

Additional Special Grants.—Additional special grants were voted annually to the Maritime Provinces, Manitoba, Saskatchewan and British Columbia until 1941; they were suspended with the coming into force of the Wartime Tax Agreements, 1942. The grants were paid in 1947 and later years to the three Maritime Provinces, under the provisions of the Maritime Additional Subsidies Act, 1942. The Terms of Union with Newfoundland, 1949, provide for an additional annual subsidy of \$1,100,000 in recognition of the special problems of that Province by reason of geography and its sparse and scattered population.

Tax-Rental Agreements.—The Wartime Tax Agreements, 1942 (*see* 1946 Year Book, pp. 900-901), lapsed in the period from Oct. 30, 1946, to Mar. 31, 1947, and were succeeded by the Tax-Rental Agreements, 1947. These, in turn, were succeeded by the Tax-Rental Agreements, 1952. By the 1947 and 1952 Agreements, a province agrees to refrain from levying certain direct taxes, for a period of five years, in return for compensation from the Federal Government. The main purposes of these Agreements are to establish a more equitable system of taxation throughout Canada by reducing duplication of direct taxation and duplication of machinery for the collection of direct taxes, to give a greater measure of stability to the revenue of the provinces and to enable the Federal Government, together with the provincial governments, to carry out national policies intended to maintain high levels of employment and production.

Tax-Rental Agreements, 1947.—The 1947 Agreements were entered into by the Federal Government pursuant to the Dominion-Provincial Tax Rental Agreements Act, 1947. Seven provinces—Prince Edward Island, Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Alberta and British Columbia—entered into these Agreements for the full five-year period, the Yukon Territory for four years, and the Province of Newfoundland for three years. The Agreements contained the basic provisions of the Wartime Tax Agreements whereby the provinces and their municipalities withdrew their personal income taxes, corporation income taxes and special taxes on corporations, in return for compensation from the Federal Government. The Agreements contained significant changes and additions which had been worked out at the meetings of the Dominion-Provincial Conference on Reconstruction in 1945 and 1946, and in the negotiations that followed the June 1946 Budget offer of the Federal Minister of Finance. The main features of this offer, which were embodied in the Agreements, are outlined in the 1946 Year Book, pp. 883-884.

Under the 1947 Agreements, a province and its municipalities were required to refrain from levying personal income taxes, corporation income taxes and special taxes on corporations for the period Jan. 1, 1947, to Dec. 31, 1951. (Shorter periods were required of Yukon Territory and Newfoundland.) However, a province was encouraged to levy a corporation income tax of 5 p.c. in order to keep the level of income taxes on corporations in all provinces—whether or not they had entered into Agreements—approximately uniform, and such a tax was levied by all the provinces and Yukon Territory. The tax was imposed on the income of a corporation attributable to its operations in the province, and the Agreements provided