

Customs Duties*

Most goods imported into Canada are subject to customs duties at various rates as provided by tariff schedules. Customs duties, which once were the chief source of revenue for the country, have declined in importance as a source of revenue to the point where they now provide less than 10 p.c. of the total. Quite apart from its revenue aspects, however, the tariff still occupies an important place as an instrument of economic policy.

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 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 that 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 levy a tax on the income of individuals and corporations resident within their boundaries or deriving income from activities or operations carried out therein. Only the Provinces of Ontario and Quebec impose special taxes on corporations in addition to income tax and only the Provinces of Ontario, Quebec and British Columbia impose a tax on property passing at death. Under the terms of the existing federal-provincial fiscal arrangement, the Federal Government makes "equalization payments" to some provinces in recognition of the fact that the actual 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 the average per capita yield from these taxes in the two provinces where they produce the highest yield. For some provinces these payments constitute a very important source of revenue.

Some of the more important provincial levies are reviewed briefly on the following pages.

* See also pp. 947-955.