their rates up to 21 p.c. and 50 p.c. (21 p.c. and 48 p.c. for the public utility companies and 21 p.c. for investment companies).

In calculating the amount of their income tax, corporations are 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) *Abatement under Federal-Provincial Arrangement*—corporations may deduct from their federal tax otherwise payable a tax abatement equal to a fixed percentage of their taxable income attributable to operations in a Canadian province. This abatement is to make room for the provincial income tax levied by each Canadian province. The amount of the abatement is 9 p.c. of taxable income attributable to operations in any province except Quebec and 10 p.c. of taxable income attributable to operations in Quebec. This additional 1 p.c. in Quebec had not yet been brought into force by legislation as of June 1962.

It was announced in the 1962 Budget Speech that a tax incentive based upon increased sales would be available to corporations engaged in manufacturing or processing. This concession will consist of cancellation of 50 p.c. of the federal income tax on the first $50,000 of taxable income arising from increased sales and cancellation of 25 p.c. of the tax on any additional taxable income arising from increased sales. This proposal for a tax incentive had not yet been brought into force by legislation as of June 1962.

Corporations are required to pay their taxes (combined income and old age security taxes) in monthly instalments. In each of the last six months of their fiscal year and the three months following the end of their fiscal year, they must pay one-twelfth of their 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 they pay one-third of the estimated balance of the tax computed by reference to the income of the fiscal year. In the sixth month following the end of their fiscal year the final return must be filed and the remainder of the tax paid for the year.

Taxation of Non-residents

A non-resident is liable to the payment of income tax if he was employed or was carrying on business in Canada during a taxation year. The expression "carrying on business in Canada" includes: (1) maintaining a permanent establishment in Canada; (2) processing goods even partially in Canada; and (3) entering into contracts in Canada.

The taxable income of a non-resident individual derived from carrying on business in Canada or from employment in Canada is taxed under the same schedule of rates as Canadian resident individuals, and non-resident corporations deriving income from carrying on business in Canada are taxed on their taxable income attributable to operations in Canada at the same rates as Canadian resident corporations. (Tax treaties with some countries provide certain exemptions from tax for remuneration for services performed in this country by residents or employees of the other country.)

Furthermore, the Income Tax Act provides for a tax at the rate of 15 p.c. on certain forms of income going from Canada to non-resident persons. It applies to interest, dividends, rentals, royalties, income from a trust or estate and alimony. This 15-p.c. tax applies whether the income goes to non-resident individuals or corporations. The rate on royalties on motion picture films is only 10 p.c. This tax is withheld at the source by the Canadian payer. It is an impersonal tax levied without regard to the status or other income of the non-resident recipient. Non-residents who receive only this kind of income from Canada do not file tax returns in Canada.

Special Tax on Branch Businesses

Profits earned in Canada by a non-resident corporation carrying on business through a branch or permanent establishment in Canada are subject to an additional tax of 15 p.c. This tax is imposed on profits attributable to the branch after deducting therefrom Canadian federal and provincial income taxes and an allowance in respect of the net increase in capital investment in property in Canada.