therein. Only Ontario and Quebec impose special taxes on corporations in addition to income tax. All provinces except Alberta impose a tax on property passing at death, referred to as succession duties; these provinces also impose a tax on gifts. 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.

Individual income tax. All provinces levy a tax on the income of individuals who reside within their boundaries or who earn business income therein. An individual who is resident in a particular province on the last day of the year, and has no income for the year from a business with a permanent establishment outside the province, is taxable by the province on his world income for the year. Income earned from employment in a province by a non-resident of Canada is taxable by the province. Income earned by an individual not resident in a particular province from carrying on a business through a permanent establishment in that province is taxable by that province.

In nine of the ten provinces, the provincial taxes are computed as a percentage of federal tax. "Federal tax", on which the provinces impose their tax, is after the dividend tax credit but before any foreign tax credit or the special 3% reduction for 1972. In Quebec, provincial income tax is levied at graduated rates that progress from 10% on the first $2,000 of taxable income to a maximum of 28% on the excess over $60,000. The determination of taxable income for Quebec tax is based on exemptions and deductions which, with the exception of deductions for dependent children under age 16, are similar to those for federal tax. Quebec taxpayers who have married status for tax purposes do not pay the provincial tax unless their net income exceeds $4,000; all other Quebec taxpayers do not pay the tax unless their net income exceeds $2,000.

Provincial income tax liability represents the following percentage of federal tax for 1972: Newfoundland, 36%; Prince Edward Island, 36%; Nova Scotia, 38.5%; New Brunswick, 41.5%; Ontario, 29.585%; Manitoba, 42.5%; Saskatchewan, 40%; Alberta, 36%; British Columbia, 30.5%. Quebec's liability is not directly related to federal tax but is approximately 58%. However, since Quebec taxpayers receive a deduction of 24% of federal tax from the federal government, Quebec provincial income tax represents 34% of the federal tax.

All provinces except Quebec have signed agreements for the collection of their individual income tax by the federal government. Both Ontario and Manitoba have introduced property tax credit schemes which are administered through the tax collection machinery of the Department of National Revenue. These plans are designed to integrate the income and property taxes.

Corporate income tax. All provinces levy a tax on the taxable income 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 income for purposes of provincial tax follows closely the federal rules. Six of the ten provinces levy corporate income taxes at rates in excess of the 10% abatement allowed by the federal government. The rate that applies in Alberta is 11%, in Saskatchewan, Ontario and Quebec, 12%, and in Newfoundland and Manitoba, 13%. All provinces except Ontario and Quebec have signed agreements for the collection of the corporate income taxes by the federal government.

Taxes on alcoholic beverages and tobacco. Generally, spirits are sold in all provinces through provincial agencies operating as boards or commissions which exercise monopolistic control over alcoholic beverages. The provincial mark-up over the manufacturer's price (usually on top of the government established price) is the effective means of taxation. Beer and wine may be sold by retailers or government stores, depending on the province, but in all cases these sales contribute to provincial revenues. With the exception of Ontario and Manitoba, and some variations in the taxing of beer, each province with a retail sales tax generally imposes the basic rate of tax on all sales of beer, wine and spirits. Ontario taxes retail sales of alcoholic beverages at a special 10% rate, and Manitoba taxes retail sales of wine, spirits and imported beer at 10%, with beer manufactured in Canada remaining taxable at the 5% basic rate. On table wines retailing under $3, the Manitoba Liquor Control Commission maintains a reduced mark-up to