

concepts and classifications is now in progress but it will be some time before this is completed and published.

Gross general revenue and expenditure for the years ended March 31, 1972 and 1973 are given in Table 20.17, liabilities in Table 20.18, and liabilities (of other governments and entities) guaranteed by provincial and territorial governments in Table 20.19. More information on outstanding provincial bonds and debentures is contained in Table 20.20.

20.5 Local government finance

Local government taxation. In 1971, the latest year for which complete data are available, local government revenue from taxation rose by 3.5% to \$3,729 million and the rate of collections stood at 99.7%. This rate is not comparable with previous years' rates, since it includes Quebec local governments collections for the first time. Taxes receivable expressed as a proportion of taxation revenue declined slightly to 11.7% compared to 11.8% in 1970. In most provinces, rates of collections improved in 1971 as compared with previous years, while they declined somewhat in the two territories. Conversely, lower percentages of taxes receivable relative to taxation revenue were recorded in Newfoundland, Prince Edward Island, Ontario, Manitoba and Alberta.

Local government revenue, expenditure and debt. As in previous years, gross revenue and expenditure of local governments increased in 1971. However, as indicated in Section 20.4, financial statistics for 1971 cannot be compared with data for prior years because of the introduction of the concepts and classifications set forth in *The Canadian system of government financial management statistics*. Debenture and other long-term debt amounted to \$9,251 million as at December 31, 1971 compared with \$8,748 million as at December 31, 1970 and \$8,290 million in 1969. Details 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 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 only for the corporation income tax. All provinces impose taxes on the income of individuals and corporations and five of the 10 provinces impose taxes on property passing at death. Alberta, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland do not now impose succession duties. As part of the current fiscal arrangements, the federal government has entered into tax collection agreements under which it collects provincial personal income taxes