

drove the income tax and the corporation taxes up very high; they got the money out of the people. But they have reduced them three times since the war. Just after the war ended they called the nine provinces together and said, "This wartime agreement will soon be coming to an end; you will have the right to put on provincial income tax again." The provinces did not want to go back to the old system. The federal government said, "We propose that this arrangement, made during the war, we will make that for time of peace. We will be the only government who will collect income tax and death duties. In return, if you will lease to us the right to collect these taxes, we will pay you a fixed amount." They worked out the basis, haggling over it; various premiers were trying to get the best deal possible for their industrial provinces. Seven of the nine provinces made that agreement with the Government of Canada.

They offer us in these terms the same agreement, only a little bit different. The agreement with the seven provinces expires in 1952. They say to us, "You can have it ... on the same terms to 1952; and if you like, you can have it to 1957. You have to decide within six months. After you become a province, your government would have to make up its mind whether it will sign the tax agreement until 1952 or until 1957. You will have to make your choice. But if you decide to make it up to 1957, and the agreement with the other provinces expires in 1952 and if they negotiate a new agreement, a better one, more preferable to them, you will not be entitled to any improvements they may get starting 1952, you would not get that until your agreement expired in 1957." So Newfoundland, if it became a province, would have to make up its mind within six months, whether to sign the tax agreement until 1952 and take a chance on getting a better deal in 1952, together with the other provinces. The danger of signing up to 1957 would be that if 1952 rolled around and the other nine provinces had negotiated a better deal, a better tax agreement, then the province might have to wait until 1957 before it could get these additional advantages and benefits the others had got starting 1952. Personally, it is only a matter of opinion, I do not think there is any danger that if the other provinces in 1952 did get a better tax agreement, the better agreement would be kept back from New-

foundland. If I were to decide within six months, if we did become a province, I would take my chance on signing up to 1952, feeling there will be a better tax agreement negotiated by the other provinces in 1952. There may be some questions on this section and there may be some to be directed to the Government of Canada.

**Mr. Higgins** I wonder would Mr. Smallwood give us his opinion — in the event of federal union taking place between this country and Canada, if he approves of our signing a tax agreement with Canada?

**Mr. Smallwood** I would be in favour, if we became a province, of signing a tax agreement for this reason — that it is unthinkable that there should be two income taxes in Newfoundland, or that there should be two corporation taxes, or two death duties taxes or inheritance taxes. There is room for only one. If we refused to make that tax agreement, Canada would collect her income tax in Canada just the same, and Newfoundland would be forced to have its own provincial income, corporation and inheritance taxes; which would be two such taxes on the people of Newfoundland and that would be something too heavy for the people to bear. It may be asked why Ontario and Quebec did not make the agreement.... The reason is that those provinces had a tremendous backlog of money accumulated, so for a year they would quite easily finance themselves without this income tax; they could spend their backlog. For reasons of their own they have not signed it and they can go on for a year. They do not need to put on provincial income tax. But the moment they come to impose that on top of the other taxes, the governments of Colonel Drew and Duplessis would be wiped out. No one wants to pay two income taxes. If Newfoundland became a province, I would say let us have that agreement with the Government of Canada.

**Mr. Higgins** Is that the only reason?

**Mr. Smallwood** I do not think that is; but that would be sufficient for me if I had to decide the matter.

**Mr. Higgins** I want to put this position to him. I can give authority:

I believe that everyone who has given any attention to public finance will agree that it is a thoroughly vicious system to have one body raise taxes and another body expend the money thus secured. In other words, give to