of non-resident corporations carrying on business in Canada. In computing their income, corporations may deduct operating expenses including municipal real estate taxes, reserves for doubtful debts, bad debts and interest on borrowed money. They may not deduct provincial income taxes other than provincial taxes on income derived from mining operations (for this purpose "income from mining operations" is specially defined). However, they can deduct from tax an amount equal to two thirds of a provincial tax on income from logging operations not exceeding two thirds of 10 p.c. of the corporation's income from logging operations in the province.

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. Certain accelerated depreciation provisions are available to taxpayers in certain circumstances and for a limited period of time. Businesses established in surplus manpower areas (officially designated) which produce goods new to these areas or businesses 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 is available until Jan. 1, 1964. A modernization allowance in the form of a 50-p.c. increase in the first year in the rates of capital cost allowance can also 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. The 1963 Budget introduced a new incentive measure which, as of July 1963, had not yet been brought into force by legislation. Straight-line depreciation at a rate not exceeding 50 p.c. will be granted in respect of certain new depreciable assets (machinery and equipment that would otherwise fall in class 8 of the Income Tax Regulations) acquired in a 24-month period commencing on June 14, 1963, for use in manufacturing or processing businesses by individuals resident in Canada or by companies resident in Canada that have a degree of Canadian ownership and control. To have a degree of Canadian ownership and control, a company must (*a*) be a resident of Canada, (*b*) have 25 p.c. of its voting shares beneficially owned by one or more individuals resident in Canada, one or more corporations controlled in Canada, or a combination thereof *or* have its voting shares listed on a stock exchange in Canada and have no more than 75 p.c. of its voting shares beneficially owned by a non-resident person alone or with associated persons, (*c*) ensure that at least 25 p.c. of its directors are resident in Canada (this requirement will not apply until 1965). For manufacturing or processing businesses in designated areas of slower growth there is no requirement that they have a degree of Canadian ownership and control to qualify for this 50-p.c. straight-line depreciation rate.

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, corporations are permitted to deduct from income for tax purposes 150 p.c. of their increased expenditures on scientific research.

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.