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Taxation in Canada is administrated by the CRA (Canada Revenue Agency), which was earlier known as â€˜Revenue Canadaâ€™ (Canada Customs and Revenue Agency). Compared with rates of taxation in the United States, Canadian taxations are higher. Earnings of the Canadian government come from fees and investments as well as tariffs. From all mentioned Canadian earnings 70% comes from taxation.

According to the â€˜Tax Collections Agreementâ€™, CRA collects and remits to the provinces:

â€¢ Corporate taxes on behalf of all provinces (except Alberta and Quebec).

â€¢ Provincial personal income taxes on behalf of all provinces (except Quebec).

â€¢ Individuals outside of Quebec can file only one set of tax forms each year, to their federal and provincial income taxes.

In the provincial governments of Nova Scotia, New Brunswick, Newfoundland and Labrador, British Columbia and Ontario the federal government collects goods and services tax (GST) at a rate that is higher than the other provinces. On behalf of the federal government The Minister of Revenue Quebec collects the GST in Quebec and sends it to Ottawa.

The history of taxation in Canada shows the bulk of the revenue of the federal government during the early days was obtained from trade tariffs. By the end of the 19th century corporate taxes made their appearance.

Taxation in Canada is divided into the following types:

â€¢ Personal income taxes â€“ Federal and provincial governments have imposed income taxes on individuals. These taxes are the governmentâ€™s most important taxes because over 40% of their tax revenue comes from this type. Personal income tax can be deferred in RRSP (Registered Retirement Savings Plan) and tax-sheltered savings accounts.

â€¢ Sales taxes â€“ there are three types of sales taxes levied by the provinces:

â€¢ Provincial sales taxes â€“ levied by the provinces

â€¢ Goods and Services Tax (GST) â€“ a value-added tax levied by the federal government

â€¢ A combined Harmonized Sales Tax (HST) â€“ also a value-added tax (GST & provincial sales tax) levied by the provincial and federal government.

â€¢ Every province except Alberta has implemented either a provincial sales tax or Harmonized Sales tax.

â€¢ Corporate taxes â€“ Corporations and companies pay taxes on profit income and on capital. Capital tax is charged on a corporationâ€™s taxable capital which has been determined under Part 1.3 of the Income Tax Act (Canada), plus accumulated other comprehensive incomes. In this type of tax, a tax credit is provided to individuals that get dividends to reflect the tax paid at the corporate level. This credit doesnâ€™t eliminate double taxation completely, but it results in a higher level of tax on dividend

incomes than other types of income.

â€¢ Payroll taxes â€“ Ontario levies a payroll tax on employers, the â€˜Employer Health Taxâ€™ of 1.95% payroll. Quebec levies a similar tax called the â€˜Health Services Fundâ€™. For the employees the amoun is paid by the employers as part of payroll.

â€¢ Excise taxes â€“ Federal and provincial governments impose excise taxes on inelastic goods like gasoline, alcohol and cigarettes and automotive air conditioners. These types of tax have often been called â€˜sinâ€™ taxes.

â€¢ Property taxes â€“ This type of tax is drawn from taxes on residential, industrial and commercial properties.

â€¢ Estate tax â€“ Tax owed is paid by the estate of a deceased individual and not the estate beneficiaries

â€¢ Health and prescription insurance tax â€“ Quebec requires residents to obtain prescription insurance and other provinces such as British Columbia charge premiums collected outside of the tax systems for the provincial Medicare systems.

â€¢ International taxation â€“ The residents of Canada and corporations must pay income taxes based on their worldwide income. Canadians are protected against double taxation from receiving income in some countries which have agreements with Canada through the foreign tax credit system.

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