OTHER T

Note that provincial capital taxes are generally deductible for income tax purposes. Effective April 1, 2001, provincial capital taxes will no longer be deductible for Alberta tax purposes. As well, the federal government has indicated its intention to restrict this deductibility if provinces continue to expand the use of these taxes.

Payroll Taxes

The following jurisdictions levy a payroll tax on employers, payable on the salaries and wages paid to individuals employed in that jurisdiction. Payroll taxes are deductible for income tax purposes. However, as with capital taxes, the federal government has indicated it may restrict this deductibility if provinces continue to expand the use of these taxes.

Jurisdiction	Payroll Tax Rates (%)
Nfld. [1]	2.0
Qué. [2]	2.7 - 4.26
Ont. [3]	0.98 - 1.95
Man. [4]	0 - 4.3
N.W.T./Nunavut	1.0

1. Tax is only charged on payrolls over $400,000.
2. The rate for payrolls of less than $1 million is 2.7%. The lower rate will be phased out for payrolls between $1 million and $5 million. The high rate applies for payrolls in excess of $5 million. Total payrolls for all associated corporations must be combined to determine an appropriate rate for each employer.
3. The rate of tax is 0.98% for payrolls under $200,000. Graduated rates apply for payrolls between $200,000 and $400,000. Rates for payrolls over $400,000 is 1.95%. A $400,000 exemption can be claimed to reduce the taxable payroll prior to calculating tax (which must be shared by associated employers).
4. Payroll of $0 to $1 million, no tax; from $1 million to $2 million, 4.3% of payroll over $1 million; over $2 million, 2.15%.

Land Transfer Taxes

Several provinces levy land transfer taxes. These taxes are levied on the selling price of land at the time of a sale transaction and are generally paid when registering the change of title.

For instance, on the acquisition of certified unrestricted land zoned for residential, commercial or industrial use, Ontario levies a land transfer tax of 0.5% of the first $55,000, 1% of any remaining consideration paid for the land up to and including $250,000, and 1.5% on any amounts exceeding $250,000. Where the land being conveyed contains one or two single family residences, an additional tax equal to 0.5% is imposed on the amount of consideration exceeding $400,000.

Goods and Services Tax

Beginning on January 1, 1991, Canada adopted the Goods and Services Tax (GST), which is a value-added tax on consumption of both goods and services supplied in Canada. The tax is levied on most kinds of supplies of goods, real estate (including rent from commercial property), intangible property and services, whether through sales, rentals, leases, transfers, barters, exchanges or licensing arrangements. At each stage of the production and distribution chain, the GST is applied to the transfer of taxable supplies. Registered suppliers may claim credits for the GST which they paid on their purchases (input tax credits). Consequently, for each reporting period, only the difference between the GST collected on sales and the GST paid on purchases is remitted. Registration is required if the level of taxable supplies exceeds $30,000 per annum.

Real Estate

Most transactions involving commercial real estate and new residential properties are subject to GST. However, different rules apply depending on the circumstances and status of the vendor and purchaser and the nature of the property sold. Since this is a complicated area, prospective purchasers or vendors of real estate should seek specific advice well in advance of the purchase or sale.

Business Income

Whether a German investor is required to register with the Canada Customs and Revenue Agency depends on whether the investor is carrying on business in Canada for tax purposes. It should be noted that under the Canada-Germany Tax Treaty a German investor will not be taxed on business income in Canada if the investor does not have a permanent establishment in Canada, as defined in the treaty. However, this does not affect the non-resident's requirement to collect GST on taxable supplies made in Canada. It is important to review the GST implications of any investment or business arrangement in Canada.

Provincial Sales Tax

Most provinces levy their own sales taxes, usually only on sales to the final consumer.