

36 months from receipt. The monthly payments are to be made on an estimated base computed by reference to the present or immediately preceding taxation year, subject to adjustment at the end of the year.

The base for the tax is the taxable income of the corporation less federal and provincial taxes payable thereon, less a basic exemption of \$30,000, less principal payments due and made on debt of the corporation having original term of three years or more and having been contracted for under written arrangements in existence on Mar. 29, 1966 (this deduction is subject to certain limits), plus certain amounts that were deducted in arriving at taxable income but that do not deplete the cash position of the corporation (such as capital cost allowances and depletion).

### 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. They also prohibit Canada taxing profits of a non-resident enterprise unless that enterprise has a permanent establishment in Canada.)

Furthermore, the Income Tax Act imposes 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 (other than interest on government bonds issued after Apr. 15, 1966), dividends, rentals, royalties, income from a trust or estate and alimony, and applies whether the income goes to non-resident individuals or to corporations. The rate is reduced to 10 p.c. in the case of dividends paid by a company that has a degree of Canadian ownership and is also 10 p.c. on royalties from motion picture films. This non-resident tax is withheld at the source by the Canadian payer. Non-residents who receive only this kind of income from Canada do not file returns in Canada.

Profits earned in Canada by a non-resident corporation carrying on business through a branch or permanent establishment in Canada are taxed at the regular rates of corporation income tax and are also subject to an additional tax of 15 p.c. This additional 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.

### 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 per donee and a general deduction of \$4,000 from aggregate taxable value of gifts made in the year.

### Estate Tax

This tax applies to property passing, or deemed to pass, at death. All the property of persons who were domiciled in Canada before their death must be taken into consideration no matter where that property is situated; for persons dying domiciled outside of Canada only their property situated in Canada is subject to tax.

In computing the tax of a Canadian domiciliary, the value of the whole estate is first determined. Once the aggregate value of the estate has been determined, estate debts and certain expenses may be deducted. From the resulting "aggregate net value" there