Chart 6a

An internationally competitive tax structure

Tax treatment of R&D - Canada vs major industrial countries

	Corporate income tax (percent)	Tax credits (allowances)		
		Percent	Increment (I) or level (L)	Current, capital or both
Canada-Ontario[a]	40.3	25/37.5	Both	Both[b]
Canada-Quebec[a]	32.0	20	L	R&D wages
United States-California	40.1	20/8	I	Current
United States-Illinois	36.6	20	I	Current
Australia	39.0	N/A[c]	N/A	N/A
Japan	50.75	20	I	Both[b]
Korea	39.75	10	L	Both
France	39.0	50[d]	I	Both[b]
Federal Republic of Germany	56.0	7.5	L	Capital
Italy	46.37	N/A	N/A	N/A
Sweden	52.0	N/A	N/A	N/A
United Kingdom	35.0	N/A	N/A	N/A

[a] Current tax rates; from July 1, 1991 these rates will be reduced by 2 percentage points due to a full phase-in of the manufacturing and processing tax reduction (5 percent).

[b] Except buildings.

[c] Not applicable.

[d] In addition, firms that did not perform R&D prior to 1987 can claim a volume tax credit of 30 percent on the excess over 1987 spending levels.

Source: The Conference Board of Canada, May 1990

- Canada's tax treatment of R&D is more favourable, compared to other leading economic nations.
- The Canadian corporate income tax system provides a number of significant R&D tax incentives for firms. It allows for a 100% deduction for current (1990) R&D expenditures, as well as for capital expenditures made on R&D machinery and equipment. In addition, there is an investment tax credit on qualifying R&D expenses incurred in Canada. The rate of the credit is 20% of R&D expenditures. Both current (1990) expenditures and expenses on machinery and equipment qualify for the credit.