

Canadian tax law uses the concepts of income and taxable income. Income means income from all sources inside or outside Canada and includes income for the year from businesses, property, offices and employment. Since January 1, 1972, it has also included half of any capital gains.

In computing income, an individual must include benefits from employment, fees, commissions, dividends, annuities, pension benefits, interest, alimony and maintenance payments. Also included are unemployment insurance benefits, family allowance payments, scholarships in excess of \$500, benefits under a disability insurance plan to which his employer contributes and other miscellaneous items of income. A number of items are expressly excluded from income, including certain war service disability pensions, social assistance payments, compensation for an injury or death under provincial worker compensation acts, family income security payments and guaranteed income supplement which is a payment made to individuals over age 65 who have little or no income in addition to their old age pension.

Taxable capital gains are determined by deducting capital losses from capital gains and dividing by two. If losses exceed capital gains, \$2,000 of allowable capital losses may be deducted from other income. Allowable capital losses that are not absorbed in the same year may be carried over to apply in other years. Losses on small business shares can be written off against other income without limit. Capital gains or losses relate to disposition of property. Other gains or losses, for example, resulting from a lottery or gambling, are not included. The sale of personal property at a price not exceeding \$1,000 and the sale of a home do not give rise to a capital gain or loss.

Certain amounts are deductible in computing income. Detailed information is available from Revenue Canada, Taxation.

Individual income tax statistics collected by Revenue Canada, Taxation are presented in Tables 22.9 - 22.12 on a calendar-year basis and are compiled from a sample of all returns received. Taxpayers and amounts of income and tax are shown for selected cities and by occupational class and income classes.

**Corporation income tax.** The Income Tax Act levies a tax upon the worldwide income of corporations resident in Canada and upon the income attributable to operations in Canada of non-resident corporations carrying on business in Canada. Half of capital gains must be included in income. In computing income, corporations may deduct operating expenses such as wages and salaries, costs of goods sold, municipal real estate taxes, reserves for doubtful debts, bad debts and interest on borrowed money.

Statistics on the taxation of corporate income showing a reconciliation of income taxes to taxable

income and book profits are published on an industry basis in *Corporation taxation statistics* (Statistics Canada 61-208). Data for 1978, 1979 and preliminary data for 1981 are summarized for nine industrial divisions in Table 22.9. Taxable income data are also available on a provincial basis, as shown in Table 22.14 for years 1977-80 and 1981 preliminary.

**Excise taxes** collected by Revenue Canada, Customs and Excise are given for the years ended March 31, 1979-82 in Table 22.15.

A drawback of 99% of the duty may be granted when domestic spirits, testing not less than 50% over proof, are delivered in limited quantities for medicinal or research purposes to universities, scientific or research laboratories, public hospitals or health institutions in receipt of federal and provincial government aid.

The Excise Tax Act levies a general sales tax and special excise taxes. These taxes are levied on goods imported into Canada as well as on goods produced in Canada. They are not levied on goods exported.

Some goods are exempt from sales tax. Drugs, electricity, fuels for lighting or heating, all clothing and footwear, foodstuffs and a comprehensive list of energy conservation, transportation and construction equipment are exempt. In addition articles and materials purchased by public hospitals and certain welfare institutions are not subject to sales tax. The products of farms, forests, mines and fisheries are, to a large extent, exempt as is most equipment used in farming and fishing. Machinery and equipment used directly in production, materials consumed or expended in production and equipment acquired by manufacturers or producers to prevent or reduce pollution to water, soil or air from their manufacturing operations are all exempt. A number of items are exempt when purchased by municipalities. These and other exemptions are set forth in the Excise Tax Act.

The Excise Tax Act also imposes a number of special excise taxes in addition to the sales tax. Where these are ad valorem taxes they are levied on the same price or duty-paid value as the general sales tax. Those levied as at December 31, 1981 and 1982 are given in Table 22.16.

**Excise duties.** The excise act levies taxes (referred to as excise duties) upon alcohol, alcoholic beverages other than wines and tobacco products. These duties are not levied on imports but the customs tariff applies special duties to these products equivalent to the excise duties levied on the products manufactured in Canada. Exported goods are not subject to excise duties.

The duties on spirits are on a proof gallon basis. They do not apply to denatured alcohol intended for use in the arts and industries, or for fuel, light or power, or any mechanical purpose. Canadian brandy