

The Wartime Tax Agreements of 1942 are outlined in the 1946 Year Book, pp. 900-901. The 1947 and 1952 Tax Rental Agreements are outlined at pp. 1087-1090 of the 1954 edition.

With the 1952 Rental Agreements expiring at Mar. 31, 1957, conferences were held with the provinces in April and October 1955 and March 1956 to discuss new financial arrangements. At the October meeting the Federal Government put forward certain suggestions for discussion. These were revised and became part of the actual proposals made by letter on Jan. 6, 1956. Some further revisions in detail were made following a meeting with the provinces on Mar. 9, 1956, and the final proposals were incorporated in a Bill presented to Parliament in July 1956, entitled the Federal-Provincial Tax-Sharing Arrangements Act. This Act received Royal Assent on July 31, 1956.

The new proposals differ substantially in principle from those previously in effect, for, while provision is still made for tax rental agreements in the fields of individual and corporation income tax and succession duties, the rental fee payable is directly related to the return from these fields at agreed rates in the province concerned.

The fiscal aid subsidies which were formerly contained in the tax rental fees are now separated from such fees and contained in specific payments called "tax equalization payments". These payments are to be used to bring the per capita yield from standard taxes in a province in a year up to the level of the two provinces for which the per capita standard taxes for that year are greatest.

The standard taxes involved are: (a) individual income tax at 10 p.c. of the Federal tax; (b) corporation income tax at 9 p.c. of corporation taxable income; and (c) succession duties at 50 p.c. of the federal duties averaged over a three-year period.

In addition, provincial revenue stabilization payments are provided which will support the payments to a province at a level determined by the greatest of: (a) the adjusted 1957 tax rental payment which is the amount payable in 1956-57 to any province whether under an agreement or not, adjusted for any population changes in the year in question; (b) the projected tax rental payment which is the amount that would be payable to any province in a year if the 1952 Tax Rental Agreements were to be extended into the year in question; and (c) the basic stabilization amount which for 1958-59 is 95 p.c. of the amount of tax equalization payments, provincial revenue stabilization payments and current tax rental payments applicable to the province in 1957-58; and, for subsequent years, 95 p.c. of the average of such payments in the two previous years.

The tax equalization payments and the provincial revenue stabilization payments are payable to a province regardless of any action they may take in these tax fields. Tax rental payments are subject to agreement.

Rental agreements have been entered into with all provinces except Quebec and Ontario in all three tax fields. Ontario has rented the individual income tax to the Federal Government but levies its own corporation income and corporation taxes and succession duties. Quebec continues to levy all three taxes. Where a province levies its own taxes, there is a reduction of federal tax provided at the standard rate noted above.

Following a Dominion-Provincial Conference in November 1957, an interim measure covering the fiscal year commencing Apr. 1, 1958, was introduced in the House of Commons on Jan. 27, 1958, increasing from 10 p.c. to 13 p.c. that portion of the "standard individual income tax" which the ten provinces were entitled to receive under the Federal-Provincial Tax-Sharing Arrangements Act of 1956. Linked with the above was a second measure providing Atlantic Provinces adjustment grants of \$25,000,000 for each of four fiscal years and divided as follows: Nova Scotia, New Brunswick and Newfoundland each \$7,500,000, and Prince Edward Island \$2,500,000.

Section 3.—Provincial Public Finance

Provincial government accounting and reporting practices vary considerably so that certain adjustments to the *Public Accounts* figures are required in order to produce comparable statistics. For example, transactions relating to a specific function are sometimes