

accelerated capital-cost allowance (two years) for structures and equipment acquired between April 27, 1965, and December 31, 1974, for the prevention of water pollution, and between March 13, 1970, and December 31, 1974, for the prevention of air pollution;

up to 60 per cent of approved wages incurred in the period between October 31, 1971, and April 1, 1974, where a corporation has not elected to receive a grant under the training-on-the-job program. This deduction is in addition to normal deductions for wages paid to employees. Expenditures for scientific research related to the work of the corporation may be written off in the year incurred.

Corporations engaged in developing natural resources such as minerals, petroleum products and timber are subject to special rules that take into account the special risks, the large amounts of capital investment required and the non-renewable nature of many of these natural resources.

**Computation of tax** The general federal rate of tax on corporate taxable income earned in 1973 is 49 per cent. This rate is reduced annually by 1 per cent until 1976, at which time it will stabilize at 46 per cent. Special provisions have been enacted to assist "small businesses".

The "small business" deduction reduces the rate of tax on certain business income to 25 per cent. This concession is restricted to Canadian corporations not controlled by non-residents or by a Canadian public corporation. It applies only to income from an active business carried on in Canada, and not to investment income. The special rate applies to the first \$50,000 of annual income of the eligible corporation until it has accumulated \$400,000 of taxable income after 1971.

The general rate of 49 per cent and the special rate of 25 per cent are reduced to 40 per cent and 20 per cent respectively on profits from manufacturing and processing activities carried out in Canada.

Special rules are also provided for the taxation of certain types of company, including mutual fund corporations, life insurance companies, co-operatives, credit unions and investment corporations.

The rates of federal tax are reduced by 10 percentage points on income earned in a province. This provincial abatement is provided to make room for provincial income taxes. At present, the provinces impose corporate taxes ranging from 10 per cent to 13 per cent.