income tax results in automatic adjustments each year to reflect the inflation rate in the levels of exemptions and deductions. The adjusted personal exemptions and deductions for each year are based on such factors as married or single status, dependent children, other dependents, charitable donations, medical expenses, income of a spouse and/or children, age (if 65 or over) and certain disabilities. Details are provided in the annual Tax Guide which is sent to each taxpayer; copies are also available in post offices and district taxation offices.

The deadline for individual income tax is April 30 for income of the previous calendar year. Most of the income tax returns are received in March and April, and during the first week of May. Until 1975, all individual income tax returns were mailed to the Taxation Data Centre in Ottawa, where initial processing took place. With the official opening on January 20, 1976 of the Data Centre, Prairie region, residents of Manitoba, Saskatchewan, Alberta and most of the Northwest Territories sent their completed tax forms to Winnipeg for initial processing. This involved approximately 2 million returns or 16% of the total for Canada.

The Winnipeg centre is the first in a series of regional centres being established as part of the decentralization of taxation data processing facilities. The decentralization plans are the result of mounting space and staff demands on the Taxation Data Centre in Ottawa. In 1976, there were close to 12 million taxpayers in Canada and estimates show this number will increase to almost 15 million by 1980 and to 18 million by 1985.

Two provisions enacted in 1971 provided for averaging income over a period of years where income for a year is unusually high. The first is an averaging calculation that is made by Revenue Canada 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 preceding year. This calculation, which is made without application by the taxpayer, reduces the effects of the progressive schedule of rates upon an unusual increase in income in the year. The calculation was first made for 1973, using 1972 as a base. It is possible to use four preceding years in the base commencing in 1976. The second averaging device, which first became effective for 1972, is by way of purchase of a special type of annuity contract called an income-averaging annuity. The cost of this annuity is deductible from income in the year it is purchased and the annuity payments are included in income when received.

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. 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 for the 1976 taxation year started at 6% on the first $654 of taxable income (first unit) and increased to 47% on taxable income in excess of $78,420.

After all calculations are made, there is deducted from the tax otherwise payable an amount, called the federal tax cut. In 1976, this was equal to the greater of $200 or 8% of tax payable to a maximum of $500. In addition, a surtax of 10% of federal tax otherwise payable in excess of $8,000 was applicable for the 1976 taxation year. This surtax applied to those with taxable income in excess of $30,000.

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 (30% in 1976) 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.

To a large extent, individual income tax is payable as income is earned. Taxpayers in receipt of salary or wages have tax deducted from pay by the 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