proposed a new basis on which to tax corporations and their shareholders, changes in the tax treatment of resource industries, new rates for small businesses, and new provisions to deal with Canadians doing business abroad and non-residents investing in Canada. The new system sought to achieve more balance and equity in the tax structure — taxing persons in similar circumstances similarly but assuring that no one carried an inappropriate share of the total tax load.

The measures sought by the Government were enacted by Parliament in December 1971, and the new legislation came into effect on January 1, 1972. Since then, other tax changes have been legislated to complement the tax-reform exercise. These included further exemption increases, lower personal tax-rates, and a number of new incentive measures designed to assist the manufacturing and processing sectors of the economy. It also introduced, effective in 1974, a system of indexing the tax-rates and exemptions so that the interaction of inflation and the progressive tax system would no longer erode taxpayers' purchasing power.

FEDERAL TAXES

Personal income tax

Computation of income Every individual resident in Canada is liable for the payment of income taxes on all of his world income on a yearly basis. His first step in determining the amount of income tax payable is to compute his income for the year, including salaries, wages, benefits received from employment, fees, commissions, dividends, annuities, pensions, interest and since 1972, one-half of realized capital gains. Also included are the benefits received under the unemployment insurance program, scholarships in excess of $500, research grants, and other types of income.

Benefits such as social assistance payments, war service disability pensions and compensation paid under the workmen's compensation act of a province do not have to be included in income. A similar exemption applied to family allowances until the end of 1973.

Deductions Certain amounts are deductible in computing income. These include a variety of expenditures or costs to the taxpayer that are generally related to earning income, including:

Contributions to a registered employee pension plan or registered retirement savings plan, and premiums to the unemployment insurance fund;