

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 percent, 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 percent is levied on the same basis as the 8 percent tax bringing the total sales tax to 11 percent.

Many classes of goods are exempt from sales tax. One important category is composed 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 exempt from sales tax when purchased by municipalities. 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 these are ad valorem taxes, they are levied on exactly the same price or duty-paid value as the general sales tax. Articles subject to special excise taxes include jewellery, cosmetics, toilet articles, radios, record players and television sets. Tobacco products and wines are also taxed under the Excise Tax Act.

The following lists the special excise taxes levied at present:

TABLE B

Special Excise Taxes

<u>Item</u>	<u>Rate</u>
Cigarettes	2½¢ for 5 cigs.
Cigars	15 percent <u>ad valorem</u>
Jewellery - including clocks, watches, jewellery, articles of ivory, amber, shell, precious or semi-precious stones, goldsmiths' and silversmiths' products except gold-plated or silver-plated ware for the preparation or serving of food or drink	10 percent <u>ad valorem</u>