amounts which may reasonably be considered as applicable to the period during which he is resident in Canada.

A non-resident who disposes of taxable Canadian property (shares of Canadian public corporations are excluded unless ownership exceeds 25%) is liable for tax on one half of any capital gain. Capital gains or losses from the disposal of taxable Canadian property are combined with the non-resident's Canadian employment or business income. This taxation of capital gains is subject to restrictions in a number of tax treaties between Canada and other countries.

Two provisions were enacted in 1971 to provide for averaging income over a period of years where income for a year is unusually high. The first of these is an averaging calculation that will be made by the Department of National Revenue if an individual's income for the year is 20% more than the average of his incomes for the preceding four years and 10% more than his income for the immediately preceding year. This calculation, which will be made without application by the taxpayer, will reduce the effects of the progressive schedule of rates upon an unusual increase in income in the year. The calculation will first be made for 1973, using 1972 as a base. It will not be possible to use four preceding years in the base until 1976. The second averaging device, which first became effective for 1972, is by the purchase of a special type of annuity contract called an income-averaging annuity. The cost of this annuity contract is deductible from income in the year it is purchased and the annuity payments are included in income when received. Only certain kinds of income may be used to purchase an income-averaging annuity. These include capital gains, a lump sum from a pension plan, proceeds from a literary or artistic work or amounts received from activities as an athlete, musician or public entertainer.

The amount of tax is determined by applying a progressive schedule of rates to taxable income. The tax bracket limits are adjusted yearly by means of the indexing mechanism to reflect the rate of inflation. Thus taxpayers are prevented from being pushed into higher marginal tax brackets in the absence of real growth in their income. The schedule of rates starts at 9% on the first $587 of taxable income (first unit) and increases to 47% on taxable income in excess of $70,440. The Income Tax Act provides that the rate of tax on the first bracket of taxable income will be reduced to 6% in 1976.

After all calculations are made, there may be deducted from the tax otherwise payable an amount, called the federal tax credit, equal to the greater of $200 or 8% of tax payable to a maximum of $750.

Individuals who reside in the Yukon Territory or the Northwest Territories or who reside outside Canada but are deemed to be residents in Canada for tax purposes (such as diplomats and others posted outside the country) must pay an additional tax of 30% of their tax otherwise payable. This tax is intended to correspond in an approximate way to the income tax imposed by the provinces on their residents.

An individual who receives a taxable dividend from a Canadian corporation is allowed to deduct an amount called a dividend tax credit from his tax otherwise payable. This is in recognition of the fact that the earnings from which the dividend is paid have borne corporation income tax. It also provides encouragement for Canadians to participate in ownership of Canadian corporations. The individual increases the amount of the dividends he has received by one third and includes this additional one third in his income. He then deducts from his tax an amount equal to four fifths of the additional one third that was included in his income.

An individual who receives income from foreign sources may deduct from his tax the amount of tax he has paid to a foreign government on his foreign source income. This deduction may not exceed the Canadian tax related to such income.

An individual who earns income in Quebec may deduct 24% of his tax attributable to such income. This abatement of tax is in recognition of the fact that Quebec entirely finances certain programs which are partly financed by the federal government in other provinces.

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% 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 on or before April 30 of the following year. Individuals with more than 25% of their income in a form not subject to tax deductions at the source must pay tax by quarterly instalments throughout the year. Returns of these