of five years. These Agreements succeeded the Wartime Agreements which had lapsed (see pp. 900-901 of the 1946 Year Book). By the end of 1949, seven provinces —Prince Edward Island, Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Alberta and British Columbia—had made new Agreements with the Federal Government and in 1950 Newfoundland signed an Agreement. On Sept. 14, 1948, Yukon made an Agreement similar to those made by the provinces.

The main purposes of these Agreements are to establish a more equitable system of taxation throughout Canada by reducing duplication of direct taxation and duplication of machinery for the collection of direct taxes, to give a greater measure of stability to the revenues of the provinces, and to enable the Federal Government, together with the Provincial Governments, to carry out national policies intended to maintain high levels of employment and production.

The Agreements continue the basic provisions of the Wartime Taxation Agreements, under which the provinces and their municipalities withdrew their income taxes, corporation income taxes and corporation taxes in return for compensation from the Federal Government (pp. 900-901 of the 1946 Year Book). There are, however, some additional provisions in the new Agreements which have resulted from the negotiations carried on between the governments in 1945 and 1946 at the Dominion-Provincial Conference meetings and since the Budget offer of June, 1946. The main features of this offer which have been embodied in the Agreements are outlined at pp. 883-884 of the 1946 Year Book.

The provinces are required, under the Agreements, to refrain from levying certain direct taxes, with the exception that they are permitted to impose a corporation income tax of 5 p.c. on the incomes of corporations attributable to their operations in the particular province. The revenue from this tax is to go to the individual province with a corresponding reduction in the amount of compensation paid to that province. The purpose of this provision is to assure, as nearly as possible, a uniform level of corporation income tax throughout Canada as between the agreeing and non-agreeing provinces. Under the Agreements it is provided, however, that a deduction will be made from the payment to the province corresponding to the amount of revenue that such a tax would have yielded even if the province does not impose the tax. The Agreements contain a set of rules by which the income of corporations is allocated to the various provinces in which they carry on business and further provide that this tax must be imposed under the same general provisions as are in the Income War Tax Act and the Income Tax Act, and that it will be administered on behalf of the provinces by the Federal Government and at the expense of the Federal Government.

Another provision concerns succession duties, a field not included in the Wartime Taxation Agreements. The provinces are now given the alternative of withdrawing from this field or remaining in it. If they withdraw, they receive the full amount of compensation otherwise payable under the Agreements (in the determination of which succession duties revenue was taken into account) but, if they remain, their payment is reduced by the amount of revenue loss which the Federal