

Income-tax rates were increased to help finance World War II, and a compulsory savings feature was adopted with respect to individuals and to corporations. A refundable portion of approximately \$295,000,000 was collected from individuals under the personal income tax during the war years and approximately \$220,000,000 from individuals and corporations under the excess profits tax. Repayment of the refundable portion of personal income tax was completed in 1949 and the refundable portion of excess profits tax was repaid by March 1952.

Since the end of the War, the weight of individual income tax was reduced each year up to and including 1949 and higher exemption allowances were given. However, the expansion of personal incomes and the growth of the labour force offset to a considerable extent the effect on revenue of the reduction in rates. Following the outbreak of war in Korea in 1950, rising defence costs led to an increase in the rates of personal income tax. A defence surtax of 20 p.c. was introduced in 1951 but this applied only at the rate of 10 p.c. to 1951 incomes. The Budget of 1952 announced a new schedule of rates which incorporated approximately two-thirds of the 20-p.c. defence surtax. The average of this schedule and the rates introduced in 1951 comprised the rates of tax on 1952 incomes. The Budget Speech of 1953 announced the elimination of the remaining portion of the 20-p.c. defence surtax. This meant a reversion to the schedule in force in 1949 and 1950. The average of this schedule and the rates of tax introduced in 1952 made up the rates applicable to 1953 incomes.

Taxes on corporation incomes were reduced following the end of World War II. Excess profits tax rates were also reduced and finally ceased to apply after Jan. 1, 1948. Concurrently with the ending of the excess profits tax, corporation income-tax rates were raised from 18 p.c. to 30 p.c.

To help small businesses, the tax rate on the first \$10,000 of profits was reduced to 10 p.c. in 1949 but, at the same time, the rate on profits in excess of \$10,000 was increased to 33 p.c. In the following years it became necessary to increase sharply the rates of tax on corporation profits and by 1953 they had become 20 p.c. on the first \$10,000 of profits plus 50 p.c. on amounts in excess thereof, with a credit against the tax equal to 5 p.c. of the profits earned in provinces that continued to levy a corporation income tax. The Budget for 1953-54 brought a reduction in the rates of corporation income tax to 18 p.c. on the first \$20,000 of profits, plus 47 p.c. on the remainder, with a credit against the tax equal to 7 p.c. of the profits earned in Quebec, the only province continuing to levy a corporation income tax.

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 of the 1951 Year Book. Income-tax changes made in the 1951-52 and 1952-53 Budgets are given at pp. 1029-1030 of the 1952-53 Year Book and the 1953-54 Budget changes are discussed in detail at pp. 1064-1065 of this volume.

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