

Chart 6b
Comparison of
Canadian and
U.S. corporate
income tax

	Canada	United States
Federal tax rates ^a		
-for general business	28%	34%
-for manufacturing	24%	34%
Provincial and state tax rates	5.5% to 17%	0% to 12%

^a The Canadian federal tax rates are effective July 1, 1989. At present there is also a 3% federal surtax on corporate income tax.

Depreciation

Canadian depreciation rates are somewhat lower than U.S. rates, but are still higher than those based on the economic life of the asset.

	Canada	United States
Percent of capital gains included as income (as of January 1, 1990)	75%	100%
Treatment of operating losses by carry-over years	Back 3 years Forward 7 years	Back 3 years Forward 15 years
Consolidation of companies	Not permitted	Permitted for subsidiary at least 80% owned
Minimum tax	no minimum corporate tax	alternative minimum tax of 20% of defined alternative minimum taxable income
Intercorporate dividends	100% deductible	80% deductible

Source: Investment Canada, 1990