

for a tax rental payment from the Federal Government. Additional tax rental agreements were entered into between the Federal Government and the provinces in 1947, 1952 and 1957. The Province of Quebec did not rent its tax fields under any of these postwar agreements. Ontario did not rent any tax fields under the 1947 agreements; it did not rent succession duties under the 1952 agreements and did not rent either succession duties or corporation income tax under the 1957 agreements. Apart from these exceptions, all of the provinces have participated in the various tax agreements as fully as possible. Newfoundland rented its tax fields as soon as it entered Confederation.

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 on pp. 1087-1090 of the 1954 edition. The 1957 fiscal arrangements are authorized by the Federal-Provincial Tax-Sharing Arrangements Act. This Act was passed in July of 1956 and subsequently amended in 1958, 1959 and 1960 as noted below. It covers the five-year period from Apr. 1, 1957 to Mar. 31, 1962.

The current fiscal arrangements differ substantially in principle from those in effect before Apr. 1, 1957. Provision is still made for tax rental agreements in the fields of individual and corporation income tax and succession duties, but the tax rental payment to a province is now the estimated yield at certain agreed or 'standard' rates of the taxes rented by that province to the Federal Government. The fiscal aid components of the payments which were formerly contained in the total tax rental payment under the 1952-57 agreements are now dealt with separately by means of "tax equalization payments". These tax equalization payments are so calculated that, when added to the tax rental payments, they raise the total per capita return in each province to the average per capita return of standard taxes in the two provinces that have the highest per capita yield of standard taxes.

The standard taxes are: (a) individual income tax at 10 p.c. of the federal tax (raised in 1958-59 to 13 p.c.); (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 was 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, however, are subject to agreement. Where a province does not rent but levies its own tax, the federal tax is abated at the standard rate.

Following a Federal-Provincial Conference in November 1957, the Federal Government increased the standard rate of personal income tax from 10 p.c. to 13 p.c. This was done on an interim basis for the fiscal year 1958-59 by amendment to the Federal-Provincial Tax-Sharing Arrangements Act. The Act was amended again in 1959 extending the higher rate for another year and also in 1960 extending it for a further two years, i.e., to Mar. 31, 1962 when the 1957 agreements expire.

The 1958 amendments to the Federal-Provincial Tax-Sharing Arrangements Act also provided for the institution of special grants, known as Atlantic Provinces Adjustment Grants, to be paid to the four Atlantic Provinces for four years commencing Apr. 1, 1958 and totalling \$25,000,000 annually divided as follows: Nova Scotia, New Brunswick and Newfoundland each \$7,500,000, and Prince Edward Island \$2,500,000.