timber limits receive an annual allowance sometimes called a depletion allowance. This is a rateable proportion of the amount invested in the limit and is based on the amount of timber cut in the year. When the amount invested in the limit 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 percent 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 percent of their income.

The general rates of tax on corporate taxable income are: 18 percent on the first $35,000 of taxable income, plus 47 percent on taxable income in excess of $35,000.

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 percent on the first $35,000 of taxable income, plus 45 percent on taxable income in excess of $35,000.

Corporations which qualify as investment companies pay a tax of 18 percent on their taxable income.

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

In calculating the amount of their income tax, corporations are allowed tax credits under two headings:

(a) Foreign tax credit

Foreign taxes paid on income from foreign sources may be credited against Canadian income tax, but the credit may not exceed the proportion of Canadian tax relative to such income.

(b) Abatement under federal-provincial arrangement

Corporations may deduct from their federal tax otherwise payable a tax abatement equal to a fixed percentage 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. The amount of the abatement is 9 percent of taxable income attributable to operations in any province except Quebec and 10 percent of taxable income attributable to operations in Quebec. (The additional 1 percent in Quebec has not yet been brought into force by legislation.)

It was announced in the 1962 Budget Speech that a tax incentive based upon increased sales would be available to corporations engaged in manufacturing or processing. This concession will consist of cancellation of 50 percent of the federal income tax on the first $50,000 of taxable income arising from increased sales and cancellation of 25 percent of the tax on any additional taxable income arising from increased sales. (This proposal for a tax incentive has not yet been brought into force by legislation.)