

Provincial Taxes

All Canada's ten provinces impose a wide variety of taxes to raise the revenue necessary for provincial purposes. All at present levy a tax on the income of individuals and corporations resident within their boundaries or deriving income from activities or operations carried out therein. Only Ontario and Quebec impose special taxes on corporations and only British Columbia, Ontario and Quebec impose a tax on property passing at death. Under the terms of the existing federal-provincial fiscal arrangement, the Federal Government makes "equalization payments" to some provinces in recognition of the fact that the potential tax revenue from income tax, death duties and natural resource revenue in those provinces, measured on a per capita basis, is lower than an agreed-on level. For some provinces these payments constitute a very important source of revenue.

Some of the more important provincial levies are reviewed briefly below:

Individual Income Tax

All provinces levy a tax on the income of individuals who reside within their boundaries or who earn income therein. In nine of the ten provinces, these taxes are computed as a percentage of federal income tax otherwise payable at full federal rates and are collected by the Federal Government on behalf of these provinces. In Quebec, provincial income tax is levied at graduated rates that progress from 2.5 per cent on the first \$1,000 of taxable income to a maximum of 13.2 per cent on the excess over \$400,000. The determination of taxable income for Quebec tax is based on exemptions and deductions similar to those for federal tax. Quebec collects its own tax.

The following table shows the percentage that provincial income tax liability is of federal income tax liability computed at full federal rates for 1964:

<u>Province</u>	<u>Percentage of full federal liability</u>
Newfoundland	18%
Prince Edward Island	18%
Nova Scotia	18%
New Brunswick	18%
Quebec	approximately 18%
Ontario	18%
Manitoba	24%
Saskatchewan	24%
Alberta	18%
British Columbia	18%

Corporate Income Tax

All provinces levy a tax on the profits of corporations derived from activities carried on within their boundaries. In all except Ontario and Quebec, the tax is imposed on taxable income in the province determined on the same basis as for federal income tax. In Ontario and Quebec, the determination of taxable profits for purposes of provincial tax follows closely the federal rules. The rates of tax levied by the various provinces are as follows: