

*Canadian
File*

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 2, 1942.

To Chairman Eccles

Subject: _____

From Mr. Thurston

The Canadian Parliament has debated and passed the so-called Dominion-Provincial Taxation Agreement Act. In his Budget Message on June 23 the Canadian Minister of Finance, the Honorable J. L. Ilsley, said:

"Since the Dominion-Provincial Taxation Agreement Act has been debated and passed by parliament and the agreements tabled, I need do no more than remind the house of the tax agreements with the provinces. In my budget speech of April 29, 1941, the provincial governments were offered compensation in respect of personal and corporation income taxes and the guarantee of gasoline-tax revenues, if they would vacate the personal and corporation income tax fields for the duration of the war. This offer was accepted by the provinces, and I should like to pay tribute to the patriotic and constructive spirit in which the provincial governments cooperated in bringing the long and involved negotiations to a successful conclusion. The effect is that I am now free to recommend such tax changes as appear to the government necessary and equitable, and parliament is free to enact such changes, knowing that persons and corporations affected will be paying the same tax on similar incomes in no matter what province they are located. These are war-time agreements, and their duration is limited, but they make a great contribution to the possibility of an effective and equitable tax policy during the war."

I understand a similar movement is on in Australia with the backing of Prime Minister Curtin to bring about a similar surrender of tax powers by the local governments and has a fair chance of succeeding. While these moves are taken only as emergency measures, their fundamental importance in peacetimes as well under modern conditions is self-evident.


