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 "basic tax". As previously explained, "basic tax" is federal income tax (excluding old age security tax) otherwise payable at full federal rates before the abatement under the Federal-Provincial Fiscal Arrangements and before allowance for the federal tax reduction passed in 1965. These provincial taxes are collected by the Federal Government on behalf of these provinces. In Quebec, provincial income tax is levied at graduated rates that progress from 4.8 p.c. on the first $1,000 of taxable income to a maximum of 35.2 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 "basic tax" for 1965 are: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Alberta and British Columbia each 21 p.c., Quebec approximately 44 p.c., Manitoba 26 p.c. and Saskatchewan 27 p.c.

Corporate Income Tax

All provinces levy a tax on the profits of corporations derived from activities carried out within their boundaries. In all provinces except Ontario and Quebec the provincial tax imposed on taxable income in the province is determined on the same basis as for federal income tax. In Ontario and Quebec the determination of taxable profits for purposes of provincial tax follows closely the federal rules. The rate of tax in Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Alberta and British Columbia is 9 p.c. of corporate taxable income. The rate that applies in Manitoba and Saskatchewan is 10 p.c., in Ontario 11 p.c. and in Quebec 12 p.c.

Four of the ten provinces levy corporate income taxes at rates in excess of the abatement allowed by the Federal Government. This abatement is equal to 9 p.c. of corporate profits except in Quebec where it is 10 p.c. (see p. 969). All provinces except Ontario and Quebec have signed agreements for the collection of their income taxes by the Federal Government.

Taxes on Alcoholic Beverages and Tobacco

Generally speaking, the sale of spirits in all provinces is made through provincial agencies operating as boards or commissions which exercise monopolistic control over alcoholic beverages. The provincial mark-up over the manufacturer's price is the effective means of revenue. Beer and wine may be sold by retailers or government stores depending on the province but in all cases they contribute to provincial revenues.* The Province of Prince Edward Island imposes a tax of 10 p.c. on all beer, wine and spirits sold at retail, collected under authority of the Health Tax Act.

Newfoundland imposes a tax on tobacco sold at retail of one quarter of one cent per cigarette purchased; from one to five cents per cigar, depending on price; and one cent per half ounce or less of other tobacco. Prince Edward Island's tax on tobacco sold at retail is one fifth of one cent per cigarette purchased; from one to three cents per cigar, depending on price; and 10 p.c. of the retail price of all other tobacco purchased. Saskatchewan's tax on retail tobacco sales is one fifth of one cent per cigarette purchased; from one to five cents per cigar, depending on price; and one cent on every half ounce of other tobacco;

* The provincial mark-up over the manufacturer's price is not considered a "tax" in DBS financial statistics, but forms part of the "profits of government business enterprises".