Currently, individuals who reside outside Canada but are deemed to be residents in Canada for tax purposes (such as diplomats and others posted outside the country) must pay an additional federal tax of 43% of their tax otherwise payable. This tax corresponds to the income tax imposed by the provinces on their residents. In a province with a tax collection agreement with the federal government, taxes are imposed on residents as a per cent of federal tax otherwise payable (before the tax reduction and refundable child credit).

To a large extent, individual income tax is payable as income is earned. Taxpayers on salary or wages have tax deducted from pay by the employer. The balance of the tax, if any, or any refund of previous over-payments is payable at the time of filing the tax return. The deadline for individual income tax is April 30 for income of the previous calendar year. Individuals with more than 25% of income in a form not subject to tax deductions at source must pay tax by quarterly instalments. Returns of these individuals must be filed on or before April 30 of the following calendar year. Farmers and fishermen pay two-thirds of tax on or before December 31 each year and the remainder on or before April 30 of the following year. Table 22.15 shows the amount of personal income tax payable on various levels of income in 1979.

Canadian employers are required to deduct and remit to the government the estimated income tax in respect of the amounts paid to their employees as wages and

Customs duties were once the chief source of revenue for the country. Now individual income taxes are by far the largest source and in 1978 provided $23.2 billion for the consolidated government revenue. More than 74% of the 8.75 million taxpayers were wage-earners or salary-earners and most of their income tax was collected through payroll deduction by their employers.

salaries. The government provides employers with deduction tables to guide them in calculating the amount of federal and provincial income taxes, Canada Pension Plan contributions and unemployment insurance premiums to be withheld.

Corporation income tax. The Income Tax Act levies a tax upon the worldwide income of corporations resident in Canada and upon the income attributable to operations in Canada of non-resident corporations carrying on business in Canada. Half of capital gains must be included in income. In computing income, corporations may deduct operating expenses such as wages and salaries, costs of goods sold, municipal real estate taxes, reserves for doubtful debts, bad debts and interest on borrowed money.

Corporations may deduct over a period of years the capital cost of all depreciable property. The normal capital cost allowances are computed each year on the diminishing balance principle. Regulations establish a number of classes of property and maximum rates. Typical rates include 5% for buildings, 20% for machinery and 30% for automobiles. Accelerated depreciation (full write-off in two years) is allowed on machinery and equipment acquired by manufacturers and processors after May 8, 1972 for use in Canada.

Research and development (R&D) expenditures qualify for an immediate deduction from income. Since 1978 an additional 50% deduction has been allowed for increments in R&D expenditures which are defined as increases in R&D activity over a three-year base period.

A corporation whose principal business is mining, oil production or a related activity may deduct Canadian exploration expenses from income from any source in the year in which the expenses are incurred and any unused balance can be carried forward indefinitely. Individuals and corporations which do not meet the principal business test may deduct 100% of Canadian exploration expenses incurred between May 25, 1976 and December 31, 1981 in the year incurred. For such taxpayers Canadian exploration expenses incurred on or before May 25, 1976 must be amortized at 30% on a declining balance basis. For all corporations, the amount which may be deducted for Canadian