

In general, the provisions described above apply in respect of property passing on the death of a person who dies on or after October 23, 1968. The provisions of the estate tax applicable in respect of property passing on the death of a person who died before October 23, 1968, particularly the exemptions and rates, were considerably different. Certain additional transitional provisions apply in respect of persons dying between October 22, 1968, and August 1, 1969.

The property situated in Canada of a deceased person not domiciled in Canada is subject to estate tax at a flat rate of 15 per cent. No deduction is allowed against the assessed value of such property except for debts specifically chargeable to it. However, there is a special provision that exempts all such property of less than \$5,000 value and also provides that the tax must not reduce the value of the property after tax to less than \$5,000. (The Estate Tax Convention between Canada and the United States increases this figure to \$15,000.) Where property is subject to provincial succession duties, the 15 per cent tax is abated by 75 per cent in respect of succession duties levied by British Columbia and by 50 per cent in respect of succession duties levied by Ontario or Quebec.

Excise Taxes

The Excise Tax Act levies a general sales tax and special excise taxes. Both the sales tax and the special excise taxes are levied on goods imported into Canada and on goods produced in Canada. They are not levied on goods exported.

The sales tax, which is at the rate of 9 per cent, is levied on a manufacturer's sale price on goods produced or manufactured in Canada or on the duty-paid value of goods imported into Canada. For alcoholic beverages and tobacco products the sale price for purposes of the sales tax includes excise duties levied under the Excise Act referred to below. An old-age-security tax of 3 per cent is levied on the same base as the 9 per cent sales tax, bringing the total sales tax to 12 per cent. (9)

Some classes of goods are exempt from sales tax. Foodstuffs, drugs, electricity, and fuels for lighting or heating are relieved of the levy as are articles and materials purchased by public hospitals and certain welfare institutions. The products of farms, forests, mines and fisheries are, to a large extent, exempt, as well as most equipment used in farming and fishing. Production machinery and equipment and materials consumed or expended in production are also exempt. A number of items are exempt when purchased by municipalities. These and other exemptions are set forth in schedules to the Excise Tax Act.

The Excise Tax Act also provides for a number of special excise taxes which are in addition to the sales tax. Where there are ad valorem taxes they are levied on the same price or duty-paid value as the general sales tax.

(9) A comprehensive list of building materials bears sales tax at the reduced rate of 11 per cent (8 percentage points for general revenue purposes and 3 percentage points for old-age-security purposes).