capital" such as access roads, sewage plants, housing, schools, airports and docks. The accelerated write-off provision for new mines will also apply in the case of a major expansion of an existing mine where there has been at least a 25% increase in milling capacity. The list of eligible assets is the same as for new mines except that "social capital" does not qualify.

Taxpayers operating timber limits receive an annual cost allowance with respect to the cost of the limit. The rate of the allowance is based on the amount of timber cut in the year.

In computing taxable income, corporations, with certain exceptions, may deduct dividends received from other Canadian taxable corporations and also from certain non-resident affiliates. 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 20% of their income.

The standard rate of federal corporation income tax is 46%. A special deduction reduces this rate on Canadian manufacturing and processing profits to 40%. These rates are reduced by 10% on income earned in a province. This "provincial abatement" is intended to make room for provincial corporation income taxes which range from 10% to 15%.

A "small business deduction" reduces the standard federal rate of tax on certain business income to 25%. This rate is reduced to 20% on Canadian manufacturing and processing profits. Both of these rates are reduced by the 10% provincial abatement on income earned in a province. This small business deduction is restricted to private Canadian corporations which are not controlled by a non-resident or by a Canadian public corporation. It applies only to income from an active business carried on in Canada and not to investment income. The maximum amount of taxable income on which the deduction may be calculated is $150,000 in any one year. A corporation is entitled to this deduction only until it has accumulated $750,000 of taxable income since 1971.

A corporation that qualifies as an "investment corporation" pays tax at a standard federal 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 standard rate of federal tax (i.e. 46% in 1976 less the provincial abatement) but an amount not exceeding 25% of such income is refunded when dividends are paid to shareholders. 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 private 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 cooperatives.

A corporation may reduce its tax otherwise payable 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 Quebec and British Columbia impose logging taxes.) Corporations are required to pay their tax by monthly instalments throughout their taxation year.