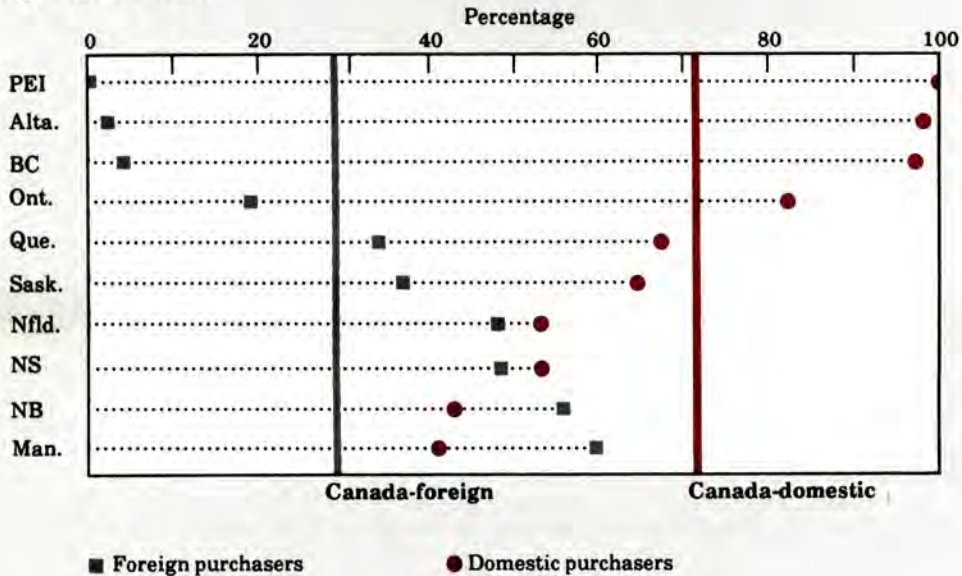


Chart 22.1

Bonds and debentures issued by provincial governments, by market, 1987

indicates the amount of revenue derived by provinces and territories from such sources.

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.

Corporation income tax. All provinces levy a tax on the taxable income of corporations. In provinces other than Quebec, Ontario and Alberta, the provincial corporation income tax is imposed on the same basis as that established for federal corporation income tax purposes, and is collected by the federal government under tax collection agreements. In Quebec, Ontario and Alberta, the determination of corporation taxable income follows closely, but not exactly, the federal rules and each collects its own levy. Corporate taxable income earned in a province is eligible for the 10% federal abatement to compensate corporations for provincial taxes payable.

Provincial sales tax. All provinces except Alberta tax at a retail level a wide range of consumer goods and services purchased in or brought into the province. The tax is payable on the selling price of tangible personal property, defined to include certain services, purchased for own consumption or use and not for resale. Each provincial act, however, specifies a number of goods that are exempt. Exemptions include items related mainly to necessities of life and to material used in the farming or fishing industries.

Gasoline and diesel fuel oil taxes. Each province and each territory imposes a tax on the purchase of gasoline and diesel fuel by motorists and truckers and other fuel intended to generate motive power. In Alberta and Saskatchewan, the taxation base is restricted on fuel used in railway locomotives and aircraft. A number of activities such as farming, fishing, mining or logging are either exempt from motive fuel taxation or are taxed at a preferred rate.

Tax on mining operations. With the exception of Prince Edward Island, all provinces levy some form of tax on profits of mining operations. The tax rates vary considerably depending on the product being mined, and on the size and nature of the profits being taxed.