national defence tax; (b) the graduated rates of tax were steeply increased, and the credit for dependants was changed from a deduction from income to a deduction from tax; (c) it was provided that part of the total tax would be refunded after the War as a form of compulsory savings, although the taxpayer was required to pay this part only to the extent not offset by savings in other forms, such as life insurance premiums, principal payments on a residential mortgage and contributions to a pension or superannuation fund; (d) a plan was introduced for deduction of income tax at the source from all salaries and wages paid after Sept. 1, 1942, and for compulsory payments of income tax on a quarterly instalment plan in the case of other forms of income; (e) certain other changes of a less general character were made, including exemption of pensions paid to members of the Armed Forces, allowance of a deduction from income in respect of medical expenditures in excess of 5 p.c. of the income of the taxpayer.

Under the Excess Profits Tax Act, rates of tax were considerably increased with the result that corporations having profits in excess of 116 2/3 p.c. of their standard profits (average 1936-39) pay a tax at the rate of 100 p.c. and no corporation is allowed to retain, after tax, profits equal to more than 70 p.c. of its standard profits. Provision was made, however, for a 20 p.c. refund after the War for corporations to which the 100 p.c. rate of tax applies.

In the field of indirect taxation, additional revenue was found by raising existing taxes on spirits, tobacco, cigarettes, soft drinks, passenger transportation, communications and miscellaneous other articles and services. Certain new taxes were introduced at the manufacturer's level (the normal point of levying sales and excise taxes under Dominion tax law), including taxes on candy, chewing gum, photographic films and supplies, luggage, fountain pens and pencils, and pipes and other smokers' accessories, while a radical departure was made with the introduction of taxes to be collected by stamps at the retail level on a list of luxury articles, including jewellery, cut glass and crystal ware, clocks and watches, articles made wholly or in part of certain materials, and chinaware other than that used in preparing and serving food and drink. There were other minor tax innovations.

The Budget of Mar. 2, 1943, provided for revenues and expenditures considerably increased over those of any previous year and carried the principle of "pay-as-you-go" to its logical conclusion. Total expenditures for the fiscal year 1943-44 were estimated in this Budget at $5,500,000,000. It was estimated that revenue on the basis of existing tax rates (including revenue from the refundable taxes) would amount to $2,601,000,000 and tax changes were introduced to provide an additional $151,200,000, bringing the revenue forecast up to $2,752,200,000, or to almost exactly one-half of the estimated expenditure. The balance of the requirements, approximately $2,748,000,000, was expected to be met through the sale of war savings stamps, certificates and Victory Bonds and, to some extent, through bank borrowing.

Tax changes introduced by this Budget were relatively limited. The rates on cigarettes, cigars, manufactured tobacco, raw leaf tobacco and cigarette papers and tubes were all increased. The duty on alcoholic spirits and the tax on cabarets and night clubs were raised and a one-cent increase in the postage rate was provided.

There were no changes in the general rates or exemptions under the income tax. Substantial alteration was made in the basis of taxing the oil industry, in order to encourage new development and production, and the special income tax allowances granted to members of the Armed Services were amended to provide further relief. Tax alleviation was also given to Canadian personnel of the Merchant Marine and