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It has often been charged that certain tax benefits accrued to Ontario and Quebec owing to the relatively large number of corporations which found it advantageous to locate their head offices in these provinces. Corporations having their head offices in Ontario and carrying on business in another province have always been subject to taxation by that province on the business they carried on there. Ontario has allowed such companies to deduct from the taxes otherwise payable to Ontario the amount of taxes paid to other provincial governments, provided that the deduction from the Ontario tax should not be greater than if computed at Ontario's rates.

Prior to the 1942 tax agreements, the Province of Ontario taxed the net income from foreign sales of corporations having their head offices in Ontario. Ontario did not tax the net income derived from export sales of any company whose head office was situated in Manitoba or any other province. Similarly, Manitoba taxed the net earnings from foreign sales of corporations having their head offices in Manitoba, but not the net income from export sales of corporations with head offices situated in other provinces. This provincial law of corporation taxation meant that Ontario and Quebec, and some other provinces in lesser degree, enjoyed a relatively larger corporation tax source than other provinces owing to the concentration of head offices. Under the plan Ontario proposes for the centralized collection of corporation taxation with uniform, separate acts and different rates, if desired, all provinces share in the taxation of corporation net income, whether earned on domestic or foreign sales, according to the sales of the company in the Canadian provinces. This plan should go a long way in solving a difficult problem which has been the source of much criticism in the past.

It is further recommended that 10% of the revenue of each provincial government from personal income taxation, corporation taxation and succession duties be placed in a pool to be known as The National Adjustment Fund, and, to the extent required, the pooled revenue would be apportioned among those provinces which are unable to provide a national minimum of social services. The amount of the Provincial Adjustment Grants would be determined by the Dominion-Provincial Co-ordinating Committee upon the recommendation of the Dominion-Provincial Economic Board. Grants would be made only on the basis of need, and they would be periodically reviewed and adjusted in conformity with the changing requirements of the