

of 5 p.c. of their basic tax or \$300. In 1966 and subsequent taxation years this deduction will be the lesser of 10 p.c. of basic tax or \$600. "Basic tax" is personal income tax, excluding the old age security tax, after deduction of the dividend tax credit but before the abatement under the Federal-Provincial Fiscal Arrangements.

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. Persons 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 and 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 and no allowance has been made for the 20-p.c. dividend tax credit.

<u>Status</u>	<u>Income</u>	<u>Income Tax</u>	<u>Old Age Security Tax</u>
	\$	\$	\$
Single taxpayer—no dependants.....	1,200	10	4
	1,500	42	16
	2,000	94	36
	2,500	158	56
	3,000	224	76
	5,000	561	120
	10,000	1,748	120
	20,000	5,534	120
Married taxpayer—no dependants.....	50,000	20,665	120
	100,000	50,555	120
	2,200	10	4
	2,500	42	16
	3,000	94	36
	5,000	383	116
	10,000	1,467	120
	20,000	5,106	120
Married taxpayer—two children eligible for family allowances.....	50,000	20,115	120
	100,000	49,905	120
	2,800	10	4
	3,000	31	12
	5,000	286	92
	10,000	1,319	120
	20,000	4,850	120
	50,000	19,785	120
	100,000	49,515	120

The income taxes shown above are the combined federal and provincial taxes in all provinces where the provincial tax is the same as the federal abatement (i.e., in all provinces except Quebec, Manitoba and Saskatchewan). In Quebec the provincial tax approximates the federal abatement; in Manitoba the provincial tax exceeds the abatement by 5 percentage points and in Saskatchewan by 6 percentage points.

Exemption from Tax.—The income from a new manufacturing or processing business established in certain designated areas of slower growth by an individual or corporation during the period commencing on Dec. 5, 1963 and terminating on Mar. 31, 1967 is eligible for a three-year exemption from income tax.

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 income derived from mining operations. (For this purpose "income from mining operations" is specially defined.)