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THE CANADIAN TAX SYSTEM

Material Reviewed as of
October 1988

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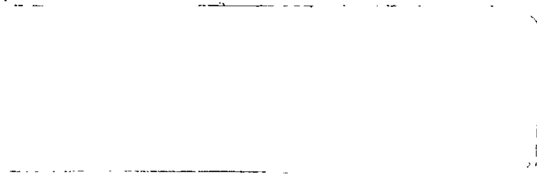

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THE CANADIAN TAX SYSTEM

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Foreward

This brochure gives an overview of the Canadian tax system, including information on federal and provincial income and sales taxes as well as a comparison between the Canadian and U.S. income tax systems.

In June 1987, the federal government proposed a major reform of the Canadian tax system, to be implemented in two stages. Legislation to implement the stage one income tax changes was recently passed, and most of these tax reform measures will take effect in 1988. The stage two sales tax reform measures proposed in 1987 are still under discussion, and detailed proposals and a timetable for implementation have not yet been announced.

Both before and after tax reform, the Canadian income tax system compares favourably with that of the U.S. This conclusion is supported by recent studies° of international tax competitiveness undertaken by the Conference Board of Canada. Indeed, international competitiveness of Canada's tax system was one of the government's guiding principles in designing the tax reform proposals.

The brochure also provides a list of sources to which the reader can refer for information on the many and varied federal, provincial, and municipal programs designed to assist business.

° Jaek Warda and Tancredi Zollo, International Tax Comparisons Compendium Report: The Competitiveness of Canada's Corporate Tax Structure, and Canadian Tax Reform: Will the Canadian Tax System Be More Competitive? (Ottawa, 1987).

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I TAXATION

Introduction

In Canada, all three levels of government (federal, provincial or territorial, and municipal) levy taxes on both individuals and businesses. The federal government levies an income tax, indirect sales tax, excise tax and customs duties. The provincial governments impose income tax, retail sales tax, and taxes or royalties on natural resources. At the municipal level, there are property and school taxes.

The federal government administers and collects corporate income tax on behalf of most provincial governments; however, the provinces of Alberta, Quebec, and Ontario administer and collect their own corporate income tax. These three provinces generally follow federal corporate income tax legislation in defining taxable income, although there are differences. The federal government also administers and collects personal income tax on behalf of all provinces, with the exception of the province of Quebec. The province of Quebec sets its own personal income tax base and tax rates. In the remaining nine provinces and two territories, the provincial/territorial income tax on individuals is levied as a percentage of federal basic income tax.

This brochure outlines the main components of the tax system in Canada, and is based on information from a variety of sources, including the tax reform papers published by the Department of Finance in 1987, provincial government documents, and Commerce Clearing House publications and conferences on Canadian and U.S. tax matters. Officials of the Department of Finance were also consulted about recent developments. It should be noted, however, that this brochure provides a summary only and potential investors are advised to consult a tax expert for detailed advice on the tax implications of a particular investment or business transaction.

Tax Reform Changes

In June 1987, Finance Minister Wilson released the White Paper on Tax Reform, which contains the government's proposals for restructuring personal and corporate income taxes and the federal sales tax. The government is implementing these proposals in two stages. In September 1988, the government passed legislation to implement the first stage changes to personal and corporate income taxes. Most of these income tax changes take effect in 1988. In the second stage, the existing federal manufacturers' sales tax will be replaced by one of the three sales tax options outlined in the White Paper. These options are under discussion, and no date has been set for the second stage sales tax reform.

Tax Reform will have a major impact on investors in Canada, beginning in 1988 when the income tax changes come into effect. The main thrust of these changes is to lower tax rates and to broaden the tax base (e.g., by eliminating special incentives). The section which follows summarizes the new corporate and personal income tax system, indicating transitional measures (i.e., between the pre- and post-reform tax systems) where relevant.

Corporate Income Tax

In general, all corporations resident in Canada are subject to income tax. The tax is levied on income earned in the taxation year from all sources worldwide. The taxation year for a corporation corresponds to the fiscal period for which its annual financial statements are prepared. Corporate income tax is levied on taxable income, which is calculated by adjusting the corporation's financial statement income to reflect the provisions of the Income Tax Act. For example, an adjustment is required where financial statement depreciation charges differ from capital cost allowances specified under the Income Tax Act.

Federal Tax Rates - As a result of the tax reform changes, the general federal tax rate is reduced from 35% to 28% on July 1, 1988; this is equivalent to a combined rate for the year of 31.5% (this rate is net of the 10 percentage point abatement for provincial income taxes). There is also a special deduction which reduces the federal corporate income tax rate on manufacturing and processing income. As part of the tax reform, the lower tax rate for manufacturing and processing companies is reduced from 28% to 26% on July 1, 1988, for a blended rate for the year of 27%. Further reductions for each of the next three years will reduce the rate to 23% on July 1, 1991.

There is also a lower federal tax rate for eligible small corporations. Under tax reform the small company rate was reduced from 14% to 12% on July 1, 1988. For small manufacturing corporations the small company rate is 8% for the first half of 1988 and 12% from July 1, 1988 on. These tax rates apply to the first $200,000 of taxable income of Canadian-controlled private corporations.

Currently, there is a 3% surtax on all corporations. This surtax is viewed as a temporary measure, although no expiry date has been set for the surtax. The government has indicated, however, that the surtax will be removed when the sales tax reform proposals are implemented as the second stage of tax reform.

Table 1 below provides the federal corporate income tax rates applicable to various types of corporate income for 1988 to 1991.

Payment of Income Tax - Corporations are required to pay income tax by monthly instalments. A new corporation is not required to pay monthly instalments until after its first year of operations.

Calculation of Income for Tax Purposes - In calculating taxable income, a corporation's financial statement income is adjusted for the specific provisions of the Income Tax Act that require different treatment of revenues or expenses than the generally accepted accounting principles used in calculating financial statement income. Some of the main provisions of the Income Tax Act are outlined below.

TABLE 1

Federal Corporate Income Tax Rates, 1988 to 1991

Type of Corporation	Rates (% of taxable income)*			
	1988	1989	1990	1991
General Business	28	28	28	28
Manufacturing Business	26	25	24	23

* Effective July 1 of each year.

Notes:

1. The federal tax rates shown above are after the 10-percentage-point provincial abatement, but before the 3% corporate surtax (i.e., 3% of federal tax otherwise payable).

2. The lower tax rate for manufacturing businesses applies only to the net income from manufacturing or processing activities of the corporation and not to income from other business activities.

3. A small business tax rate of 12% applies to the first $200,000 of taxable income of Canadian-controlled private corporations. The 12% rate applies from July 1, 1988 on; for the first half of 1988 the small business tax rate was 14% (8% for small manufacturing companies).

4. For the first half of 1988 the general corporate tax rate was 35% and the manufacturing corporate tax rate was 28%.

Deductibility of Expenses - As a general rule, any reasonable expenditure incurred to produce income from a business or property is fully deductible from income, including such items as directors' bonuses, and interest on money borrowed for business or investment purposes. Under the tax reform changes, the deduction for business meals and entertainment expenses is limited to 80% of the amount actually paid (effective January 1, 1988).

Depreciation (Capital Cost Allowances) - Depreciation for tax purposes (called Capital Cost Allowance or CCA) is generally calculated on a pooled basis, with fixed assets being grouped together into a relatively small number of CCA classes. The amount of depreciation that may be claimed annually for tax purposes is then calculated separately for each CCA class, on the basis of the prescribed CCA rate applicable to the class. For most asset classes CCA is calculated on a declining balance basis at rates varying from 4% to 100%, depending on the type of asset and its estimated useful life (under the declining balance method, annual depreciation declines each year and is calculated as the depreciation or CCA rate times the undepreciated cost of the asset). The straight line method of depreciation is used in calculating CCA for some assets, such as leasehold interests and patents (under the straight line method, annual depreciation is the same amount each year, and is calculated as the original cost divided by the number of years in the asset's useful life). For assets acquired during the taxation year, the "half year rule" stipulates that only one-half of the normal CCA may be claimed for that asset in the year of acquisition.

As part of the tax reform measures implemented in 1988, the CCA rates applicable to a number of asset classes have been reduced. The new CCA rates are in effect for assets acquired after 1987, and will be phased in over the years 1988 to 1990. It is also proposed that, beginning in 1990, CCA may be claimed only when the asset is available for use, or 24 months after the asset was acquired, whichever is earlier. If CCA cannot be claimed until 24 months after an asset is acquired, the half year rule does not apply. Table 2 provides the new CCA rates for a number of common depreciable assets.

Losses - If a corporation suffers a loss for tax purposes, the loss may be carried over to other taxation years and deducted from income. Non-capital losses (i.e., operating losses) may be carried back 3 years and forward 7 years. Net capital losses may be carried back 3 years and forward indefinitely; however, capital losses can only be deducted from taxable capital gains in the carry-over years. Since only a portion of capital gains is taxable, only that portion of capital losses is deductible (see paragraph below).

Capital Gains - Under tax reform, the proportion of net capital gains that must be included in taxable income is increased from the 50% to 66 2/3% in 1988 and 75% in 1990 (the deduction of capital losses will also reflect these inclusion rates).

TABLE 2

Capital Cost Allowance Rates

Asset	CCA Rate	
Automobiles	30% D. B.	
Buildings	4% D. B.	
Certified Canadian films	30% D. B.	(plus immediate write-off up to film income)
Computer hardware and systems software	30% D. B.	
Computer software	100%	
Manufacturing and processing machinery and equipment	25% D.B.	
Resource extraction assets	25% D. B.	(plus immediate write-off up to income from new mine)

Notes:

1. "D. B." means declining balance.

2. The new CCA rates for manufacturing and processing machinery and equipment will be phased in over 4 years as follows: 1988-40% D.B.; 1989-35% D.B.; 1990-30% D.B.; thereafter-25% D.B. For all other assets, the new CCA rates apply to assets acquired after 1987.

Intercorporate Dividends - Dividends received from a taxable Canadian corporation are fully deductible from income, thereby avoiding double taxation of corporate income. Dividends from active business income of foreign subsidiaries in tax treaty countries are also generally deductible in determining taxable income.

Transfer Pricing/Corporate Reorganizations - Transactions between taxpayers who do not deal at arm's length must take place at fair market value. Several exceptions are provided, however, to facilitate various corporate reorganizations, including transfers of assets to corporations under qualifying circumstances, and certain capital reorganizations, mergers and liquidations. These rules ensure that, in such circumstances, assets are considered to be transferred at their current cost for tax purposes, thereby postponing the tax that would be payable if the assets were considered to be transferred at their fair market value.

Foreign Tax Credit - In order to prevent double taxation, a Canadian corporation that also carries on business in a foreign country is permitted to deduct from its Canadian income tax otherwise payable a credit in recognition of foreign income or profits tax paid. The foreign tax credit is limited to the lessor of the foreign taxes actually paid and the Canadian income tax otherwise payable on the foreign source income. Unused foreign tax credits may be carried back 3 years and forward 7 years.

The elimination of double taxation of income from foreign subsidiaries is provided through adjustments to the intercorporate dividend deduction.

Tax Incentives and Special Tax Measures

The main thrust of tax reform is to broaden the tax base and lower tax rates, thus reducing or eliminating most tax incentives. For example, the general investment tax credit is being phased out beginning in 1988, although the special investment tax credits for designated regions and for research and development will remain. In the place of these incentives, the tax reform proposals call for reduced tax rates for all corporations.

Investment Tax Credit- An investment tax credit is currently provided for investments in certain depreciable assets. The investment tax credit (ITC) is calculated as a percentage of the acquisition cost of the eligible asset, and the ITC is claimed as a credit against federal income tax otherwise payable.

To qualify for the ITC, the asset must be used primarily in one of the following activities: manufacturing or processing; exploration, development or production of petroleum or minerals; logging; farming; fishing; construction; or transportation. The ITC applies mainly for investment in machinery and equipment, although some plant and buildings are also eligible for the credit.

The rate of ITC varies with the geographic region in which the asset is used, ranging from a basic rate 3% for most of Canada to a special 60% rate for Cape Breton. Table 3 below provides the current ITC rates, as well as the rates as the ITC is phased out under tax reform.

The amount of ITC reduces the allowable cost base for computing CCA (i.e., tax depreciation). Under the tax reform changes, there is a limit on the annual claims allowed for ITC. Beginning in 1988, the annual claim for ITC will be limited to 75% of federal tax otherwise payable; however, unused ITCs may be carried back 3 years and forward 10 years.

A special rule will permit the ITC to offset 100% of federal tax payable for small Canadian-controlled private corporations (CCPCs) on their income taxed at the lower tax rate, and for such corporations (i.e., CCPCs), 40% of the unused portion of the credit is refundable.

TABLE 3

Investment Tax Credit Rates, 1988-1989

	New Rates Under Tax Reform	
Location	1988	1989
Basic Rate applicable to most of Canada	3%	0%
Designated Areas	3%	0%
Manufacturing in Designated Areas	40%	30%
Atlantic Region	20%	15%
Cape Breton	60%	45%
High-cost Exploration	25%	25%

Notes:

1. The basic rate applies to Southern Ontario, parts of Quebec, Alberta and British Columbia. The higher rate for manufacturing in designated areas applies to Saskatchewan, Manitoba, Northern Ontario and parts of Quebec.

Incentives for Research and Development - Special tax incentives are available to encourage corporations to undertake industrial research and development. All current expenditures (such as salaries and other operating costs) and certain capital expenditures on eligible R&D activities can be written off in the year incurred. While the cost of buildings used for R&D must be written off at the standard 4% declining balance CCA rate, the cost of specialized structures (such as wind tunnels) and equipment used for R&D can be written off in the year incurred.

In addition, there is an investment tax credit (ITC) of 20% for eligible R&D expenditures (30% ITC for R&D carried out in the Atlantic provinces). The ITC for R&D applies to all current expenses (such as salaries) as well as capital expenditures on equipment and specialized structures used in qualified R&D activities. The annual amount a corporation may claim for ITC related to R&D expenditures is 75% of federal corporate tax otherwise payable. Unused ITC can be carried back 3 years and forward 10 years.

For small Canadian-controlled private corporations (CCPCs), the ITC rate is 35% on the first $2 million of eligible R&D expenditures, for a potential ITC of $700,000. The 35% ITC earned by small CCPCs is 100% refundable for the first $2 million of **current** R&D expenditures and can result in a refund of up to $700,000 per year to an eligible firm. Unused ITC related to **capital** R&D expenditures and to **current** R&D expenditures **above $2 million** are refundable at a 40% rate.

Low Tax Rates for Manufacturing Companies and Small Businesses - Lower corporate income tax rates are applicable to income earned from manufacturing and processing, and for business income earned by small corporations. The tax rates, and types of income and corporations eligible for the lower tax rates are outlined in Table 1.

Special Tax Measures for Oil and Gas, and Mining Companies - Special tax measures are applicable to resource companies, including: a 25% resource allowance in recognition of provincial royalties paid by resource companies; fast write-off of exploration and development costs; accelerated Capital Cost Allowance; and "earned depletion allowance" for mines and non-conventional oil projects.

Provincial/Territorial Corporate Income Tax

Provincial and territorial° income tax is calculated on the basis of taxable income allocated to each province in which a corporation has a permanent establishment. The allocation is usually made on the basis of the average of two ratios: the ratio of gross revenues earned in each province to total gross revenues and the ratio of wages and salaries paid in each province to total wages and salaries paid. The appropriate provincial income tax rate (or rates) is then applied to the resulting amount of taxable income to calculate provincial tax payable.

° In the remainder of the brochure, "province" and "provincial" generally refer to "territory" and "territorial" as well.

Quebec, Ontario, and Alberta levy and collect their own corporate income tax. These three provinces generally follow the federal corporate income tax legislation, although there are differences. In the remaining seven provinces and two territories, the federal government collects provincial income tax on behalf of the province. In these provinces and territories, corporations calculate their provincial and territorial taxable income according to the same rules as for federal taxable income. Table 4 provides the current provincial and territorial corporate income tax rates.

TABLE 4

1988 Provincial and Territorial Corporate Income Tax Rates
Percent of Taxable Income

Newfoundland	16
Prince Edward Island	15
Nova Scotia	15
New Brunswick	16
Quebec	5.5
Ontario	15.5
Manitoba	17
Saskatchewan	17
Alberta	15
British Columbia	14
Yukon	10
Northwest Territories	10

Notes:

1. Quebec imposes a surtax of 7.25% of provincial tax payable, and applies a tax rate of 13% to investment income. Saskatchewan will reduce its tax rate to 15% in 1989.

2. Several provinces have a lower tax rate on manufacturing profits: Ontario's tax rate for manufacturing companies is 14.5%; Alberta's rate is 9%; the Yukon's rate is 2.5%.

3. All of the provinces and the Yukon have a lower tax rate for small Canadian-controlled companies.

Other Relevant Factors

Corporations should be aware that a number of other taxes are levied by the different levels of government, including capital taxes, property taxes, business taxes, licenses, and land transfer taxes. Investors should consult with the appropriate authorities for full information on the applicability and rates of these taxes.

Income Taxation of Individuals

Individuals resident in Canada are taxed on their worldwide income. For income tax purposes, an individual is considered a resident of Canada if he/she resided in Canada for 183 days or more. Double taxation on foreign source income is prevented by a foreign tax credit. Income subject to taxation generally includes income from employment, income from a business or property, and net capital gains. Generally, the taxation year of an individual is the calendar year, although if the individual is self-employed or a member of a partnership, the fiscal year of the business can be used for calculating tax due on income from that source.

Income Subject to Tax - Income subject to tax includes income from an office or employment, income from a business or property, capital gains, and other sources of income.

Income from an Office or Employment - Income subject to tax includes salary, wages, commissions, gratuities, director's and other types of fees, and any other remuneration received by the individual from an office or employment during the year. Also included are employment benefits such as the value of personal use of a company car, holiday trips paid for by the employer, rent-free accommodation, etc. Fringe benefits that are not taxable include contributions made by the employer to a registered retirement pension or deferred profit-sharing plan, premiums paid by the employer to a group sickness or accident insurance plan, and reimbursement of an employee's moving expenses.

Income from a Business - Income from an unincorporated business is the net income of the business for the year, and is generally calculated in the same manner as for a corporation. Only farmers and commission sales people are permitted to use the cash accounting method for tax purposes; all others must use the accrual method. Income from a partnership is the partner's share of the net income of the partnership, whether distributed or not.

Income from Property - Income from property is the return on invested capital and includes interest, dividends, rents, and royalties. Capital gains are treated separately for tax purposes.

Dividends received by an individual from a taxable Canadian corporation are subject to a 25% "gross-up" (i.e., 125% of the dividend received is included in income) and a dividend tax credit of 16 2/3% of the dividends received. When the associated provincial credit is taken into account, the 16 2/3% federal credit translates into a combined credit of approximately 25% (varying somewhat by province). For small Canadian-controlled private corporations, this dividend gross-up and tax credit system approximates full integration of the corporate and personal income taxes. For all other corporations, the dividend gross-up and tax credit system provides partial recognition for income taxes paid at the corporate level and also provides an incentive for individuals to invest in Canadian corporations.

Capital Gains - Currently, 66 2/3% of capital gains must be included in income for tax purposes. Similarly, 66 2/3% of capital losses can be offset against capital gains realized in the year and against $2,000 of other income. Unused capital losses can be carried back 3 years and forward indefinitely, but can only be deducted from taxable capital gains in the carry-over period. As part of tax reform, the inclusion rate for capital gains (and deductibility of capital losses) will be increased from the current 66 2/3% to 75% in 1990. Previously, the inclusion rate for capital gains (deductibility rate for capital losses) was 50%.

The capital gain on an individual's principal residence is exempt from taxation. In addition, there is a $100,000 lifetime capital gains exemption. For capital gains realized on farms and on the shares of small Canadian-controlled private corporations, the lifetime exemption is $500,000. New rules introduced with tax reform ensure that individuals will be able to claim a capital gains exemption only to the extent that the gains exceed the amount of cumulative investment losses claimed by the individual (e.g., resulting from interest expenses on money borrowed to buy assets).

Payment of Income Tax - For employees, both federal and provincial income tax on salaries and wages are deducted by the employer at source. For self-employed individuals or those who earn substantial amounts of income from sources other than employment, the individual is required to make quarterly instalments during the year.

A personal income tax return must be filed by individuals on or before April 30 for the previous calendar year. If the income tax paid through source deductions or quarterly instalments is less than the total amount of tax owing for the year, the balance is due on April 30. Similarly, if income tax withheld at source or paid by instalments exceeds the total amount owing for the year, the individual is entitled to a refund.

Deductions from Income - Under tax reform, most deductions are eliminated or converted into tax credits: for example, effective January 1, 1988 all personal exemptions have been converted into credits. While the value of an exemption or deduction varies with the marginal tax rate of the individual, the value of a tax credit is the same, regardless of the individual's tax bracket. This is because a credit is deducted from tax payable rather than from income as in the case of a deduction or exemption. Table 5 provides the major tax credits currently available.

TABLE 5

Major Personal Income Tax Credits, 1988

Personal Credits	Federal Tax Credit ($)
Basic	1,020
Married	850
Dependent child under 18*	66
Age (over 65)	550
Blind or disabled	550
Infirm dependent (18 and over)	250
Other Credits	**Federal Tax Credit**
Pension income	17% of pension income to maximum of $170
Medical expenses	17% of expenses in excess of 3% of net income or $1,500, whichever is greater
Charitable donations	17% of first $250 and 29% of remaining donations
Canada Pension Plan and Unemployment Insurance premiums	17% of premiums

* $132 for the third and subsequent children.

Notes:

1. In addition to the major tax credits shown above, other federal tax credits include one for donations to a political party, a refundable credit for dependent children in low-income families, and a refundable credit for low-income individuals and families as a partial offset for federal sales tax paid. The dividend tax credit is explained in the text.

Federal Tax Rates - As part of the tax reform measures implemented in 1988, the number of federal tax brackets was reduced from 10 to 3 and the rates were reduced significantly. The top federal tax rate, which was 34% in 1987, was reduced to 29% in 1988. The new income tax brackets for 1988 are shown in Table 6. In subsequent years, the tax brackets will be partially indexed to account for the effect of inflation.

TABLE 6

1988 Federal Personal Income Tax Rates

Taxable Income ($)	Federal Marginal Tax Rate (%)
0 - 27,500	17
27,501 - 55,000	26
55,001 and over	29

Notes:

1. The rates shown above exclude the temporary 3% surtax on federal income tax otherwise payable. While no expiry date has been set, the government has indicated that it intends to remove this surtax when the second stage sales tax reform measures are implemented.

2. Quebec residents receive a 16.5% abatement of basic federal income tax in lieu of shared financing (i.e., federal-provincial) of certain programs.

Provincial Tax Rates - Provincial income tax is calculated as a percent of basic federal tax in all provinces except Quebec, which levies its own income tax. In the remaining nine provinces and the two territories, personal income tax rates range from 43% to 60% of basic federal tax. Quebec income tax rates for individuals range from 16% to 26% of taxable income. The top marginal income tax rate for individuals (excluding surtaxes) is thus in the range of 41% to 46% (50% in Quebec), depending on the province or territory of residence. Various provinces also levy flat taxes and surtaxes and provide provincial tax credits (e.g., for property or sales taxes paid by low income taxpayers). Tables 7 and 8 provide the 1988 provincial income tax rates for individuals.

TABLE 7

1988 Provincial and Territorial Personal Income Tax Rates

Province or Territory	Rate as a Percent of Federal Tax Payable*
Newfoundland	60
Prince Edward Island	56
Nova Scotia	56.5
New Brunswick	60
Quebec*	16 to 26
Ontario	51
Manitoba	54
Saskatchewan	50
Alberta	46.5
British Columbia	51.5
Yukon	45
Northwest Territories	43

* Quebec levies its own personal income tax: see Table 8 for details.

Notes:

1. Changes for 1989 already announced: Prince Edward Island's tax rate will increase to 57%; Quebec's tax rates will decrease to 16% to 24%; Ontario's tax rate will increase to 52%.

2. Quebec, Ontario, Manitoba, Saskatchewan and Alberta have a tax reduction for low-income taxpayers. The amount of these tax cuts varies with such factors as net income and number of dependent children. These tax cuts are phased out at higher income levels.

3. Several provinces levy a surtax on high-income taxpayers and/or a flat tax. Prince Edward Island's surtax is 5% of provincial tax payable in excess of $12,500 (10% in 1989). Ontario's surtax is 10% of provincial tax payable in excess of $10,000. Manitoba imposes a flat tax of 2% on net income. In addition, Manitoba levies a surtax which is based on the flat tax payable adjusted for the taxpayer's circumstances (e.g., number of dependents). Saskatchewan's surtax is 12% of provincial tax payable in excess of $4,000. In addition, Saskatchewan imposes a flat tax of 2.0% on net income. Alberta's surtax is 8% of provincial tax payable in excess of $3,500. Alberta imposes an additional flat tax of 0.5% on taxable income.

TABLE 8

Quebec Personal Income Tax Rates, 1988 - 1989
Percent of Taxable Income

Taxable Income ($)	Marginal Tax Rates (%) 1988	1989
0 - 7,000	16.0	16.0
7,000 - 14,000	19.5	19.0
14,000 - 23,000	21.5	21.0
23,000 - 50,000	24.5	23.0
50,000 and over	26.0	24.0

Notes:

1. Quebec has followed federal tax reform by converting most deductions and exemptions into tax credits. For example, the $5,280 basic personal exemption is now a tax credit of $1,056. Similarly the number of tax brackets has been reduced from 16 to 5. The 1988-1989 Quebec budget also introduced more generous allowances and other tax measures for families.

2. As indicated in the notes to Table 6, Quebec residents receive a 16.5% abatement of basic federal income tax in lieu of shared financing (i.e., federal-provincial) of certain programs. As a result, the top marginal tax rate (excluding surtaxes) in Quebec is about 50% (24% federal plus 26% provincial).

Taxation of Non-resident Corporations and Individuals

International Agreements - Canada has entered into tax treaties with other countries to avoid double taxation on the same income and to prevent tax evasion. The provinces are not party to the formal tax treaties, but normally adhere to the provisions of the treaties. A list of those countries with which Canada has concluded a tax treaty is provided in Table 9.

Withholding Tax - In the case of payments to a non-resident individual or corporation, a withholding tax is applied to payments of dividends, interest, salaries, bonuses, commissions, royalties, or other amounts for services rendered, as well as payments of pension benefits and retiring allowances. The statutory rate of Canadian withholding tax on payments to non-residents is 25%. This is generally reduced to 15% by Canadian tax treaties. Certain types of income, such as interest on government bonds and certain corporate bonds, are exempt from the withholding tax.

TABLE 9

Tax Treaty Countries

Australia	Japan
Austria	Kenya
Bangladesh	Korea
Barbados	Malaysia
Belgium	Malta
Brazil	Morocco
Cameroon	Netherlands
China	New Zealand
Cyprus	Norway
Denmark	Pakistan
Dominican Republic	Philippines
Egypt	Romania
Finland	Singapore
France	Spain
Germany (FRG)	Sri Lanka
Guyana	Sweden
India	Switzerland
Indonesia	Thailand
Ireland	Trinidad and Tobago
Israel	Tunisia
Italy	U.S.S.R.
Ivory Coast	U.K.
Jamaica	U.S.A.

Withholding tax rates for payments to U.S. residents are: 10% on royalties and non-portfolio dividends; 25% on rental income and capital gains on real estate; 15% on interest and other investment income.

Management fees paid by a Canadian company to a non-resident head office are subject to withholding tax at normal rates; however, where the fee is for a specific cost or service, or for indirect expenses that can reasonably be considered as having been incurred on behalf of the Canadian company, there is no withholding tax. The tax authorities will disallow a deduction from income for excessive charges, and will also impose the withholding tax on excessive fees. The purpose of these provisions is to prevent the repatriation of profits by means of management fees.

Non-resident Corporations - A non-resident corporation is subject to tax only on the income the business earns in Canada and on the gains from the sale or disposition of a taxable Canadian property. The tax is computed on the same basis and at the same rates as for a resident corporation, except that the non-resident corporation would not be eligible for certain tax provisions such as the lower tax rate for small businesses.

Non-resident Branch Operations - The taxable income of a branch is treated in the same manner as if the branch were a foreign-controlled subsidiary carrying on business in Canada. There is an additional tax of 25% applied to non-resident branch operations, but this rate may be limited by treaty.

Non-resident Members of a Partnership - A non-resident partner is subject to tax on his share of the partnership's income which is derived from business activity carried out in Canada. A non-resident partner is also subject to the additional tax of 25%, as in the case of a non-resident branch. If the partnership's income includes amounts earned outside Canada, the non-resident partner can exclude his portion of such income from his Canadian taxable income.

Non-resident Individuals - Income derived in Canada by a non-resident individual is subject to income tax in the same manner and at the same rates as income of a resident. Tax treaties generally exclude the taxation of non-residents, but exemptions are not applicable where the individual becomes a resident of Canada (whether or not he remains a resident of another country), or where the non-resident has remained in Canada more than 183 days during the taxation year. In addition to income tax on income earned in Canada, non-residents are subject to the 25% withholding tax, which may be reduced by treaty, on amounts paid or credited to them by residents of Canada.

Comparative Tax Treatment: Canadian versus U.S. Corporate Income Tax

This section provides a comparison of the main provisions of the Canadian and U.S. corporate income tax systems. Both countries have recently introduced a major reform of their income tax systems, and the comparison is based on the new tax systems. Generally, the Canadian tax reform proposals are effective in 1988, while most of the U.S. tax reform measures came into effect in 1987. Where the Canadian tax reform proposals call for a transition or phase-in period, this is noted in the comparison.

Federal Tax Rates - Canadian corporate income tax rates at the federal level compare favourably with those in the U.S., as shown in Table 10.

TABLE 10

Comparison of Canadian and U.S. Corporate Income Tax Rates
Federal Rates Only - Percent of Taxable Income

Type of Corporation	Canadian Rates*				U.S. Rates
	1988	1989	1990	1991	1988 on
General Business	28	28	28	28	34
Manufacturing Business	26	25	24	23	34

* Effective July 1 of each year.

Notes:

1. The Canadian tax rates shown above do not include the 3% corporate surtax (3% of federal tax otherwise payable). The lower Canadian tax rate for manufacturing businesses applies only to the net income from manufacturing or processing activities of the corporation and not to income from other business activities.

3. In Canada, a small business tax rate of 12% applies to the first $200,000 of taxable income of Canadian-controlled private corporations. In the U.S., the small business rate is 15% on the first $50,000 of taxable income and 25% on the next $25,000. The benefit of the lower rates is phased out at higher income levels by means of a 5% surtax. For taxable incomes over $335,000 the flat 34% tax rate applies; however, the effective marginal tax rate for incomes in the range of $100,000 to $335,000 is 39% due to the 5% surtax.

Provincial and State Tax Rates - In Canada, corporations are not permitted a deduction from income for corporate income taxes paid to a provincial government. A ten percentage point abatement of federal tax is permitted instead. The tax rates shown in Table 10 above are net federal tax rates (i.e., after abatement for provincial income tax). In the U.S., corporations are permitted to deduct state and local income taxes from taxable income.

Canadian provincial income tax rates on large corporations vary from 6% to 17%. U.S. state income tax rates vary from 0% to 12%, with some municipalities also levying a local income tax.

The combined federal/provincial or federal/state income tax rate for a particular corporation will depend on the location and type of corporation. For example, currently the top corporate income tax rate (excluding surtax) in Quebec is 33.5% while in Ontario the highest rate is 43.5%. All provinces and the Yukon provide a lower tax rate for small Canadian companies, and Ontario, Alberta and the Yukon provide a lower tax rate for manufacturing companies. Similarly in the U.S., tax rates will vary by location, with some states having high tax rates while others have much lower tax rates.

Depreciation - In Canada, depreciation for tax purposes (called Capital Cost Allowance or CCA) is calculated on a pooled basis, with fixed assets being grouped together into a relatively small number of CCA classes. The amount of depreciation that may be claimed annually for tax purposes is then calculated separately for each CCA class, on the basis of the prescribed CCA rate applicable to the class. For most asset classes, CCA is calculated on a declining balance basis at rates varying from 4% to 100%, depending on the type of asset and its estimated useful life. The straight line method of depreciation is used for tax purposes for certain types of assets such as lease hold interests and patents.

Currently, the "half-year" rule stipulates that only one-half of the normal CCA may be claimed for most assets in the year they are acquired. Beginning in 1990, new rules will require that CCA can be claimed only when an asset is actually available for use, or 24 months after acquisition, whichever is earlier. If CCA cannot be claimed until 24 months after an asset is acquired, the half year rule does not apply.

In the U.S., depreciable property is grouped into eight asset classes on the basis of the asset's useful life: 3-year; 5-year; 7-year; 10-year; 15-year; 20-year; 27.5-year; and 31.5-year. For example, an asset with a useful life of 4 years or less would be placed in the 3-year asset class. Generally the declining balance and straight line methods of depreciation are used in calculating capital cost recovery for tax purposes, although other methods can be used under certain conditions. For the 3-, 5-, 7-, and 10-year classes, the double declining balance method is used (i.e., double the rate that would be applicable under the straight line method), with a switch to straight line method at the point which maximizes the deduction. For the 15- and 20-year classes, the 150% declining balance method is used, with a switch to straight line at the point that maximizes the deduction. For the 27.5-and 31.5-year classes, the straight line method is used. Depreciation cannot be claimed until the asset is put in use, and the "half-year" rule applies to depreciation claimed in the first year.

Losses - The loss carry-over provisions in the two countries are very similar. In Canada, non-capital losses (i.e., net operating losses) may be carried back 3 years and forward 7 years. Net capital losses may be carried back 3 years and forward indefinitely; however, capital losses can only be deducted from net capital gains in the carry-over years. In the U.S., non-capital losses may be carried back 3 years and forward 15 years. Net capital losses may be carried back 3 years and forward 5 years, and may only be deducted from net capital gains in the carry-over years.

One major difference in the treatment of losses between the two countries is that the U.S. permits the income or loss of subsidiaries to be consolidated with that of the parent corporation. Generally, the parent corporation must own at least 80% of the shares of the subsidiary corporation to be permitted to file a consolidated income tax return. In Canada, affiliated corporations are not permitted to file a consolidated tax return.

Capital Gains - Currently, Canadian legislation requires the inclusion of 66 2/3% of net capital gains in income for tax purposes. As part of tax reform, the inclusion rate will be increased to 75% in 1990. In the U.S., net capital gains are taxable at the same corporate tax rate as ordinary business income.

Intercorporate Dividends - The two countries differ in their treatment of intercorporate dividends. A Canadian corporation is allowed a 100% deduction from income for dividends received from a taxable Canadian corporation, as well as for dividends received from a foreign affiliate in which the corporation's equity ownership is at least 10%. Under tax reform a special tax will be levied on preferred share dividends, but this tax is refundable for preferred dividends paid by taxable corporations. The U.S. allows an 80% deduction in the case of dividends received from non-affiliated corporations; dividends received from affiliated corporations are deductible in full. Dividends received from a foreign corporation are deductible only if the foreign corporation does significant business in the United States.

Investment Tax Credit - In Canada, the investment tax credit (ITC) for most assets will be phased out by 1989; however, the ITC for assets used in special regions (such as the Atlantic region) and for assets used in research and development remains intact. In the U.S., the ITC was eliminated for assets acquired after 1985.

Tax Incentives for Research and Development - While both countries provide incentives to encourage corporations to undertake research and development, the Canadian incentives are significantly more generous than the U.S. measures.

In Canada, all current expenditures (such as salaries and other operating costs) and certain capital expenditures on eligible R&D activities can be written off in the year incurred. The cost of equipment and specialized structures (such as wind tunnels) used for R&D can be written off in the year incurred; however, the cost of buildings used for R&D must be written off at the standard 4% declining balance CCA rate.

In addition, there is an investment tax credit (ITC) of 20% for eligible R&D expenditures (30% ITC for R&D carried out in the Atlantic provinces). The ITC for R&D applies to all current expenses (such as salaries) as well as capital expenditures on equipment and specialized structures used in qualified R&D activities. The annual amount a corporation may claim for ITC related to R&D expenditures is 75% of federal corporate tax otherwise payable. Unused ITC can be carried back 3 years and forward 10 years. For small Canadian-controlled private corporations (CCPCs), the ITC rate is 35% on the first $2 million of current R&D expenditures, and this 35% ITC is 100% refundable.

In the U.S., current expenditures for qualifying R&D are deductible from income in the year incurred. Capital expenditures for R&D must be depreciated over the useful life of the asset. There is also a 20% tax credit for incremental R&D expenditures of a current nature (i.e., excluding depreciable assets). The credit applies to the excess of current expenditures on R&D in the year over the average R&D expenditures in the base period (usually the average R&D expenditures in the previous three years). Annual claims for the R&D credit are subject to limits. The credit is currently set to expire at the end of 1988 but an extension is possible if Congress decides the credit is beneficial.

The definition of "qualifying R&D activities" in the two countries is similar, except that the U.S. does not provide any incentives for capital R&D expenditures (i.e., expenditures for equipment or other depreciable assets must be written off in the same manner as other depreciable assets). In both Canada and the U.S., qualifying R&D must be experimental in a scientific or technological sense, and both countries exclude such activities as market research.

In Canada, current costs must be directly attributable to R&D and capital costs must be all (or substantially all) attributable to R&D to qualify for the immediate write-off and the investment tax credit. In the U.S., current R&D costs must be directly related to research and development to qualify for the 100% write-off and incremental tax credit (capital R&D expenditures do not qualify).

Integration of Corporate and Personal Income Tax- The tax treatment of corporate income distributed to shareholders differs significantly between the two countries. In Canada, there is partial integration of the corporate and personal income tax through the dividend gross-up and tax credit system. This system operates in the following manner: dividends received by individuals from taxable Canadian corporations are subject to a 25% "gross-up" (i.e., 125% of the amount of dividends received is included in income) and receive a 16 2/3% tax credit against personal income tax. For small corporations taxed at the lower federal tax rate (i.e., Canadian-controlled private corporations), the dividend gross-up and tax credit system approximates full integration of the corporate and personal income tax. In other words, the total amount of income tax paid on business or investment income earned through a small Canadian-controlled private corporation and distributed to the shareholders is about the same as if the income had been earned directly by the shareholders. For large corporations this system provides an incentive for Canadians to invest in Canadian equities and provides partial recognition for corporate income tax paid.

In the U.S., there is no integration of the corporate and personal income tax; however, there is an option for small corporations with no more than 35 non-corporate shareholders to be treated as a partnership for income tax purposes. Under this option (i.e., if the corporation elects to become an "S corporation" under U.S. tax law), the individual shareholders of the small corporation pay income tax at the personal level on the business income of the corporation, regardless of whether it is distributed or not. In this way the shareholders avoid double taxation on the income, but lose the benefit of deferring personal income tax on income retained in the corporation.

Alternative Minimum Tax - Canada does not levy a minimum income tax on corporations (an alternative minimum tax is applicable to high income individuals who use tax preferences).

In the U.S., the alternative minimum tax (AMT) applies to both corporations and individuals. Corporations must pay the higher of their regular income tax liability and their alternative minimum tax liability. The AMT is 20% of the alternative minimum taxable income above the basic exemption of $40,000 (this exemption is phased out at higher income levels). The tax base for AMT is calculated by adding back the value of tax preferences to income for regular income tax purposes. Examples of such adjustments and tax preferences are: tax-exempt interest; accelerated deductions for depreciation, R&D costs, and exploration and development costs; and bad debts deducted in excess of actual losses. In addition to these adjustments, one-half of the difference between pre-tax book income over the AMT income is added to the base for AMT. The amount of AMT paid (i.e., AMT in excess of regular income tax) can be carried forward as a credit against regular tax in excess of AMT.

For those corporations using tax preferences, the complex calculation of AMT liability must be carried out each year, in addition to the calculation of regular income tax. The inclusion of one-half of the difference between book income and AMT income could result in AMT liability due to timing differences between financial statements and income tax statements. As a result, the AMT is expected to become an important element in tax planning for many corporations in the U.S.

Comparative Tax Treatment: Canadian and U.S. Personal Income Tax

This section provides a comparison of the major components of personal income tax in Canada and the U.S., based on tax rates, credits and deductions for 1988 (tax reform rates take effect in 1988 in both countries). A brief comparison cannot cover all aspects of personal taxation, and it is recommended that a tax expert be consulted for advice on particular tax situations.

Federal Tax Rates - In both countries tax reform has reduced the number of tax brackets and also has decreased the tax rates substantially. In Canada there are three tax brackets (17%, 26%, 29%) while in the U.S. there are two (15%, 28%). Tables 11 and 12 provide the 1988 (federal) income tax rates in the two countries.

TABLE 11

Canadian Personal Income Tax Rates, 1988
(Federal Rates Only)

Taxable Income ($)	Marginal Rate (%)
0 - 27,500	17
27,501 - 55,000	26
55,001 and over	29

Notes:

1. These rates do no include the 3% surtax. While no expiry date has been set, the government has indicated that the surtax will be eliminated as part of stage two tax reform.

2. Residents of Quebec are entitled to a 16.5% abatement of federal income tax in lieu of federal-provincial cost sharing of certain programs.

TABLE 12

U.S. Personal Income Tax Rates, 1988
(Federal Rates Only)

Joint Returns		Single Returns	
Taxable Income ($)	Marginal Rate (%)	Taxable Income ($)	Marginal Rate (%)
0 - 29,750	15	0 - 17,850	15
29,750 and over	28	17,850 and over	28

Notes:

1. The benefit of the 15% tax bracket is phased out at higher incomes by means of a 5% surcharge on taxable incomes of $71,900 to $149,250 for joint returns and $43,150 to $89,560 for single returns. This results in an effective marginal tax rate of 33% for those income brackets. Taxpayers with taxable incomes above those levels face a flat tax rate of 28% on their whole taxable income. The benefit of personal exemptions is also phased out at higher income levels by means of a 5% surcharge, thus extending the income bracket subject to the higher 33% tax rate (e.g., the 33% tax bracket extends to $192,930 for a family of four).

Provincial and State Tax Rates - In Canada, provincial income tax is calculated as a percentage of federal income tax in all provinces except Quebec which levies its own personal income tax. Quebec income tax rates for individuals range from 16% to 26% of taxable income. In the remaining provinces, income tax rates currently vary from 43% to 60%, with an average rate of approximately 55% of federal income tax.

Some U.S. states levy no personal income tax. In the states with an income tax on individuals, some levy the tax as a percent of federal income tax while others levy the tax directly on taxable income, either using the federal tax rules or using their own state tax rules. As a result it is difficult to compare tax rates among states.

Personal Deductions, Exemptions and Credits - Under tax reform in Canada, most deductions and exemptions have been eliminated or converted into tax credits. A tax credit is deducted from tax otherwise payable, whereas a deduction or exemption is deducted from income. As a result, the value of a deduction or exemption varies with the taxpayer's marginal tax rate, while the value of a tax credit is the same for all taxpayers regardless of income level or marginal tax rate. Table 13 below shows the personal tax credits for 1988. Other deductions which have been converted into credits in 1988 as part of tax reform include: medical expenses, contributions to Canada/Quebec Pension Plan and Unemployment Insurance Plan, charitable donations, and tuition fees.

TABLE 13

Canadian Personal Tax Credits, 1988

Personal Credit	($)
Basic	1,020
Married	850
Dependent Child (under age 18)*	66
Age (65 and over)	550
Disability	550
Infirm Dependent (18 and over)	250

* $132 for the third and subsequent children

In the U.S., the personal exemption for individuals, spouses, and dependents is $1,950 in 1988 and will be increased to $2,000 in 1989. The value of the personal exemptions is phased out at higher income levels by means of a 5% surtax, which results in an effective marginal tax rate of 33% in the phase-out range and a flat tax rate of 28% on incomes above this range. The zero tax bracket available before tax reform has been replaced by the standard deductions, as shown in Table 14 below.

TABLE 14

U.S. Standard Deductions, 1988

Standard Deduction	($)
Joint Returns	5,000
Heads of Households	4,400
Single Individuals	3,000
Married Filing Separately	2,500

Federal Sales Tax

The federal sales tax is levied on the domestic manufacturer's sale price of goods produced and sold in Canada and on the duty-paid value of manufactured goods imported into Canada. The sales tax is not levied on exports, and in addition, there are a number of specific exemptions to the sales tax, including: food, clothing and footwear, prescription drugs, home heating fuels and electricity, books, magazines and newspapers.

Current federal sales tax rates are:

- 8% for construction materials;
- 10% for cable and pay television services, telex services and telephone services (local residential charges are exempt);
- 18% for alcoholic beverages and tobacco products;
- 12% for all other taxable goods.

Tax Reform Proposals for Replacing the Federal Sales Tax

In the White Paper on Tax Reform released in June 1987, the government proposed to replace the existing federal sales with a new broad-based multi-stage sales tax, as the second stage of tax reform. The new tax would permit the government to replace the existing federal sales tax, and to remove the 3% surtax on personal and corporate income tax. The government has also proposed to use revenue from the new multi-stage sales tax to substantially increase the refundable income tax credit paid to lower income taxpayers in recognition of sales tax paid and to further reduce the income tax rates for middle income earners. These latter two measures would ensure that the new tax is fair.

Three options for the new tax are presented in the White Paper, and all three are multi-stage sales taxes. The multi-stage sales tax would be levied on and collected from businesses in stages, as goods and services move from producers to processors, wholesalers, retailers, and finally to consumers. Under this sales tax system, businesses would purchase their inputs on a tax-paid basis, and charge tax on their sales. To ensure that business inputs are not taxed, businesses would claim a credit for the tax paid on their purchases. In its simplest form the tax would be calculated by taking taxable sales made by a business during a given period, multiplying them by the tax rate, and then subtracting the tax paid on business purchases. In essence, this system is a form of value-added tax.

A multi-stage sales tax has a number of advantages over the present federal sales tax. A multi-stage tax is neutral because the tax is a uniform percentage of the final sale price of goods and services. In addition, a multi-stage tax completely removes the tax on business inputs. Finally, a multi-stage tax has no bias favouring imports or disadvantaging exports.

The three options for a new multi-stage sales tax presented in the White Paper are as follows:

1. National Sales Tax - Under this option, a combined federal and provincial sales tax rate would be levied on a common tax base. The federal tax rate would be uniform across the country, but the provincial rates would be set by each province separately.

2. Federal Goods and Services Tax - Under this option, a federal multi-stage sales tax would be levied at a uniform rate on a very broad base of goods and services sold in Canada.

3. Federal Value-added Tax - This option is similar to the federal goods and services tax, but it would provide more flexibility to permit exemptions for certain goods or services. This tax would be similar to the European value-added taxes.

The government has announced that basic groceries, prescription drugs and medical devices will be exempt from the new tax. In addition, special provisions will exempt from tax the sales and purchases of many public sector institutions. The federal government has not set a date for the implementation of the stage two sales tax reform; however, consultations with the provincial governments on the national sales tax option are ongoing.

Excise Duties and Taxes

The federal government also levies excise duties and taxes on a number of specific goods and services including: gasoline, aviation gasoline, and diesel fuel; beer, spirits, and wine; cigarettes and tobacco; and jewelry. Excise duties and taxes are levied as either a specific amount per item or as a percent of value.

Provincial Retail Sales Tax

Retail sales tax is levied by nine of the ten provinces (Alberta does not levy a sales tax). This sales tax is levied at the retail level on most goods and selected services sold in the province. Certain essential items, such as food and prescription drugs are generally exempt from sales tax. Retailers must maintain records of their taxable and non-taxable sales, and are required to act as the agent for the provincial government in collecting the sales tax. The current provincial and territorial sales tax rates (as of October 1, 1988) are shown in Table 15.

TABLE 15

Provincial and Territorial Retail Sales Tax Rates, 1988

Province/Territory	Tax Rate (%)
Newfoundland	12
Prince Edward Island	10
Nova Scotia	10
New Brunswick	11
Quebec	9
Ontario*	8
Manitoba	7
Saskatchewan	7
Alberta	no sales tax
British Columbia	6
Yukon	no sales tax
Northwest Territories	no sales tax

* Ontario's sales tax rate was raised from 7% to 8% on May 2, 1988.

II SOURCES OF INFORMATION ON GOVERNMENT PROGRAMS

Publications

Many of the publications listed below provide addresses and telephone numbers for contacts for specific programs, both federal and provincial.

1. Federal Business Development Bank, Assistance to Business in Canada, 1987.

   A series of handbooks of business assistance programs available from both the federal and provincial governments. This series, which is up-dated regularly, is published in 10 volumes, each of which covers federal programs plus those of one province (Yukon is included with British Columbia and Northwest Territories with Alberta).

2. Investment Canada, The Canadian Edge, 1988.

   This is a compendium of information for potential investors, on a wide range of topics, including government assistance programs, Canadian tax system, Canadian financial system, and economic data by industry sector.

3. Commerce Clearing House, Canadian Government Programs and Services, 1987.

   A one-volume reference on federal government departments, programs, and services, with monthly reports on recent developments and program changes.

4. Commerce Clearing House, Industrial Assistance Programs in Canada, 1987.

   This one-volume publication includes information on federal and provincial industrial incentive programs.

5. Supply and Services Canada, Index to Federal Programs and Services, 1988.

   This is a one-volume guide to federal departments and their programs and services. It is up-dated annually.

6. Federal-Provincial Relations Office, Federal-Provincial Programs and Activities, 1987.

   This publication is a one-volume inventory of shared-cost programs and joint federal-provincial projects. It is up-dated regularly.

7. External Affairs Canada, <u>Canadian Trade Representatives Abroad</u>, 1988.

   A directory of all Canadian missions abroad with foreign trade, investment and tourism responsibilities. It includes the name of the head of each mission and the names of officers with commercial, economic, and tourism responsibilities.

<u>Contacts - Federal Government</u>

1. <u>Industry, Science and Technology Canada</u>

   Manager, Program Design and Policies
   Industry, Science and Technology Canada
   235 Queen Street,
   Ottawa, Ontario
   K1A OH5

   (613) 954-5556

2. <u>Atlantic Canada Opportunities Agency</u>

   Vice President
   Atlantic Canada Opportunities
   770 Main Street, 10th Floor
   P.O. Box 6051
   Moncton, New Brunswick
   E1C 9J8

   (506) 857-6515

3. <u>Western Diversification Office</u>

   Deputy Minister
   Western Diversification Office
   Suite 604, Cornerpoint Building
   10179 - 105 Street
   Edmonton, Alberta
   T5J 3N1

   (403) 420-4164

4. External Affairs Canada

Director, Export and Investment Programs Division (TPE)
Export Development Programs and Services Bureau
External Affairs Canada
125 Sussex Drive
Ottawa, Ontario
K1A 0G2

(613) 996-2939 (Director, Export and Investment Programs
Info Export Hotline 1-800-267-8376 (in Canada)
Info Export Hotline (613) 993-6435 (outside Canada)

5. National Research Council

General Manager, Industrial Research Assistance Program (IRAP)
National Research Council
Ottawa, Ontario
K1A 0R6

(613) 993-2012

Director, Canadian Institute for Scientific and Technical
Information (CISTI)
National Research Council
Ottawa, Ontario
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(613) 993-2341 (Director - CISTI)
(613) 993-2441 (automatic 24 hour answering - English)
(613) 993-2528 (automatic 24 hour answering - French)

6. Investment Canada

Director, Investor Services
P. O. Box 2800, Station D
Ottawa, Ontario
K1P 6A5

(613) 996-7874 (Director, Investor Services)
(613) 995-0465 (Investor Inquiries)

7. Federal Business Development Bank

Federal Business Development Bank
800 Victoria Square, Suite 4600
P.O. Box 190
Montreal, Quebec
H4Z 1C8

(514) 283-3657

8. Export Development Corporation

Export Development Corporation
151 O'Connor Street
Ottawa, Ontario
K1P 5T9

(613) 598-2500

Contacts - Provincial/Territorial Governments

1. Newfoundland

Assistant Deputy Minister
Trade, Investment and Promotion
Department of Development and Tourism
4th Floor, West Block
Confederation Building
St. John's, Newfoundland
A1C 5T7

(709) 576-2788

2. Prince Edward Island

Executive Director, Business Development
Prince Edward Island Development Agency
West Royalty Industrial Park
Charlottetown, Prince Edward Island
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(902) 368-5800

3. Nova Scotia

Director, Industrial Promotion Branch
Department of Industry, Trade and Technology
World Trade and Convention Centre
6th Floor, 1800 Argyle Street
P.O. Box 519
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4. New Brunswick

Director, Trade and Industrial Promotion
Industrial Development Branch
Department of Commerce and Technology
Centennial Building
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(506) 453-3981

5. Quebec

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Direction de la promotion des investissements
Ministère de l'Industrie et du Commerce
770, rue Sherbrooke ouest, 8ième étage
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(514) 873-3530

6. Ontario

Director, Investment and Regional Operations
Ministry of Industry, Trade and Technology
900 Bay Street, 5th Floor, Hearst Block
Toronto, Ontario
M7A 2E1

(416) 965-2085

7. Manitoba

Manager, Business Investments
Industry and Trade Division
Department of Industry, Trade and Technology
410-155 Carlton Street
Winnipeg, Manitoba
R3C 3H8

(204) 945-2287

8. Saskatchewan

Director, Trade Promotions Branch
Department of Trade and Investment
1919 Saskatchewan Drive
Regina, Saskatchewan
S4P 3V7

(306) 787-2222

9. Alberta

Managing Director, Investment
Ministry of Economic Development and Trade
10th Floor, Sterling Place
9940-106 Street
Edmonton, Alberta
T5K 2P6

(403) 427-2005

10. British Columbia

Assistant Deputy Minister, International Marketing
Ministry of Economic Development
750 Pacific Boulevard South
P.O. Box 19
Vancouver, British Columbia
V6B 5E7

(604) 660-4567

11. Northwest Territories

Director, Trade, Investment and Industrial Development
Department of Economic Development and Tourism
2nd Floor, Northern United Place
P.O. Box 1320
Yellowknife, Northwest Territories
X1A 2L9

(403) 873-7376

12. Yukon

Director, Policy, Planning and Research
Department of Economic Development: Mines and Small Business
4th Floor, Shoppers Plaza
P.O. Box 2703
Whitehorse, Yukon
Y1A 2C6

(403) 667-5809

Contacts - Municipal Governments

Most municipalities have an Economic Development Commissioner who could provide information on programs and services available from the municipal government.

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