

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, although 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 deduct, within limits, 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 then calculates his taxable income by deducting certain exemptions and deductions. These exemptions and deductions are as follows:

For single status	\$1,000
For married status	\$2,000
For dependent children eligible to receive family allowance*	\$ 300 a child
For other dependants (as defined in the law)	\$ 550 a dependant
Where taxpayer is over 65 years of age**	additional \$500
Where taxpayer is blind or confined for the whole of the taxation year to a bed or a wheelchair	additional \$500
Charitable donations	up to 10 per cent of income
Medical expenses	in excess of 3 per cent of income
Union or professional association dues	unrestricted

In lieu of claiming deductions for charitable donations and medical expenses an individual may claim a standard deduction of \$100.

* 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 10 years of age and \$8 for each child between the ages of 10 and 16. These allowances are not subject to income tax. Payments are also made in respect of children between the ages of 16 and 18 in full-time attendance at educational institutions. Such payments are called youth allowances and amount to \$10 a month. The right to deduct \$550 for a dependent child is not affected by the receipt of these youth allowances.

** For 1966 and subsequent taxation years this special deduction will not be granted to taxpayers under 70 years of age who receive an old-age security pension.