development expenses may not exceed 30% of the unamortized balance. Development expenses for new mines incurred after November 16, 1978 are treated as Canadian exploration expenses.

Taxpayers with resource profits are entitled to a resource allowance equal to 25% of resource production profits calculated after operating expenses and capital cost allowances but before the deduction of interest expense, exploration and development expense and depletion. In addition to the other deductions, a taxpayer with resource profits may deduct earned depletion in computing his income for a taxation year. Generally, the earned depletion deduction for a particular taxation year is the lesser of the earned depletion base (one-third of qualifying expenditures to date less previous claims) and 25% of the resource profits after deduction of exploration and development expenses. Canadian exploration and development expenses and specified mining assets are qualifying expenditures.

Supplementary depletion is earned by investments in enhanced recovery systems in an oil field, at a rate of $1.00 for every $2.00 expenditure, and by investments in non-conventional oil projects, at a rate of $1.00 for every $3.00 expenditure. Supplementary depletion can be written off by corporations at a rate of 50% of income. Additional depletion on frontier oil or gas wells, 66⅔% of eligible expenditures, can be written off up to the amount of income.

Provincial royalties and mining taxes are not deductible in computing taxable income for federal purposes.

Capital equipment and facilities for a new mine may be written off immediately against income from the mine. The assets eligible for this accelerated depreciation include buildings, mining machinery, processing facilities and such social capital 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.

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

In computing taxable income, corporations may deduct dividends received from other Canadian taxable corporations and also from certain non-resident affiliates. Business losses may be carried back one year and 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 corporation income tax is 46%. A special deduction reduces this rate on Canadian manufacturing and processing profits to 40%. In order to make room for provincial corporation income taxes (which range from 5% to 15%), the provinces have been granted an abatement of 10% of federal tax otherwise payable on income earned in a province.

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. 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 only to this deduction until it has accumulated $750,000 of retained income since 1971. A Canadian controlled private corporation that carries on a non-qualifying business is eligible for a similar tax reduction, but its rate on non-qualifying and qualifying Canadian business income is reduced to 33⅓% rather than 25%. Non-qualifying business income earned by a corporation means the income from certain professions, the income from certain personal services or the income from the provision of certain management and other administrative services. This tax reduction is subject to the same $150,000 annual and $750,000 cumulative limits that apply to the general small business deduction.

A corporation that qualifies as an investment corporation pays tax at a standard federal rate of approximately 29%. The investment income (other than dividends) of a