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 and the experience and machinery for the collection of this tax has been built up over a long period of years.

During the Second World War, income tax rates were increased to help finance the War, and a compulsory savings feature was adopted with respect to both individuals and corporations. Approximately $290,000,000 refundable portion was collected from individuals under the personal income tax, and approximately $260,000,000 from individuals and corporations under the excess profits tax. Repayment of the refundable portion of individual income tax was completed in 1949, and approximately one-half of the refundable portion of excess profits tax was repaid by 1950.

Since the end of the War, the weight of individual income tax was reduced each year up to and including 1949, and more generous exemption allowances were given. However, the expansion of personal incomes and the growth of the labour force offset to a considerable extent the effect of the reduction in rates. Corporation excess profits tax rates were also reduced and, as of Jan. 1, 1948, finally abandoned. Corporation income tax rates were raised from 18 p.c. to 30 p.c. concurrently with the dropping of the excess profits tax. In 1949, corporation income tax rates were changed to 10 p.c. on amounts up to $10,000, plus 33 p.c. on amounts in excess of $10,000, in the case of unconsolidated corporations.

The income tax revenue shown in Table **19** as shown in the *Public Accounts* 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).

Details of income tax changes in the Budgets of 1945-46, 1946-47, 1947-48, and 1948-49 are given at pp. 1008-1009 of the 1948-49 Year Book. Details of the tax changes in the 1949-50 Budget are given at p. 1002 of the 1950 Year Book. The change made in income tax rates in the 1950-51 Budget concerned corporation taxes only and is given at p. 979.

The tax on dividends and interest and on rents and royalties is levied at the rate of 15 p.c. on payments going to non-residents of Canada. The payments subject to tax include income from an estate or trust, alimony payments, rents from real property, and rents, royalties or similar payments for the use in Canada of property, trade names or inventions. There is no non-resident tax on interest from Government of Canada bonds or bonds guaranteed by the Government of Canada or where the interest is payable in other than Canadian currency. Where the payments are for interest from bonds of or guaranteed by a province of Canada, or are dividends paid by a wholly owned subsidiary to its parent company outside Canada the rate of tax is only 5 p.c.

The gift tax 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.

*More detailed information is given in the annual report "Taxation Statistics" published by the Taxation Division, Department of National Revenue.

†The Income Tax Act which was assented to June 30, 1948, superseded the Income War Tax Act.