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 electric 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 their rates up to 21 p.c. and 50 p.c. (21 p.c. and 48 p.c. for 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 Arrangements*—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.

A special tax incentive based upon increased sales is available to corporations engaged in manufacturing or processing. This concession consists 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. It was announced in the 1963 Budget Speech that this incentive would not be available for the 1964 and subsequent taxation years.

It was announced in the 1963 Budget Speech that new manufacturing and processing businesses established in designated areas of slower growth during a two-year period commencing from the date of enactment of the 1963 Income Tax Act Amending Bill would be eligible for a three-year exemption from income tax. As of July 1963, this proposed change had not been brought into force by legislation nor had any area been designated.

Corporations are required to pay their tax (combined income and old age security tax) in monthly instalments but the period during which they pay tax for a taxation year does not coincide exactly with that taxation year. Until 1963, corporations did not start to pay taxes for a taxation year before the seventh month of that taxation year. In each of the last six months of their taxation year and the following three, they paid one twelfth of their estimated tax for the year (such estimate being based either 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 paid one third of the estimated balance of the tax computed by reference to the income of the taxation year. In the sixth month following the end of their taxation year, the final return had to be filed and the remainder of the tax paid for the year. The 1963 Budget introduced a new set of rules for the payment of corporation income tax which will not become fully operative until early 1966. These rules will require that corporations begin to pay their tax for a taxation year in the fifth month rather than in the seventh month of that taxation year. In each of the last eight months of their taxation year and the following two, they will pay one twelfth of their estimated tax for the year (such estimate will continue to 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