

The British preferential rates are applied to goods shipped directly to Canada from designated countries which are or were members of the British Commonwealth; rates lower than the British preferential are applied on certain goods imported from designated Commonwealth countries.

The most-favoured-nation rates apply to goods from countries that have been accorded tariff treatment more favourable than the general tariff but that are not entitled to British preferential or general preferential tariffs. Canada has most-favoured-nation arrangements with almost every country outside the Commonwealth. The most important arrangement is the General Agreement on Tariffs and Trade (GATT) under which multilateral reductions in most-favoured-nation tariff rates have been negotiated since the late 1940s.

The general tariff applies to imports from countries not entitled to the British preferential, general preferential or most-favoured-nation treatment. Few countries are in this category and they are not significant in terms of trade coverage.

In all cases where customs duties are applied there are provisions for drawback of duty on imports of materials used in the manufacture of products later exported. These drawbacks assist Canadian manufacturers to compete with foreign manufacturers of similar goods.

Provincial taxes

22.6.2

All of Canada's provinces levy a wide variety of taxes, fees, licences and other forms of imposition. Among such levies, a relatively small number account for about 75% of total provincial revenue from own sources. Only the more important levies are briefly described here.

Personal income tax. All provincial governments levy a tax on the income of individuals who reside within their boundaries and on the income earned by non-residents from sources within those boundaries. Rates of provincial individual income tax are expressed as percentages of basic federal tax, with the exception of Quebec which has its own system. The basic federal tax on which provinces apply their rates is the federal tax after the dividend tax credit but before any foreign tax credit and special federal tax reductions.

In accordance with the 1977 fiscal arrangements, as outlined in Section 22.3.3, new provincial rates were introduced in 1977 to take full advantage of the larger portion of the income tax field made available to provincial governments. The rates in 1978 were as follows: Newfoundland 58%; Prince Edward Island 50%; Nova Scotia 52.5%; New Brunswick 54%; Ontario 44%; Manitoba 54%; Saskatchewan 53%; Alberta 38.5%; and British Columbia 46%. For personal income tax, the federal government acts as collection agent for all provinces except Quebec.

In Quebec, provincial income tax is not related to basic federal tax but is levied at graduated rates which take into account the federal tax abatement granted to Quebec taxpayers pursuant to the province's contracting out all shared-cost programs in 1964. Due to the reduction in basic federal tax entailed by financing measures for established shared-cost programs, introduced in the 1977 fiscal arrangements, the former abatement of 24% granted to Quebec taxpayers had to be recalculated. As a result, this abatement was set at 16.5% so as to correspond to the former 24%. The rates are progressive, varying from 13% on the first \$577 of taxable income to a maximum of 33% on income exceeding \$60,714 in 1978. The determination of taxable income is based on exemptions and deductions somewhat similar to those for the federal tax. Quebec does not participate in the federal tax collection agreements and therefore collects its own.

Ontario, Manitoba, Alberta and British Columbia have introduced tax credit schemes which are administered, at a small fee, through the federal tax collection machinery. Manitoba and Saskatchewan have a surtax on provincial income tax payable in excess of a certain amount.

Tax Rebate Discounting Act. Tax rebate discounting is a practice whereby a taxpayer, who expects a refund on income taxes paid or a tax credit, sells his anticipated refund for