

basis of situs it will take into account only property situated in its territory and will restrict its tax by limiting its rates or by allowing an exemption, or both. Accordingly, Canada has bound for the term of the Convention the present flat rate tax of 15% imposed by the Estate Tax Act on property situated in Canada of any foreign domiciled decedent. The Convention also stipulates that Canada will not tax such property if its value is less than \$15,000. This contrasts with the provision in the Estate Tax Act whereby such property is taxed if its value is in excess of \$5,000. The United States in taxing Canadian domiciliaries is similarly required to restrict its tax base to property situated in the United States and not to tax if this property is valued at less than \$15,000. This contrasts with the provisions of the United States taxing statute whereby such property is taxed if its value exceeds \$2,000. The United States, which uses a schedule of graduated rates, is not obliged to restrict its rates, instead it binds itself to allow a deductible exemption of \$2,000. in all cases where the property is valued at more than \$15,000. The Convention also provides that where the value of property is only slightly in excess of \$15,000 the tax imposed shall not reduce the value of the property after tax to less than \$15,000.

By the terms of the Convention each country will give a credit for the federal tax of the other country before this tax is itself reduced by credits allowed in respect of taxes levied by provincial or state governments. This provision has much the same result as allowing a credit for the provincial or state taxes of the other country. The Convention also provides that where a deduction for a bequest to a charitable organization is concerned, any organization that would have qualified as a charitable organization as defined in the tax laws of one country will qualify even if it is in the other country. In other words the international border will be ignored for this purpose. Both of these provisions will make Canadian practice reciprocal with long-standing U.S. practice and will benefit the estates of the Canadian domiciliaries concerned.