tion and drilling expenses. 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 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 and 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 deducted from Canadian income tax but the deduction 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 10 p.c. of taxable income attributable to operations in each province. (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. 1021.)

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 after coming into commercial production.

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. The supplementary budget presented on Nov. 30, 1967† announced a speed-up of corporation income tax payments to bring them more closely in line with the taxation year to which they relate. For taxation years beginning during the period Dec. 1, 1967 to Nov. 30, 1968, corporations are required to make monthly payments equal to one tenth of their estimated tax for the year (such estimate to be based on the taxable income of the previous year or on an estimated taxable income of the year in progress). These payments are to be completed by the last day of the second month following the close of the taxation year. This advances the payment schedule of corporation income tax by two months. Any balance of tax owing is to be paid by the last day of the third month following the close of the taxation year. For taxation years starting after Nov. 30, 1968, corporations will have to begin their monthly tax payments in the third month of their taxation year and to make their final instalment by the last day of the second month following the termination of the year. Each monthly remittance will be equal to one twelfth of the estimated tax for the year

* 95 p.c. of the federal tax collected from these corporations is remitted to the provinces.
† Implemented by Act of Parliament passed Mar. 15, 1968 (SC 1967-68, c. 38) which also levied a 3-p.c. surtax on corporation income.