(1) The new agreements would be for a period of five years.

(2) The Dominion would undertake to make to each agreeing province the payments offered under the Dominion proposal submitted at the April conference; such payments were based on a minimum equal to a per capita grant of $15 on the greater of the 1941 or 1942 provincial population, with payments in any one year adjusted for increases in population and in gross national production.

(3) In return for such payments an agreeing province would undertake to impose a 5 p.c. corporation income tax on net profits attributed to business done in the Province; would undertake not to impose any other corporation income taxes (except on the profits of mining and logging companies) and not to impose any personal income taxes.

(4) In respect of non-agreeing provinces, the Dominion offered to allow a credit against Dominion personal income tax for personal income tax paid to a Province up to 5 p.c. of the Dominion tax.

(5) In respect of succession duty a proposal was made that would allow any agreeing or non-agreeing Province to stay in this field if it wished. The Dominion rates of succession duty will be doubled, and duty paid to any province on the same estate will be allowed as a credit against the Dominion duty up to one-half the Dominion duty. If an agreeing province elects to retain its succession duties, the amount of such credits allowed against the Dominion duty will be deducted from the annual payment to the province.

Taxation of Co-operatives.—

The main recommendations of the McDougall Commission on the Taxation of Co-operatives were implemented. The changes proposed were:—

(1) The section of the Income Tax Act granting exemption to co-operatives to be repealed.

(2) Patronage dividends paid in cash to be allowed as deductions from taxable income of both co-operatives and ordinary companies subject to the limitation that taxable income be not reduced below an amount equal to 3 p.c. on capital employed less interest paid on borrowed capital.

(3) Co-operatives and ordinary companies to be required to hold forth prospect prior to beginning of fiscal year that patronage dividends will be paid.

(4) Bona fide co-operatives commencing business after Dec. 31, 1946, to be exempt from income tax for first three years.

Income Tax Appeal Boards.—

It was announced in the Budget that two Boards would be established to hear appeals with regard to income tax assessments of the year 1946 and thereafter. The first Board would be in the nature of a court to which a taxpayer could appeal on any question of fact or law and be rendered a decision binding on the income-tax administration and subject to revision only by a higher court. The second Board is to be an Income Tax Advisory Board, to which a taxpayer may request that any matter involving the use of the discretionary power of the Minister of National Revenue to which the taxpayer makes objection be referred for review.

Subsection 1.—Balance Sheets of the Dominion

The composition of the Dominion Balance Sheet was revised in the fiscal year 1943-44. The aim has been to indicate more accurately the character of the asset and liability accounts. The Balance Sheets for the years 1941-45 shown in Table 5 are presented on the basis of the 1943-44 revision. On the asset side, accounts that have been classified as *active* assets are shown; these represent cash or investments that are interest-producing or have a readily realizable cash value. On the liability side, such liabilities as have been ascertained and brought into the accounts are given. No liability is shown for interest accrued but not due, nor for current obligations incurred for supplies or services but not paid for at the end of the fiscal year. Indirect liabilities under guarantees are not reflected in the Balance Sheets, but are set out in a special schedule. (See pp. 911-912.)

The excess of liabilities over active assets, designated the *net debt,* is analysed in a statement appended to the Balance Sheet, and is apportioned to non-active assets, which include capital expenditures and non-productive investments, and to accumulated deficits in Consolidated Deficit Account.