

took 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.

The objective of the Budget proposals was to secure tax agreements with the provinces, but the proposals were designed to enable a Province which might prefer to continue its own taxation to do so without unduly penalizing its taxpayers.

Dominion-Provincial Tax Agreements.—Following the Budget Address, several provinces entered into negotiations with the Dominion. During the course of these negotiations the formula on which Dominion payments to the provinces would be based was expanded. Three alternatives were offered: (1) the formula as proposed in the Budget Speech, with increases based on increases in gross national production and population applying to the \$15 per capita minimum or, in the case of British Columbia and Prince Edward Island, to the lump sum minimum which they had elected; (2) a combination of \$12.75 per capita of 1942 population, plus 50 p.c. of provincial income and corporation income tax receipts in 1940, plus the statutory subsidies, increased according to increases in gross national production and population; or (3) \$15 per capita of 1942 population plus the statutory subsidies, increased according to increases in gross national production and population.

If all provinces should conclude agreements with the Dominion, and assuming that each took the option most favourable to it, the guaranteed minimum annual payment to each province and the amount payable in 1947 as estimated at the beginning of that year, as compared with the total receipts under the Wartime Tax Agreements and from succession duties and statutory subsidies, would be as follows:—

	<i>Proposed Agreement</i>		<i>Total Annual Receipts during Wartime from Wartime Tax Agreements, Succession Duties, and Statutory Subsidies</i>
	<i>Guaranteed Minimum</i>	<i>Estimated 1947</i>	
	\$'000,000	\$'000,000	\$'000,000
Prince Edward Island.....	2.1	2.3	1.2
Nova Scotia.....	10.9	12.1	4.2
New Brunswick.....	8.8	9.4	4.8
Quebec.....	56.4	63.0	31.3
Ontario.....	67.2	74.0	44.3
Manitoba.....	13.5	14.2	8.0
Saskatchewan.....	15.2	15.7	8.2
Alberta.....	14.0	14.8	8.2
British Columbia.....	18.1	21.4	14.3
TOTALS.....	206.2	226.9	124.5

The Dominion Government also undertook to withdraw, on Mar. 31, 1947, its wartime tax on gasoline of 3 cents a gallon, leaving this field of taxation, which was yielding the Dominion approximately \$35,000,000 annually, entirely to the provinces.