In computing taxable income, deduction from gross income include dividends received from Canadian resident taxable corporations, capital profits, business losses - within certain limits - sustained in the five years preceding and the one year immediately following the tax year. Where a province levies income taxes, a tax credit is provided in respect of the taxable income earned in the province, where a province levies a special tax on income derived from mining operations, a portion of the tax is allowable as a deduction in computing income. Capital cost (depreciation) allowance of 30 per cent is permitted for gas and oil well equipment; a rate of 10 per cent is permitted for oil storage tanks; and 6 per cent for pipelines, except where reserves may be exhausted within 15 years in which event the depreciation rate is 20 per cent. To compensate for the exhaustion of a natural resource, a depletion allowance of 33-1/3 per cent of the profits attributable to the production from an oil or gas well is allowed. The depletion deduction may be made as long as production continues, regardless of the cost of the oil or gas property. It is computed on the profit remaining after the deduction of exploration and development allowances and after providing for the depreciation of fixed assets. Bonus payments to the Government of Canada or to a provincial government, as made for oil and gas rights in Crown leases which turn out to be unproductive, may also be deducted in computing taxable income. Of considerable importance in opening up Canada's hydrocarbon resources is the provision allowing for the deduction of exploration, drilling and development expenses incurred in the search for petroleum and natural gas. The various allowances and other matters relative to oil and gas taxation are set out in the Income Tax Act. Questions relating to the interpretation of any part of the Act should be referred to the Department of National Revenue, Ottawa.

Excise Taxes

Excise taxes are imposed on certain specified goods whether manufactured or produced in Canada or imported into Canada. The list of items so taxed includes automobiles motorcycles, rubber tires and tubes, fountain pens, jewellery, etc.

Sales Tax

A sales tax is levied on all goods, with certain specified exceptions, produced or manufactured in Canada or imported into Canada. The tax amounts, in the case of Canadian-made goods, to 10 per cent of the producer's or manufacturer's sale price, and in the case of imported goods to 10 per cent of the duty-paid value. Generally speaking, machinery and equipment that is actually used exclusively in the search for and production of oil and gas is admitted duty and sales tax free, and similar goods produced in Canada are also exempt from sales tax.

Customs Duties

An Act known as the Customs Tariff specifies that customs duties shall be paid on goods imported into Canada. Under Tariff Item 848, all machinery and apparatus, including motive power, used exclusively in exploratory or discovery work, development, depletion, and production of petroleum or natural gas wells, and also steel casing, tubing and drill pipe, used in connection with such operations, is exempt from duty. Such merchandise is also exempt from sales tax as being for the production of goods. In some cases, free entry is specified for articles of a class or kind not made in Canada.