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 were for the tax on income earned in 1943.

Taxpayers continued to file an annual return (in respect of 1943 income on or before Apr. 30, 1944) in which they took account of deductions withheld from their income during the year, and made up whatever balance was owing against their full annual liability or any other adjustment that was necessary. A new table of tax deductions introduced on Apr. 1, 1943, designed to withhold 95 p.c. of the full tax liability, left 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 are required to pay two-thirds of their tax by Dec. 31 and the balance before Apr. 30 of the following year.

The Budget for the fiscal year 1944-45 was presented to Parliament on June 26, 1944. The total expenditures for the year were estimated at $5,152,000,000, about one-half of which was to be met from tax revenues. While expenditures at this figure were less than those of the previous year, it was pointed out that certain outlays of a class not definable as expenditures would be required during the year which would bring the total cash requirements to over $6,000,000,000.

Tax changes announced in this Budget were numerous but were more in the nature of adjustments within the existing tax structure than a general revision or