

The property situated in Canada of a decedent not domiciled in Canada is subject to estate tax at a flat rate of 15 per cent. There is no deduction allowed against the assessed value of such property except for debts specifically chargeable to it. However, there is a special provision which exempts all such property of less than \$5,000 value and which also provides that the value of the property is not reduced by the tax to less than \$5,000. The 50 per cent abatement referred to above also applies to this tax on property of decedents not domiciled in Canada where that property is subject to provincial duties.

### 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.

(a) General Sales Tax - The sales tax, which is at the rate of 8 per cent, is levied on the manufacturer's sale price of 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 basis as the 8 per cent tax, bringing the total sales tax to 11 per cent.

Many classes of goods are exempt from sales tax. One important category is comprised of machinery and apparatus used in the process of manufacture or production of goods. The equipment to be exempt must enter directly into production. To illustrate, a stamping or cutting machine used in a factory is exempt from sales tax, while office equipment or delivery equipment used by the same manufacturer is not. This exemption was established to reduce to a minimum the effect of the tax as a cost of production. Similarly, most equipment used by farmers, fishermen, loggers and mining companies is also exempt.

Most building materials, foodstuffs, and fuels for lighting or heating are exempt from the tax, as well as articles and materials used by public hospitals. The products of farms, forests, mines and fisheries are to a large extent exempt. Finally, a variety of items are made exempt from sales tax when purchased by municipalities for prescribed uses. These and other exemptions are set forth in schedules to the Excise Tax Act.

(b) Special Excise Taxes - 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 exactly the same price as the general sales tax. Articles subject to special excise taxes include automobiles, jewellery, cosmetics, toilet articles, radios, record players and television sets. Tobacco products and wines are also taxed under the Excise Tax Act.

Table B attached lists the special excise taxes levied at present: