

Newfoundland

a tax agreement with the dominion, that they must breach a contract which they may have entered into prior to union.

Mr. Drew: When I spoke of the practical effect, I meant, does the minister know whether there are cases where this will have a definite result? After all, the type of companies that would be affected must be fairly well known.

Mr. Abbott: Yes. Although we have not examined them in great detail we know that there are outstanding agreements, some of **them confirmed by statute**, whereby income tax exemptions are granted to certain corporations in consideration of a fixed annual payment. We know that there are agreements, some of them confirmed by statute, which give customs duty exemptions. The effects of this clause is that if the government of the new province of Newfoundland came to the dominion government and said, "We wish to have a tax agreement along the lines indicated in this section, but because of arrangements which we have entered into with certain corporations we do not wish to be obliged to impose the five per cent corporation tax on them", they would not be obliged to do so. To that extent the dominion government might lose the five per cent in respect of the corporations with which Newfoundland has entered into contracts.

Mr. Coldwell: Suppose at some time we required the seven provinces, or any one of them, to discontinue the five per cent tax, and we increased our own tax from 30 to 35 per cent; then the tax would apply to Newfoundland as well as to the other provinces?

Mr. Abbott: Quite so.

Mr. Coldwell: It would be uniform throughout?

Mr. Abbott: That is right.

Mr. Coldwell: In no way would it vary that?

Mr. Abbott: No way whatever. I want to make it perfectly clear that the dominion government under the arrangement retains complete freedom with respect to its fiscal policies as they will apply to any resident of Newfoundland who becomes a Canadian citizen.

Mr. Probe: Without exception?

Mr. Abbott: I make that statement without any qualification whatever.

Mr. Knowles: Is it likely that the agreement with Newfoundland, in the same way as the agreements that have been made with the other provinces, may include a require-

[Mr. Abbott.]

ment to impose a five per cent corporation tax on corporations in the province that do not have such a contract?

Mr. Abbott: I prefer not to answer a hypothetical question of that kind at this time. As my hon. friend appreciates, it involves a question of fiscal policy. I hope I have made the legal position clear. I think it is a fair and proper stand for the dominion government to take. When I say that we retain complete freedom to determine our federal taxation policy with respect to residents of Newfoundland, as with every other province, I think that should be assurance to the committee that parliament will be perfectly free to decide these questions in whatever way it thinks proper.

Mr. Knowles: Does the minister know whether the Quebec, North Shore and Labrador Railway Company has that kind of contract with Newfoundland?

Mr. Abbott: Certainly the Quebec, North Shore and Labrador Railway Company has no such contract with respect to income tax. It may have some special arrangement with respect to customs duties. Incidentally, that will become much less valuable after union because substantial importations, which were subject to customs duties, were made from Canada, and after union they will be free of duty.

Mr. Knowles: That would be true of the customs provisions, but respecting corporation taxes, in the case of a company operating into the Ungava iron-ore field, the amount involved might be quite substantial.

Mr. Abbott: There is, I repeat, absolutely no limitation on the government under the terms of agreement with respect to the rate of corporation tax which it charges anywhere in the Dominion of Canada, including Newfoundland, if it becomes a province.

Mr. Knowles: It is very hard to discuss this matter without getting into the questions I have in mind about the Quebec, North Shore and Labrador Railway Company, but I will try at this time to stick to the taxation aspect of it. This parliament, over our vote, passed chapter 80 of the statutes of 1947 incorporating the Quebec, North Shore and Labrador Railway, and enabling it to go up into the north country to the border of Labrador. If, on the basis of the rights and privileges this parliament gave to it, that railway company has in turn secured a special contract with Newfoundland which becomes of particular value when Newfoundland becomes a province of Canada, under subsection 4 it does seem to me it is a matter of importance.