the R.A.F. Transport Command. Payments on a Dominion Government annuity, as a deduction from the savings portion of the tax, were also allowed. Changes made in the Excess Profits Tax Act and the customs tariff were of minor importance.

The "Pay-As-You-Go" Plan.—The adoption of the "pay-as-you-go" plan of income tax payment represented an important break with the traditional method of tax collection—a break that Canada was the first country to make. Under the system of deductions from income in the 1942 Budget, tax deductions were made at the source from salaries and wages, but these deductions did not relate to the current income but to the income of an earlier period. They were made from current earnings but not for current earnings. Thus, a taxpayer was, at all times, considerably in arrears to the Government for income tax, a situation that created a difficult problem for those suffering a reduction or loss of income through entering the Armed Forces, retirement from active earning or on death. In these circumstances a tax debt remained to be paid on the former higher income.

The basic step in wiping out this tax debt and bringing taxpayers up-to-date was the cancellation of 50 p.c. of the 1942 tax liability on earned income and on investment income up to $3,000. Investigation had shown that owing to the deduction of national defence tax for the first eight months of 1942 and of the much larger amounts under the 90 p.c. plan in effect during the last four months of 1942, the majority of taxpayers had already paid at least 50 p.c., and, in many cases, considerably more than 50 p.c. of their 1942 liability. For the majority of taxpayers the 50 p.c. cancellation thus completely wiped out the tax arrears for 1942 and brought them up-to-date in their payments. All deductions made during 1943 have been for the tax on income earned in 1943.

Taxpayers will continue to file an annual return (in respect of 1943 income on or before Apr. 30, 1944) in which they will take account of deductions withheld from their income during the year, and make up whatever balance may be owing against their full annual liability or make any other adjustment that may be necessary. A new table of tax deductions introduced on Apr. 1, 1943, designed to withhold 95 p.c. of the full tax liability, will leave a smaller balance to be paid than under the 90 p.c. table previously in use.

Certain changes were also made affecting other groups. The quarterly plan of instalment payments for taxpayers, other than wage and salary earners, was made to coincide with the calendar year, while farmers will be required to pay two-thirds of their tax by Dec. 31 and the balance before Apr. 30 of the following year.

Borrowings.—It has been necessary for the Dominion to borrow large sums in order to meet that part of its own war expenditures which cannot be met even by heavy taxation, and also to provide funds to the United Kingdom and other countries. There have been regular borrowing operations in addition to the continuing and important War Savings Campaign and the receipts of non-interest-bearing loans from public-spirited citizens. These are summarized at p. 833, Table 22.

Subsection 1.—The Current Balance Sheet of the Dominion

The basic pattern of the present Dominion Balance Sheet was adopted in 1920. On the asset side it shows accounts that have been classified as *active* assets; these represent cash or investments that are interest producing or have a readily realizable cash value. On the liability side it shows such liabilities as have been ascertained and brought into the accounts. No liability is shown for interest accrued