

The profits derived during the first three years of operation of a new mine are exempt from income tax until December 31, 1973. In place of the three-year tax exemption, there will be an immediate write-off of capital equipment and facilities for a new mine to the extent of income from the mine. The assets eligible for this accelerated depreciation include buildings, mining machinery, processing facilities and "social capital" such 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 percent increase in milling capacity. The list of eligible assets is the same as for new mines, except that "social capital" does not qualify.

Taxpayers operating mines, oil-wells, gas-wells and wells for extracting potash by the solution method have been allowed a depletion allowance, usually computed as a percentage of profits (after deduction of capital-cost allowances, exploration and drilling expenses and certain interest expenses) derived from mineral, oil or gas production. This allowance is in addition to capital-cost allowances on buildings, machinery and similar depreciable assets used by the taxpayer and the deduction of his exploration and drilling expenses. This will continue until the end of 1976, after which a taxpayer will be able to deduct depletion only if it has been "earned" by exploration. For every \$3 of eligible expenditures, a taxpayer will earn the right to deduct \$1 of depletion. Eligible expenditures made after November 7, 1969, can be accumulated for the purpose of calculating earned depletion for 1977 and subsequent years.

Taxpayers operating timber limits receive an annual cost allowance that is a rateable proportion of the amount invested in the limit and is based on the amount of timber cut in the year.

In computing taxable income, corporations, with certain exceptions, may deduct dividends received from other Canadian taxable corporations and also from certain non-resident affiliates. Business losses may be carried back one year or forward five years and deducted in computing taxable income. Corporations may also deduct donations to charitable organizations up to a maximum of 20 per cent of their income.

The general rates of tax payable by corporations on their taxable income are as follows:

1972	- 50 per cent
1973	- 49 per cent
1974	- 48 per cent
1975	- 47 per cent
1976 and subsequent years	- 46 per cent

These rates of tax 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, provincial rates of corporate income tax range from 10 per cent to 13 per cent.