months, they will pay one half 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 will have to be filed. In order to move on to the new pattern, it will be necessary for corporations to pay their tax for each of two taxation years within a payment period of eleven months. The first taxation year to be so compressed within eleven months for the purpose of moving forward the payment period of corporation income tax will be the first one to end after Nov. 30, 1963. The second will be the immediately succeeding one. As of July 1963, this proposed change had not been brought into force by legislation.

Taxation of Non-residents

A non-resident is liable for 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 Canada by residents or employees of these countries.)

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 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. The 1963 Budget announced that the 15-p.c. rate on dividends paid by companies resident in Canada to non-resident persons would be reduced to 10 p.c. when paid by a company that has a degree of Canadian ownership and control (see p. 968). This change would be effective for dividends paid after June 13, 1963. At the same time, the 1963 Budget announced that the 15-p.c. rate on dividends paid by companies resident in Canada to non-resident persons would be increased to 20 p.c. effective from Jan. 1, 1965, when paid by a company that has not a degree of Canadian ownership and control. As of July 1963, these proposed changes had not been translated into legislation.

The non-resident 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 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. The 1963 Budget announced that the rate of this tax would be increased to 20 p.c., effective from Jan. 1, 1965. As of July 1963, this proposed change had not been translated into legislation.

Gift Tax

The Income Tax Act levies a tax upon gifts. The rates range from 10 p.c. on an aggregate taxable value of $5,000 or under to 28 p.c. on an aggregate taxable value of over $1,000,000. Exemptions include complete exemption of gifts of $1,000 or less and a general deduction of $4,000 from aggregate taxable value of gifts in the year.