EFERENCE Government and the

resulted in uneconomic duplication and some severe tax levies. 1941. a series of tax ad MOIZIVID MOITAMADAMI juded between the Federal Go

h lo molificami virgino DEPARTMENT OF EXTERNAL AFFAIRS o Islanivora ent bas

The duration of eachdana cawatto was normally five years. Under

SOUND IN THE PROPERTY OF THE PRESENT ATTANGEMENTS, the federal income tax otherwise converse seminity set nine of the present arrangements; the payable in three provinces payable in all provinces and the estate tax otherwise payable in three provinces are abated by certain percentages to make room for provincial levies.

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The current arrangements became operative on April 1, 1962, (Revised March 1966) as of January went will stress Tool & Hotel

income earned in a province and ADANAS NI MOITAXAT by a resident of a province is

agreements, the participating provinces undertook, in return for

to use or permit their municipalities to use certain of the

reduced by the following percentages: (Prepared by the Taxation Division, Department of Finance, Ottawa)

Introduction

Canada is a federal state with a central government and ten provincial governments. In 1867 the principal colonies of the British Crown in North America united to form the nucleus of a new nation and the British North America Act of that year became its written constitution. This statute created a central government with certain powers while continuing the existence of political subdivisions called provinces with powers of their own.

Under the British North America Act, the Parliament of Canada has the right to raise "money by any mode or system of taxation", while the provincial legislatures are restricted to "direct taxation within the province in order to the raising of a revenue for provincial purposes". Thus the provinces have a right to share only in the field of direct taxation, while the Federal Government is not restricted in any way in matters of taxation. The British North America Act also empowers the provincial legislatures to make laws regarding "municipal institutions in the province". This means that the municipalities derive their incorporation, with its associated powers, fiscal and otherwise, from the provincial government concerned. Thus, from a practical standpoint, municipalities are also limited to direct taxation.

payable by 75 per cent in respect of property situated in a province

A direct tax is generally recognized as one "which is demanded from the very person who it is intended or desired should pay it". In essence, this conception has limited the provincial governments to the imposition of income tax, retail sales tax, succession duties and an assortment of other direct levies. In turn, municipalities acting under the guidance of provincial legislation, tax real estate, water consumption and places of business. The Federal Government levies direct taxes on income, on gifts, and on the estates of deceased persons and indirect taxes such as excise taxes, excise and customs duties, and a sales tax. setate of ratho bna sedeud .themetada theorem CT

percent abatement rather than to increase their succession duty rates.

only 50 per cent, because these two provinces have decided, for the time being, to take a payment from the Federal Government on account of the additional 25

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