

(b) (Cont'd)

year an amount equal to one-tenth of the amount remaining after deducting the amount paid in the first two months from the tax as estimated by it at the rates for the year on its taxable income for the immediately preceding year.

Any balance of tax outstanding has to be paid by the last day of the third month following the close of the taxation year and the return for the year has to be filed by the last day of the sixth month following the close of the taxation year.

Taxation of Non-Residents

A non-resident individual or corporation is liable for payment of income tax if he was employed or was carrying on business in Canada during a taxation year. The expression "carrying on business in Canada" includes: (1) maintaining a permanent establishment in Canada; (2) processing goods even partially in Canada; and (3) 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. Profits earned in Canada by a non-resident corporation carrying on business in Canada are taxed at the regular rates of corporation income tax and are also subject to an additional tax of 15 per cent. This additional tax is imposed on profits attributable to the branch after deducting therefrom Canadian federal and provincial income taxes and an allowance in respect of the net increase in capital investment in property in Canada. (Tax treaties with some countries provide certain exemptions from tax for remuneration for services performed in Canada by residents or employees of these countries. They also prohibit Canada taxing profits of a non-resident enterprise unless that enterprise has a permanent establishment in Canada.)

The Income Tax Act imposes a tax at the rate of 15 per cent on certain forms of income paid by residents of Canada to non-resident persons. It applies to interest (other than interest on government bonds issued after April 15, 1966, interest on certain bonds issued before December 20, 1960, and interest paid to certain exempt lenders), dividends, rentals, royalties, income from a trust or estate and alimony. This tax applies whether the income is paid to non-resident individuals or corporations. The rate on royalties from motion picture films is 10 per cent. The standard rate of 15 per cent is reduced to 10 per cent in the case of dividends paid by a corporation that has a degree of Canadian ownership. (8)

(8) For definition of "degree of Canadian ownership" see Section 139A of the Income Tax Act. Generally speaking, a corporation is regarded as having a degree of Canadian ownership where 25 per cent of its equity and voting shares are owned by Canadians and/or corporations controlled in Canada, or where the voting shares of the corporation are listed on a Canadian stock exchange and no more than 75 per cent of its issued outstanding voting shares are owned by a non-resident alone or in combination with related persons.