

relaxation. In the main they had reference to personal income taxes, corporation income and excess profits taxes, and other taxes.

Under the personal income tax the most important change was the reduction of the savings requirement by one-half for 1944 and its complete removal in 1945. It had been alleged that since, for most wage-earners, the savings requirement was as much as the pure tax deduction it contributed to absenteeism and unwillingness to work overtime, and that the nature of the savings requirement had been misunderstood and was adversely affecting production. In order to give an incentive to additional effort at a time when there was an acute manpower shortage the savings requirement was, therefore, withdrawn.

Several other changes were made affecting individuals, for the most part granting minor reliefs and adjustments. These may be summarized as follows:—

- (1) The definition of 'dependants' was broadened to include in-laws and illegitimate children, previously excluded.
- (2) The allowance for medical expenditures was made more generous.
- (3) A special income deduction of \$480 a year was granted the blind.
- (4) An allowance was given in respect of a housekeeper employed by a widow or widower for the care of dependent children.
- (5) Taxpayers were granted the right to reduce their incomes by making a gift to the Crown in the last eight months of the year of taxation or the first four months of the following year.
- (6) Lump sum gratuity payments on retirement in the future are to be spread over a five-year period rather than taxed in one year as formerly.
- (7) Alimony payments were allowed as a deduction from income.
- (8) The right of the Income Tax Division to re-assess or make additional assessments on a taxpayer was limited to a period six years after the date of the original assessment.
- (9) A reduction was made in the interest penalties for late filing of returns and underpayment of taxes.

Under the corporation income tax and the excess profits tax several important changes were made of particular significance for the transition and post-war period. These changes may be summarized as follows:—

- (1) Beginning with the taxation year 1944, losses incurred by corporations or individuals engaged in business, including farmers, may be offset against income of the previous taxation year or of the three succeeding taxation years. This replaced a previous provision allowing a one-year carry-forward (two years for farmers).
- (2) Double the normal depreciation rates are to be allowed on assets purchased by a taxpayer after a date to be fixed by Order in Council. This date has since been fixed as Nov. 10, 1944.
- (3) One-half of expenditures on maintenance and repairs incurred by a taxpayer, after a date to be fixed by Order in Council, may be carried back into income of any fiscal period of the taxpayer ending after Dec. 31, 1942.
- (4) Scientific research expenditures are to be allowed as a deduction either in the year of taxation if of a current nature, or over a three-year period if of a capital nature.
- (5) In order to give certainty to new businesses commencing after June 26, 1944, in respect of their excess profits tax liability, it is provided that in the first fiscal year of the business the rate of excess profits tax should be limited to 22 p.c.
- (6) Under the excess profits tax it is also provided that the refundable portion of the tax may be assigned by a taxpayer as security when the Governor in Council is satisfied that the taxpayer will be enabled to make capital expenditures providing substantial employment and contributing to post-war reconversion.