

in respect of new buildings acquired in designated areas of slower growth in the period commencing on December 5, 1963, and ending on March 31, 1967.

Accelerated depreciation is also allowed in respect of new buildings or other structures for grain storage acquired in the period May 1, 1965, to December 31, 1966* (full write-off in four years) and in respect of property acquired in the period April 27, 1965, to December 31, 1967, to prevent water pollution (full write-off in two years).

The 1966 Budget announced the temporary reductions of the capital-cost allowances that could otherwise be claimed for certain classes of assets acquired during the period March 30, 1966, to October 1, 1967. The reductions will operate by recognizing in the taxation year in which the property is acquired and in the next two taxation years part only of the cost for capital-cost allowance purposes. The principal classes of assets affected include most kinds of buildings and machinery and equipment with the exception of heavy construction equipment,** pipelines and the generating and distributing equipment of public utilities. Assets eligible for accelerated depreciation (under programmes to promote the acquisition of "degree of Canadian ownership" status or the development of "designated areas") are not affected by this curtailment of normal capital-cost allowances.

Expenditures on scientific research by corporations qualify for special tax treatment. Generally speaking, all expenditures on scientific research related to the business of the taxpayer may be written off for tax purposes in the year when incurred. In addition, in computing income for tax purposes, corporations are permitted to deduct 150 per cent of their increased expenditures on scientific research in Canada. This special concession is available until the end of the 1966 taxation year.

Taxpayers operating mines, oil wells, gas wells and wells for extracting potash by the solution method are allowed a depletion allowance, usually computed as a percentage of profits derived from mineral, oil or gas production, which continues as long as the mine or well is in operation. This allowance is in addition to capital-cost allowances on buildings, machinery and similar depreciable assets used by the taxpayer and the deduction of his exploration and drilling expenses. Taxpayers operating 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 per cent of their income.

* Authority is granted to extend the date by which buildings or structures must be completed in certain circumstances.

** An exception has recently been provided for automotive equipment.