(again based on either the taxable income of the previous year or the estimated taxable income of the year in progress). Any balance of tax outstanding will have to be paid by the last day of the third month following the close of the taxation year and the return for the year will have to be filed by the last day of the sixth month following the close of the taxation year.

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 thus derived is taxed under the same schedule of rates as a Canadian resident (personal or corporation income tax rates as the case may be). (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.)

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.

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, interest on certain bonds issued before Dec. 20, 1960 and interest paid to certain exempt lenders), 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.

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 (in addition to the complete exemption of $1,000 or less per donee) 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 may be deducted the amount of a basic exemption, which is increased where the deceased

* Generally, a corporation is regarded as having a degree of Canadian ownership where 25 p.c. of its equity and voting shares are owned by Canadians and/or corporations controlled in Canada, or where the voting shares of the corporation are listed on a Canadian stock exchange and no more than 75 p.c. of its issued outstanding voting shares are owned by a non-resident alone or in combination with related persons.