

DIGEST OF THE BUSINESS PROFITS WAR TAX ACT

(b) AN INDIVIDUAL†

CAPITAL \$100,000, PROFITS \$43,000, or 43%

Under "Business Profits Act"

| | |
|---------------------------------|---------|
| Up to 10%, or \$10,000..... | Exempt |
| 15%, or 5,000 at 25%..... | \$1,250 |
| 20%, or 5,000 at 50%..... | 2,500 |
| Over 20%, or 23,000 at 75%..... | 17,250 |

\$21,000*

Under "Income Tax Act"

| | |
|---------------------------------------|-----------------|
| Profits..... | \$43,000 |
| Exempt..... | 3,000 |
| Taxable Income..... | <u>\$40,000</u> |
| Normal Tax and Super-Taxes } | <u>\$4,280</u> |

*The note to Example (a) also applies to this Example.

†In the case of a *Partnership*, the Partnership would pay the tax of \$21,000, but each partner would be entitled to deduct from his personal Income Tax such proportion of the Business Profits Tax as may correspond to his interest in the income of the partnership.

Computation of Profits

Profits are the net profits arising in the accounting period. Sec. 6
Sub-Sec. 1

The profits of a non-Canadian company are the net profits arising from its Canadian business including both domestic and export business. Sec. 6
Sub-Sec. 2

No deductions from gross profits for depreciation or for any expenditure of a capital nature for renewals, or for the development of a business, are allowed, except such amount as appears to the Minister to be reasonable and to be properly attributable to the accounting period. The Minister, when determining profits derived from mining, shall make an allowance for the exhaustion of the mines. Sec. 6
Sub-Sec. 3

Any deduction made from gross profits for the remuneration of Directors, Managers and other persons concerned in the management of a business may not, unless the Minister otherwise directs, exceed the sums deducted for such purposes in the last accounting period ending before January 1, 1915. No deductions shall be allowed in respect of any transaction Sec. 6
Sub-Sec. 4