

45 per cent on taxable income in excess of \$35,000.⁽⁷⁾ Corporations that qualify as investment companies pay a tax of 18 per cent on their taxable income. In addition to these rates 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 and 21 per cent for investment companies).

On profits earned in 1968, 1969 and 1970 corporations must also pay a surtax of 3 per cent of the amount of federal tax excluding old-age-security tax but before the abatement under federal-provincial fiscal arrangements referred to below. Starting in 1969, life insurance corporations have to pay a special 15 percent tax on a base related to their investment income. This is in addition to the normal corporation income tax.

In calculating the amount of their income tax, corporations are allowed a deduction from tax under three headings:

- (1) Foreign tax credit - foreign taxes paid on income from foreign sources may be deducted from Canadian income tax but the deduction may not exceed the Canadian tax related to such income.
- (2) Abatement under federal-provincial arrangements - corporations may deduct from their federal tax otherwise payable a tax abatement equal to 10 per cent of their taxable income attributable to operations in a Canadian province. This abatement is to make room for the provincial income tax levied by each Canadian province.
- (3) Provincial logging tax - corporations may deduct from their federal tax otherwise payable an amount equal to two-thirds of a provincial tax on income from logging operations not exceeding two-thirds of 10 per cent of the corporation's income from logging operations in the province. (At present only Ontario, Quebec and British Columbia impose logging taxes.)

A corporation is required to pay its tax (combined income, surtax and old-age-security tax) in monthly instalments. In the past, a corporation started payments for a taxation year in the third month of that taxation year but for taxation years starting after November 30, 1969, a corporation will have to begin its monthly tax payments in the first month of its taxation year and make its twelfth instalment by the last day of that year. Each monthly remittance will be equal to either:

- (a) one-twelfth of the tax as estimated by the corporation at the rates for the taxation year on its estimated taxable income for the year; or
- (b) in each of the first two months in the year an amount equal to one-twelfth of the tax as estimated by it at the rates for the year on its taxable income for the second taxation year preceding the year, and in each of the next ten months in the

(7) 95 per cent of the federal tax collected from these corporations is remitted to the provinces.