

ately 85 p.c. of the unemployment insurance benefits; to provide and assist in the provision of greatly expanded vocational training and other rehabilitation services to improve employability.

The Dominion-Provincial Conference in August adjourned, after five days' discussion, to consider the proposals and any alternatives or amendments to them. A Co-ordinating Committee under the chairmanship of the Prime Minister of Canada, consisting of three Dominion Ministers and the nine Provincial Premiers, was established and subsequently held three meetings in camera from Nov. 26 to Nov. 30, 1945, from Jan. 28 to Feb. 1, 1946, and on Apr. 25 and 26, 1946. An Economic Committee, consisting largely of technical representatives of the different governments, was also established and met for three weeks in December, 1945, and January, 1946, for the exchange of information and the development and clarification of the proposals in detail. The Economic Committee under its terms of reference made no collective report, but its members reported to their respective governments. The Co-ordinating Committee reported back to a full plenary session of the Dominion-Provincial Conference when it reassembled on Apr. 29, 1946.

The Dominion put forward a number of modifications that had been made in its original proposals in the light of discussions in the Co-ordinating Committee.* The most important of these were an increase in the guaranteed minimum annual subsidy from \$12 per capita to \$15; an optional provision in connection with succession duties which would enable any Province that wished to continue levying succession duties subject to an adjustment in its annual subsidy and with provision for offsetting credits to the taxpayer; and an expression of willingness by the Dominion to withdraw from certain tax fields as requested by some of the Provincial Governments in return for an adequate financial equivalent.

By this time submissions in relation to the Dominion proposals had been made by all the Provincial Governments. Most of these submissions accepted the Dominion proposals in principle but contained a number of suggested modifications. The submission of the Government of Ontario suggested an alternative approach and differed in principle on some important issues. After five full days of discussion it was found that too wide a gap existed to enable an agreement to be reached at that time and the Conference adjourned *sine die*. The Dominion advised that it would have to proceed with the formulation of its Budget policies in the light of these circumstances.

The Budget of June 27, 1946, included proposals for a tax agreement which could be entered into by any individual province. In compliance with the Wartime Tax Agreements, the Dominion undertook to reduce the standard corporation income tax from 40 p.c. to 30 p.c. and also to reduce personal income taxes for 1947. The Dominion would also give a tax credit of the amount of personal income tax paid any province up to 5 p.c. of the tax payable to the Dominion. The Dominion proposed to double its succession duty tax, but to provide a credit against this tax of the amount of succession duties paid to a provincial government up to 50 p.c. of the Dominion tax. If a province was prepared to agree to withdraw from income tax, corporation tax and succession duty fields for five years, the Dominion would undertake to pay the annual per capita subsidy under the terms proposed at the Conference. Agreeing provinces would be required to levy a 5 p.c. tax on net corporate income within the province to be collected by the Dominion, and the proceeds of this tax would be deducted from the annual subsidy.

*Further discussion of these proposals is given in the chapter on Reconstruction, beginning at p. 831.