

federal income tax, to which Parliament gave the name "Income War Tax Act". The Act carried effective rates of tax on personal incomes ranging from 4 per cent to 29 per cent. Corporations were taxed at a flat rate of 4 per cent.

In the years that followed, numerous amendments to the 1917 legislation were passed that led the Government to adopt the 1948 Income Tax Act, and later, as part of a general revision of the federal statutes, the Income Tax Act of 1952. The latter remained the federal taxing statute until 1972, when amendments proposed as part of an extensive reform of the system came into effect. This long and controversial tax-reform program was unprecedented for Canada and has been described as a landmark in the history of Canadian law-making.

"Tax reform" began in 1962, with the appointment of the Royal Commission on Taxation under the chairmanship of the late Kenneth Carter. For almost six years, the commissioners analyzed and assessed meticulously all aspects of a 45-year-old system that had been the product of many years of changes, additions and deletions. Their work came to an end in 1967, with the presentation of a report recommending sweeping changes in the tax system.

The Government of the day acknowledged the commissioners' efforts and the need for a new, fresh and more equitable approach to taxation. Two years later, a White Paper outlining the Government's own proposals — based in many respects on the work of the royal commission — was tabled in the Commons. Following this, the Government invited public comment on its proposals and further discussion took place. This time, two Parliamentary committees — the Commons Committee on Finance, Trade and Economic Affairs and the Senate Committee on Banking, Trade and Commerce — undertook to assess the proposals in the White Paper and to publish reports and recommendations of their own. Provincial governments were invited to comment upon and criticize the White Paper and to make counter-proposals. In all, some 26,000 letters, briefs and other submissions were received in the Department of Finance.

Drawing from this lengthy and thorough exchange with the public, business groups, the provinces and the Commons and Senate committees, the Government introduced comprehensive legislation to amend the Income Tax Act as part of the budget of June 18, 1971.

The 1971 bill proposed higher exemptions for individuals and their families; new deductions, including amounts for employment and child-care expenses; the taxation of capital gains and other important forms of income previously ignored by the system. It also