The Canadian Tariff consists mainly of three sets of rates, namely, British Preferential, Most-Favoured-Nation and General. The British Preferential rates are, with some exceptions, the lowest rates. They are applied to imported dutiable commodities shipped directly to Canada from countries within the British Commonwealth. Special rates lower than the ordinary preferential duty are applied on certain goods imported from designated Commonwealth countries.

The Most-Favoured-Nation rates apply to goods from countries that have been accorded tariff treatment more favourable than the General Tariff but which are not entitled to the British Preferential rate. Canada has Most-Favoured-Nation arrangements with almost every country outside the Commonwealth. The most important agreement providing for the exchange of Most-Favoured-Nation treatment is the General Agreement on Tariffs and Trade.

The General Tariff applies to imports from countries not entitled to either the Preferential or Most-Favoured-Nation treatment. Few countries are in this category and in terms of trade coverage are negligible.

In all cases where the tariff applies there are provisions for drawbacks of duty on imports of materials used in the manufacture of products later exported. The purpose of these drawbacks is to assist Canadian manufacturers to compete with foreign manufacturers of similar goods. There is a second class of drawbacks known as "home consumption" drawbacks. These apply to imported materials used in the production of specified classes of goods manufactured for home consumption.

The tariff schedules are too lengthy and complicated to be summarized here but the rates which apply on any particular item may be obtained from the Department of National Revenue which is responsible for administering the Customs Tariff.

Subsection 2.—Provincial Taxes

All of Canada's ten provinces impose a wide variety of taxes to raise the revenue necessary for provincial purposes. All provinces now levy a tax on the income of individuals and corporations who are residents within their boundaries or who derive income from activities or operations carried out therein. Only the Provinces of Ontario and Quebec impose special taxes on corporations or a tax on property passing at death. Under the terms of the existing federal-provincial fiscal arrangement, the Federal Government makes payments called "equalization payments" to some provinces in recognition of the fact that the potential tax revenue from the fields of income tax, death duties and natural resource revenue in those provinces, measured on a per capita basis, is lower than an agreed upon level. For some provinces these payments constitute a very important source of revenue.

Some of the more important provincial levies are reviewed briefly below.

Individual Income Tax

All provinces levy a tax on the income of individuals who reside within their boundaries or who earn income therein. In nine of the ten provinces, these taxes are computed as a percentage of federal income tax otherwise payable at full federal rates and are collected by the Federal Government on behalf of these provinces. In Quebec, provincial income tax is levied at graduated rates that progress from 2.5 p.c. on the first $1,000 of taxable income to a maximum of 13.2 p.c. on the excess over $400,000. The determination of taxable income for Quebec tax is based on exemptions and deductions similar to those for federal tax. The Province of Quebec collects its own tax.

The percentages that provincial income tax liability is of federal income tax liability computed at full federal rates for 1962 are: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Alberta and British Columbia each 16 p.c., Quebec approximately 18 p.c. and Manitoba and Saskatchewan each 22 p.c. The Provinces of Quebec, Manitoba and Saskatchewan levy provincial income taxes in excess of the 16-p.c. abatement of federal income tax allowed by the Federal Government.