DOC CA1 EA9 R105 ENG Nov. 1966

1--

683564

REFERENCE PAPERS

INFORMATION DIVISION

5036 01063580

resulted in uneconor

Dept. of External * Hail 90 Min. des Alfeires exterieures

RETENDATION AT STREET ST. STOLE BU MINISTERS

OTTAWA - CANADA mdertook in return for compensation not to use, or permit their municipalities use, certage of the direct taxes. Under the present arrangements the federal ncome 8921x otherwise payable in all provinces and the estate tax otherwise avable in three and the sourcentages to make t

(Revised November 1966)

TAXATION IN CANADA

The federal personal income tax otherwise payable on income earned in a province griwollof edd vd beou (Prepared by the Taxation Division, beviewer emooni no bus Department of Finance. Ottawa)

he current arrangements became operative on April 1. 1962, and will

DEPARTMENT OF EXTERNAL AFFAIRS

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. certain programmes that are paid for in whole or in part by the

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.

A direct tax is generally recognized as one "which is demanded from the very person who it is intended or desired should pay it". 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.

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