Provincial
All provinces levy a tax on the income of individuals who reside within their boundaries or who earn business income therein. Investment income, salary and wages are allocated to the province where the individual resided on the last day of the calendar year or on his last day of residence in Canada. Where non-residents are employed or carry on business in Canada, their income for provincial income tax purposes is allocated to the province where they were employed or carried on business. The federal Income Tax Regulations outline the rules for allocating income to provinces when individuals earn business income in more than one province.

In all provinces except Quebec, the federal government administers and collects provincial personal income taxes. In these nine provinces, the provincial income tax is a certain percentage of the federal tax, which may change annually. Provincial taxes for 1983 range from 38.5 to 60 per cent of basic federal tax.

Filing Requirements and Payments
A corporation must file all tax returns within six months of the end of its fiscal year. A company is free to choose any fiscal year-end with the provision that a taxation year cannot exceed 53 weeks. Subsequent changes may be made to the year-end date, but only with the approval of Revenue Canada and, where applicable, the provinces. Canada does not permit the filing of consolidated tax returns. Individuals must file their tax returns by April 30 of the subsequent year.

Penalties and interest are charged on deficient or late tax instalments. A corporation is generally required to make monthly instalments of income tax based either on expected profits or on the past year's taxable income, whichever is the lesser. Any tax not paid throughout the year is payable within two months after the end of the fiscal year unless the corporation qualifies for the Small Business Deduction, in which case, it has an extra month to pay the balance. The rate of interest on deficient instalments charged by the federal government is reviewed periodically. Provincial interest rates, where applicable, may be different.

Assessment and Appeal
Canada relies upon the system of self-assessment whereby individuals and corporations must file their own tax returns disclosing all sources of revenue and computing the amount of tax payable. The system is buttressed by extensive reporting requirements imposed upon payers of salaries or wages, dividends, interest and a number of other income payments. After a personal or corporate tax return has been filed, a notice of assessment is issued in due course by the federal or provincial tax department concerned. At a later date, usually after an audit, a notice of reassessment may vary the original notice. However, no reassessment notice may be issued after a period of four years has elapsed from the date of the first assessment, except in cases of fraud. Taxpayers who disagree with an assessment may lodge a formal objection within 90 days from the date of the assessment notice.

Corporate and individual tax returns must be filed with Revenue Canada or the appropriate provincial department. Comprehensive information on filing procedures and other subjects discussed in this chapter can be obtained from Revenue Canada, Ottawa, Ontario, Canada K1A 0L8.

Sales and Excise Taxes

Sales, Excise, and other Commodity taxes are an important source of revenue for both the federal and provincial governments. Investors should be aware of the extent of these taxes.

Federal Sales Tax
Sales tax applies to sales of goods produced or manufactured in Canada or imported into Canada unless the goods are specifically exempted or the transaction occurs under exempt conditions. The tax rate is generally nine per cent but there are many items that are exempt, while others may be taxed at a lower or higher rate. Every producer or manufacturer of goods subject to sales tax must be licensed. Exceptions can be made in the case of small manufacturers. Exports are not taxed.

Provincial Sales Tax
Sales tax is levied by 9 of the 10 provinces at the retail level on purchases of most tangible goods and property as well as some services acquired for use or consumption within the particular province. Food and other essential items are usually exempt from tax. Sales tax rates range from 0 to 12 per cent. The retailer acts as an agent for the provincial government in collecting the taxes.

Excise Taxes
Like the federal sales tax, excise taxes are administered by the Department of National Revenue, Customs and Excise Division. However, where the federal sales tax is general in its application, excise tax applies only to a few goods. These are generally in the luxury, or the nonessential category, and include jewellery, tobacco and alcohol, gasoline and excessively heavy automobiles. No excise tax is levied on any of these goods which are exported.

Information on Sales, Excise, and Commodity taxes can be obtained from Revenue Canada, Ottawa, Ontario, Canada K1A 0L5. Information on appropriate retail sales