

1977. Such agreements would run until March 31, 1981, with provisions for renewal. The terms of these agreements also apply to purchases by Crown corporations listed in parts of the Financial Administration Act and the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977. As of February 1977, six provinces had agreed to enter into these reciprocal taxation agreements: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec and Ontario.

22.4 Provincial government finance

Because of variation from province to province in administrative structure and, to a lesser extent, in accounting and reporting practices, adjustments are made to financial data reported in public accounts to produce statistics comparable between different provinces and with those for the other levels of government. In 1972 the concepts and classifications of the national system of government financial statistics were redefined (see *The Canadian system of government financial management statistics*, Statistics Canada Catalogue 68-506). Financial statistics for the years 1971 onward are compiled in accordance with these revisions.

Gross general revenue and expenditure are given in Table 22.22, liabilities in Table 22.12, and liabilities of other governments and entities guaranteed by provincial and territorial governments in Table 22.13. More information on outstanding provincial bonds and debentures is in Table 22.14.

22.5 Local government finance

Local government taxation. In 1976, the latest year for which complete data are available, local government revenues from taxation rose 19.6% to \$6,567 million. Taxes receivable expressed as a percentage of taxation revenue were 8.99%. Lower percentages of taxes receivable relative to taxation revenue were recorded in all provinces with the exception of Newfoundland and British Columbia. Rates of collection increased slightly in 1976 compared with 1975 in all provinces and the territories with the exception of Newfoundland and Saskatchewan.

Local government revenue, expenditure and debt. General revenue of local government in 1976 increased 15.8% to \$17,055 million over 1975, while general expenditure at \$18,508 million also showed an increase of 15.8%. Debenture and other long-term debt amounted to \$15,502 million as at December 31, 1976 compared with \$13,521 million at December 31, 1975. Details for revenue and expenditure are given in Tables 22.23 and 22.24. Preliminary data are given for 1977 and estimates for 1978.

22.6 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 is individually required to 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