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TAXATION IN CANADA

(Prepared by the Tax Policy Division,
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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 direct 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 the right to use only 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 empowered the provincial legislatures to make laws regarding "municipal institutions in the province". This means that municipalities derive their incorporation with its associated powers, fiscal and otherwise, from the provincial government concerned. Thus municipalities are also limited to direct taxation.

A direct tax 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 taxes on income, on gifts and on the estates of deceased persons, and excise taxes, excise and customs duties and a sales tax.

Federal-Provincial Arrangements

Starting in 1941, a series of federal-provincial tax agreements were concluded to promote the orderly imposition of direct taxes. The duration of each agreement was normally five years. Under the earlier agreements, the participating provinces undertook in return for compensation not to use, or permit their municipalities to use, certain direct taxes. Under the present arrangements the federal, personal and corporation income tax otherwise payable in all provinces and the estate tax otherwise payable in three provinces are abated by certain percentages to make room for provincial levies.

The current federal-provincial arrangements became operative on April 1, 1962, and were originally scheduled to terminate on March 31, 1967; they have, however, been extended subject to termination on due notice. They amount to a partial federal withdrawal from the field of direct taxation and a re-entry of all provinces into the vacated area. The federal personal income tax otherwise payable on income earned in a province and on income received by a resident of a province is reduced by the following percentages:

16 %. for the 1962 taxation year
17 %. for the 1963 taxation year
18 %. for the 1964 taxation year
21 %. for the 1965 taxation year
24 %. for the 1966 taxation year
28 %. for the 1967 and subsequent taxation years.

The tax abatements in respect of income earned in Quebec or received by a resident of Quebec are 44 per cent for the 1965 taxation year, 47 per cent for the 1966 taxation year and 50 per cent for the 1967 and subsequent taxation years. The additional tax abatement for taxpayers in Quebec is to allow that province to collect revenue to pay for certain programs financed entirely by the province but paid for in whole or in part by the Federal Government in other provinces.

The Federal Government also reduces its rate of corporation income tax on the taxable income of corporations earned in the provinces. The reduction was 9 per cent of taxable income earned in any province except Quebec and 10 per cent of taxable income earned in Quebec for the years 1962 to 1966 inclusive. The 1 percent reduction in respect of taxable income earned in the Province of Quebec for these years was to compensate for the additional tax levied by the province during this period on corporation income to provide grants to universities. These provincial grants replaced federal grants which in other provinces were paid to the universities by the Federal Government through the Canadian Universities Foundation. Starting in 1967, with the termination of direct federal financial assistance to universities, the abatement of the federal rate of corporation income tax is 10 per cent of taxable income in all provinces.

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.(1) Only Ontario, Quebec and British Columbia currently levy death taxes in the form of succession duties.

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(1) The original agreement was for a 50 per cent 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.

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 or inheritance 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 three provinces (Prince Edward Island, Nova Scotia and British Columbia), the provincial rates of income tax do not exceed the federal abatement.

As part of the current 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 his income from all sources both inside and outside Canada. 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.(2)

The Canadian tax law uses the conceptions "income" and "taxable income". The income of a resident of Canada for a taxation year comprises his income from all sources inside or outside Canada and includes income for the year from all businesses, property, offices and employments. It does not include capital gains unless they arise out of the conduct of a business or as a result of an adventure in the nature of trade.

In computing his income for a taxation year, an individual must include dividends, fees, annuities, pension benefits, interest, alimony, maintenance payments and other miscellaneous sources of income. On the other hand, war service disability pensions paid by Canada or an ally of Her Majesty at the time of the war service, unemployment insurance benefits, social assistance

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(2) See also Section 139(3)(c) of the Income Tax Act, which extends residence to employees under certain development assistance programs.

payments made on a means-test basis under a prescribed program, compensation in respect of an injury or death paid under a workmen's compensation Act of a province and family and youth allowances[3] do not have to be included in the computation of income.

In computing his income for a taxation year, an individual who is carrying on business may deduct business expenses, including depreciation (called capital cost allowances), municipal taxes, interest on borrowed money, reserves for doubtful debts, contributions to pension plans or profit-sharing plans for his employees, and bad debts.

In general, no deductions are allowed in computing income from salary and wages, although there are exceptions. These exceptions include travelling expenses of employees who have to travel as they perform their work (such as employees on trains), union dues, alimony payments, and contributions to registered pension plans. Individuals may deduct, within limits, amounts set aside to provide a future income under registered retirement saving plans. Students attending universities, colleges, high schools, public schools or certain other certified educational institutions in Canada may deduct their tuition fees if they exceed $25 per annum. Students in full-time attendance at universities outside Canada are allowed to deduct their tuition fees.

Having computed his income, the individual then calculates his taxable income by deducting certain exemptions and deductions. These exemptions and deductions are as follow:

For single status	$1,000
For married status	$2,000
For dependent children under age 16	$300 a child
For other dependants (as defined in the law) including dependent children between ages 15 and 21 or over 20 and attending school	$550 a dependant
Where taxpayer is over 70 years of age[4]	additional $500
Where taxpayer is blind or confined for the whole of the taxation year to a bed or a wheelchair	additional $500
Charitable donations	up to 10% of income
Medical expenses	in excess of 3% of income

In lieu of claiming deductions for charitable donations and medical expenses, an individual may claim a standard deduction of $100.

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(3) Family allowances are monthly welfare payments by the Federal Government to the parents of guardians of children under 16 years of age. The allowance is $6 for each child under 10 years of age and $8 for each child between the ages of 10 and 16. These allowances are not subject to income tax. Youth allowances are monthly payments of $10 in respect of children aged 17 and 18 in full-time attendance at educational institutions. Like family allowances, they are not subject to income tax.

(4) This deduction is also granted in taxation years 1966 to 1969 inclusive to a taxpayer who is over 65 but under 70 years of age and who does not receive old-age-security pension payments.

As already stated, an individual who is resident in Canada is taxed on his income from both inside and outside Canada. An individual who is not resident in Canada at any time during the year but who carries on business in Canada or who earns salary or wages in Canada is taxed only on the income earned in Canada. In computing taxable income earned in Canada such a non-resident individual is allowed to deduct that part of the exemptions and deductions that may reasonably be attributed to the income earned in Canada. (A non-resident who derives investment income from Canada is taxed in a different way, described under a separate heading). An individual who ceases to be a resident of Canada during the year or who becomes a resident during the year so that he is resident for only part of the year, and who was not employed or did not carry on business in Canada while a non-resident during the year, is subject to income tax in Canada on only that part of his income for the year received while he is resident in Canada. In these circumstances, the deductions from income permitted in determining taxable income are the amounts that may reasonably be considered as applicable to the period during which he is resident in Canada.

A progressive schedule of rates is applied to taxable income, beginning at 11 per cent on the first $1,000 of taxable income and increasing to 80 per cent on taxable income in excess of $400,000. In addition, an old-age-security tax is levied on taxable income at the rate of 4 per cent, with a maximum of $240 reached at $6,000 of taxable income. Starting in 1969, an additional tax, called a social-development tax, is imposed at the rate of 2 per cent of taxable income, with a maximum of $120.

For the years 1968, 1969 and 1970, there is also a temporary surtax of 3 per cent of the amount of basic tax in excess of $200. ("Basic tax" is personal income tax, excluding the old-age-security tax, the social-development tax and the temporary surtax, and after deduction of a dividend tax credit but before the abatement for provincial income tax or a general tax reduction of 20 per cent with a maximum of $20. The dividend tax credit and the general tax reduction are described below.)

An individual is allowed to deduct certain amounts from his tax otherwise payable. These deductions are as follows:

a) Dividend tax credit:

In order to partially eliminate the double taxation of corporate profits and to encourage participation in the ownership of Canadian companies, Canadian resident individuals are allowed to deduct from their income tax, but not from old-age-security tax or social development tax, an amount equal to 20 per cent of the net dividends they receive from Canadian taxable companies.

b) Foreign tax credit:

Foreign taxes paid on income from foreign sources may be deducted from Canadian income tax, but the deduction may not exceed the Canadian tax related to such income.

c) Abatement under federal-provincial arrangements:

As explained under the heading of "Federal-Provincial Arrangements", the federal basic tax otherwise payable on income of a resident of a province and on income earned in a province is reduced by 28 per cent.(5)

d) Tax deduction:

All individuals may deduct from their federal basic tax an amount equal to the lesser of 20 per cent of basic tax, or $20.

To a very large extent, individual income tax is payable as the income is earned. Taxpayers in receipt of salary or wages have tax deducted from their pay by their employer and in this way pay nearly 100 per cent of their tax liability during the calendar year. The balance of the tax, if any, is payable at the time of filing the tax return before April 30, in the following year. People with more than 25 per cent of their income in a form not subject to deductions at the source must pay tax by quarterly instalments throughout the year. Here also returns must be filed before April 30, in the following calendar year. Farmers and fishermen pay two-thirds of their tax on or before December 31 each year and the remainder on or before April 30 in the following year.

The following table shows what taxpayers pay at various levels of income:

Canadian Personal Income Tax in 1969

Status	Income	Income Tax including Social Development Tax and Surtax	Old Age Security Tax
Single taxpayer - no dependants	$1,200	11	4
	1,500	43	16
	2,000	97	36
	2,500	174	56
	3,000	255	76
	5,000	661	156
	10,000	1,989	240
	20,000	6,094	240
	50,000	21,688	240
	100,000	52,475	240
Married taxpayer - no dependants	2,200	11	4
	2,500	43	16
	3,000	97	36
	5,000	447	116
	10,000	1,684	240
	20,000	5,630	240
	50,000	21,121	240
	100,000	51,805	240

(5) Except in the case of income earned in Quebec or received by a resident of Quebec where it is reduced by 50 per cent. (See section above on federal-provincial arrangements,)

Canadian Personal Income Tax in 1969 (Cont'd)

Status	Income	Income Tax including Social Development Tax and Surtax	Old Age Security Tax
Married taxpayer - two children under age 16	$2,800	11	4
	3,000	32	12
	5,000	330	92
	10,000	1,524	240
	20,000	5,352	240
	50,000	20,782	240
	100,000	51,403	240

The amounts of income tax shown above are the combined federal and provincial taxes in provinces where the provincial tax is the same as the federal abatement (i.e., in Prince Edward Island, Nova Scotia, Ontario and British Columbia). In Newfoundland, New Brunswick, Quebec, Manitoba, Saskatchewan and Alberta the provincial tax exceeds the abatement and the combined tax is greater than the amount shown above.

In calculating these taxes it has been assumed that all taxpayers take the standard deduction of $100. No allowance has been made for the 20 percent dividend tax credit.

Corporation Income Tax

The Income Tax Act levies a tax upon the income from anywhere in the world of corporations resident in Canada and upon the income attributable to operations in Canada of non-resident corporations carrying on business in Canada.

In computing their income, corporations may deduct operating expenses including municipal real estate taxes, reserves for doubtful debts, bad debts, and interest on borrowed money. They may not deduct provincial income taxes other than provincial taxes on income derived from mining operations. (For this purpose "income from mining operations" is specially defined).

Regulations covering capital-cost allowances (depreciation) permit corporations and individuals in business to deduct over a period of years the actual cost of all depreciable property. The yearly deductions of normal capital-cost allowances are computed on the diminishing balance principle. (Taxpayers engaged in farming and fishing may choose between this and the straight-line method). Regulations issued under authority of the Income Tax Act establish a number of classes of property and maximum rates. There is provision for recapture of any amount deducted in excess of the ultimate net capital cost of any asset.

Accelerated depreciation (full write-off in two years) is allowed in respect of property acquired in the period April 27, 1965, to December 31, 1969, to prevent water pollution. Accelerated depreciation (full write-off in four years) is also allowed in respect of new buildings or other structures for storing grain on a farm and in respect of machinery designed for drying grain on a farm acquired in the period July 1, 1969, to December 31, 1969. Accelerated depreciation is also allowed for the capital cost of a new manufacturing or processing facility in respect of which a development grant is paid under the Area Development Incentives Act.(6) To be eligible, facilities must be brought into commercial production by the end of 1971. The capital-cost allowances that could otherwise be claimed in respect of commercial buildings constructed during the period June 4, 1969, to December 31, 1970, are deferred in the taxation year in which the building is constructed and in the next taxation year. Housing, buildings constructed for operation of public utilities or transportation services other than office buildings, and buildings for manufacturing and for farming or fishing will be excluded.

Expenditures on scientific research related to the business of the taxpayer may be written off for tax purposes in the year when incurred.

Taxpayers operating mines, oil wells, gas wells and wells for extracting potash by the solution method are allowed a depletion allowance, usually computed as a percentage of profits (after deduction of capital-cost allowances, exploration and drilling expenses and certain interest expenses) derived from mineral, oil or gas production. This allowance continues as long as the mine or well is in operation. It is in addition to capital-cost allowances on buildings, machinery and similar depreciable assets used by the taxpayer and the deduction of his exploration and drilling expenses. Taxpayers operating timber limits receive an annual allowance sometimes called a depletion allowance. This is a rateable proportion of the amount invested in the limit and is based on the amount of timber cut in the year. When the amount invested in the limit has been recovered no further allowance is given.

In computing taxable income, corporations may deduct dividends received from other Canadian taxable corporations and also from non-resident corporations in which the Canadian corporation has at least 25 percent stock ownership. Business losses may be carried back one year or forward five years and deducted in computing taxable income. Corporations may also deduct donations to charitable organizations up to a maximum of 10 per cent of their income.

Income from the operation of a new mine, including income from a well for extracting potash by the solution method, is exempt from income tax during the first three years of commercial production.

The general rates of tax on corporate taxable income are 18 per cent on the first $35,000 of taxable income and 47 per cent on taxable income in excess of $35,000. Corporations deriving more than half their gross revenue from the sale of electrical energy, gas, or steam pay tax on their taxable income from such sources at the rate of 18 per cent on the first $35,000 of taxable income plus

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(6) A list of the areas eligible for development grants can be obtained from the Area Development Agency of the Department of Industry, Trade and Commerce. These areas are established by Order in Council under the authority of the Department of Industry Act.

45 per cent on taxable income in excess of $35,000.[7] Corporations that qualify as investment companies pay a tax of 18 per cent on their taxable income. In addition to these rates all corporations pay an old-age-security tax of 3 per cent of taxable income, bringing their rates up to 21 per cent and 50 per cent (21 per cent and 48 per cent for the public utility companies and 21 per cent for investment companies).

On profits earned in 1968, 1969 and 1970 corporations must also pay a surtax of 3 per cent of the amount of federal tax excluding old-age-security tax but before the abatement under federal-provincial fiscal arrangements referred to below. Starting in 1969, life insurance corporations have to pay a special 15 percent tax on a base related to their investment income. This is in addition to the normal corporation income tax.

In calculating the amount of their income tax, corporations are allowed a deduction from tax under three headings:

(1) Foreign tax credit - foreign taxes paid on income from foreign sources may be deducted from Canadian income tax but the deduction may not exceed the Canadian tax related to such income.

(2) Abatement under federal-provincial arrangements - corporations may deduct from their federal tax otherwise payable a tax abatement equal to 10 per cent of their taxable income attributable to operations in a Canadian province. This abatement is to make room for the provincial income tax levied by each Canadian province.

(3) Provincial logging tax - corporations may deduct from their federal tax otherwise payable an amount equal to two-thirds of a provincial tax on income from logging operations not exceeding two-thirds of 10 per cent of the corporation's income from logging operations in the province. (At present only Ontario, Quebec and British Columbia impose logging taxes.)

A corporation is required to pay its tax (combined income, surtax and old-age-security tax) in monthly instalments. In the past, a corporation started payments for a taxation year in the third month of that taxation year but for taxation years starting after November 30, 1969, a corporation will have to begin its monthly tax payments in the first month of its taxation year and make its twelfth instalment by the last day of that year. Each monthly remittance will be equal to either:

(a) one-twelfth of the tax as estimated by the corporation at the rates for the taxation year on its estimated taxable income for the year; or

(b) in each of the first two months in the year an amount equal to one-twelfth of the tax as estimated by it at the rates for the year on its taxable income for the second taxation year preceding the year, and in each of the next ten months in the

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(7) 95 per cent of the federal tax collected from these corporations is remitted to the provinces.

(b) (Cont'd)

year an amount equal to one-tenth of the amount remaining after deducting the amount paid in the first two months from the tax as estimated by it at the rates for the year on its taxable income for the immediately preceding year.

Any balance of tax outstanding has to be paid by the last day of the third month following the close of the taxation year and the return for the year has to be filed by the last day of the sixth month following the close of the taxation year.

Taxation of Non-Residents

A non-resident individual or corporation is liable for payment of income tax if he was employed or was carrying on business in Canada during a taxation year. The expression "carrying on business in Canada" includes: (1) maintaining a permanent establishment in Canada; (2) processing goods even partially in Canada; and (3) entering into contracts in Canada.

The taxable income of a non-resident individual derived from carrying on business in Canada or from employment in Canada is taxed under the same schedule of rates as Canadian resident individuals. Profits earned in Canada by a non-resident corporation carrying on business in Canada are taxed at the regular rates of corporation income tax and are also subject to an additional tax of 15 per cent. This additional tax is imposed on profits attributable to the branch after deducting therefrom Canadian federal and provincial income taxes and an allowance in respect of the net increase in capital investment in property in Canada. (Tax treaties with some countries provide certain exemptions from tax for remuneration for services performed in Canada by residents or employees of these countries. They also prohibit Canada taxing profits of a non-resident enterprise unless that enterprise has a permanent establishment in Canada.)

The Income Tax Act imposes a tax at the rate of 15 per cent on certain forms of income paid by residents of Canada to non-resident persons. It applies to interest (other than interest on government bonds issued after April 15, 1966, interest on certain bonds issued before December 20, 1960, and interest paid to certain exempt lenders), dividends, rentals, royalties, income from a trust or estate and alimony. This tax applies whether the income is paid to non-resident individuals or corporations. The rate on royalties from motion picture films is 10 per cent. The standard rate of 15 per cent is reduced to 10 per cent in the case of dividends paid by a corporation that has a degree of Canadian ownership. (8)

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(8) For definition of "degree of Canadian ownership" see Section 139A of the Income Tax Act. Generally speaking, a corporation is regarded as having a degree of Canadian ownership where 25 per cent of its equity and voting shares are owned by Canadians and/or corporations controlled in Canada, or where the voting shares of the corporation are listed on a Canadian stock exchange and no more than 75 per cent of its issued outstanding voting shares are owned by a non-resident alone or in combination with related persons.

This non-resident tax is withheld at the source by the Canadian payer. Non-residents who receive only this kind of income from Canada do not file returns in Canada.

Gift Tax

The Income Tax Act levies a tax upon gifts. The Budget presented on October 22, 1968, announced an increase in the rates of gift tax and a change in the exemptions with respect to gifts made after that date. The rates now apply to a cumulative gift sum. A "cumulative gift sum" is the aggregate of the taxable value of all gifts made after October 22, 1968, up to the end of the year for which tax is being calculated. The rates of tax range from 12 per cent on a cumulative gift sum of $15,000 or less to 75 per cent where the cumulative gift sum exceeds $200,000. Gifts from a husband to his wife or from a wife to her husband are exempt. In addition, gifts up to $2,000 to any number of persons are exempt.

Estate Tax

The estate of a deceased person is subject to estate tax if its value exceeds $50,000. The tax applies to property passing, or deemed to pass, at death. Property "deemed to pass" includes such property as gifts made by the deceased within three years of his death, pensions or death benefits payable in respect of his death, and annuities purchased by the deceased. All the property of persons who were domiciled in Canada before their death must be taken into consideration no matter where that property is situated; for persons dying domiciled outside of Canada only their property situated in Canada is subject to tax.

In computing the tax of a Canadian domiciliary, the value of the whole estate is first determined. Then the estate debts and certain expenses, such as funeral expenses, are deducted. The remainder is "aggregate net value".

If the aggregate net value of an estate is $50,000 or less, no tax is exacted. This figure of $50,000 is not a deductible exemption, but simply an amount at and below which no tax is levied. If an estate is valued at more than $50,000, it may or may not be taxable depending on the amount of the deductible exemptions, but in no case must the tax reduce the value of the estate, after tax, to less than $50,000.

Where the aggregate net value of an estate is more than $50,000 there may be deducted certain amounts in respect of bequests left by the deceased to his or her surviving spouse or children, or to charitable organizations in Canada. There is a complete exemption of the value of property left by the deceased in the form of an outright bequest to his surviving spouse or in the form of a settlement under which only the surviving spouse is entitled, during her (or his) lifetime, to receive all of the income of the settlement, or to receive periodic annual payments out of the income or capital, and under which only the surviving spouse may, during her (or his) lifetime, use or receive the capital. In the case where the surviving spouse is to receive periodic payments, the exemption cannot exceed the value of an amount that is determined by regulation to be an amount sufficient to yield the amount of the periodic payment. The exemption is granted only if it is established that the surviving spouse has an indefeasible right to the bequest.

There are also exemptions for bequests to children of the deceased. A bequest to a child over 25 (if he is not infirm) is exempt to a maximum of $10,000. A bequest to a child 25 or under is exempt to the extent of a maximum of $10,000 plus $1,000 for each full year remaining until he is 26. If the average income of the child for the previous three years is in excess of $5,000, the additional exemption is reduced by the excess. A bequest to an infirm wholly dependent child is exempt to the extent of a maximum of $10,000 plus $1,000 for each full year remaining until he is 71. In all these cases the exemption cannot exceed the value of the bequest. An indefeasible bequest to a charitable organization in Canada is also completely exempt.

After these deductions from aggregate net value are made, the amount left is the "aggregate taxable value" to which the tax rates are applied. The first bracket of the rate schedule - from $0 to $20,000 of aggregate taxable value - has a zero rate, which in effect constitutes a basic exemption of $20,000. The next $20,000 of aggregate taxable value has a rate of 15 per cent and so on up to the maximum rate of 50 per cent on the aggregate taxable value in excess of $300,000. Gifts made by the deceased during his lifetime that were not included in the value of his estate but were in excess of the gift tax exemptions are added to the aggregate taxable value to the extent of the excess, as is the amount of gift tax that would be payable on this excess using the rates in force at the time of his death. This is only for purposes of setting the rates of estate tax and an allowance is made in recognition of the gift tax paid on them.

From the tax so calculated may be deducted in the following order: (1) a tax abatement in respect of property situated in a province that levies a succession duty, or in respect of foreign personal property transmitted in such a province; (2) a credit for gift tax paid on gifts made by the deceased in cases where the value of the property in the gift has been included in computing the aggregate net value (e.g., where the gift has been made within three years of the death of the donor; (3) a credit for foreign death taxes; and (4) the "notch" credit.

The tax abatement referred to above is in recognition of provincial succession duties. It is a deduction of 75 per cent from the federal estate tax otherwise payable in the case of property situated, or foreign personal property transmitted, in British Columbia, and of 50 per cent in the case of such property in Ontario or Quebec.

The "notch" credit has the effect of preventing the tax otherwise payable on an estate whose aggregate net value is immediately in excess of $50,000 from reducing the value after tax to less than $50,000; it also reduces the tax otherwise payable on an estate whose value falls in this "notch" area so that the tax actually payable will not exceed 50 per cent of the difference between the aggregate net value and $50,000.

Where an exemption from gift tax or estate tax in respect of a gift or bequest from a person to his spouse in the form of a trust or other settlement has been allowed, the property in the settlement at the time of the death of the spouse second to die is deemed to be property passing on her (or his) death. Where the estate tax on such property would have been abated in recognition of provincial succession duties at the time of the death of the spouse first to die, but was not, because the property was exempt, an appropriate abatement is given at the time of the second death.

In general, the provisions described above apply in respect of property passing on the death of a person who dies on or after October 23, 1968. The provisions of the estate tax applicable in respect of property passing on the death of a person who died before October 23, 1968, particularly the exemptions and rates, were considerably different. Certain additional transitional provisions apply in respect of persons dying between October 22, 1968, and August 1, 1969.

The property situated in Canada of a deceased person not domiciled in Canada is subject to estate tax at a flat rate of 15 per cent. No deduction is allowed against the assessed value of such property except for debts specifically chargeable to it. However, there is a special provision that exempts all such property of less than $5,000 value and also provides that the tax must not reduce the value of the property after tax to less than $5,000. (The Estate Tax Convention between Canada and the United States increases this figure to $15,000.) Where property is subject to provincial succession duties, the 15 percent tax is abated by 75 per cent in respect of succession duties levied by British Columbia and by 50 per cent in respect of succession duties levied by Ontario or Quebec.

Excise Taxes

The Excise Tax Act levies a general sales tax and special excise taxes. Both the sales tax and the special excise taxs are levied on goods imported into Canada and on goods produced in Canada. They are not levied on goods exported.

The sales tax, which is at the rate of 9 per cent, is levied on a manufacturer's sale price on goods produced or manufactured in Canada or on the duty-paid value of goods imported into Canada. For alcoholic beverages and tobacco products the sale price for purposes of the sales tax includes excise duties levied under the Excise Act referred to below. An old-age-security tax of 3 per cent is levied on the same base as the 9 percent sales tax, bringing the total sales tax to 12 per cent.(9)

Some classes of goods are exempt from sales tax. Foodstuffs, drugs, electricity, and fuels for lighting or heating are relieved of the levy as are articles and materials purchased by public hospitals and certain welfare institutions. The products of farms, forests, mines and fisheries are, to a large extent, exempt, as well as most equipment used in farming and fishing. Production machinery and equipment and materials consumed or expended in production are also exempt. A number of items are exempt when purchased by municipalities. These and other exemptions are set forth in schedules to the Excise Tax Act.

The Excise Tax Act also provides for a number of special excise taxes which are in addition to the sales tax. Where there are ad valorem taxes they are levied on the same price or duty-paid value as the general sales tax.

(9) A comprehensive list of building materials bears sales tax at the reduced rate of 11 per cent (8 percentage points for general revenue purposes and 3 percentage points for old-age-security purposes).

The special excise taxes levied at present are as follows:

Cigarettes	3 cents on 5 cigarettes
Cigars	$17\frac{1}{2}$ % ad valorem
Jewellery, including articles of ivory, amber, shell, precious or semi-precious stones, clocks, watches, goldsmiths' and silversmiths' products, except gold-plated or silver-plated ware for the preparation of serving of food or drink	10 % ad valorem
Lighters	10 cents a lighter
Playing cards	20 cents a pack
Radios	the greater of $2 a radio or 15% ad valorem
Phonographs and television sets	15% ad valorem
Tubes priced under $5 a tube for radios, phonographs and television sets, not including television picture tubes ..	10 cents a tube
Television set picture tubes	15 % ad valorem
Slot machines - coin, disc or token-operated games or amusement devices .	10 % ad valorem
Matches	10 % ad valorem
Tobacco - pipe tobacco, cut tobacco and snuff	90 cents a lb.
Tobacco pipes, cigar-and cigarette-holders and cigarette-rolling devices	10 % ad valorem
Toilet articles, including cosmetics, perfumes, shaving creams, antiseptics, etc.	10 % ad valorem
Wines (10)	
Wines of all kinds containing not more than 7% absolute alcohol by volume	25 cents a gallon
Non-sparkling wines containing more than 7% absolute alcohol by volume but not more than 40% proof spirit ..	50 cents a gallon
Sparkling wines	$2.50 a gallon

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(10) These taxes apply only to wines manufactured in Canada. The customs tariff on wines includes a levy to correspond to the taxes on domestic production.

Wines (additional excise taxes) - (11)

Wines of all kinds containing not ..... more than 7% of absolute alcohol by volume	2½ cents a gallon
Wines of all kinds containing more than 7% of absolute alcohol by volume	5 cents a gallon
Insurance premiums paid to British or foreign companies not authorized to transact business in Canada or to non-resident agents of authorized British or foreign companies	10 % of net premium for property surety, fidelity and liability insurance. (Most other kinds of insurance are exempt.)

All the foregoing items, except the last one, are also subject to the general sales tax of 9 per cent and the old-age-security tax of 3 per cent. Cigarettes, cigars and tobacco are subject to further taxes under the Excise Act (referred to as excise duties).

Excise Duties

The Excise Act levies taxes (referred to as excise duties) upon alcohol, alcoholic beverages (other than wines) and tobacco products. These duties are not levied on imports but the customs tariff applies special duties to these products equivalent to the excise duties levied on the products manufactured in Canada. Exported goods are not subject to excise duties.

1. Spirits - The duties are on a proof gallon basis. These duties do not apply to denatured alcohol intended for use in the arts and industries, or for fuel, light or power, or any mechanical purposes. The various duties are as follows:

(1) on every gallon of the strength of proof distilled in Canada, \$14.25;

(2) on every gallon of the strength of proof used in manufacture of

(a) medicines, extracts, pharmaceutical preparations, etc., \$1.50 a gallon,

(b) approved chemical compositions, 15 cents a gallon,

(c) spirits sold to a druggist and used in the preparation of prescriptions, \$1.50 a gallon,

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(11) These taxes apply to both domestic and imported wines.

(d) imported spirits when taken into a bonded manufactory in addition to other duties, 30 cents a gallon.

2. Canadian Brandy - Canadian brandy (a spirit distilled exclusively from juices of native fruits without the addition of sweetening materials) is subject to a duty of $12.25 a proof gallon.

3. Beer - All beer or other malt liquor is subject to a duty of 42 cents a gallon.

4. Tobacco, Cigars and Cigarettes - Excise duties are imposed on these products in addition to the special excise taxes which have already been described. The rates of excise duty are as follows:

(a) on manufactured tobacco of all descriptions, except cigarettes, 35 cents a pound;

(b) cigarettes weighing not more than three pounds a thousand, $4 a thousand (nearly all of the cigarettes used in Canada are of this type);

(c) cigarettes weighing more than three pounds a thousand, $5 a thousand;

(d) cigars, $2 a thousand;

(e) Canadian raw leaf tobacco when sold for consumption, 10 cents a pound.

Total Taxes on Tobacco Products

Bringing together the taxes imposed on tobacco products under the Excise Tax Act and the duties imposed under the Excise Act gives the following total taxes:

Cigarettes - $10 a thousand (or 20 cents a pack of 20 cigarettes) plus the 12% sales tax on the manufacturer's sale price.

Manufactured - tobacco - $1.25 a pound plus the 12% sales tax on the manufacturer's sale price.

Cigars - $2 a 1,000 plus the $17\frac{1}{2}$% special excise tax and the 12% sales tax on the manufacturer's sale price.

Customs Duties

Most goods imported into Canada are subject to customs duties at various rates as provided by tariff schedules. Customs duties which once were the chief source of revenue for the country have declined in importance as a source of revenue to the point where they now provide less than 10 per cent of the total. Quite apart from its revenue aspects, however, the tariff still occupies an important place as an instrument of economic policy.

The Canadian tariff consists mainly of three sets of rates, namely, British preferential, most-favoured-nation and general. The British preferential rates are, with some exceptions, the lowest rates. They are applied to imported dutiable commodities shipped directly to Canada from countries within the Commonwealth. Special rates lower than the ordinary preferential duty are applied on certain goods imported from designated Commonwealth countries.

The most-favoured-nation rates apply to goods from countries that have been accorded tariff treatment more favourable than the general tariff but which are not entitled to the British preferential rate. Canada has most-favoured-nation arrangements with almost every country outside the Commonwealth. The most important agreement providing for the exchange of most-favoured-nation treatment is the General Agreement on Tariffs and Trade.

The general tariff applies to imports from countries not entitled to either the British preferential or most-favoured-nation treatment. Few countries are in this category and in terms of trade are negligible.

In all cases where the tariff applies there are provisions for drawbacks of duty on imports of materials used in the manufacture of products later exported. The purpose of these drawbacks is to assist Canadian manufactueres to compete with foreign manufacturers of similar goods. There is a second class of drawbacks known as "home consumption" drawbacks. These apply to imported materials used in the production of specified classes of goods manufactured for home consumption.

The tariff schedules are too lengthy and complicated to be summarized here but the rates which apply on any particular item may be obtained from the Department of National Revenue which is responsible for administering the customs tariff.

Provincial Taxes

All of 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 the provinces of Ontario and Quebec impose special taxes on corporations in addition to income tax and only the provinces of British Columbia, Ontario and Quebec impose a tax on property passing at death; the remaining provinces receive payment from the Federal Government of their 75 percent share of estate tax revenue. 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 yield in those provinces, measured on a per capita basis, is lower than the national per capita tax yield. For some provinces these payments constitute a very important source of revenue.

Some of the most 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, the social development tax and the temporary surtax) otherwise payable at full federal rates before the abatement under the federal-provincial arrangement and before allowance for the federal tax reduction passed in 1966. In Quebec, provincial income tax is levied at graduated rates that progress from 5.5 per cent on the first $1,000 of taxable income to a maximum of 40.0 per cent on the excess over $400,000. In addition, a temporary surtax of 6 per cent has been levied for the taxation years 1968 and 1969. The determination of taxable income for Quebec tax is based on exemptions and deductions which, with the exception of deductions for dependent children eligible for family allowances,(12) are similar to those for federal tax. Quebec taxpayers who have married status for tax purposes do not pay income tax unless their income exceeds $4,000; all other Quebec taxpayers do not pay income tax unless their income exceeds $2,000.

The following table shows the percentage that provincial income tax liability is of federal "basic tax" for 1968:

Province	Percentage of federal "basic tax"	
Newfoundland	33	
Prince Edward Island	28	
Nova Scotia	28	
New Brunswick	38	
Quebec - not directly related - is approximately	50	plus surtax
Ontario	28	
Manitoba	33	
Saskatchewan	33	
Alberta	33	
British Columbia	28	

All provinces except Quebec have signed agreements for the collection of their individual income tax by the Federal Government.

Corporate Income Tax

All provinces levy a tax on the profits of corporations derived from activities carried out within their boundaries. In all provinces except Ontario and Quebec the provincial tax is imposed on taxable income in the province determined on the same basis as for federal income tax. In Ontario and Quebec the determination of taxable profits for purposes of provincial tax follows closely the federal rules. The rates of tax levied by the various provinces are as follows:

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(12) Quebec has a family-allowance program which supplements the federal program. The Quebec program provides for allowances which increase from $30 a year for a first child to a maximum of $70 a year for a sixth and for each additional child. The program is in lieu of exemptions for provincial income tax purposes for children eligible for family allowances.

Province	Rate of tax on taxable profits
Newfoundland	13 %
Prince Edward Island	10 %
Nova Scotia	10 %
New Brunswick	10 %
Quebec	12 %
Ontario	12 %
Manitoba	11 %
Saskatchewan	11 %
Alberta	11 %
British Columbia	10 %

NOTE: All provinces except Ontario and Quebec have signed agreements for the collection of their corporate income taxes by the Federal Government.

Alcoholic Beverages

Generally speaking, the sale of spirits in all provinces is made through provincial agencies operating as boards or commissions which exercise monopolistic control over alcoholic beverages. The provincial mark-up over the manufacturers' price is the effective means of taxation. Beer and wine may be sold by retailers or government stores depending on the province, but in all cases these sales contribute to provincial revenues. Prince Edward Island and Ontario impose a tax of 10 per cent on all beer, wine and spirits sold at retail.

Tobacco Products

Newfoundland imposes a tax on tobacco sold at retail of one half of one cent a cigarette; from two to ten cents a cigar, depending on price; and two cents a half ounce or less of other tobacco. Prince Edward Island's tax on tobacco sold at retail, is two-fifths of a cent a cigarette purchased; from one to seven cents on cigars purchased at retail for from four cents to 45 cents; 25 per cent of the retail price of each cigar purchased for more than 45 cents; and 20 per cent of the retail price of all other tobacco purchased. Saskatchewan's tax on retail tobacco sales is eight-twenty fifths a cent a cigarette purchased; from one to ten cents a cigar, depending on price; and two cents on every half ounce of other tobacco; the average rate of the tobacco tax is 15 per cent. Specific sales taxes on tobacco products are also levied in New Brunswick, Quebec, Manitoba and Ontario.

Retail Sales Taxes

All provinces except Alberta impose sales taxes on goods purchased by consumers or users. Some of these provincial levies also cover certain services. The provincial sales taxes are collected by retail vendors acting as agents of the provinces. The provinces imposing sales tax and the rates of their levies are as follows:

Newfoundland	7%
Prince Edward Island	7%
Nova Scotia	7%
New Brunswick	8%
Quebec	8%
Ontario	5%
Manitoba	5%
Saskatchewan	5%
British Columbia	5%

The provincial sales taxes do not apply to goods sold for delivery in the other provinces or to exported commodities. All provinces imposing sales taxes provide comprehensive exemptions for foodstuffs and drugs.

Amusement Taxes

Each of the provinces, with the exception of Quebec, Alberta, Saskatchewan and British Columbia has a tax on admission to places of entertainment. In addition, there is generally a licence fee imposed on the operator or owner of these amusement places. The tax on admissions is within the range of 5 per cent to 15 per cent.

Gasoline and Diesel Fuel Oil Taxes

Each of the ten provinces imposes a tax on the purchase of gasoline and diesel fuel by motorists and truckers. The amount of tax borne by one gallon of motor vehicle fuel in each province is as follows:

	Gasoline	Diesel Fuel
Newfoundland	25 cents	25 cents
Prince Edward Island	21 cents	21 cents
Nova Scotia	19 cents	27 cents
New Brunswick	19 cents	23 cents
Quebec	18 cents	25 cents
Ontario	18 cents	24 cents
Manitoba	17 cents	20 cents
Saskatchewan	17 cents	20 cents
Alberta	15 cents	17 cents
British Columbia	13 cents	15 cents

Some provinces provide relief from this tax where fuel is used for farming or fishing operations, or other off-highway use.

Motor Vehicle Licences and Fees

Each province levies a fee on the annual registration of motor vehicles. This registration is compulsory. The rates of this licence fee vary from province to province, and in the case of passenger cars may be assessed in relation to the weight or the wheel-base of the car, the number of cylinders of the engine, or at a flat rate. The fees for commercial motor vehicles and trailers are based on the gross weight for which each vehicle is registered. Every operator or driver of a motor vehicle is required to register periodically and pay a fee for a driver's licence. The licences are valid for periods of from one to five years and the fees range from $1 to $7 a year.

Taxes on Mining Operations

All provinces except Prince Edward Island levy taxes of various kinds on mining operations. All provinces except Prince Edward Island and Alberta impose a tax on the income of firms engaged in mining operations in general or in specific kinds of mining operations. British Columbia, Alberta, Saskatchewan and Manitoba impose a tax on the assessed value of minerals or a flat rate an acre of mining property. Manitoba imposes rates of from 6 per cent to 11 per cent on mining royalties. The British Columbia mining tax rate is 15 per cent on net income from mining in excess of $10,000.

Tax on Logging Operations

British Columbia, Ontario and Quebec levy a tax on the income from logging operations of individuals, partnerships, associations or corporations engaged in this activity. In Quebec and Ontario the rate is 10 per cent and in British Columbia 15 per cent on net income where in excess of $10,000 (in Quebec and British Columbia if the net income is greater than $10,000 the whole amount is taxable with no basic exemption). In Ontario and Quebec one-third and in British Columbia 20 per cent of the tax is allowed as a deduction from provincial corporate income tax or, in Quebec, from the provincial income tax; two-thirds of the provincial tax is deductible from federal income tax.

Capital Taxes

Quebec imposes a tax of one-fifth of 1 per cent on paid-up capital of corporations, while Ontario levies a similar tax at the rate of one-twentieth of 1 per cent.

Place-of-Business Taxes

Quebec and Ontario have a place-of-business tax. In Quebec, the tax is generally $50 but is reduced to $25 when the paid-up capital is less than $25,000; in the case of loan companies, the tax is $100 when capital paid up is $100,000 or more. In Ontario, the tax for each permanent establishment is the lesser of $50 or one-twentieth of 1 per cent of the paid-up capital of the corporation involved, but the total of the capital tax and the place-of-business tax cannot be less than $20. Ontario also imposes an office tax of $50 on every corporation that does not maintain a permanent establishment in the province but merely maintains a buying office, or merely holds certain provincial licences, or merely holds assets. A corporation that does not maintain a permanent establishment in Ontario but is represented by a resident employee or agent who is not deemed to operate a permanent establishment of the corporation in the province must pay an office tax of $50 or one-tenth of 1 per cent of the total amount of its gross Ontario sales or revenue if less than $50,000, subject to a minimum office tax of $5.

Both provinces levy special taxes on certain kinds of company such as banks, railway companies, express companies, trust companies and sleeping-car, parlor-car and dining-car companies. In Ontario, these special taxes (except the tax payable by insurance corporations calculated on gross premiums) and the capital and place-of-business taxes are payable only to the extent that they exceed the corporate income tax otherwise payable.

Prince Edward Island charges special annual licence fees to most insurance companies, banks, acceptance companies, chain theaters and chain stores, steamship companies, telephone, telegraph and electric-light companies and brokers, as well as nominal licence fees to other incorporated companies, the latter being similar to filing fees in other provinces.

Land-Transfer Taxes

Alberta, Manitoba and Ontario levy a tax based on the price at which ownership to land is transferred. In Ontario one-fifth of 1 per cent is imposed on purchase price up to $25,000 and two-fifths of 1 per cent on anything in excess of this amount. In Manitoba the rate is 1 per cent. In Alberta, registration fees proportionate to the conveyancing services rendered are charged and in the case of transfers and mortgages the fees are assessed on the value of the land transferred or on the amount of the mortgage. In addition, there is an assurance fund fee charged on transfers and mortgages, which guarantees titles in certain circumstances.

British Columbia and Saskatchewan do not have a land-transfer tax but have an equivalent in land title fees which are based on land value.

Tax on Security Transfers

Ontario and Quebec levy a tax on the sale price of securities transferred; the rates in both provinces are:

Shares sold, transferred or assigned valued at:

Under $	1	-	1/10 of 1% of value
at	1 to 5	-	1/4 cent a share
at	5 to 25	-	1 cent a share
at	25 to 50	-	2 cents a share
at	50 to 75	-	3 cents a share
at	75 to 150	-	4 cents a share
Over	150	-	4 cents a share
			plus 1/10 of 1% of value in excess of $150

Bonds and debentures, 3 cents for every $100 or fraction thereof of par value.

Premium Income of Insurance Companies

All ten provinces impose a tax of 2 per cent on the premium income of insurance companies paid in respect of risks incurred in the province. Saskatchewan imposes a tax of 1 per cent on the motor vehicle premium income of insurance companies to finance a comprehensive high-school driver-training program.

Succession Duties

Only British Columbia, Ontario and Quebec levy succession duties. These are a tax upon the right to succeed to property and are assessed upon the interest or benefit passing at death to an heir or beneficiary.

The three provinces impose succession duties on all property situated in the province belonging to the deceased and passing at his death, whether the deceased was domiciled in the province or elsewhere. Personal property, wherever situated, of a person dying domiciled within the province is also liable if passing to a successor resident or domiciled in the province.

The rates of succession duty are governed by the value of the estate, the relationship of the beneficiary to the deceased and the amount going to any one person. The rate of tax will increase as the degree of relationship between the decedent and his successor becomes more remote.

Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Manitoba, Saskatchewan and Alberta, while not imposing succession duties, each receive 75 per cent of the Federal Government estate tax levied on property situated within its borders. In Alberta and Saskatchewan the provincial share of estate taxes is rebated in full where the deceased was a bona fide resident of the province.

Provincial Property Taxes

In unorganized (non-municipal) areas, British Columbia levies property taxes, at varying rates according to class, for provincial revenue. Improved forest and tree-farm lands are taxed at 1 per cent of assessed value; farm land at $\frac{1}{2}$ of 1 per cent; wild land at 3 per cent; coal land at 2 per cent (non-operating or 7 per cent (operating)); and timber land at $1\frac{1}{2}$ per cent. In oranized (non-municipal) areas, Ontario levies a property tax of $1\frac{1}{2}$ per cent of assessed value; the minimum annual tax in respect of any land in that province is $6. New Brunswick levies a tax of $1.50 per $100 market-value assessment on all land and buildings in the province and a similar tax on business occupancy, to finance education, health, welfare and justice services. Nova Scotia also imposes property taxes of limited application.

Race-Track Taxes

Ontario levies a tax on operators of race meets and on holders of winning tickets issued under the pari-mutuel system. Holders of winning tickets must pay a tax equal to 7 per cent of the amount that would be payable to them if no percentage were deducted by the person holding the race meet. A number of other provinces levy a pari-mutuel tax on money bet in the province on horse races; in Newfoundland the rate is 11 per cent, in Prince Edward Island $10\frac{1}{2}$ per cent, in Nova Scotia 11 per cent on the first $400,000 wagered and a reduced percentage on any additional money wagered (some of this money is refundable to the individual race-tracks), in New Brunswick $5\frac{1}{2}$ per cent, in Manitoba 10 per cent, in Alberta 5 per cent, in Saskatchewan 10 per cent, and in Quebec 7 per cent on ordinary pools and 9 per cent on special pools (quinella and daily-double). In British Columbia the tax is 12 per cent but the province returns $2\frac{1}{2}$ per cent of money bet to horsemen and track operators for purses, etc.

Municipal Taxes

The municipalities in Canada levy taxes on the owners of property situated within their jurisdiction according to the assessed value of such property. Methods of determining assessed value vary widely but, for taxation purposes, it is generally considered to be a percentage of the actual value. The revenues from such taxes are used to pay for street maintenance, schools, police and fire protection and other community services. Special levies are sometimes made on the basis of street frontage to pay for local improvements to the property such as sidewalks, roads and sewers. Not only is there a widespread difference in the bases used for property tax but there is also a wide variety of rates applied depending on the municipality.

In addition to the taxes described above, municipalities usually impose a charge for the water consumption of each property holder or a water tax based upon the rental value of the property occupied. There are no municipal income taxes, although certain localities have retained the use of a poll tax. In Newfoundland, Quebec and Saskatchewan municipalities are empowered to levy a tax on the admission of persons to places of amusement, although the amusement tax is generally a provincial preserve. Electricity and gas are taxed at the consumer level in some Western municipalities and coal and fuel oil for heating purposes are chargeable in urban areas of Newfoundland. Telephone subscribers are subject to a special levy in Montreal, while certain Ontario municipalities impose a tax on the gross receipts of telephone companies.

In most municipalities, a tax is levied directly on the tenant or the operator of a business. In general, business tax rates are lower than those applying to property. Three bases of assessment are in use: a fraction of the property assessment, the annual rental value of the premises, and the area of the premises. Certain municipalities may charge a licence fee instead of a business tax, while others will charge both a licence fee and business tax.

Miscellaneous Levies

These are not generally referred to as taxes but they are similar to taxes in many ways.

Canada and Quebec Pension Plans

In 1966 the Canada Pension Plan, a compulsory government-operated pension program, was introduced whereby each contributor builds up a right to a graduated pension, the amount of which is related to his earnings up to a certain level. This graduated benefit will supplement the universal old-age-security pension, which is paid out of tax revenue. It operates throughout the country except in Quebec, where a similar pension plan is operated by the government of the province. Both plans have disability and survivor benefits. The maximum amount contributed by an employee in 1969 is $82.80. The employee's contribution is matched by a contribution by his employer.

Unemployment Insurance

A national program of unemployment insurance operates in Canada. It provides relief to those qualified persons who are temporarily without work. It is administered by a federal commission appointed for this purpose and financed by equal contributions from employers and employees, plus a contribution from the Federal Government. The amount paid into the fund by employee and employer is directly proportional to the weekly wages of the employee. The rates of contributions are as follows:

Range of Earnings	Weekly Contributions	
	Employer's	Employee's
less than $20	10 cents	10 cents
$20 to $30	20 cents	20 cents
$30 to $40	35 cents	35 cents
$40 to $50	50 cents	50 cents
$50 to $60	65 cents	65 cents
$60 to $70	80 cents	80 cents
$70 to $80	95 cents	95 cents
$80 to $90	$1.10	$1.10
$90 to $100	$1.25	$1.25
$100 and over	$1.40	$1.40

The wage ceiling for insurability is $7,800 a year.

Workmen's Compensation

Legislation in force in all provinces provides compensation for personal injury suffered by workmen as a result of industrial accidents. In general, these provincial statutes establish an accident fund administered by a board to which employers are required to contribute at a rate proportional with the hazards of the industry.

Hospital Insurance

A government-subsidized hospital insurance plan is in operation in each of the ten provinces. In all provinces but Quebec, the program is a joint federal-provincial undertaking where approximately half of the cost of hospitalization for patients who are participants under the plan is met by the Federal Government and the other half by the province. In Quebec, the program is entirely a provincial undertaking, where the share of cost normally carried by the Federal Government in the other provinces has been assumed by the province in exchange for fiscal compensation by way of a larger occupation of the field of personal income tax by that province. The provincial share of the cost of the program is financed by various means. Quebec has increased its personal and corporation income tax. Other provinces require the deduction of a monthly premium from the wages of their residents as a contribution or premium for the plan. In such provinces, self-employed people must also pay the premium directly if they wish to be covered by the plan. In some other provinces, the proceeds of a retail sales tax are earmarked in whole or in part for the support of the hospital plan.

Medicare

A national medicare plan involving the joint participation of federal and provincial governments was launched in 1968. As in the case of hospital insurance, this program involves a 50 percent financing contribution from each level of governments. By the end of 1969, medicare was operative in all provinces except Prince Edward Island, New Brunswick and Quebec. In some provinces premiums must be paid for this plan, in others the provincial share is raised through taxation.

(This explanatory paper is not an official interpretation of any of the taxing statutes. The administration of federal taxing statutes is the responsibility of the Minister of National Revenue. The provincial and municipal taxes are administered by provincial and municipal government departments.)

RP/A