is at present the only political subdivision in Canada levying its own personal-income tax and Ontario and Quebec are the only jurisdictions imposing corporation-income taxes, special corporation taxes and succession duties.

The fact that thc Provinces of Ontario and Quebec have chosen to continue to impose direct taxes has not resulted in recent years in taxpayers in those provinces bearing a substantially heavier tax load than taxpayers in other provinces. As part of recent federal-provincial arrangements, the federal income tax and estate tax are abated by certain amounts in those provinces which also impose these taxes.

Federal Taxes

Individual Income Tax

Every person residing in Canada at any time during a year is liable for the payment of income tax for that year. In addition, every individual who is employed or carried on business in this country during a year is required to pay tax on the part of his taxable 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 at any time 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.

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, a taxpayer 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 for 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, a taxpayer 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 employees' pension plans, 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. In addition, all persons may deduct, within limits, amounts set aside to provide a future income under registered retirement savings plans.