

b) Foreign tax credit:

Foreign taxes paid on income from foreign sources may be deducted from Canadian income tax, but the deduction may not exceed the proportion of Canadian tax related to such income.

c) Abatement under federal-provincial arrangements:

In 1967, the federal personal income tax otherwise payable on income of a resident of a province and on income earned in a province is reduced by 28 per cent.*

d) General tax reduction:

In 1967, all persons may deduct from their federal income tax an amount equal to the lesser of 20 per cent of "basic tax" or \$20. "Basic tax" is personal income tax excluding the old-age security tax after deduction of the dividend tax credit but before abatement for provincial income tax.

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 per cent 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 April 30, in the following year. People with more than 25 per cent of their income from sources other than salary or wages must pay tax by quarterly instalments throughout the year. Here again, returns must be filed before April 30 in the following calendar year. Farmers and fishermen pay two-thirds of their tax on or before December 31 each year and the remainder on or before April 30 in the following year.

The following table shows what taxpayers pay at various levels of income:

* Except in the case of income earned in Quebec or received by a resident of Quebec, where it is reduced by 50 per cent (see Introduction).