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 and 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 the public utility companies and 21 p.c. for investment companies).

In calculating the amount of their income tax, corporations are allowed a deduction from tax 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. 1032.)

Income from the operation of a new mine, including wells for extracting potash by the solution method, is exempt from income tax during the first 36 months of commercial production. Income from manufacturing or processing businesses established in certain designated areas of slower growth during the period Dec. 5, 1963 to Mar. 31, 1967 is 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. In each of the last eight months of their taxation year and in the following two months they pay one twelfth of their estimated tax for the year (such estimate is 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 months, they 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 must be filed.

Special Refundable Tax on the Cash Profits of Corporations†

The 1966 Budget announced a temporary tax of 5 p.c. on the cash profits of corporations payable monthly over an 18-month period commencing in May 1966. The amounts collected under the measure will be repaid with interest at 5 p.c. after an interval of 18 to

* This concession for new manufacturing or processing businesses is also available to individuals.
† This tax is also payable on business and rental income of trusts.