
THE ROYAL TRUST COMPANY, MONTREAL

A PARTNERSHIP NOT TAXED.

No income tax is levied on partners collectively, but each partner individually must pay the tax on his proportion of the firm's profits.

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EXAMPLES

(a) Married man with three children under 18. Salary, \$1,800. His exemptions (\$2,000 for his wife and \$200 for each child) amount to \$2,600. Result, no tax. His income will have to rise above \$2,600 before he has to pay anything under the present law.

(b) Unmarried man with no dependents. Salary, \$1,200. Earned also \$36 by work in his spare time. Drew a War Disability Pension of \$96. His \$200 tax-free Victory Bonds yielded \$11. On the other hand, \$48 was kept back from his salary as his contribution to a superannuation fund; and he lost \$50 by stock speculation.

Apparently his net income was \$1,245, after deducting the \$48 and the \$50 from the total of \$1,343. But, for the purpose of the income tax he is not allowed to deduct that \$50 loss. On the other hand, he is allowed to deduct not only the \$48 held back from his salary, and the War Pension of \$96, and the \$11 from War Bonds, but a Statutory Exemption of \$1,000. His net **taxable** income therefore is \$188 (being \$1,343 less \$1,155), and his income tax is \$7.52, being 4% on \$188.

(c) Agent. Unmarried; is the chief support of his mother. Income from commissions, \$4,875. Incidentally, bought a car for \$200 and sold it for \$250. His business having nothing to do with cars, he does not report this profit as part of his income. He deducts \$355, office rent and other business expenses; also \$2,000, the personal exemption, on account of a dependent parent. Net taxable income, therefore, \$2,520. Income tax, \$100.80.