

### *Special provisions*

The general federal rate of tax on corporate taxable income earned is 46 per cent. Special provisions have been enacted to assist "small business".

The "small business" deduction reduces the rate of tax on certain business income to 25 per cent. This concession is restricted to Canadian corporations not controlled by non-residents 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 special rate applies to the first \$150,000 of annual income of the eligible corporation until it has accumulated \$750,000 of taxable income after 1971.

The general rate of 46 per cent and the special rate of 25 per cent are reduced to 40 per cent and 20 per cent respectively on profits from manufacturing and processing activities carried out in Canada.

Special rules are also provided for the taxation of certain types of company, including mutual fund corporations, life insurance companies, co-operatives, credit unions and investment corporations.

The rates of federal tax payable by a corporation are reduced by 10 percentage points on income earned in a province. This provincial abatement is provided to make room for provincial income taxes. At present, the provinces impose corporate taxes ranging from 10 per cent to 15 per cent. In addition, the corporation may deduct

any taxes it has paid to a foreign country on foreign-source income, up to the corresponding tax that would have otherwise been payable in Canada.

### *Collection of income*

Under the name Revenue Canada, Taxation, the Department of National Revenue is responsible for assessing and collecting individual and corporate income taxes under the Income Tax Act of Canada. It collects provincial income taxes from individuals for all provinces except Quebec, as well as contributions to the Canada Pension Plan and premiums for unemployment insurance.

### *Source deductions*

When most Canadians file their annual tax returns, they have already paid part or all of their taxes through deductions from income. Revenue Canada, Taxation provides employers with annual deduction tables to advise them of the amount of federal and provincial income tax, Canada Pension Plan contributions and unemployment insurance premiums which should be withheld from employees' salaries.

### *Instalment payments*

All individuals are required to make quarterly instalment payments of income tax unless: tax is deducted at source from at least three-quarters of their net income; or their chief source of income is farming or fishing; or fed-