

to 20 p.c. of the net dividends they receive from Canadian taxable companies; (2) *Foreign Tax Credit*—foreign taxes paid on income from foreign sources may be credited against Canadian income tax but the credit may not exceed the proportion of Canadian tax relative to such income; and (3) *Abatement under Federal-Provincial Arrangement*—in 1962 the federal personal income tax otherwise payable on income of a resident of a province and on income earned in a province is reduced by 16 p.c. and will increase by one percentage point a year until it becomes 20 p.c. in 1966.

To a very large extent individual income tax is payable as the income is earned. Taxpayers in receipt of salary or wages have tax deducted from their pay by their employer and in this way pay nearly 100 p.c. of their tax liability during the calendar year. The balance of the tax, if any, is payable at the time of filing the tax return before Apr. 30 in the following year. People with more than 25 p.c. of their income from sources other than salary or wages must pay tax by quarterly instalments throughout the year. Here again returns must be filed before Apr. 30 in the following calendar year.

The following statement shows what taxpayers pay at various levels of income. In calculating these taxes it has been assumed that all taxpayers take the standard deduction of \$100. No allowance has been made for the 20-p.c. dividend tax credit. In calculating the taxes shown for a married taxpayer with two children eligible for family allowances, a deduction of \$300 has been allowed for each child.

<i>Status</i>	<i>Income</i>	<i>Income Tax</i>	<i>Old Age Security Tax</i>
	\$	\$	\$
Single taxpayer—no dependants.....	1,200	11	3
	1,500	44	12
	2,000	99	27
	2,500	166	42
	3,000	236	57
	5,000	591	90
	10,000	1,840	90
	20,000	5,825	90
	50,000	20,965	90
	100,000	50,855	90
Married taxpayer—no dependants.....	2,200	11	3
	2,500	44	12
	3,000	99	27
	5,000	403	87
	10,000	1,544	90
	20,000	5,375	90
	50,000	20,415	90
	100,000	50,205	90
Married taxpayer—two children eligible for family allowances.....	2,800	11	3
	3,000	33	9
	5,000	301	69
	10,000	1,388	90
	20,000	5,105	90
	50,000	20,085	90
	100,000	49,815	90

The income taxes shown above are abated by 16 p.c. in all provinces. In all provinces except Quebec, Manitoba and Saskatchewan the provincial tax is the same as the federal abatement. Therefore in these provinces the taxes shown above are the combined federal and provincial taxes. In Quebec the provincial tax does not coincide with the federal abatement. In Manitoba and Saskatchewan the provincial tax exceeds the abatement by 6 p.c.

Corporation Income Tax

The Income Tax Act levies a tax upon the income from everywhere in the world of corporations resident in Canada and upon the income attributable to operations in Canada of non-resident corporations carrying on business in Canada.

In computing their income, corporations may deduct operating expenses including municipal real estate taxes, reserves for doubtful debts, bad debts and interest on borrowed money. They may not deduct provincial income taxes other than provincial taxes on