

Since 1972, students have been able to deduct \$50 a month for each month of full-time attendance at a university or course at a designated institution. Where the student's income is insufficient to cover the whole deductible amount, the unused portion may be claimed by a supporting individual.

Special rules apply in the case of individuals who become resident in Canada or who cease to be resident at any time during the year.

Income may be averaged over a period of years where it is unusually high in any year. One of two provisions may be used. The first is automatically applied by the Department of National Revenue where the taxpayer's income for the year is 20 percent higher than the four preceding years and 10 percent higher than the immediately preceding year. The second averaging device consists in purchasing an "income-averaging annuity contract". The cost of the annuity contract is deductible when purchased and taxable when the annuity payments are received. Only certain types of income, such as capital gains, lump-sum payments out of a pension plan, proceeds from a literary or artistic work, or amounts received from activities such as athletics, music and public entertainment, may qualify.

Computation of tax After computing taxable income, the amount of federal tax payable for the year is determined by applying a progressive rate of tax to taxable income. The schedule of rates for 1973 starts at 15 per cent on the first \$500 of taxable income and increases progressively up to 47 per cent on income above \$60,000. In addition, persons who live in the Northwest Territories or the Yukon, or who live outside Canada but remain "residents" for tax purposes (diplomats, military personnel, etc.), must pay an additional tax of 30 per cent of federal tax payable in lieu of provincial taxes.

Because Quebec levies its own income taxes, residents of that province may reduce federal taxes otherwise payable by an amount equal to 24 per cent. This abatement is in recognition of the fact that Quebec finances certain programs that, in other provinces, are partly financed by the Federal Government.

A special tax credit is applied to dividends received from a corporation resident in Canada.

Under a tax reduction introduced in 1973, federal taxes, as computed under the prescribed rates, are further reduced by 5 per cent. This reduction is subject to a minimum of \$100 and a maximum of \$500.