

Income Tax

The income tax revenue shown in Table 19 represents collections made by the Taxation Division of the Department of National Revenue under the authority of the Income War Tax Act (c. 97, R.S.C. 1927) as amended and the Income Tax Act (11-12 Geo. VI, c. 52).^{*} The Acts cover more than income tax proper, as corporation taxes are coming to be regarded in a different light from those on the income of individuals. Income tax on individuals and on corporations is treated separately in Part II of this Chapter, at pp. 1044-1048.

Details of income tax changes in the Budgets of 1945-46, 1946-47 and 1947-48 are given at pp. 1008-1009 of the 1948-49 Year Book.

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 tax on dividends and interest (Sect. 9B of the Act) is levied at the rate of 5 p.c. on interest paid by Canadian debtors (except provinces and municipal or public bodies) in a currency which is at a premium in excess of 5 p.c. over Canadian funds, and at the rate of 15 p.c. on dividends received by persons who are non-residents of Canada, and on interest received from or credited by Canadian debtors to non-residents, except in the case of Government of Canada or Government of Canada guaranteed bonds, and also on interest received by a non-resident parent company from a Canadian subsidiary, except where an agreement had been entered into prior to Apr. 1, 1933, for the payment of such interest in a currency other than Canadian. The tax also includes fees for copyrights and rights for the use of films, phonograph records and similar devices. The tax on rents and royalties (Sect. 27) is imposed at the rate of 15 p.c. on non-residents in respect of the gross amount of all rents, royalties, etc., for the use in Canada of real or personal property, patents or for anything used or sold in Canada. The gift tax (Sect. 88) is imposed at the rate of 10 p.c. on gifts up to \$5,000 and at rates varying from 11 p.c. to 28 p.c. on gifts from \$5,000 to \$1,000,000 or over. Section references in this paragraph and in Table 19 relate to the Income War Tax Act.

The Budget for the fiscal year ending Mar. 31, 1950, was presented to Parliament on Mar. 22, 1949. Parliament was dissolved before the provisions of the Budget were passed and it was reintroduced to the new Parliament with minor modifications on Oct. 20, 1949. The most significant feature of this Budget was the substantial abatement of personal income and excise taxes.

In the personal income-tax field exemptions were raised for persons with single status from \$750 to \$1,000, for persons with married status from \$1,500 to \$2,000, for children eligible for family allowance from \$100 to \$150, for other dependants from \$300 to \$400. The rates of the graduated rate schedule were substantially lowered.

Provision was made also for the allowance of a credit of 10 p.c. of the amount of dividends received from shares of Canadian taxpaying corporations against the personal income tax of a shareholder.

In the corporation income-tax field the rate of tax on the first \$10,000 of income was reduced from 30 p.c. to 10 p.c. Taken in conjunction with the 10 p.c. tax

^{*} The Income Tax Act which was assented to June 30, 1948 superseded the Income War Tax Act.