

**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 their boundaries. Rates of provincial individual income taxes are expressed as percentages of "basic federal tax", with the exception of Quebec which has its own system. "Basic federal tax" on which provinces apply their rates is after the dividend tax credit but before any foreign tax credit and special federal tax reductions. There was little change in provincial rates from 1972 to 1973. Provincial rates at the beginning of 1974 were as follows: Newfoundland, 40%; Prince Edward Island, 36%; Nova Scotia, 38.5%; New Brunswick, 41.5%; Ontario, 30.5%; Manitoba, 42.5%; Saskatchewan, 40%; Alberta, 36%; and British Columbia, 30.5%. Income tax is collected by the federal government for all these provinces.

In Quebec, provincial individual income tax is not related to basic federal tax but is levied at graduated rates that progress from 10% on the first \$2,000 of taxable income to a maximum of 28% on income exceeding \$60,000. The determination of taxable income for Quebec tax is based on exemptions and deductions which, with the exception of deductions for dependent children under age 16, are similar to those for federal tax. Instead of the income tax exemption for children under 16 years of age, Quebec pays a supplementary family allowance benefit which increases from \$30 a year for the first child to a maximum amount of \$70 when the number of children exceeds five. Quebec taxpayers who have married status for tax purposes pay no provincial income tax unless their net income exceeds \$5,200; for all other taxpayers, net income must not exceed \$2,600 to be tax exempt. In addition, for married and single taxpayers whose income is between \$5,200 and \$5,785, and \$2,600 and \$2,850, respectively, the amount of tax payable cannot be more than 50% of the difference between their net income and the amount of their exemptions. The government of Quebec collects its own personal income tax.

Both Ontario and Manitoba have introduced tax credit schemes which are administered, at a small fee, through the tax collection machinery of the federal Department of National Revenue. These plans are designed to alleviate the burden of certain other taxes or of specified categories of taxpayers by means of an income tax credit or rebate. Ontario's scheme encompasses income tax for persons aged 65 and over, the general sales tax and the municipal property tax. The total amount of the income tax credit to which a taxpayer is entitled is related to his income. The maximum reduction that can be claimed was established at \$500 in 1974. The Manitoba tax credit scheme includes a reduction in income tax supplementing the federal adjustment for increases in the cost of living, and a property tax credit which varies between \$100 and \$200 in respect of owner-occupied dwellings and rented premises.

**Corporation income tax.** All provinces levy a tax on the taxable income of corporations derived from activities carried out within their boundaries. In all provinces except Ontario and Quebec, the provincial tax imposed on taxable income in the province is determined on the same basis as for federal income tax. In Ontario and Quebec, the determination of taxable income for purposes of provincial tax follows closely the federal rules. Seven of the 10 provinces levy corporate income taxes at rates in excess of the 10% abatement allowed by the federal government. The rate that applies in Alberta is 11%; in British Columbia, Saskatchewan, Ontario and Quebec, 12%; and in Newfoundland and Manitoba, 13%. All provinces except Ontario and Quebec have signed agreements for the collection of the corporation income taxes by the federal government.

**Succession duties.** The provinces of Quebec, Ontario and British Columbia have been imposing and collecting succession duties for a long period of time, and began to levy a gift tax in 1972 when the federal government withdrew from the estate and gift tax fields. Since the latter were shared with the provinces, whether or not they themselves levied succession duties, the federal withdrawal from these fields of taxation meant a potential loss of revenue to provinces without succession duties. For such provinces the federal government agreed to collect for three years any succession duties and gift taxes they might wish to levy.

Quebec, Ontario and British Columbia maintained their own systems, but the two latter provinces chose to have their gift tax collected by the federal government. Of the remaining provinces, with the exception of Alberta which has no succession duties or gift taxes, only Manitoba and Saskatchewan are still levying succession duties and gift taxes in 1974, for which the federal government is the collecting agent. The other four provinces which had enacted succession duty and gift legislation in 1972, rescinded their related Statutes in 1973 or in the spring of 1974.