required to pay tax on the part of his income earned in Canada. Canadian taxation practice is based to a large extent on British experience. This is reflected particularly in the fact that taxation is on the basis of residence rather than citizenship, and in the tax freedom for capital gains. The term "residence" is difficult to define simply but, generally speaking, it is taken to be the place where a person resides or where he maintains a dwelling ready at all times for his use. There are also extensions of the meaning of Canadian resident to include a person who has sojourned in Canada for an aggregate period of 183 days in a taxation year, or a person who was during the year a member of the armed forces of Canada, or an ambassador, a high commissioner, or an officer or servant of Canada or of any one of its provinces, or the spouse or dependent child of any such person.

The Canadian tax law uses the conceptions "income" and "taxable income". The income of a resident of Canada for a taxation year comprises his revenues from all sources inside or outside Canada and includes income for the year from all businesses, property, offices and employments. It does not include capital gains unless they arise out of the conduct of a business or as a result of an adventure in the nature of trade.

In computing his income for a taxation year, an individual must include all dividends, fees, annuities, pension benefits, allowances, interest, alimony, maintenance payments and other miscellaneous sources of income. On the other hand, war-service disability pensions paid by Canada or an ally of Her Majesty at the time of the war service, unemployment-insurance benefits, compensation in respect of an injury or death paid under a workmen's compensation act of a province and family allowances do not have to be included in the computation of income.

In computing his income, an individual who is carrying on business may deduct business expenses, including depreciation (called capital-cost allowances), interest on borrowed money, reserves for doubtful debts, contributions to pension plans or deferred profit-sharing plans for his employees, bad debts, and expenses incurred for scientific research. In general no deductions are allowed in computing income from salary and wages, though there are exceptions. These exceptions include travelling expenses of employees who have to travel as they perform their work (such as employees on trains), union dues, alimony payments, and contributions to registered pension plans. Individuals may, within limits, deduct amounts set aside to provide a future income under registered retirement savings plans. Students attending universities, colleges, high schools, public schools or certain other certified educational institutions in Canada may deduct their tuition fees if they exceed $25 per annum. Students in full-time attendance at universities outside Canada are also allowed to deduct their tuition fees.

Having computed his income, the individual calculates his taxable income by deducting certain exemptions and deductions. These are as follows:

For single status, an exemption of	$1,000
For married status, an exemption of	$2,000
For dependent children eligible to receive family allowance*	$ 300 a child

* Family allowances are monthly welfare payments by the Federal Government to the parents or guardians of children under 16 years of age. The allowance is $6 for each child under ten years of age and $8 for each child between the ages of ten and 16. These allowances are not subject to income tax. The 1964 Budget announced that the programme would be extended to cover children between the ages of 16 and 18 in full-time attendance at educational institutions. Such payments will be called youth allowances and will amount to $10 a month. The right to deduct $550 for a dependent child will not be affected by the receipt of these youth allowances.