In addition to the rates shown above, all corporations pay an old-age security tax of 3 per cent of taxable income, bringing their rates up to 21 per cent and 50 per cent (21 per cent and 48 per cent for the public utility companies referred to and 21 per cent for investment companies).

Certain tax credits are also extended to corporations. All corporations may deduct from their federal tax otherwise payable a tax credit equal to 9 per cent of their taxable income attributable to operations in a province that imposes a provincial corporation income tax (at present, only Ontario and Quebec). In addition, corporations may claim a credit against their Canadian tax for corporation income taxes paid to foreign countries.

Corporations are required to pay their taxes (combined income and old-age security taxes) in monthly instalments. In each of the last six months of their fiscal year and the three months following the end of their fiscal year, they must pay 1/12 of their estimated tax for the year. The estimate of the amount payable may be based on the income of the previous year or the estimated profits of the year in progress. In each of the following two months, they pay 1/3 of the estimated balance of the tax computed by reference to the profits of the taxation year. In the sixth month following the end of their fiscal year, the final return must be filed and the remainder of the tax paid for that year.

Taxation of Non-residents

A non-resident is liable to the payment of income tax if he was employed or was carrying on business in Canada during a taxation year. For all practical purposes, the expression "carrying on business in Canada" includes:

(a) maintaining a permanent establishment in Canada,
(b) maintaining a stock of goods in Canada,
(c) processing goods, even partially, in Canada,
(d) entering into contracts in Canada.

The taxable income of a non-resident individual derived from carrying on business in Canada or from employment in Canada is taxed under the same schedule of rates as Canadian resident individuals and non-resident corporations deriving income from carrying on business in Canada are taxed on their taxable income attributable to operations in Canada at the same rates as Canadian resident corporations. (Tax treaties with some countries provide certain exemptions from tax for remuneration for services performed in this country by residents or employees of the other country.)

Furthermore, the Income Tax Act provides for a tax at the rate of 15 per cent on certain forms of income going from Canada to non-resident persons. It applies to interest, dividends, rentals, royalties, income from a trust or estate, and alimony. With certain exceptions this 15 per cent tax applies whether the income goes to non-resident individuals or corporations. One exception is for dividends paid by a wholly-owned subsidiary company in Canada to its parent company abroad. Here the rate is 5 per cent. (The requirement that the paying corporation must be a wholly-owned subsidiary to qualify for this 5 per cent rate is modified by several tax treaties with other countries). The tax is not collected on interest on bonds of, or guaranteed by, the Government of Canada or on interest payable in a foreign currency, and the rate is only 5 per cent on interest on provincial bonds. The rate on royalties on motion picture films is only 10 per cent.