

arrangements the federal, personal and corporation income tax otherwise payable in all provinces and the estate tax otherwise payable in three provinces are abated by certain percentages to make room for provincial levies.

The current federal-provincial arrangements became operative on April 1, 1962, and were originally scheduled to terminate on March 31, 1967; they have, however, been extended subject to termination on due notice. They amount to a partial federal withdrawal from the field of direct taxation and a re-entry of all provinces into the vacated area. The federal personal income tax otherwise payable on income earned in a province and on income received by a resident of a province is reduced by the following percentages:

- 16 % . for the 1962 taxation year
- 17 % . for the 1963 taxation year
- 18 % . for the 1964 taxation year
- 21 % . for the 1965 taxation year
- 24 % . for the 1966 taxation year
- 28 % . for the 1967 and subsequent taxation years.

The tax abatements in respect of income earned in Quebec or received by a resident of Quebec are 44 per cent for the 1965 taxation year, 47 per cent for the 1966 taxation year and 50 per cent for the 1967 and subsequent taxation years. The additional tax abatement for taxpayers in Quebec is to allow that province to collect revenue to pay for certain programs financed entirely by the province but paid for in whole or in part by the Federal Government in other provinces.

The Federal Government also reduces its rate of corporation income tax on the taxable income of corporations earned in the provinces. The reduction was 9 per cent of taxable income earned in any province except Quebec and 10 per cent of taxable income earned in Quebec for the years 1962 to 1966 inclusive. The 1 per cent reduction in respect of taxable income earned in the Province of Quebec for these years was to compensate for the additional tax levied by the province during this period on corporation income to provide grants to universities. These provincial grants replaced federal grants which in other provinces were paid to the universities by the Federal Government through the Canadian Universities Foundation. Starting in 1967, with the termination of direct federal financial assistance to universities, the abatement of the federal rate of corporation income tax is 10 per cent of taxable income in all provinces.

The Federal Government also abates the federal estate tax otherwise payable by 75 per cent in respect of property situated in a province that levies its own death tax.<sup>(1)</sup> Only Ontario, Quebec and British Columbia currently levy death taxes in the form of succession duties.

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(1) The original agreement was for a 50 per cent abatement. However, at the conclusion of a federal-provincial conference in late 1963, it was increased to 75 per cent in respect of deaths occurring after March 31, 1964. Currently, only the estates of domiciliaries of British Columbia qualify for the full 75 percent abatement. Quebec and Ontario estates are temporarily eligible for only 50 per cent because these two provinces have elected for the time being to take a payment from the Federal Government on account of the additional 25 percent abatement, rather than to increase their succession duty rates.