income derived from mining operations. (For this purpose "income from mining operations" is specially defined.) Prior to 1962, corporations could deduct provincial taxes on income derived from logging operations (as defined in the law). However, it was announced in the 1962 Budget Speech that, for 1962 and subsequent taxation years, this deduction from income would be repealed and replaced by a deduction *from tax* of an amount equal to the lesser of two-thirds of a provincial tax on income from logging operations or two-thirds of 10 p.c. of the corporation's income from logging operations in the province. This change had not yet been brought into force by legislation as of June 1962.

Regulations covering capital cost allowances (depreciation) permit taxpayers to deduct over a period of years the actual 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. Since Jan. 1, 1961, accelerated depreciation provisions have been available to taxpayers in certain circumstances and for a limited period of time. Businesses established in surplus manpower areas (specific areas officially designed as such) which produce goods new to these areas or a business engaged in the production of goods that are new to Canada are allowed to claim depreciation at double the normal rates of capital cost allowance for one year in respect of capital expenditures incurred for the purpose of producing these new goods. This special incentive, which became operative on Jan. 1, 1961, will remain available until Jan. 1, 1964. Since June 20, 1961, a modernization allowance in the form of a 50-p.c. increase in the first year in the rates of capital cost allowance can be claimed by a business for expenditures on new capital assets which exceed its expenditures on capital assets in the previous year or its average expenditures on capital assets in the three previous years. This special allowance is available in respect of all depreciable assets eligible for depreciation by the diminishing balance principle which are acquired before Apr. 1, 1964.

Expenditures on scientific research by corporations qualify for special tax treatment. Generally speaking, all expenditures on scientific research in Canada may be written off for tax purposes in the year when incurred. In addition, it was announced in the 1962 Budget Speech that, for 1962 and subsequent taxation years, corporations will be permitted to deduct from income for tax purposes 150 p.c. of their increased expenditures on industrial research. This special incentive had not yet been brought into force by legislation as of June 1962.

Taxpayers operating mines, oil wells and gas wells are allowed a depletion allowance, usually computed as a percentage of profits derived from mineral, oil or gas production, 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. Taxpayers operating timber limits receive an annual allowance sometimes called a depletion allowance. This is a rateable proportion of the amount invested in the limit and is based on the amount of timber cut in the year. When the amount invested in the limit has been recovered no further allowance is given.

In computing taxable income, corporations may deduct dividends received from other Canadian taxpaying corporations and also from foreign corporations in which the Canadian corporation has at least 25 p.c. stock ownership. Business losses may be carried back one year or forward five years and deducted in computing taxable income. Corporations may also deduct donations to charitable organizations up to a maximum of 10 p.c. of their 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. Corporations deriving more than one-half of their gross revenue from the sale of electrical energy, gas, or steam pay tax on their 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. Corporations that qualify as investment companies pay a tax of 18 p.c. on their taxable income. In addition to these rates all corporations pay an old age security tax of 3 p.c. of taxable income bringing