

In addition, the corporation may deduct any taxes it has paid to a foreign country on foreign-source income, up to the corresponding tax that would have otherwise been payable in Canada.

The law requires corporations to pay taxes in monthly instalments throughout their taxation year. Any balance of tax must be paid by the last day of the third month following the close of the taxation year, and the return for the year must be filed by the last day of the sixth month following the close of the taxation year.

**Non-residents** Non-residents are liable for tax in Canada on certain income from Canadian sources, including business income, wages and capital gains realized upon dispositions of taxable Canadian property. However, the application of these rules may be altered by provisions in tax treaties between Canada and other countries.

Certain specific items of income paid to non-residents are subject to a "withholding tax". The tax is withheld from the amount paid to the non-resident and applies to certain interest payments, dividends, rents, royalties and management fees, and the like. The rates of tax vary from 10 per cent to 15 per cent.

The Income Tax Act provides that the general rate of withholding tax will be increased to 25 per cent starting in 1976. However, these rates may be modified by tax treaties.

**Estate and gift taxes** The Federal Government formerly imposed an estate tax and a tax on gifts. Neither of these taxes apply to deaths that occurred after 1971, or to gifts made after 1971.

**Excise taxes** The Excise Tax Act levies a general sales tax and special excise taxes on goods produced in Canada or imported. The Act does not, however, affect Canadian exports.

The general sales tax is imposed at a rate of 12 per cent on the manufacturer's sale price of goods produced or manufactured in Canada or on the duty-paid value of imported goods — that is, their value after customs duties are added. A slightly lower rate, of 11 per cent, is imposed on building materials.

Many goods are exempt from the sales tax. These include drugs, children's clothing, electricity, fuels for lighting or heating, all foodstuffs, articles and materials purchased by public hospitals and certain welfare institutions. The products of farms, forests, mines and fisheries are, to a large extent, excluded, as well as equipment used in farming, lumbering, mining and fishing. Machinery and equipment used directly in production