

16% in 1962  
17% in 1963  
18% in 1964  
21% in 1965\*  
24% in 1966\*\*

In 1965 and 1966, the federal tax abatements for income earned in Quebec or received by a resident of Quebec will be 24 per cent and 27 per cent respectively. The additional relief of three percentage points in the case of Quebec is to allow that province to collect revenue to pay monthly allowances for students between the ages of 16 and 18. Similar allowances in the other provinces will be paid directly by the Federal Government. The special federal income tax abatements for Quebec in 1965 and 1966 have not yet been authorized by legislation. Also, the Federal Government reduces its rate of income tax on taxable income of corporations earned in the provinces. The reduction is 9 per cent of taxable income earned in any province except Quebec and 10 per cent of taxable income earned in Quebec. The additional 1 percent reduction in respect of taxable income earned in Quebec is to compensate for the additional tax levied by that province on corporation income to provide grants to universities. These provincial grants replace federal grants that, in other provinces, are paid to the universities by the Federal Government through the Canadian Universities Foundation. Finally, the Federal Government abates the federal estate tax otherwise payable by 75 percent in respect of property situated in a province that levies its own death tax. Only Ontario, Quebec and British Columbia now levy death taxes in the form of succession duties.\*\*

These reductions in federal income tax and estate tax under the terms of the 1962-67 fiscal arrangements do not apply to the Yukon or the Northwest Territories or to income earned outside Canada. The Yukon and Northwest Territories do not impose income taxes or death taxes.

The provincial tax rates are not restricted to the extent of the federal withdrawal. The constitutional position of the provinces permits them unlimited use of direct taxes for the raising of revenue for provincial purposes. However, in all but four provinces (Ontario, Quebec, Manitoba and Saskatchewan), the provincial rates of income tax coincide with the amount of the federal abatement.

As part of the 1962-67 fiscal arrangements, the Federal Government has entered into tax-collection agreements under which it collects the provincial personal income taxes for all provinces except Quebec and the provincial corporation income taxes for all provinces except Ontario and Quebec.

#### Federal Taxes

##### Individual Income Tax

Every individual who is resident in Canada at any time during a year is liable for the payment of income tax for that year. Every non-resident individual who is employed or carries on business in Canada during a year is

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\* The original agreement provided for abatements of 19 per cent in 1965 and 20 per cent in 1966. However, following a federal-provincial conference in April 1964, the provinces were granted an additional two percentage points in 1965 and four points in 1966.

\*\* The original agreement was for a 50 percent abatement. However, at the conclusion of a federal-provincial conference late in 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 decided, for the time being, to take payment from the Federal Government on account of the additional 25 percent abatement rather than to increase their succession-duty rates.