

receivable relative to taxation revenue were recorded in Newfoundland, Prince Edward Island, Nova Scotia, Quebec and the territories. Rates of collection increased slightly in 1974 compared with 1973 in Newfoundland, Nova Scotia, Quebec and the territories.

**Local government revenue, expenditure and debt.** General revenue of local government in 1974 increased 17.0% to \$12,287 million over 1973, while general expenditure at \$13,307 million showed an increase of 18.3%. Debenture and other long-term debt amounted to \$11,913 million as at December 31, 1974 compared with \$10,476 million at December 31, 1973. Details for revenue and expenditure are given in Tables 20.23 - 20.24. Preliminary data are also given for 1975 and 1976. Table 20.25 gives the direct debt of local government for 1974 and 1975.

## 20.6 Tax rates

Taxes are imposed in Canada by the three levels of government. The federal government has the right to raise money by any mode or system of taxation while provincial legislatures are restricted to direct taxation within the province. Municipalities derive their incorporation with its associated powers, fiscal and otherwise, provincially and are thus also limited to direct taxation.

A direct tax is generally recognized as one 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.

Since 1941 a series of federal-provincial tax agreements has been concluded to promote the orderly imposition of direct taxes. The duration of each agreement was normally five years. Under earlier agreements, the participating provinces undertook — in return for compensation — not to use, or permit their municipalities to use, certain of the direct taxes. These were replaced by arrangements under which 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 amendments which became effective for the most part from 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 but only two provinces, Ontario and Quebec, impose taxes on property passing at death. The federal government has tax collection agreements under which it collects provincial personal income taxes for all provinces except Quebec and provincial corporation income taxes for all provinces except Ontario and Quebec. The provinces which impose succession duties also collect them.

### 20.6.1 Federal taxes

**Individual income tax.** The federal government has adopted a tax system in which taxpayers volunteer the facts about their incomes and calculate the taxes they must pay. Every individual who is resident in Canada is liable for the payment of income tax on all his income. A non-resident is liable for tax only on income from sources in Canada. Residence is the place where a person resides or where he maintains a dwelling ready at all times for his use. There are also statutory extensions of the meaning of resident to include a person who has been in Canada for an aggregate period of 183 days in a taxation year, a person who was during the year a member of the armed forces of Canada, an officer or servant of Canada or of any one of its provinces, or the spouse or dependent child of any such person. The extended meaning of resident also includes employees who go from Canada to work under certain international development assistance programs.