

Gross general revenue and expenditure for the year ended March 31, 1970 are given in Table 20.17. Liabilities of provincial and territorial governments and liabilities guaranteed by provincial governments replace the previous table on direct and indirect indebtedness and are presented in Tables 20.18 and 20.19. Bonds and debentures outstanding as at March 31, 1969 and 1970 are listed in Table 20.20.

20.5 Local government finance

Local government taxation. In 1969, the latest year for which complete data are available, local government revenue from taxation increased by 11% to \$3,300 million. The rate of collections (excluding Quebec for which data are not available) declined slightly from 99.1% to 98.5% but taxes receivable fell from 11.5% of taxation revenue to 11.2%. Collection rate declines in Newfoundland, Ontario, Saskatchewan and Alberta offset improvements in these rates in the other provinces and territories; conversely, higher percentages of taxes receivable in Nova Scotia, Ontario, Manitoba and Saskatchewan were more than offset by lower rates elsewhere.

Local government revenue, expenditure and debt. As in previous years, gross revenue and expenditure of local governments both increased significantly in 1969, gross revenue by 12.3% and gross expenditure by 10.7% compared with 1968 results. Increases in both categories over the previous year were recorded in all provinces and territories except Newfoundland where 1968 figures were distorted by a large private grant for sewer and water installation. Apart from Newfoundland, revenues and expenditures increased relatively over 1968 less than the national average in Prince Edward Island, New Brunswick, Quebec, Saskatchewan and Alberta. Details of 1969 financial data are given in Tables 20.21 - 20.23.

20.6 Tax rates

Taxes are imposed in Canada by the federal government, by provincial governments and by municipalities. The Government of Canada has the right to raise money "by any mode or system of taxation" while the provincial legislatures are restricted to "direct taxation within the province in order to the raising of a revenue for provincial purposes". Thus, the provinces have a right to use only the field of direct taxation and the federal government is not subject to any constitutional restriction in matters of taxation. Municipalities derive their incorporation with its associated powers, fiscal and otherwise, from the provincial government concerned and are thus also limited to direct taxation.

A direct tax is generally recognized as one "which is demanded from the very person who it is intended or desired should pay it". This concept has limited the provincial governments to the imposition of income tax, retail sales tax, succession duties and an assortment of other direct levies. In turn, municipalities, acting under provincial legislation, tax real estate, water consumption and places of business. The federal government levies taxes on income, excise taxes, excise and customs duties, and a sales tax.

Starting in 1941, a series of federal-provincial tax agreements were concluded to promote the orderly imposition of direct taxes. The duration of each agreement was normally five years. Under the earlier agreements, the participating provinces undertook — in return for compensation — not to use, or permit their municipalities to use, certain of the direct taxes. Under more recent arrangements, the federal personal and corporation income tax otherwise payable in all provinces and the estate tax otherwise payable in three provinces were abated by certain percentages to make room for provincial levies.

Federal tax reform amendments passed in 1971, which became effective for the most part from the beginning of 1972, included a new personal income tax rate structure which was not designed to be abated in the previous way. At the same time the federal estate tax was terminated. As a result, the arrangement under which federal taxes are abated has general application now only for the corporation income tax. All provinces impose taxes on the income of individuals and corporations and all but Alberta impose taxes on property passing at death. As part of the current fiscal arrangements, the federal government has entered into tax collection agreements under which it collects provincial personal income taxes for all provinces except Quebec, provincial corporation income taxes for all provinces except Ontario and Quebec, and provincial succession duties for all provinces except Quebec, Ontario and British Columbia.