provincial tax approximates the federal abatement. In Manitoba and Saskatchewan, the provincial tax exceeds the abatement by 6 percentage points.

The income from a new manufacturing or processing business established in a designated area of slower growth by an individual or corporation during the period starting December 5, 1963, and ending March 31, 1967, is eligible for a three-year exemption from income tax. (The names of the areas which have been designated for that purpose appear in Appendix A of the present summary.)

Corporation Income Tax

The Income Tax Act levies a tax on the income from everywhere in the world of corporations resident in Canada and on the income attributable to operations in Canada of non-resident corporations carrying on business in Canada.

In computing their income, corporations may deduct operating expenses including municipal real-estate taxes, reserves for doubtful debts, bad debts, and interest on borrowed money. They may not deduct provincial income taxes other than provincial taxes on income derived from mining operations. (For this purpose "income from mining operations" is specially defined.)

Regulations covering capital-cost allowances (depreciation) permit taxpayers to deduct, over a period of years, the actual cost of all depreciable property. The yearly deductions of capital-cost allowances are computed on the diminishing-balance principle. (Taxpayers engaged in farming and fishing may choose between this and the straight-line method.) Published regulations establish a number of classes of property and maximum rates. There is provision for recapture of any amount allowed in excess of the ultimate net capital cost of any asset.

Accelerated depreciation is available to taxpayers in certain circumstances and for a limited period. Straight-line depreciation at a rate not exceeding 50 per cent is granted in respect of new machinery and equipment that would otherwise fall in Class 8 of the Income Tax Regulations acquired in the 24-month period commencing on June 14, 1963, for use in manufacturing or processing businesses by individuals resident in Canada or by companies resident in Canada that have a degree of Canadian ownership. A company that has a degree of Canadian ownership is one which, throughout the 60-day period immediately preceding the year in question, complies with the following conditions:

(1) It was resident in Canada;

(2) for taxation years commencing after December 31, 1964, not less than 25 per cent of its directors were residents of Canada; and

(3) either
  (a) not less than 25 per cent of its shares having full voting rights and shares representing not less than 25 per cent of its equity-share capital were owned by individuals resident in Canada or corporations controlled in Canada; or

  (b) a class or classes of its shares having full voting rights were listed on a Canadian stock-exchange and no one non-resident person and no one corporation that did not comply with (a) above owned more than 75 per cent of the shares having full voting rights, and equity shares of the corporation representing not less than 50 per cent of the paid-up capital of the corporation were listed on a