

Provincial Taxes

Corporate Income Tax

All Canada's ten provinces impose a wide variety of taxes to raise the revenue necessary for provincial purposes. All provinces at present levy a tax on the income of individuals and corporations resident within their boundaries or deriving income from activities or operations carried out therein. Only Ontario and Quebec impose special taxes on corporations in addition to income tax, and only British Columbia, Ontario and Quebec impose a tax on property passing at death. Under the terms of the existing federal-provincial fiscal arrangement, the Federal Government makes payments called "equalization payments" to some provinces, in recognition of the fact that the potential tax revenue from the fields of income tax, death duties and natural resource revenue in those provinces, measured on a per capita basis, is lower than the average per capita yield from these taxes in the two provinces where they produce the highest yield. For some provinces, these payments constitute a very important source of revenue.

Some of the more important provincial levies are reviewed briefly below:

Individual Income Tax

All provinces levy a tax on the income of individuals who reside within their boundaries or who earn income therein. In nine of the ten provinces, these taxes are computed as a percentage of federal "basic tax". As previously mentioned, "basic tax" is federal income tax (excluding old-age security tax) otherwise payable at full federal rates before the abatement under the federal-provincial arrangement and before allowance for the federal tax reduction was passed in 1965. These provincial taxes are collected by the Federal Government on behalf of these provinces. In Quebec, provincial income tax is levied at graduated rates that progress from 4.8 per cent on the first \$1,000 of taxable income to a maximum of 35.2 per cent on the excess over \$400,000. The determination of taxable income for Quebec tax is based on exemptions and deductions similar to those for federal tax. Quebec collects its own tax.

The following table shows the percentage that provincial income tax liability is of federal "basic tax" for 1965:

<u>Province</u>	<u>Percentage of federal "basic tax"</u>
Newfoundland	21%
Prince Edward Island	21%
Nova Scotia	21%
New Brunswick	21%
Quebec	approximately 44%
Ontario	21%
Manitoba	26%
Saskatchewan	27%
Alberta	21%
British Columbia	21%