mining operations" and "income from logging operations" are specially defined. Regulations issued under authority of the Income Tax Act permit the deduction of capital cost allowances (depreciation). A corporation engaged in mining or oil and gas production may also deduct depletion allowances.

The regulations covering capital cost allowances permit the taxpayer to deduct over a period of years the actual capital cost of all depreciable property. The yearly deductions of capital cost allowances are computed on the diminishing balance principle (taxpayers engaged in farming and fishing may choose between this and the straight line method). Published regulations establish a number of classes of property and maximum rates. There is provision for recapture of any amount allowed in excess of the ultimate net capital cost of any asset.

A taxpayer operating a mine, oil well or gas well is allowed a depletion allowance, usually computed as a percentage of profits, which continues as long as the mine or well is in operation. This allowance is in addition to capital cost allowances on buildings, machinery and similar depreciable assets used by the taxpayer. In respect of timber limits, the taxpayer receives an annual allowance sometimes called a depletion allowance. This is a rateable proportion of the amount invested in the limit and when that amount has been recovered no further allowance is given.

In computing taxable income, a corporation may deduct dividends received from other Canadian taxpaying corporations and also from foreign corporations in which the Canadian corporation has at least a 25-p.c. stock ownership. Business losses may be carried back one year or forward five years and deducted in computing taxable income. A corporation may also deduct donations to charitable organizations up to a maximum of 10 p.c. of its income.

The general rates of tax on corporate taxable income are 18 p.c. on the first $35,000 of taxable income plus 47 p.c. on taxable income in excess of $35,000. A corporation deriving more than one-half of its gross revenue from the sale of electric energy, gas or steam pays tax on its taxable income from such sources at the rate of 18 p.c. on the first $35,000 of taxable income plus 45 p.c. on taxable income in excess of $35,000.

A corporation that qualifies as an investment company pays a tax of 18 p.c. on its taxable income. In addition, every corporation pays an old age security tax of 3 p.c. of taxable income bringing its rates up to 21 p.c. and 50 p.c. (21 p.c. and 48 p.c. for a public utility company and 21 p.c. for an investment company).

In calculating the amount of income tax, a corporation is allowed tax credits under two headings: (1) *Foreign Tax Credit*—foreign taxes paid on income from foreign sources may be credited against Canadian income tax but the credit may not exceed the proportion of Canadian tax relative to such income; and (2) *Provincial Tax Credit*—a corporation may deduct from its federal tax otherwise payable a tax credit equal to a fixed percentage of its taxable income attributable to operations in a province which imposes its own provincial corporation income tax. Only the Provinces of Ontario and Quebec at present impose their own corporation income tax. The amount of the credit is 9 p.c. of taxable income attributable to operations in Ontario and 10 p.c. of taxable income attributable to operations in Quebec. The higher credit with respect to taxable income earned in Quebec is attributable to a special arrangement whereby federal grants to universities in that province are replaced by provincial grants financed by an additional 1-p.c. tax levied by the province on corporation profits earned in Quebec.

A corporation is required to pay its taxes (combined income and old age security taxes) in monthly instalments. In each of the last six months of its fiscal year and the three months following the end of its fiscal year, it must pay one-twelfth of its estimated tax for the year. The estimate of the amount payable may be based on the taxable income of the previous year or the estimated taxable income of the year in progress. In each of the following two months, it pays one-third of the estimated balance of the tax