

1950 and March 1951. (These regulations were withdrawn in May 1952.) In February 1951 the chartered banks agreed to adopt lending policies that would prevent any increase in the total of bank loans and investments; and in September 1950 the Canadian dollar was 'unpegged'. The rise in its value tended to reduce the cost of imports and the internal price of exports.

The 1953-54 Budget.—The Budget for 1953-54 was opened by the Minister of Finance on Feb. 19, 1953, and a number of tax changes were proposed.

In the 1952-53 Budget the device of a defence surcharge on personal income tax had been dropped. About two-thirds of the surcharge rate was incorporated in the new schedule of rates and the remaining third was abandoned, thus achieving an effective reduction in personal income tax. In the February 1953 Budget, the remaining two-thirds of what had once been a surcharge was dropped so that personal income tax returned to its pre-Korean level. This reduction took effect from July 1, 1953.

The tax on corporate income was reduced by increasing from \$10,000 to \$20,000 the amount of profits subject to the rate of 20 p.c. The standard rate of 50 p.c. applied previously to all profits over \$10,000 was reduced to 47 p.c. and applied to all profits over \$20,000. It was estimated that after these changes only 30 p.c. of corporate taxpayers would be paying the standard 47-p.c. rate. Also, the low rate of 20 p.c. to be applied to the first \$20,000 of profits was reduced to 18 p.c. In addition to the 18-p.c. and 47-p.c. rates there was, of course, the 2-p.c. old age security tax.

In addition to these rate reductions on personal and corporate income taxes, there was an increase in the amount of credit against personal income tax for dividends received from Canadian tax-paying corporations. The 10-p.c. credit provided in 1949 was increased to 20 p.c. in the February 1953 Budget, constituting a further attempt to reduce the element of double taxation of corporate income and to encourage Canadians to invest in the equities of Canadian companies.

The income-tax deduction for medical expenses, which allowed medical expenses in excess of 4 p.c. of income to be set against taxable income, was made more generous; the 1953-54 Budget provided that medical expenses in excess of 3 p.c. of income could be deducted from taxable income.

Other important changes made in the income-tax system included: the allowance of a deduction for dependent children over 21 years of age attending university; an increase of from \$600 to \$750 in the amount of income that a dependent might earn in a year; provision for deduction of expense allowances for municipal officials for income-tax purposes if they conform with the limits established for allowances for federal and provincial elected members; special provision to alleviate the tax on refunds paid out as a result of reorganizations of pension plans.

Following the post-war practice of withdrawing from minor tax fields that had been used by the provinces, the 1953-54 Budget proposed the repeal of the federal tax on the transfer of securities.

The Budget resolutions proposed reductions on the duty on certain items entering into costs of production, particularly on gasoline engines and wire rope of importance to the fishing industry, and on certain specialized items of equipment for the mining industry. The classifications under which universities, schools and hospitals can import scientific and medical apparatus and under which items for religious use are brought into the country free of duty were further widened.