

The second option was designed to provide a more up-to-date evaluation of the rental value of the tax fields abandoned by the provinces. Under this option the guaranteed minimum payment was made up in the following way:—

- (1) The yield of a personal income tax of 5 p.c. applied to 1948 incomes in the province.
- (2) The yield of a tax of $8\frac{1}{2}$ p.c. on corporation profits earned in the province in 1948. (The rate of $8\frac{1}{2}$ p.c. was taken as fair measure of the corporation tax potential, since it took account of the special taxes on corporations levied traditionally by provinces as well as taxes on corporate profits.)
- (3) The average revenue received by the province from succession duties. (For the agreeing provinces this was the average of the revenue received during the last two years before their succession duties were suspended and, for Ontario and Quebec, the average of the three fiscal years 1946-47, 1947-48 and 1948-49.)
- (4) Statutory subsidies payable to the province for 1948.

This option was more favourable to only one province—Ontario. Under either option, these guaranteed minimum payments were, as formerly, subject to upward adjustment for changes in gross national product per capita and in provincial population from 1948. However, instead of using as adjustment factors the average of the ratios for the three years preceding the year of payment, there was a choice of the single year, or of the average of the two years preceding the year of payment. Another change was that the 'gross national product', used as an adjustment factor, was changed from the 'gross national product at market prices' to the 'gross national product at factor cost' in order to eliminate the effect of changes in indirect taxes.

All provinces, with the exception of Quebec, as well as the Yukon and North-west Territories, have signed Agreements. Ontario chose to retain its succession duties and receives reduced compensation on this account.

The guaranteed minimum annual payments under the 1952 Agreements, and the estimated payments calculated for the years ended Mar. 31, 1953 and 1954, are shown in Table 30.

30.—Guaranteed Minimum Annual Payments¹ to Provinces and Territories under Most Favourable Option, and Adjusted Annual Payments,¹ as Calculated² for Years Ended Mar. 31, 1953 and 1954.

Province or Territory and Option	Guaranteed Minimum Annual Payment	Adjusted Payment 1953	Adjusted Payment 1954
	\$'000	\$'000	\$'000
Newfoundland (First).....	9,175	12,374	13,311
Prince Edward Island (First).....	2,977	3,942	4,288
Nova Scotia (First).....	15,348	20,286	21,429
New Brunswick (First).....	12,576	16,737	17,745
Ontario (Second) ³	101,801	138,097	148,811
Manitoba (First).....	18,635	24,927	26,627
Saskatchewan (First).....	20,026	25,743	27,122
Alberta (First).....	20,986	29,566	31,732
British Columbia (First).....	29,647	41,655	44,519
Yukon Territory (First).....	170	231	256
Northwest Territories (First).....	186	241	266
Totals	231,527	313,799	336,106
Quebec (First) ⁴	85,080	115,778	123,862
Grand Totals⁴	316,607	429,577	459,968

¹ Subject to deduction of statutory subsidies payable in 1952. (See Table 27, p. 1086.) ² The annual adjusted payments are instalment payments subject to final recalculation after Feb. 28, 1957, in the light of revised statistics for gross national product and population then available. They are also subject to recalculation in June of the year following the fiscal year in which the initial payments are made and at that time any additional payments, or deductions from the current year's payments, are made. The figures for the year ended Mar. 31, 1953, include additional payments calculated in June 1953 totalling \$2,872,000.

³ Since Ontario retained its succession duties, payments to this Province are subject to a deduction on this account. The deductions are to be finally determined when final information is available some time after the termination of the Agreement, but an estimated amount is deducted each year. The amount was \$10,205,000 for 1953 and \$11,646,000 for 1954.

⁴ Quebec had not entered into the 1952 Agreements as at Jan. 1, 1954; consequently, the payments shown were not actually made.