

Federal Government. 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 revenue 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 1947 Tax Rental Agreements were entered into by the Federal Government pursuant to the Dominion-Provincial Tax Rental Agreements Act, 1947. Seven Provinces—Prince Edward Island, Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Alberta and British Columbia—entered into these Agreements for the full five year period, the Yukon Territory for four years, and the new Province of Newfoundland for three years. The Agreements contained the basic provisions of the Wartime Tax Agreements whereby the provinces and their municipalities withdrew their income taxes, corporation income taxes and special taxes on corporations for the war period, in return for compensation from the Federal Government. The Agreements contained significant changes and additions which had been worked out at the meetings of the Dominion-Provincial Conference on Reconstruction in 1945 and 1946, and in the negotiations which followed the June 1946 Budget offer of the Federal Minister of Finance. The main features of this offer, which were embodied in the Agreements, are outlined in the Year Book 1946, pp. 883-884.

Under the 1947 Agreements, a province and its municipalities were required to refrain from levying personal income taxes, corporation income taxes and special taxes on corporations for the period Jan. 1, 1947, to Dec. 31, 1951. (Shorter periods were required of the Yukon Territory and Newfoundland.) However, a province was encouraged to levy a corporation income tax of 5 p.c. in order to keep the level of income taxes on corporations in all provinces—whether or not they had entered into Agreements—approximately uniform, and such a tax was levied by all the provinces and the Yukon Territory. The tax was imposed on the income of a corporation attributable to its operations in the province, and the Agreements provided a set of rules according to which an appropriate allocation could be made of a corporation's income to the province. As provided in the Agreements, the tax was imposed under the same general provisions as those of the Income War Tax Act and The Income Tax Act, and was administered by the Federal Government without cost to the provinces. The revenue from the tax was paid over to each province but a corresponding reduction was made in the amount of compensation otherwise payable under the Agreements.

The 1947 Agreements were concerned also with another tax field—that of succession duties; for details *see* pp. 1046-1047.

The Agreements expressly permitted the imposition by a province of royalties and rentals on natural resources when such royalties and rentals were of a nature conforming with the definitions set forth in the Agreements. Provincial taxation of income derived from logging and mining operations, as defined in the Agreements,