reduces the accumulation of taxable income for purposes of this limitation. The rate of 25% referred to will not be affected by the gradual reduction in the general federal rate of corporation income tax between 1972 and 1976 but this 25% rate is reduced by the ten percentage points provincial abatement.

A corporation that qualifies as an "investment corporation" pays tax at a rate of only 25%. This rate is also reduced by the provincial abatement.

The investment income (other than dividends) of a private corporation is subject to the general rate of tax (i.e., 50% in 1972 becoming 46% in 1976 less the provincial abatement) but an amount not exceeding 25% of this income is refunded when dividends are paid to shareholders.

Dividends received by a private corporation from a Canadian corporation controlled by it are deductible in computing its taxable income (except where paid out of designated surplus or under conditions that entitle the paying corporation to a refund). Dividends received by a private corporation from portfolio investments are subject to a special 33⅓% tax but this is refunded when dividends are paid to shareholders.

A corporation may elect to pay a special 15% tax on its 1971 undistributed income on hand. Dividends received from this tax-paid undistributed income are not included in the income of the receiving shareholder but the amount of the dividend will reduce the adjusted cost basis of the shares for capital gains tax purposes. Dividends paid from the untaxed half of a corporation's capital gains are also excluded from the income of the recipient shareholders but with no similar reduction in the adjusted cost base of the shares for capital gains tax purposes.

Special rules are provided for the taxation of special-purpose companies such as mutual fund corporations, life insurance companies, non-resident-owned investment companies and co-operatives.

In addition to the reduction equal to 10% of taxable income earned in a province, a corporation may reduce its tax by a credit for taxes paid to foreign governments on foreign source income. This credit may not exceed the Canadian tax related to such income. A corporation may also deduct from its tax an amount equal to two thirds of a provincial tax on income from logging operations not exceeding 6⅔% of its income from logging operations in the province. (At present only Ontario, Quebec and British Columbia impose logging taxes.) Commencing in 1977, a mining corporation will be able to claim an extra federal tax abatement of 15% of its production profits in a province.

Corporations are required to pay their tax by monthly instalments throughout their taxation year. Any balance of tax remaining has to be paid by the last day of the third month following the close of the taxation year, and the return for the year must be filed by the last day of the sixth month following the close of the taxation year.

Taxation of non-residents. An individual or corporation not resident in Canada is liable for Canadian income tax on income from employment or from carrying on business in Canada and on one half of capital gains less losses on disposals of "taxable Canadian property". For this purpose taxable Canadian property includes: real property interests situated in Canada; assets used in carrying on business in Canada; interests in certain partnerships and trusts; shares in a corporation resident in Canada other than a public corporation; and shares in Canadian public corporations where the non-resident owns a 25% or greater interest. The taxation of capital gains may be restricted by the provisions in tax treaties between Canada and other countries.

The expression "carrying on business in Canada" includes producing, growing, packaging or improving any article in Canada and also soliciting orders or offering anything for sale in Canada through an agent or servant. However, this is usually modified by tax treaties so that an enterprise of the other country is taxed by Canada on its industrial and commercial profits only if it carries on business through a permanent establishment in this country. Tax treaties also provide some exemptions from tax on remuneration for services.

The taxable income of non-resident individuals derived from employment or carrying on business or from capital gains in Canada is taxed under the same schedule of rates as Canadian resident individuals.

Income earned by non-resident corporations carrying on business or from capital gains in Canada is taxed at the regular rates of corporation income tax. The distributable business