

Dominion. Prince Edward Island alone would give up subsidies more than equivalent to the cost of its debt, but this apparent loss is made up in other ways. It is held that the abolition of the provincial subsidies would be in itself no inconsiderable reform, for their history is long and tortuous. The subsidies have been based on no clear principles and it has been impossible to say whether or not different provinces have received equal treatment in the past.

(C) **Adjustments in the Field of Taxation.**—In order to compensate the Dominion for the very onerous burdens it would thus undertake, the Report of the Commission provides that the Dominion take over, absolutely, certain sources of revenue that the provinces have hitherto tapped, in order to enable it to carry the new burdens. There could, of course, be no question of increasing the legal taxing powers of the Dominion, since these are already unlimited, but the provinces, in return for the benefits they would receive, should, it is felt, be prepared to renounce some of the taxes that they are entitled to raise at present. On the other hand, the Dominion should be able and willing to refrain from competing with the provinces in respect of sources of revenue finally left to them, and should leave the provinces free to collect such revenues in whatever way appears to them most efficient, even if the method of indirect taxation should be involved. There are several taxes of such a nature that, if they were under unified control, would produce a revenue as great as that obtained at present with less hardship to the taxpayer, and a reorganization of these taxes is possible only if they are under unified control. Such a reorganization could remove many hindrances that in the recent past have been detrimental to the expansion of the national income, which expands as a result of greater efficiency in taxation. The following three taxes are specifically mentioned:

(i) *Taxes on Personal Incomes.*—Not all provinces impose these taxes. It is pointed out that those that get most revenue from them are often taxing incomes that other provinces think they should have a share in taxing, because they are, in part at least, earned therein even though received in the provinces where the individuals live or in which large corporations have their head offices. The Report states that the general equity of the whole Canadian tax system requires that the tax on personal incomes, which is one of the very few taxes capable of any desired graduation, should be used to supplement other taxes and should be uniform throughout Canada.

(ii) *Corporation Taxes.*—The Commission recommends that the provinces should forego those taxes imposed on corporations that individuals or partnerships carrying on the same business as such corporations would not be required to pay and taxes on those businesses that only corporations engage in. The Commission states that provincial corporation taxes have been particularly vexatious to the taxpayer and very detrimental to the expansion of the national income. It is admitted, however, that to ask the provinces to give up the entire revenue they now derive from taxing corporations would not be equitable inasmuch as the Dominion would receive taxes on income that, in part, represented the depletion of irreplaceable natural wealth. So far as a separation can be made, such revenue should be used for developmental work, which will compensate for the resources of a province that have been used. It is, therefore, recommended that the Dominion should pay over to the province concerned 10 p. c. of the corporate income derived from the exploitation of mineral wealth.