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TAXATION IN CANADA

(Prepared in the Information Services, Department of Finance, Ottawa.)

Of the three levels of government in Canada, only the Federal Government has unrestricted power to levy all types of tax. The British North America Act gives the Federal Government the right to raise money "by any mode or system of taxation". Provinces and their respective municipalities, on the other hand, are restricted to direct taxation – that is, a levy on the very person who is expected to pay it. This conception has limited the provinces to the imposition of income taxes, retail sales taxes, succession duties and an assortment of other direct levies. Municipalities, acting under provincial legislation, impose a levy on real property, business premises and various service charges such as water taxes and local improvement taxes.

The paragraphs that follow take a close look at the beginnings of taxation in Canada as well as the taxes each level of government levies and their impact on individuals and corporations.

The Federal Government did not enter the field of direct taxation until 1917, but the history of taxes in Canada extends well back into the nineteenth century. Indeed, over 100 years ago, Ontario municipalities levied personal income taxes and in 1866 the Province of Ontario introduced legislation requiring all its municipalities to impose personal income taxes. Ten years later, British Columbia followed suit, and in 1901 extended its legislation to tax corporate profits. The Federal Government, on the other hand, levied only customs and excise duties.

In 1916, when demands for additional revenue to finance the First World War exceeded the Federal Government's existing revenue sources, the Finance Minister of the time, Sir Thomas White, introduced a business profits tax. The tax affected corporations only if their profits exceeded a stated percentage of their invested capital. While this levy was not an income tax as we know it today, it was nevertheless a milestone in the history of the Canadian tax system, and it paved the way for subsequent changes in the Government's attitude towards new sources of revenue. Acting once again to finance the war effort, Sir Thomas introduced legislation in July 1917 calling for the adoption of a

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federal income tax, to which Parliament gave the name "Income War Tax Act". The Act carried effective rates of tax on personal incomes ranging from 4 per cent to 29 per cent. Corporations were taxed at a flat rate of 4 per cent.

In the years that followed, numerous amendments to the 1917 legislation were passed that led the Government to adopt the 1948 Income Tax Act, and later, as part of a general revision of the federal statutes, the Income Tax Act of 1952. The latter remained the federal taxing statute until 1972, when amendments proposed as part of an extensive reform of the system came into effect. This long and controversial tax-reform program was unprecedented for Canada and has been described as a landmark in the history of Canadian law-making.

"Tax reform" began in 1962, with the appointment of the Royal Commission on Taxation under the chairmanship of the late Kenneth Carter. For almost six years, the commissioners analyzed and assessed meticulously all aspects of a 45-year-old system that had been the product of many years of changes, additions and deletions. Their work came to an end in 1967, with the presentation of a report recommending sweeping changes in the tax system.

The Government of the day acknowledged the commissioners' efforts and the need for a new, fresh and more equitable approach to taxation. Two years later, a White Paper outlining the Government's own proposals — based in many respects on the work of the royal commission — was tabled in the Commons. Following this, the Government invited public comment on its proposals and further discussion took place. This time, two Parliamentary committees — the Commons Committee on Finance, Trade and Economic Affairs and the Senate Committee on Banking, Trade and Commerce — undertook to assess the proposals in the White Paper and to publish reports and recommendations of their own. Provincial governments were invited to comment upon and criticize the White Paper and to make counter-proposals. In all, some 26,000 letters, briefs and other submissions were received in the Department of Finance.

Drawing from this lengthy and thorough exchange with the public, business groups, the provinces and the Commons and Senate committees, the Government introduced comprehensive legislation to amend the Income Tax Act as part of the budget of June 18, 1971.

The 1971 bill proposed higher exemptions for individuals and their families; new deductions, including amounts for employment and child-care expenses; the taxation of capital gains and other important forms of income previously ignored by the system. It also

proposed a new basis on which to tax corporations and their shareholders, changes in the tax treatment of resource industries, new rates for small businesses, and new provisions to deal with Canadians doing business abroad and non-residents investing in Canada. The new system sought to achieve more balance and equity in the tax structure — taxing persons in similar circumstances similarly but assuring that no one carried an inappropriate share of the total tax load.

The measures sought by the Government were enacted by Parliament in December 1971, and the new legislation came into effect on January 1, 1972. Since then, other tax changes have been legislated to complement the tax-reform exercise. These included further exemption increases, lower personal tax-rates, and a number of new incentive measures designed to assist the manufacturing and processing sectors of the economy. It also introduced, effective in 1974, a system of indexing the tax-rates and exemptions so that the interaction of inflation and the progressive tax system would no longer erode taxpayers' purchasing power.

FEDERAL TAXES

Personal income tax

Computation of income Every individual resident in Canada is liable for the payment of income taxes on all of his world income on a yearly basis. His first step in determining the amount of income tax payable is to compute his income for the year, including salaries, wages, benefits received from employment, fees, commissions, dividends, annuities, pensions, interest and since 1972, one-half of realized capital gains. Also included are the benefits received under the unemployment insurance program, scholarships in excess of $500, research grants, and other types of income.

Benefits such as social assistance payments, war service disability pensions and compensation paid under the workmen's compensation act of a province do not have to be included in income. A similar exemption applied to family allowances until the end of 1973.

Deductions Certain amounts are deductible in computing income. These include a variety of expenditures or costs to the taxpayer that are generally related to earning income, including:

Contributions to a registered employee pension plan or registered retirement savings plan, and premiums to the unemployment insurance fund;

union dues;

general employment expenses of employees: 3 per cent of earned income up to $150 *per annum;*

expenses of lodging and meals while away from home where the employee's work requires him to travel;

child-care expense deduction for mothers (or fathers, in certain circumstances) who have their children cared for while earning income away from the home: up to $500 a child under 14 to a maximum of $2,000 a family, *per annum*;

expenses of moving to a new work location;

tuition fees in excess of $25 *per annum* for students attending a university, college, high school or other certified institution;

business expenses and other expenses of earning income including rents, wages, contributions to a pension plan, capital-cost allowances, municipal taxes, interest on borrowed money, business losses.

Other considerations in computing income Half of capital losses are deductible against half of capital gains. Where losses exceed gains, up to $1,000 of the excess losses may be set off against other income. Losses not deducted in the year may be carried back one year and carried forward until used up.

The sale of personal property for less than $1,000 and the sale of a principal residence do not give rise to a taxable gain.

Upon death, the taxpayer is deemed to have sold all of his capital property at fair market value, except where the property is passed on to the surviving spouse. A gift of property between living persons also gives rise to a disposition that may be taxable unless the recipient is the taxpayer's spouse. Special rules apply in the case of farms.

The amount of a capital gain or loss is determined by reference to its adjusted cost-base — that is, cost plus or minus adjustments. Cost for capital gains on property owned at the start of 1972 is computed by reference to the higher of its cost or value on "valuation day" at the end of 1971. For property acquired after

valuation day, actual cost is used as a basis for determining adjusted cost-base.

Once he has computed his income, the taxpayer takes into account other deductible amounts, such as personal exemptions and special allowances. The most important of these are as follows:

single status	$1,600
married status	3,000
dependant children under age 16	300 a child
other dependants, including students, children over 15 and under 21, parents or grandparents	550
taxpayers over 65 years of age	1,000
taxpayers blind or confined to a bed or wheelchair	1,000
charitable donations	up to 20% of income
medical expenses	the amount in excess of 3% of income

N.B.: Taxpayers over 65 years of age, blind persons and persons confined to a bed or wheelchair may make a deduction of $1,000 in addition to the single or married exemptions. The additional deduction of $1,400 for married status is reduced where the taxpayer's spouse earns in excess of $300. The deduction of $300 for supporting a child under 15 is also reduced where the child's income exceeds $1,100 and the deduction of $550 for other dependants is reduced where such dependants have income in excess of $1,150. All deductions for dependant persons end when their income exceeds $1,700 in the year.

Instead of claiming itemized charitable donations and medical expenses, the taxpayer may claim a $100 standard deduction.

The amount of guaranteed income supplement paid to pensioners with little or no income aside from the basic old-age pension is not included in computing income, but is taken into account in determining the degree of dependency for tax purposes.

Business losses incurred during the year may be written off against income in other years.

Since 1972, students have been able to deduct $50 a month for each month of full-time attendance at a university or course at a designated institution. Where the student's income is insufficient to cover the whole deductible amount, the unused portion may be claimed by a supporting individual.

Special rules apply in the case of individuals who become resident in Canada or who cease to be resident at any time during the year.

Income may be averaged over a period of years where it is unusually high in any year. One of two provisions may be used. The first is automatically applied by the Department of National Revenue where the taxpayer's income for the year is 20 percent higher than the four preceding years and 10 percent higher than the immediately preceding year. The second averaging device consists in purchasing an "income-averaging annuity contract". The cost of the annuity contract is deductible when purchased and taxable when the annuity payments are received. Only certain types of income, such as capital gains, lump-sum payments out of a pension plan, proceeds from a literary or artistic work, or amounts received from activities such as athletics, music and public entertainment, may qualify.

Computation of tax

After computing taxable income, the amount of federal tax payable for the year is determined by applying a progressive rate of tax to taxable income. The schedule of rates for 1973 starts at 15 per cent on the first $500 of taxable income and increases progressively up to 47 per cent on income above $60,000. In addition, persons who live in the Northwest Territories or the Yukon, or who live outside Canada but remain "residents" for tax purposes (diplomats, military personnel, etc.), must pay an additional tax of 30 per cent of federal tax payable in lieu of provincial taxes.

Because Quebec levies its own income taxes, residents of that province may reduce federal taxes otherwise payable by an amount equal to 24 per cent. This abatement is in recognition of the fact that Quebec finances certain programs that, in other provinces, are partly financed by the Federal Government.

A special tax credit is applied to dividends received from a corporation resident in Canada.

Under a tax reduction introduced in 1973, federal taxes, as computed under the prescribed rates, are further reduced by 5 per cent. This reduction is subject to a minimum of $100 and a maximum of $500.

Taxes paid to a foreign country on income from foreign sources may be deducted from Canadian taxes to the extent that such taxes do not exceed the Canadian taxes on a corresponding amount.

Payments and instalments Taxpayers in receipt of salaries or wages have taxes deducted from their pay by their employers on a weekly or monthly basis. The balance of taxes, if any, becomes payable at income-tax filing-time, on or before April 30 of the following year. Similar provisions for the payment of instalments during the course of the year exist for businessmen, farmers and fishermen.

CANADIAN PERSONAL INCOME TAX IN 1973

Status	Income	Federal Income Tax	Provincial Income Tax	Total Income Tax
	$	$	$	$
Single taxpayer — no dependants	2,000		11	11
	3,000	105	62	167
	5,000	486	179	665
	8,000	1,140	378	1,518
	10,000	1,623	525	2,148
	20,000	4,615	1,481	6,096
	50,000	16,190	5,090	21,280
	100,000	39,216	12,113	51,329
Married taxpayer — no dependants	4,000	25	38	63
	5,000	207	94	301
	8,000	823	281	1,104
	10,000	1,278	420	1,698
	20,000	4,149	1,332	5,481
	50,000	15,587	4,907	20,494
	100,000	38,557	11,913	50,470
Married taxpayer — two children under age 16	5,000	94	59	153
	8,000	696	243	939
	10,000	1,140	378	1,518
	20,000	3,950	1,268	5,218
	50,000	15,330	4,828	20,158
	100,000	38,275	11,827	50,102

N.B.: The provincial tax used in these calculations is 30.5 per cent. This is the lowest existing provincial rate. Rates of provincial taxes vary from province to province, but more than half Canada's taxpayers are subject to the provincial rate used in this table.

Taxpayers are assumed to take the optional standard deduction of $100 and the employment-expense deduction of 3 per cent (maximum $150), but the calculations do not take into account any other potential deductions, such as child-care expenses, contributions to pension plans, or unemployment insurance.

Taxpayers are assumed to be under age 65 and in receipt of earned income only.

Corporation income tax

Computation of income An income tax is imposed on the income of corporations for each taxation year. A corporation's taxation year is ordinarily 12 months. In computing income for a taxation year, corporations resident in Canada must include their world income; non-resident corporations compute income attributable to their Canadian operations.

The income of a corporation includes all income from its business and property and half of any capital gains realized on the sale or disposition of any property.

Deductions In computing income, corporations may deduct:

Operating expenses, including wages paid to employees, contributions to a pension scheme, municipal taxes, reserves for doubtful debts, bad debts and interest on money borrowed to gain or produce income (including money borrowed to buy shares in another corporation);

half of capital losses against half of capital gains;

capital-cost allowances for all depreciable property at a specified annual rate;

accelerated capital-cost allowance (two years) for structures and equipment acquired by manufacturers and processors for use in Canada after May 8, 1972, and before 1975;

accelerated capital-cost allowance (two years) for structures and equipment acquired between April 27, 1965, and December 31, 1974, for the prevention of water pollution, and between March 13, 1970, and December 31, 1974, for the prevention of air pollution;

up to 60 per cent of approved wages incurred in the period between October 31, 1971, and April 1, 1974, where a corporation has not elected to receive a grant under the training-on-the-job program. This deduction is in addition to normal deductions for wages paid to employees. Expenditures for scientific research related to the work of the corporation may be written off in the year incurred.

Corporations engaged in developing natural resources such as minerals, petroleum products and timber are subject to special rules that take into account the special risks, the large amounts of capital investment required and the non-renewable nature of many of these natural resources.

Computation of tax

The general federal rate of tax on corporate taxable income earned in 1973 is 49 per cent. This rate is reduced annually by 1 per cent until 1976, at which time it will stabilize at 46 per cent. Special provisions have been enacted to assist "small businesses".

The "small business" deduction reduces the rate of tax on certain business income to 25 per cent. This concession is restricted to Canadian corporations not controlled by non-residents or by a Canadian public corporation. It applies only to income from an active business carried on in Canada, and not to investment income. The special rate applies to the first $50,000 of annual income of the eligible corporation until it has accumulated $400,000 of taxable income after 1971.

The general rate of 49 per cent and the special rate of 25 per cent are reduced to 40 per cent and 20 per cent respectively on profits from manufacturing and processing activities carried out in Canada.

Special rules are also provided for the taxation of certain types of company, including mutual fund corporations, life insurance companies, co-operatives, credit unions and investment corporations.

The rates of federal tax are reduced by 10 percentage points on income earned in a province. This provincial abatement is provided to make room for provincial income taxes. At present, the provinces impose corporate taxes ranging from 10 per cent to 13 per cent.

In addition, the corporation may deduct any taxes it has paid to a foreign country on foreign-source income, up to the corresponding tax that would have otherwise been payable in Canada.

The law requires corporations to pay taxes in monthly instalments throughout their taxation year. Any balance of tax must be paid by the last day of the third month following the close of the taxation year, and the return for the year must be filed by the last day of the sixth month following the close of the taxation year.

Non-residents Non-residents are liable for tax in Canada on certain income from Canadian sources, including business income, wages and capital gains realized upon dispositions of taxable Canadian property. However, the application of these rules may be altered by provisions in tax treaties between Canada and other countries.

Certain specific items of income paid to non-residents are subject to a "withholding tax". The tax is withheld from the amount paid the non-resident and applies to certain interest payments, dividends, rents, royalties and management fees, and the like. The rates of tax vary from 10 per cent to 15 per cent.

The Income Tax Act provides that the general rate of withholding tax will be increased to 25 per cent starting in 1976. However, these rates may be modified by tax treaties.

Estate and gift taxes The Federal Government formerly imposed an estate tax and a tax on gifts. Neither of these taxes apply to deaths that occurred after 1971, or to gifts made after 1971.

Excise taxes The Excise Tax Act levies a general sales tax and special excise taxes on goods produced in Canada or imported. The Act does not, however, affect Canadian exports.

The general sales tax is imposed at a rate of 12 per cent on the manufacturer's sale price of goods produced or manufactured in Canada or on the duty-paid value of imported goods — that is, their value after customs duties are added. A slightly lower rate, of 11 per cent, is imposed on building materials.

Many goods are exempt from the sales tax. These include drugs, children's clothing, electricity, fuels for lighting or heating, all foodstuffs, articles and materials purchased by public hospitals and certain welfare institutions. The products of farms, forests, mines and fisheries are, to a large extent, excluded, as well as equipment used in farming, lumbering, mining and fishing. Machinery and equipment used directly in production

and materials consumed or expended in production are also exempt. The same applies to equipment acquired by manufacturers or producers to prevent or to reduce water, soil or air pollution resulting from their manufacturing operations.

A number of items are exempt when purchased by municipalities. These and other exemptions are set forth in the various schedules to the Excise Tax Act.

The Excise Tax Act also imposes a number of special excise taxes in addition to the general sales tax and, where these are *ad valorem* taxes, they are levied on the same selling price or duty-paid value as the general sales tax. The main items subject to these special excise taxes are cigarettes, cigars, pipe tobacco, wine and jewellery.

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.

Customs duties

Many goods imported by Canada are subject to customs duties at various rates, as provided in the customs tariff.

The Canadian tariff consists of three sets of tariffs: British preferential, most-favoured-nation and general. The British preferential rates are, with some exceptions, the lowest rates. They are applied to commodities shipped directly to Canada from Commonwealth countries. However, there are a few rates below the British preferential duty that apply to specified goods imported from designated Commonwealth countries. In addition, new legislation will provide for reduced rates of duties on imports from developing countries. This legislation has not yet been proclaimed.

The most-favoured-nation rates apply to goods from countries that have been accorded tariff treatment more favourable than the general tariff but are not entitled to the British preferential tariff. These rates cover almost all non-Commonwealth trade. The most important agreement providing for the exchange of most-favoured-nation tariff 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.

There are provisions for relief from duty on imports of materials used in the manufacture of products later exported. The purpose of this relief or "drawback of duty" is to help Canadian manufacturers compete with foreign manufacturers of similar goods in world markets. There is a second class of drawbacks known as "home consumption" drawbacks. These apply to imported articles used in the production of specified classes of goods manufactured for the domestic market.

PROVINCIAL TAXES

All provinces impose a wide variety of taxes to finance their revenue requirements. The Federal Government makes payments to some provinces in recognition of the fact that the potential yield of taxes in those provinces on a *per capita* basis is less than the national average. These are called "equalization payments". For some, such payments constitute an important source of revenue.

The paragraphs that follow will attempt to review some of the more important provincial levies.

Personal income tax

All provinces impose taxes on the personal income or business income of their residents and those who carry on a business within their boundaries.

Nine of the ten provinces levy personal income taxes as a percentage of federal taxes. The federal tax on which these provinces base their levy is the federal tax before the special 5 percent reduction.

In Quebec, personal income tax is levied using a progressive rate-schedule starting at 10 per cent on the first $2,000 of taxable income and rising to a maximum of 28 per cent on income in excess of $60,000. The determination of taxable income for Quebec tax is based on exemptions and deductions that, with the exception of deductions for dependent children under age 18, are similar to those provided under federal tax law. Quebec taxpayers who have married status for tax purposes do not pay the provincial tax unless their income exceeds $5,000; all other taxpayers pay tax on income in excess of $2,500.

The following table shows the rates of personal income tax imposed by all provinces except Quebec for 1973:

Province	Percentage of federal tax
	%
Newfoundland........................	36
Prince Edward Island...............	36
Nova Scotia..........................	38.5
New Brunswick.......................	41.5
Ontario..............................	30.5
Manitoba.............................	42.5
Saskatchewan.........................	40
Alberta..............................	36.5
British Columbia....................	30.5

All provinces except Quebec have entered into agreements under which the federal Department of National Revenue collects the provincial personal income taxes on their behalf.

Some provinces have recently introduced a system under which a credit is allowed against provincial personal income tax for a portion of municipal real-property tax and provincial sales taxes.

Corporate income tax

All provinces levy a tax on the taxable income of corporations derived from activities carried on within their boundaries. Unlike the personal income tax, the provincial tax on corporations is not imposed as a percentage of federal tax. In all provinces except Ontario and Quebec, the tax is imposed on the taxable income in the province determined on the same basis as federal income tax. In Ontario and Quebec, the determination of taxable income closely follows the federal rules. The rates of tax levied by the various provinces are as follows:

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

All provinces except Ontario and Quebec have entered into agreements under which the federal Department of National Revenue collects the provincial corporate income taxes.

Other provincial taxes

Alcoholic beverages and tobacco products

Generally speaking, the sale of whiskey, gin, rum and similar spirits in all provinces is made through provincial agencies operating as boards or commissions that exercise control over the sale of alcoholic beverages. The provincial mark-up over the manufacturers' price is the effective means of taxation. Beer and wine are sold by retailers or by government stores, depending on the province, but in all cases these sales contribute to provincial revenues. Some provinces also impose special retail sales taxes on alcoholic beverages.

In addition, all provinces impose special taxes on the sale of tobacco products.

Retail sales tax

All provinces except Alberta impose sales taxes on goods sold to the final purchaser or user. Some of these provincial levies also apply to certain services, including hotel and motel accommodation, telephone services, telecommunications and dry-cleaning services. They are collected by retail vendors acting as agents of the provinces. The rates are as follows:

Province	Rate of Levy
	%
Newfoundland........................	7
Prince Edward Island................	8
Nova Scotia.........................	7
New Brunswick.......................	8
Quebec..............................	8
Ontario.............................	7
Manitoba............................	5
Saskatchewan........................	5
British Columbia....................	5

These direct levies apply to taxable commodities sold for consumption in the province. They do not apply to goods sold for delivery in other provinces or to exported commodities. All provinces imposing sales taxes provide important exemptions on sales of certain types of goods, such as foodstuffs and drugs.

Gasoline and diesel fuel oil taxes

All provinces impose a tax on the purchasers of gasoline and diesel fuel. The amount of tax borne by one gallon of motor-vehicle fuel in each province is as follows:

Province	Gasoline	Diesel fuel
	Cents	
Newfoundland	25	25
Prince Edward Island	21	21
Nova Scotia	21	27
New Brunswick	20	23
Quebec	19	25
Ontario	19	25
Manitoba	17	20
Saskatchewan	19	21
Alberta	15	17
British Columbia	15	17

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

tor-vehicle licences and fees

All provinces levy a fee on the compulsory annual registration of motor vehicles. The rates of this fee vary from province to province. In the case of passenger cars, the fee may be assessed on the weight or the wheel-base of the car or 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. These licences are valid for periods of from one to five years and the fees range from $1 to $7 a year.

Succession duties and gift taxes

All provinces except Alberta, Prince Edward Island and New Brunswick levy succession duties for 1973. These duties are a tax upon property inherited from a deceased person. Ontario, Quebec and British Columbia collect their own succession duties. The duties levied by Newfoundland, Nova Scotia, Manitoba and Saskatchewan are collected by the federal Department of National Revenue as agent under three-year collection agreements. Newfoundland and Nova Scotia have repealed their respective succession duty acts, effective in 1974. Those provinces that levy succession duties also impose a tax on gifts made during lifetime.

Miscellaneous taxes

Other taxes imposed by some of the provinces include:

- a tax on admission to places of amusement;
- taxes on various kinds of mining operations;
- taxes on logging operations;
- a tax on the paid-up capital of corporations;
- a tax on the price at which land is transferred;
- special taxes on certain kinds of companies, such as banks or insurance companies;
- special taxes on operators of race-track meets and on the amount in a *pari-mutuel* betting pool.

MUNICIPAL TAXES

In Canada municipalities do not levy taxes on income. They levy taxes on the owners of real 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 market 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. In some cases, a separate rate of tax is imposed for school-board purposes. There is not only a widespread difference in the bases used for property tax but 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 on the rental value of the property occupied. In Newfoundland, Quebec and Saskatchewan, municipalities are empowered to levy a tax on the admission of persons to places of entertainment. Electricity, gas and telephone use are taxed at the consumer level in some municipalities.

In most municipalities, a tax is levied directly on a business enterprise. Three bases of assessment are in use — a fraction of the property assessment, the annual rental value of the premises or the area of the premises. Certain municipalities may collect a licence fee instead of a business tax, while others will charge both a licence fee and a business tax.

MISCELLANEOUS LEVIES

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

Canada and Quebec pension plans

The Canada Pension Plan is a compulsory pension program operated by the Federal Government under which each contributor builds up a right to a pension, the amount of which is related to his earnings up to a specified level. This graduated benefit will supplement the universal old-age security pension, which is paid out of the Government's general tax revenues. It operates in all provinces except Quebec, where a similar pension plan is operated by the government of that province. Both plans feature disability and survivor benefits. The maximum amount contributed by an employee under the Canada Pension Plan for 1973 is $90. The amount of an employee's contribution is matched by his employer.

Unemployment insurance

Canada operates a national program of unemployment insurance. The program provides benefits to qualified persons who are temporarily without work, including persons unable to work because of sickness, disability or pregnancy. The program is administered by a federal commission appointed for this purpose.

The fund is generally financed by contributions from both employees and employers. However, when the national unemployment rate exceeds 4 per cent or, in certain circumstances, when the regional unemployment rate exceeds the national unemployment rate, the Federal Government bears costs arising on these accounts.

The amount of an employee's contribution is calculated weekly at a rate of 1 per cent of earnings, to a maximum of $1.60 a week. The employer's rate of contribution in respect of an employee varies according to the "risk of lay-off factor", which varies according to the employer's type of industry. Both the employee's and the employer's contribution rate may be scaled down if the employer provides his employees with a sickness and disability insurance plan that meets specific standards. Furthermore, the program provides a reduced scale of contributions for groups of employees brought into the unemployment insurance plan for the first time in 1972.

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 proportionate to the hazards of the industry.

Hospital insurance A 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, with approximately half the cost of hospitalization for patients being met by the Federal Government and the remainder by the province. In Quebec, the program is entirely a provincial undertaking. The share of cost normally carried by the Federal Government in the other provinces has been assumed by Quebec in exchange for fiscal compensation by way of a larger occupation of the field of personal income tax. Some provinces finance their share of the cost of the program by taxes and others 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 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 medical-care plan involving the joint participation of federal and provincial governments now exists in all provinces. Like hospital insurance, this program is financed by the Federal Government and the provinces on a cost-sharing basis. Some provinces levy their share of the cost through premium contributions, while others levy their share through direct taxation.

(This publication is not an official interpretation of any of the taxing statutes. It is an explanation. As such, it does not attempt to describe any of the various taxes in a comprehensive or detailed manner. It attempts to provide only a general description of the most important features of these various taxes; by necessity, many important details have not been mentioned.)

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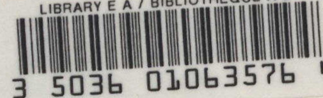
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