plans for his employees, bad debts, and expenses incurred for scientific research. In general, no deductions are allowed in computing income from salary and wages, although there are exceptions such as travelling expenses of employees who have to travel as they perform their work, union dues, alimony payments and contributions to registered pension plans. Individuals may deduct, within limits, amounts set aside to provide a future income under registered retirement savings plans. Students attending universities, colleges, high schools, public schools or certain other certified educational institutions in Canada may deduct their tuition fees if they exceed $25 per annum. Students in full-time attendance at universities outside Canada may deduct their tuition fees.

Having computed his income, the individual then calculates his taxable income by deducting certain exemptions and deductions. These exemptions and deductions are as follows: for single status, $1,000; for married status $2,000; for dependent children eligible to receive family allowance,* $300 per child; for other dependants (as defined in the law), $550 per dependant; where the taxpayer is over 65 years of age, an additional $500;† where the taxpayer is blind or confined for the whole of the taxation year to a bed or a wheelchair, an additional $500; charitable donations, up to 10 p.c. of income; and medical expenses, in excess of 3 p.c. of income. In lieu of claiming deductions for charitable donations and medical expenses an individual may claim a standard deduction of $100.

As already stated, an individual who is resident in Canada for the whole year is taxed on his income from both inside and outside Canada. An individual who is not resident in Canada at any time during the year but who carries on business in Canada or who earns salary or wages in Canada is taxed only on the income earned in Canada. In computing taxable income earned in Canada, such a non-resident individual is allowed to deduct that part of the exemptions and deductions that may reasonably be attributed to the income earned in Canada. (A non-resident who derives investment income from Canada is taxed in a different way described on p. 969.) An individual who ceases to be a resident of Canada during the year or who becomes a resident during the year so that he is resident for only part of the year will be subject to income tax in Canada on only that part of his income for the year received while he is resident in Canada. In these circumstances, the deductions from income permitted for determining taxable income will be the amount that may reasonably be considered as applicable to the period during which he is resident in Canada.

A progressive schedule of rates is applied to taxable income, beginning at 11 p.c. on the first $1,000 of taxable income and increasing to 80 p.c. on taxable income in excess of $400,000. In addition, an old age security tax is levied on taxable income at the rate of 4 p.c. with a maximum of $120 reached at the level of $3,000.

After calculating income tax using this progressive schedule of rates, an individual is allowed a deduction from his tax under four main headings. (1) *Dividend Tax Credit*—to partially eliminate the double taxation of corporate profits and to encourage participation in the ownership of Canadian companies, Canadian resident individuals are allowed to deduct from their tax an amount equal 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. (3) *Abatement under Federal-Provincial Fiscal Arrangements*—in 1965 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 21 p.c.; this abatement will increase to 24 p.c. in 1966.‡ (4) *General Tax Reduction*—in 1965 all individuals may deduct from their tax an amount equal to the lesser

* Family allowances are monthly welfare payments by the Federal Government to the parents or guardians of children under 16 years of age. The allowance is $6 for each child under 10 years of age and $8 for each child between the ages of 10 and 16. These allowances are not subject to income tax. Payments are also made in respect of children between the ages of 16 and 18 in full-time attendance at educational institutions; such payments of $10 a month are called youth allowances. The right to deduct $550 for a dependent child is not affected by the receipt of these youth allowances.

† For 1966 and subsequent taxation years this special deduction will not be granted to taxpayers under 70 years of age who receive an old age security pension.

‡ Except in the case of income earned in Quebec or received by a resident of Quebec where it is 44 p.c. in 1965 and will be 47 p.c. in 1966 (see p. 964).