The general rates of tax on corporate taxable income are 18 per cent on the first $35,000 of taxable income and 47 per cent 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 per cent on the first $35,000 of taxable income plus 45 per cent on taxable income in excess of $35,000. 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).

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 credited against Canadian income tax but the credit may not exceed the proportion of 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 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 per cent of taxable income attributable to operations in any province except Quebec and 10 per cent of taxable income attributable to operations in Quebec.

(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.)

Income from the operation of a new mine, including wells for extracting potash by the solution method, is exempt from income tax during the first three years of the productive life of these assets. Income from a new manufacturing or processing business established in a designated area of slower growth during the period commencing on December 5, 1963, and terminating on March 31, 1967, is eligible for a three-year exemption from income tax.

Corporations are required to pay their tax (combined income and old-age security tax) in monthly instalments, but the period during which they pay tax for a taxation year does not coincide with that taxation year. In each of the last eight months of their taxation year and in the following two, they pay a twelfth of their estimated tax for the year (such estimate is based on the taxable income of the previous year or the estimated taxable income of the year in progress). In each of the following two months, they pay half of the estimated balance of the tax computed by reference to the income of the taxation year. In the sixth month following the end of their taxation year, the final return has to be filed.