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.)

New manufacturing and processing businesses established in designated areas of slower growth during the period beginning December 5, 1963, and ending March 31, 1967, are eligible for a three-year exemption from income tax. (The names of the areas which have been designated for that purpose appear in Appendix A of the present summary.)

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. Until 1963, corporations did not start to pay tax for a taxation year before the seventh month of that taxation year. In each of the last six months of their taxation year and in the following three, they paid a twelfth of their estimated tax for the year (such estimate being based either 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 paid a third 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 had to be filed and the remainder of the tax paid for the year. The 1963 Budget introduced a new set of rules for the payment of corporation income tax, which will not become fully operative until early 1966. These rules require that corporations begin to pay their tax for a taxation year in the fifth month rather than in the seventh month of 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 continues to be 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 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. In order to move on to the new pattern, it is necessary for corporations to pay their tax for each of two taxation years within a payment period of 11 months. The first taxation year to be so compressed within 11 months for the purpose of moving forward the payment period of corporation income tax is the first one to end after November 30, 1963. The second will be the immediately succeeding one.

Taxation of Non-residents

A non-resident is liable for payment of income tax if he was employed or was carrying on business in Canada during a taxation year. The expression "carrying on business in Canada" includes: (1) maintaining a permanent establishment in Canada; (2) processing goods even partially in Canada; and (3) entering into contracts in Canada.

The taxable income of a non-resident individual derived from carrying on business in Canada or from employment in Canada is taxed under the same schedule of rates as Canadian resident individuals, and non-resident corporations deriving income from carrying on business in Canada are taxed on their taxable income attributable to operations in Canada at the same rates as Canadian resident corporations. (Tax treaties with some countries provide certain exemptions from tax in remuneration of services performed in Canada by residents or employees of these countries.)