

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; the remaining provinces receive payment from the Federal Government of their 75-p.c. share of estate tax levies. Under the terms of the existing Federal-Provincial Fiscal Arrangements, 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. However, resource revenues are treated as a negative adjustment; for those provinces that have above-average per capita revenues from resource revenues, a deduction is made in the equalization payment equal to 50 p.c. of the excess above the national average. For some provinces the equalization payments constitute a very important source of revenue.

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

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 1966. 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 5.2 p.c. on the first \$1,000 of taxable income to a maximum of 37.6 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 1966 are: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Alberta and British Columbia each 24 p.c., Quebec approximately 47 p.c., and Manitoba and Saskatchewan each 29 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. 1020). 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