

**Income Tax.**—The income tax was instituted in 1917, as a part of what is still known as war-tax revenue. Table 21, p. 761, shows the total receipts under this item for the fiscal years 1919, the first year for which collections were made, to 1940.

It is a war tax in name only, for even before the outbreak of the present war it had become a permanent and important part of the taxation structure, and the chief source of raising ordinary revenue (see Table 9, p. 748). It is, of course, destined to play a still more important role in the raising of revenue to meet the unprecedented expenditures now being made. In many respects, it is an ideal form of direct taxation; the incidence is admittedly fair and just and the machinery for the collection of this tax already exists.

This extended analysis of income-tax statistics, as compared with the presentations made in former editions of the Year Book, is warranted by the ever-increasing importance of the tax (since 1919 the collections have increased from \$9,000,000 to \$123,000,000) and by the greater public demand for particulars regarding its application. The taxes as applied to individuals and to corporations are really separate taxes applied on different bases and in the latter case for varying fiscal periods, and the treatment is therefore divided into three sections as follows: a historical summary of the tax as a whole; the income tax on individuals for 1940; the income tax on corporations for the same year.

It should be pointed out that, up to 1939, comparisons for individuals between income assessed and tax paid are subject to the important qualification that, while the income assessed relates to the net income upon which assessments have been approved for the year designated on income earned two years previously, the figures of tax paid include arrears of taxes that were assessed in previous years and even prepayments of taxes not due in the year under review. As these prepayments will form an increasing proportion of future collections, the Income Tax Division of the Department of National Revenue has discontinued the analyses of taxes paid and substituted analyses of taxes assessed. This new system will permit a much closer comparison between the figures of assessed income and taxes levied thereon than did the former figures of incomes assessed and taxes actually received.

A much more detailed analysis of income-tax statistics than is possible in the Year Book is given in the bulletin "Incomes Assessed for Income War Tax", obtainable from the Dominion Statistician.

**Incomes Assessed.**—Table 20 gives the total of individual and corporation incomes upon which income tax assessments were approved in the fiscal years 1921 to 1940, with figures by provinces for the latest year. The 1940 Year Book, at p. 846, gives the division of these figures by individuals and corporations for the fiscal years ended in 1921-39 and the same divisions for 1940 will be found in Tables 26 and 27 at pp. 764 and 765 of this edition. "Net income" is defined as the gross income, before statutory exemption, less allowable deductions.