Government suffers, through the credit allowed against the Federal Government duty for provincial duties on the same succession. All eight of the provinces which have negotiated Agreements with the Federal Government have taken the first alternative and withdrawn from the succession duties field (see pp. 997-999).

The Agreements do not prevent the imposition of royalties and rentals on natural resources by a province since such royalties and rentals are not regarded as taxes when they are of a nature conforming with the definitions set forth in the Agreements. The imposition of taxes on income derived from logging and mining operations, as defined in the Agreements, is allowed without any deduction from the payment to the province.

The significant differences between the 1946 Budget offer and the present Agreements are as follows:—

(1) the provinces may choose between two methods of determining the amount of their guaranteed minimum annual payments (see text below);

(2) the total guaranteed minimum annual payments to the provinces under these new methods are increased by $25,100,000 to $206,500,000;

(3) these new guaranteed minimum annual payments are used as the bases for calculating the annual payments which are adjusted for increases in provincial population and gross national production per capita;

(4) in the year following the termination of the Agreements. provincial taxpayers are to be allowed by the Federal Government tax credits of a maximum of 5 p.c. of the federal income tax, 50 p.c. of federal succession duties, and one-seventh of federal corporation income tax for taxes imposed by their Provincial Governments.

The guaranteed minimum annual payments are now computed in one of two ways. Under the first option a province may elect as a base $12·75 per capita of its 1942 population, plus 50 p.c. of its income tax and corporation tax revenue in 1940, plus statutory subsidies payable in 1947; under the second it may choose $15 per capita of its 1942 population plus statutory subsidies payable in 1947. A special arrangement was made for Prince Edward Island which is to receive a guaranteed minimum payment of $2,100,000. This is slightly in excess of the amount determined by either of the two formulas. The guaranteed minimum annual payments to the provinces under the most favourable option and the estimated 1949-50 payments are shown in Table 31.

The actual amount payable in any one year is calculated according to the following method. The minimum payment is adjusted for changes in provincial population and gross national product per capita, as compared with the base year 1942, for each of the three calendar years immediately preceding the fiscal year of payment. These three amounts are then averaged and the resultant is the amount payable. If, in any of the three calendar years concerned, the amount calculated is less than the amount of the minimum payment, then the amount of the minimum payment is substituted. This method of computing the annual payments ensures that the revenues of the province will increase as the provincial population and gross national product per capita increases, and at the same time guarantees that the province will, at no time in the period covered by the Agreement, receive less than the stated minimum.