

A reduction was made in the rates of personal income tax; each of the rates in the graduated rate schedule was lowered by two percentage points. This meant a reduction in tax ranging from 13.3 p.c. for lower income taxpayers to 2.8 p.c. for those with large incomes. The reduction became effective on July 1, 1955 so that for the calendar year 1955 the amount of the reduction was only one-half the percentages referred to above.

The rate of tax on taxable income of corporations in excess of \$20,000 was reduced from 47 p.c. to 45 p.c. and the reduction applied to income earned after Jan. 1, 1955.

The law was amended to provide that future rentals from real property would be taxed as income from carrying on a business rather than as income from investments. Also future expenses of printing, professional fees and other costs incurred by a business incidental to borrowing money or issuing shares would be deductible as a business expense.

The right of investment companies to elect to be taxable or exempt was withdrawn and all investment companies are required to pay a tax of 20 p.c. on their taxable income. The rules under which a corporation can qualify as a "non-resident owned investment corporation" or a "foreign business corporation" were made more restrictive.

In the field of commodity taxes the special excise tax on passenger automobiles was reduced from 15 p.c. to 10 p.c. and the 10 p.c. special excise tax on tires and tubes was repealed.

A number of items were added to the schedule of articles exempt from the general sales tax including materials to be used in the manufacture or production of feeds for poultry, livestock or fur-bearing animals; creosote oil and other wood preservatives for use in the treatment of timber, poles and lumber; materials to be used in the production of terrazzo flooring; perforated fibre drainage pipe four inches or under in diameter; rims for kitchen sinks; floor tile and wall paper.

The Budget resolutions contained proposals regarding approximately 80 tariff items. A number of these were amendments to remove uncertainties and administrative difficulties but there were also tariff reductions affecting a wide range of items including chemicals used in animal foodstuffs, poultry processing equipment, fishing vessels, processing equipment used by the fishing industry, dentists' chairs, aircraft parts, and articles and materials used in the training of mentally retarded children. After considering a report of the Tariff Board, a duty of 7½ p.c. was imposed on polyethylene resins and on phenol-aldehyde resins. Also on the recommendation of the Tariff Board, a common duty of 10 p.c. was placed on ethylene glycol used in making anti-freeze and the duty on finished anti-freeze was reduced from 20 p.c. to 15 p.c.

No change was made in old age security taxes. It was announced that the deficit of \$46,000,000 incurred in the Old Age Security Fund during the year ended Mar. 31, 1954 and carried as a temporary loan would be charged to 1954-55 expenditures and that the deficit incurred in 1954-55 estimated at \$62,000,000 would be charged to 1955-56 expenditures.

All the tax changes announced were estimated to result in a loss of revenue of about \$207,000,000 in a full year and \$148,000,000 in the year ended Mar. 31, 1956.

### Subsection 1.—Balance Sheets of the Federal Government

Table 7 shows the balance sheets of the Federal Government as at Mar. 31, 1954 and 1955. The figures of this table are on a basis not strictly comparable to those in previous Year Books.