The taxes shown above apply throughout Canada except in the Province of Quebec. Taxpayers in Quebec have their federal tax reduced by 13 per cent because Quebec also imposes an income tax on individuals.

Corporation Income Tax

The Income Tax Act levies a tax upon the income from everywhere in the world of corporations resident in Canada and upon the income attributable to operations in Canada of non-resident corporations carrying on business in Canada.

In computing their income, corporations may deduct operating expenses, including municipal real-estate taxes, and also reserves for doubtful debts, bad debts, and interest on borrowed money. They may not deduct provincial income taxes other than provincial taxes on income derived from mining and logging operations. They are allowed capital-cost allowances (depreciation) and corporations in certain natural-resource industries may also deduct depletion allowances.

The regulations covering capital-cost allowances permit the taxpayer to deduct, over a period of years, the actual capital cost of all depreciable property. The yearly deductions of capital-cost allowances are computed on the diminishing balance principle (taxpayers engaged in farming and fishing may choose between this and the straight line method). Published regulations establish a number of classes of property and maximum rates. There is provision for recapture of any amount allowed in excess of the ultimate net capital cost of any asset.

Taxpayers operating mines, oil wells and gas wells are allowed a depletion allowance, usually computed as a percentage of profits, which continues as long as the mine or well is in operation. This allowance is in addition to capital-cost allowances on buildings, machinery and similar depreciable assets used by the taxpayer. In respect of timber limits, taxpayers receive an annual allowance sometimes called a depletion allowance. This is a rateable proportion of the amount invested in the limit, and, when the amount has been recovered, no further allowance is given.

In computing taxable income, corporations may deduct dividends received from other Canadian taxpaying corporations and also from foreign corporations in which the Canadian corporation has at least 25 per cent stock ownership. 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 10 per cent of their income.

The general rates of tax on corporation taxable income for 1959 are:

> 18 per cent on the first $25,000 of taxable income; plus 47 per cent on taxable income in excess of $25,000.

Corporations deriving more than half their gross revenue from the sale of electrical energy, gas or steam pay tax on their taxable income from such sources at the rate of:

> 18 per cent on the first $25,000 of taxable income; plus 45 per cent on taxable income in excess of $25,000.

Corporations that qualify as investment companies pay a tax of 18 per cent on their taxable income.