomes to people who reside in the province of Ontario and the province of Quebec, where the head offices of these big corporations are. The same is true of our corporation tax. We do not collect large amounts, and would not be able to collect large amounts of this tax; yet there is no doubt but that the people of Saskatchewan do pay a tremendous amount toward the income of these corporations, which enables them to pay the tax. the same is true, one might say, with respect to succession duties. Because we haven't a great many wealthy people here, and because many of the wealthy people, after they have made their fortunes, go out to the west coast to die, the result in, of course, we do not get their succession duties.

So, from our point of view, we are one of the Provinces that benefit under the Tax Rental Agreement, and because it is in the best interests of the province and because it will at least do something towards ironing out the differences in income between the different parts of Canada, and because it does at least have some element of equalization in it we were very happy to agree to enter into this Tax Rental Agreement.

I must apologize to the House on behalf of the Premier and myself, for both stating, without getting the consent of the House, that we would recommend this to the Legislature, Mr. Speaker, but naturally it had to be done. It couldn't wait. I would move the second reading of this Bill.

(Motion agreed to, and Bill referred to a Committee of the Whole at next sitting.)

The Assembly adjourned at 5:35 o'clock p.m.