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 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 three 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. (2) *Abatement under Federal-Provincial Fiscal 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. (3) *Provincial Logging Tax*—corporations may deduct from their federal tax otherwise payable 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. (At present only Ontario, Quebec and British Columbia impose logging taxes—see p. 967.)

New manufacturing and processing businesses established in certain designated areas of slower growth during the period commencing Dec. 5, 1963 and terminating Mar. 31, 1967 are eligible for a three-year exemption from income tax.

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 with that taxation year. Until 1963, corporations started to pay tax for a taxation year in the seventh month of that year. In each of the last six months of their taxation year and in the following three, they paid one twelfth of their estimated tax for the year and in each of the following two months they paid one third of the estimated balance. 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. In 1963, a new set of rules was introduced for the payment of corporation income tax, which will become fully operative in early 1966. These rules require that corporations begin to pay their tax for a taxation year in the fifth month of that year. In each of the last eight months of their taxation year and in the following two, they pay one twelfth of their estimated tax for the year and in each of the following two months, they pay one half of the estimated balance. In the sixth month following the end of their taxation year, the final return must be filed.

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 thus derived 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, a tax of 15 p.c. is applied on certain forms of income going from Canada to non-resident individuals or corporations, such as interest, dividends, rentals, royalties, income from a trust or estate and alimony. The standard rate of 15 p.c. is reduced to 10 p.c. in the case of dividends paid by a company that has a degree of Canadian ownership (see p. 960), and the rate on royalties from motion picture films is also 10 p.c.

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.