

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.* 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 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 five provinces (Prince Edward Island, Nova Scotia, New Brunswick, Alberta and British Columbia) the provincial rates of income tax do not exceed the federal abatement.

As part of the 1962-69 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

Personal income taxation in Canada is on the basis of residence rather than citizenship.

Every individual who is resident in Canada at any time during a year is liable for the payment of income tax on all his income. Every non-resident individual who is employed or carries on business in Canada during a year is liable for tax on his income earned in Canada. The term "residence" is difficult to define simply but, generally speaking, it is taken to be the place where a person resides or where he maintains a dwelling ready at all times for his use. There are also extensions of the meaning of Canadian resident to include a person who has sojourned in Canada for an aggregate period of 183 days in a taxation year, or a person who was, during the year, a member of the armed forces of Canada, or an ambassador, a high commissioner, or an officer or servant of Canada or of any one of its provinces, or the spouse or dependent child of any such person.**

* The original agreement was for a 50 percent 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.

** See also Section 139(3)(c), which extends residence to employees under certain development-assistance programmes.