

profits tax on individuals in business was eliminated and corporation tax rates were revised in such a way that the minimum Federal tax was reduced from 40 p.c. to 30 p.c. and the maximum from 60 p.c. to 45 p.c. A provincial corporation tax of 5 p.c. became collectable by the Federal Government in those provinces that entered into Dominion-Provincial Tax Agreements.

The 1947-48 Budget included further tax reductions in both the individual and corporation fields. Effective July 1, 1947, the rates of individual income tax were lowered for all ranges of income; the reduction amounted to 54 p.c. in the lowest levels of income and tapered down to 6 p.c. or 7 p.c. at the highest levels. Over a wide range of the so-called middle income brackets, the reduction was, on the average, 29 p.c. In the corporate field, the excess profits tax was eliminated as of Jan. 1, 1948.

In the 1948-49 Budget there were only minor changes in the individual and corporation tax provisions and no changes in basic rates. However, the exemption for Federal succession duties was raised from \$5,000 to \$50,000.

The place that direct taxation has assumed in the general taxation picture and its incidence on the purse of the ordinary taxpayer has made it advisable to give this subject separate treatment but this should not detract attention from the important place that indirect taxation, through customs, excise and sales taxes, still holds in the taxation burden that the individual taxpayer is called upon to bear. (See Table 6, p. 967.)

In order to present a clearer picture of the main elements of direct or semi-direct taxation, Part II has been divided into three Sections, dealing with income tax, gasoline taxes and succession duties, respectively.

Section 1.—Income Tax*

The income tax was instituted in 1917, as a part of what was known as war-tax revenue. Before the outbreak of the Second World War it had become a permanent and important part of the taxation structure, and the chief source of raising ordinary revenue. In many respects, it is an ideal form of direct taxation: in theory its incidence is admittedly fair and just, and the experience and machinery for the collection of this tax has been built up over a long period of years. The War, with its increased burden of taxation which, in turn, has made necessary the prepayment of taxes on a "pay-as-you-go" basis, has necessitated changes in the presentation of the statistics. Previously, comparisons for individuals between income assessed and tax paid were subject to the important qualification that, while the *income assessed* related to the net income upon which assessments had been approved for the year designated although the income itself was earned two years previously, the figures of *tax paid* included arrears of taxes that were assessed in previous years

* Revised by M. F. Sprott, Chief Statistician, Taxation Division. More detailed information is given in the annual report "Taxation Statistics" published by the Taxation Division, Department of National Revenue, Ottawa.