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.

Accelerated depreciation is available to taxpayers in certain circumstances and for a limited period of time. Straight-line depreciation at a rate not exceeding 50 p.c. is granted in respect of new machinery and equipment that would otherwise fall in Class 8 of the Income Tax Regulations acquired in the 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. A company that has a degree of Canadian ownership is one which throughout the 60-day period immediately preceding the year in question complies with the following conditions: (1) it was resident in Canada; (2) for taxation years commencing after Dec. 31, 1964, not less than 25 p.c. of its directors were residents of Canada; and (3) either (*a*) not less than 25 p.c. of its shares having full voting rights and shares representing not less than 25 p.c. of its equity share capital were owned by individuals resident in Canada or corporations controlled in Canada, or (*b*) a class or classes of its shares having full voting rights were listed on a Canadian stock exchange and no one non-resident person and no one corporation that did not comply with (*a*) above owned more than 75 p.c. of the shares having full voting rights, and equity shares of the corporation representing not less than 50 p.c. of the paid-up capital of the corporation were listed on a Canadian stock exchange and no one non-resident person or no one corporation that did not comply with (*a*) above owned equity shares representing more than 75 p.c. of its equity share capital. For manufacturing or processing businesses in designated areas of slower growth there is no requirement that they have a degree of Canadian ownership to qualify for this 50-p.c. straight-line depreciation. Moreover, the period during which their expenditures on eligible assets qualify for accelerated write-off extends from Dec. 5, 1963 to Mar. 31, 1967. Depreciation at the accelerated rate of 20 p.c. on a straight-line basis is also available in respect of new buildings acquired in designated areas of slower growth in the period commencing on Dec. 5, 1963 and ending on Mar. 31, 1967.

Expenditures on scientific research by corporations qualify for special tax treatment. Generally speaking, all expenditures on scientific research related to the business of the taxpayer may be written off for tax purposes in the year when incurred. In addition, corporations are permitted to deduct, in computing income for tax purposes, 150 p.c. of their increased expenditures on scientific research in Canada.

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 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