

There are provisions for relief from duty on imports of materials used in the manufacture of products later exported. The purpose of this relief or "drawback of duty" is to help Canadian manufacturers compete with foreign manufacturers of similar goods in world markets. There is a second class of drawbacks known as "home consumption" drawbacks. These apply to imported articles used in the production of specified classes of goods manufactured for the domestic market.

PROVINCIAL TAXES

All provinces impose a wide variety of taxes to finance their revenue requirements. The Federal Government makes payments to some provinces in recognition of the fact that the potential yield of taxes in those provinces on a *per capita* basis is less than the national average. These are called "equalization payments". For some, such payments constitute an important source of revenue.

The paragraphs that follow will attempt to review some of the more important provincial levies.

Personal income tax All provinces impose taxes on the personal income or business income of their residents and those who carry on a business within their boundaries.

Nine of the ten provinces levy personal income taxes as a percentage of federal taxes. The federal tax on which these provinces base their levy is the federal tax before the special 5 percent reduction.

In Quebec, personal income tax is levied using a progressive rate-schedule starting at 10 per cent on the first \$2,000 of taxable income and rising to a maximum of 28 per cent on income in excess of \$60,000. The determination of taxable income for Quebec tax is based on exemptions and deductions that, with the exception of deductions for dependent children under age 18, are similar to those provided under federal tax law. Quebec taxpayers who have married status for tax purposes do not pay the provincial tax unless their income exceeds \$5,000; all other taxpayers pay tax on income in excess of \$2,500.

The following table shows the rates of personal income tax imposed by all provinces except Quebec for 1973: