

Bona fide licence fees are not included in such taxes as fall under (i) and (ii). Power to impose these would remain with the provinces.

(iii) *Succession Duties*.—In this regard it is recommended that the provinces should forego the collection of various forms of succession duty. In this particular the departure is more marked than in the case of income taxes, since succession duties have not hitherto been used by the Dominion as sources of revenue, but they are taxes to which the Dominion might at any time be compelled to resort. The Report states that the use made of them by the provinces has given rise to bitter complaints because the provinces have not made equitable arrangements with one another so as to tax each item in an estate in one province only. It is held that the differences in rates between provinces and the danger of double taxation seriously distort investment in Canada and the potential competition between provinces desirous of attracting wealthy residents has made it impossible to use these delicate instruments of taxation as a means for giving effect to social policies.

(D) **The National Adjustment Grant**.—The Commission realizes that after the provinces had been relieved of the cost of unemployment relief and of the dead-weight burden of their debt and had, on the other hand, given up their right to impose personal income taxes, corporation taxes, and succession duties, they would find themselves with far less variable expenditures than in the past and also with less variable revenues, and the size of the probable surplus or deficit that would result has been worked out in each case. Naturally if a province were left with a prospective annual deficit, it would be unable to provide for the reasonable needs of its citizens on a par with standards in other provinces unless it could increase its revenue or reduce its expenditures. The Commission is not concerned so much with the services that each province is at present providing as with the average Canadian standard of services that the province must be put in a position to finance. In working out data for each province adjustments have been made for the cost of developmental services appropriate to each province and for the weight of taxation in each case. As a result, the Commission has made a recommendation as to the amount each individual province should receive annually from the Dominion to enable it to provide normal Canadian services on a Canadian standard with no more than normal Canadian taxation. Peculiar difficulties were encountered in the case of Quebec because of the extent to which educational and social services in the Province are provided, not by taxation but by the Church; such difficulties are met in as fair a way as possible. The Commission recommends that each province found to be in need of such a payment should receive an annual National Adjustment Grant from the Dominion of Canada. This grant as originally fixed would be irreducible, but such grants should, it is felt, be re-appraised every five years. Since it would be undesirable to fix the annual grant in perpetuity on the basis of conditions that are transitory, or to fail to provide for serious emergencies, special provisions should be made. The Commission recommends the establishment of a small permanent commission (which may be called the Finance Commission), assisted by an adequate technical staff, to advise upon all requests for new or increased grants and to re-appraise the system of grants every five years. The Commission believes that these provisions will permit of the necessary elasticity in the financial relations between the provinces and the Dominion that has been lacking under the subsidy system.