The Budget for 1946-47, presented to Parliament in June 1946, proposed further tax reductions. Personal income tax structure was revised completely with lower rates and higher exemptions of $750 for single status and $1,500 for married status becoming effective from Jan. 1, 1947. From this date also the excess profits tax was removed from partnerships and sole proprietors and the rate on corporations was reduced to 15 p.c. on profits in excess of 116⅔ p.c. of standard profits. The flat rate of 22 p.c. on profits levied under the Excess Profits Tax Act was repealed and the corporation income tax rate was changed from 18 p.c. to 30 p.c. resulting in a 10 p.c. reduction in the combined over-all flat rate on corporations, in keeping with the Federal Government's obligation under the wartime tax agreements with the provinces.

During the fiscal year 1946-47, all wartime tax agreements between the Federal Government and the provinces expired. Under these agreements the provinces, in return for compensation, suspended their taxes on corporations and on personal income tax. It was apparent that without new agreements several provinces would be faced with difficult budget problems and a chaotic tax situation was likely to arise. When complete agreement could not be reached on a comprehensive plan put forward by the Federal Government for renewal and extension of these agreements a further offer was made in the Budget of June 1946, which the individual provinces could choose to accept or reject. As a result of this offer the Dominion-Provincial Tax Rental Agreements were completed in 1947 with all provinces except Ontario and Quebec, and with Newfoundland in 1949, when it became a province. These Agreements are dealt with in detail in the 1951 Year Book at pp. 1005-1008. As a corollary to that part of the offer which dealt with succession duties it was necessary for the Federal Government to double its rates of succession duties commencing Jan. 1, 1947, and to allow a credit up to one-half the federal duty for duties paid to a province.

Although a deficit had been forecast for 1946-47 very buoyant revenue resulted in a surplus of nearly $374,000,000 for the year, reflecting the rapid and highly successful transition from a wartime to a peacetime economy.

The Budget for 1947-48, presented to Parliament in April 1947, continued the program of gradual tax reduction. A new and lower schedule of rates on personal incomes was introduced to become effective on July 1, 1947, the excess profits tax was discontinued after Dec. 31, 1947, and the excise tax of 3 cents per gallon on gasoline was repealed from Apr. 1, 1947.

During 1947, the drain on Canada's reserve of United States dollars increased very rapidly as a result of the large capital expansion program and the high level of purchasing power in Canada and the inability to convert earnings in sterling into United States dollars. As a result, restrictions were placed on certain imports from the United States and, effective from Nov. 18, 1947, a number of new or increased excise taxes were imposed on goods manufactured in or imported into Canada. These taxes were levied on automobiles, cameras, radios and phonographs, electrical appliances, refrigerators, firearms, outboard motors and motorcycles but the excise tax on sugar and the sales tax on electricity and gas used in dwellings were repealed.

The accounts for 1947-48 finally showed a surplus for the year and the net debt was reduced by the amount of $676,000,000.

Because of continuing inflationary pressures and the desirability of budgeting for supluses while times were good, the Budget of 1948-49, presented to Parliament in May 1948, proposed no general tax reduction. The Income Tax Act was amended