

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 potential tax yield in those provinces, measured on a per capita basis, is lower than the national per capita tax yield. For some provinces the equalization payments constitute a very important source of revenue.

Some of the more important provincial levies are reviewed briefly on this and 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 5.5 p.c. on the first \$1,000 of taxable income to a maximum of 40.0 p.c. on the excess over \$400,000. The determination of taxable income for Quebec tax is based on exemptions and deductions which, with the exception of deductions for dependent children eligible for family allowances,* are similar to those for federal tax. Quebec taxpayers whose net income does not exceed \$4,000 if married or in a situation recognized as equivalent and \$2,000 in other cases are exempt from payment of the tax. If the taxpayer's income exceeds such amounts, the tax to be paid will not reduce his income to less than \$4,000 or \$2,000 as the case may be. The Province of Quebec collects its own tax.

The percentages that provincial income tax liability is of federal "basic tax" for 1967 are: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Alberta and British Columbia each 28 p.c., Quebec approximately 50 p.c., and Manitoba and Saskatchewan each 33 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 Prince Edward Island, Nova Scotia, New Brunswick, Alberta and British Columbia is 10 p.c. of corporate taxable income. The rate that applies in Newfoundland, Manitoba and Saskatchewan is 11 p.c., and in Ontario and Quebec 12 p.c.

Five 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 10 p.c. of corporate profits for all provinces. All provinces except Ontario and Quebec have signed agreements for the collection of their income taxes by the Federal Government.

* Quebec has a family allowance program which supplements the federal program; it provides for allowances that increase from \$30 per annum for a first child to a maximum of \$70 per annum for a sixth and for each additional child. The Quebec program is in lieu of exemptions for provincial income tax purposes for children eligible for family allowances.