

THE 1942 BUDGET
HOW TO CALCULATE THE TAX ON YOUR 1942 INCOME

A. YOUR INCOME \$
LESS: Payments to Approved Superannuation Funds
Charitable Donations, Medical and Like Expenses over 6% of Your Income
Limited Contributions to Prospecting
YOUR TAXABLE INCOME \$
B. YOUR GROSS NORMAL TAX
IF YOU ARE SINGLE: With Income between \$600 and \$1,800 - 7% of Your Taxable Income
IF YOU ARE MARRIED: With Income Over \$1,200 - 7% of Your Taxable Income
C. YOUR NET NORMAL TAX
D. YOUR GROSS GRADUATED TAX
E. YOUR NET GRADUATED TAX
F. YOUR TOTAL TAX
G. YOUR TOTAL TAX PAYABLE
H. YOUR POST-WAR REFUND

NOTE: A husband and wife are each taxed for Normal Tax purposes at 7% of income if they each have separate incomes exceeding \$600, and neither may claim the Married Person's deduction of \$150 for Graduated Tax purposes.

GRADUATED RATES OF TAX
CALCULATED ON TAXABLE INCOME OVER \$600
Between \$1 and \$2,500 Rate of Tax is 30%
\$2,500 - \$5,000 " " 33%
\$5,000 - \$7,500 " " 37%
\$7,500 - \$10,000 " " 41%
\$10,000 - \$12,500 " " 45%
\$12,500 - \$15,000 " " 49%
\$15,000 - \$20,000 " " 53%
\$20,000 - \$25,000 " " 57%
\$25,000 - \$30,000 " " 61%
\$30,000 - \$35,000 " " 65%
\$35,000 - \$40,000 " " 69%
\$40,000 - \$45,000 " " 73%
\$45,000 - \$50,000 " " 77%
\$50,000 - \$55,000 " " 81%
\$55,000 - \$60,000 " " 85%



It's a front-line war for doctors, too, as these pictures from the Libyan-Egyptian battle reveal. Here a wounded British ambulance driver is led from his burning vehicle to another Red Cross car by two comrades. The fact that all ambulances were plainly marked didn't keep the Axis from attacking this Royal Army Medical Corps convoy.

BRINGING UP FATHER



LET'S NOT WORRY OVER INCOME TAX JUST STUDY THIS

Might as Well Get Down to Figures When We Have Time, and Here's Some Guidance on How to Do It

(By JOHN DAUPHINEE) (Canadian Press Staff Writer)

OTTAWA, July 11 (CP)—The new income taxation seems pretty involved when you read Finance Minister Blais' budget speech but the average Canadian shouldn't have too much trouble finding out accurately how much he owes the government. Last year the national defence tax and graduated income tax were collected separately. This year—in effect—the two are grouped together for purposes of simplified collection at the source but generally the method of calculating the amount of tax payable is little changed. Today the Department of National Revenue's Income Tax Division provided the Canadian Press with the accompanying chart, showing just how the figuring should be done. So with the chart as a guide, let's do the calculating for a married man with one child, paying \$150 a year into his company's superannuation fund, paying life insurance premiums of \$250 a year, and making charitable donations of \$50. And you can fill the blank spaces in the table with figures based on your own income and expenditures as we go along.

Deduction Provisions First: the amount of earnings which are taxable. That's the section marked "A" in the chart. Our sample taxpayer puts \$3,000 in the first line, writes \$150 after the entry "Payments to approved superannuation funds" and \$50 after the entry "Charitable Donations." The new budget makes provision for deduction from the taxable income of payments to doctors, dentist and nurses to the extent that they exceed five per cent of the taxpayer's income—but that is considered unusual and we have assumed our "sample" doesn't run into that situation. There is provision, too, for deduction by members of mining syndicates of limited sums of money spent to finance prospecting for base metals and strategic minerals, but the averaging Canadian isn't interested in that.

So with deductions of \$150 and \$50 from the total income, of \$3,000, the taxable income is \$2,800. That is the basic figure for the rest of the calculating and is to be used under both Normal Tax and the Graduated Tax. Now let's take the "normal tax"—equivalent to last year's National Defence Tax and calculated on the basis of taxable income. It exceeds \$600 in the case of single persons or \$1,200 for married persons. To get his gross normal tax our married sample puts down seven per cent of his \$2,800 taxable income—\$196. The rate applies to all married men unless their wives earn more the \$600 a year when each has to pay this tax. A single man pays seven per cent of his taxable income if his total income is between \$600 and \$1,800; eight per cent with total income between \$1,800 and \$3,000; and nine per cent if his income is over \$3,000. The normal tax in no case is allowed to reduce the taxpayer's income below the \$600 or \$1,200 levels.

Dependent Children From the gross normal tax, a \$28 deduction is allowed for each dependent child (up to 18 years in most cases but up to 21 on proof the child is still a student) and \$28 for each dependent relative as provided in the Income War Tax Act. Our sample deducting for one child reduces his net normal tax of \$196, by \$28, making it \$168. Now go to section "D" to calculate the gross graduated tax. The first \$600 of income is not subject to tax. Above that the tax rate starts at 30 per cent and mounts rapidly. Our sample taxpayer has to pay graduated tax on taxable income of \$2,800 less the \$600 deduction, or \$2,240. The first \$500 is taxed at 30 per cent, or \$150; the next \$500 at 33 per cent, or \$165; the next \$1,000 at 37 per cent, or \$370; and the last \$140 at 41 per cent or \$57.40—a gross total of \$742.40, before deductions.

But for his wife, a married taxpayer can deduct \$150 and for each child \$80. Our sample, with one child, deducts \$230 from the gross total of \$742.40, leaving \$512.40. If a taxpayer is supporting other dependent relatives, as outlined in the Income War Tax Act—including grandchildren, brothers, sisters, parents, grandparents, or child brought to Canada from Britain under a government-sponsored scheme providing they are wholly dependent—he may deduct up to one fifth of his actual expenditures on such dependents, up to a total of \$80 each. Once the net graduated tax is calculated, the next step (Section "F") is to add it to the net normal tax figured previously. Our sample, with net normal tax of \$168 and a net graduated tax of \$512.40 has a total tax before further allowable deductions amounting to \$680.40. Sections "G" and "H" of the chart outline the tricky part of the calculating job. The figures in the two sections are tied together, and



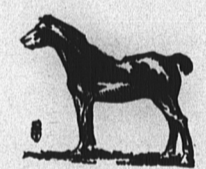
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