income is allocated among the partners in accordance with their partnership agreement or in extreme cases in accordance with the governing provincial law.

Joint ventures will not be regarded as partnerships. The participants in a joint venture will be treated like any other taxpayer in respect of revenues earned and expenses incurred as a result of their participation in the venture.

Care should be exercised by those who are party to these endeavors because the Income Tax Act of Canada applies in different fashion to these different forms.

## Individual Taxation

This publication is intended primarily for the business investor and for this reason the matter of individual taxation is treated in the broadest sense. Businesses and individuals should investigate the question of individual taxation further with the appropriate federal or provincial authorities and with their professional accounting and legal advisers.

*Federal*

Every individual who is resident in Canada in the year is liable for personal income tax on his income for the year from all sources inside or outside Canada.

The determination of whether a person is resident is a question of fact, but any individual who stays in Canada for 183 days or more in a year is deemed to have been a resident in that year. Special rules apply to those who reside abroad for part of the year. Federal tax rates for individuals in Canada range from 6 to 34 per cent of taxable income.

Residents of Canada are generally taxable on their world income even though part of this income may have been taxed in a foreign country. To ensure that foreign income is not subject to double taxation, the foreign tax credit provisions allow foreign taxes to offset the Canadian tax otherwise payable on such income. Foreign taxes paid on income from a business carried on by a taxpayer in a foreign country, in excess of the foreign tax credit available, may be carried forward for five years.

Income includes income from a business; wages and salary; dividends; director's fees; the interest element of annuity payments; interest; alimony received; income from estates; payments based on the use of real or personal property; one-half of capital gains (none is levied on the sale of an individual's principal residence); payments from certain income maintenance plans; adult training allowances; unemployment insurance benefits; amounts contributed on an employee's behalf to a public medical care plan; scholarships, fellowships and bursaries, as well as stock option and purchase plans.

Canadian individuals may invest in an Indexed Security Investment Plan. The plan will have the effect of eliminating the tax on the inflationary portion of capital gains on publicly traded shares of Canadian companies resulting in a significant tax reduction on capital gains on eligible investments.

An unincorporated taxpayer carrying on business in Canada may generally deduct, in computing his income, the same types of expenses as the corporate taxpayer (that is, those incurred for the purpose of earning business income). Other allowable deductions permitted in computing income include union and professional dues, moving expenses, child care expenses, employment expenses, contributions to registered retirement savings plans, registered pension plans, and registered home ownership savings plans.

A student is allowed to deduct tuition fees paid for recognized courses to gain a university degree or high school matriculation certificate, or to acquire a technical skill to improve his qualifications for employment or business.

The employment expense deduction is currently 3 per cent of a taxpayer's income from an office or employment up to a maximum of $500 a year. Recently proposed amendments will increase the 3 per cent limit to 20 per cent. No receipts are necessary. The employment expense deduction is not permitted to a commission salesman who may instead deduct his expenses incurred in earning commissions up to the amount of the commissions earned.

A taxpayer may, in computing his taxable income, deduct up to $1,000 of interest or dividend income and taxable capital gains from the disposition of Canadian securities. Dividend income or capital gains from shares held in an Indexed Security Investment Plan, however, are not eligible for this deduction. An individual with taxable dividends from a Canadian corporation is entitled to a dividend tax credit.

A number of personal exemptions and other deductions are allowed in computing taxable income. These include deductions for charitable contributions not exceeding 20 per cent of income, and medical expenses in excess of 3 per cent of the taxpayer's income.

In addition to a basic personal deduction, specified deductions are provided to taxpayers who have a dependent spouse or dependent children. A child tax credit may also be available provided family income does not exceed a threshold amount. Income tax on salaries and wages is deducted by the employer according to the established tax rates. The total of these deductions should approximate 100 per cent of the total tax payment due April 30 of the following year. The balance to be paid or refunded is calculated when a return for the year is filed. Taxpayers with more than 25 per cent of their income from sources not subject to deductions at source must pay tax by quarterly instalments.