A special tax incentive based on increased sales is available to corporations engaged in manufacturing or processing. This concession consists of cancellation of 50 per cent of the federal income tax on the first $50,000 of taxable income arising from increased sales and cancellation of 25 per cent of the tax on any additional taxable income arising from increased sales. It was announced in the 1963 budget that this incentive would not be available for the 1964 and subsequent taxation years.

It was announced in the 1963 Budget Speech that new manufacturing and processing businesses established in designated areas of slower growth during a two-year period commencing from the date of enactment of the 1963 Income Tax Act Amending Bill would be eligible for a three-year exemption from income tax. As of July 1963, this proposed change had not been brought into force by legislation nor had any area been designated.

Corporations are required to pay their tax (combined income and old-age security tax) in monthly instalments but the period during which they pay tax for a taxation year does not coincide exactly with that taxation year. Until 1963, corporations did not start to pay taxes for a taxation year before the seventh month of that taxation year. In each of the last six months of their taxation year and the following three, they paid a twelfth of their estimated tax for the year (such estimate being based either on the taxable income of the previous year or the estimated taxable income of the year in progress). In each of the following two months they paid a third of the estimated balance of the tax computed by reference to the income of the taxation year. In the sixth month following the end of their taxation year, the final return had to be filed and the remainder of the tax paid for the year. The 1963 Budget introduced a new set of rules for the payment of corporation income tax which will not become fully operative until early 1966. These rules will require that corporations begin to pay their tax for a taxation year in the fifth month rather than in the seventh month of that taxation year. In each of the last eight months of their taxation year and the following two, they will pay a twelfth of their estimated tax for the year (such estimate will continue to be based on the taxable income of the previous year or the estimated taxable income of the year in progress). In each of the following two months they will pay half the estimated balance of the tax computed by reference to the income of the taxation year. In the sixth month following the end of their taxation year, the final return will have to be filed. In order to move on to the new pattern, it will be necessary for corporations to pay their tax for each of two taxation years within a payment period of 11 months. The first taxation year to be so compressed within 11 months for the purpose of moving forward the payment period of corporation income tax will be the first one to end after November 30, 1963. The second will be the immediately succeeding one. As of July 1963, this proposed change had not been brought into force by legislation.

Taxation of Non-Residents

A non-resident is liable for payment of income tax if he was employed or was carrying on business in Canada during a taxation year. The expression "carrying on business in Canada" includes: (1) maintaining a permanent establishment in Canada; (2) processing goods even partially in Canada; and (3) entering into contracts in Canada.

The taxable income of a non-resident individual derived from carrying on business in Canada or from employment in Canada is taxed under the same schedule of rates as Canadian resident individuals, and non-resident corporations deriving income from carrying on business in Canada are taxed on their taxable income attributable to operations in Canada at the same rates as Canadian resident corporations,