

This tax is withheld at the source by the Canadian payer. It is an impersonal tax levied without regard to the status or other income of the non-resident recipient. Non-residents who receive only this kind of income from Canada do not file tax returns in Canada.

#### Gift Tax

The Income Tax Act levies a tax upon gifts in order to discourage transfers that would lead to a reduction in the revenues from income and estate taxes. The rates range from 10 per cent on an aggregate taxable value of \$5000 or under, to 28 per cent on an aggregate taxable value of over \$1 million. Exemptions include complete exemption of gifts of \$1000 or less and a general deduction of \$4000 from aggregate taxable value.

#### Estate Tax

This tax applies to property passing, or deemed to pass, at death. All the property of persons who were domiciled in Canada before their death must be taken into consideration, no matter where that property is situated; for persons dying domiciled outside of Canada only their property situated in Canada is subject to tax.

In computing the tax of a Canadian domiciliary, the value of the whole estate, whether situated in Canada or in foreign countries, is first determined. Once the aggregate value of the estate has been determined, estate debts and certain expenses may be deducted. From the resulting "aggregate net value", there may be deducted the amount of a basic exemption, which is increased where the decedent leaves a widow or dependent child, and also the amount of any charitable bequests to charitable organizations in Canada. After these deductions the amount left is the "aggregate taxable value" to which is applied the tax rates. From the tax so calculated may be deducted (1) a tax abatement in respect of property situated in a province that levies a succession duty, (2) gift tax paid on recent gifts the amount of which is included in aggregate net value of the estate, and (3) foreign taxes.

No estate valued at less than \$50,000 is subject to estate tax. This \$50,000 is not an exemption but it is the starting-point for tax. It is also enacted that the estate tax will not reduce the value of an estate after tax to less than \$50,000. The basic exemption which applies to all estates of Canadian domiciliaries is \$40,000. This basic exemption of \$40,000 is increased to \$60,000 in respect of a deceased male survived by a spouse, or in respect of a deceased female survived by an incapacitated spouse and a dependent child. In both cases, there is an additional exemption of \$10,000 for each surviving dependent child (i.e., under 21). Finally, the basic exemption of \$40,000 is increased by \$15,000 for every surviving dependent child orphaned by the death of the deceased.

The tax on the estates of Canadian domiciliaries is calculated by applying a graduated scale of rates. For an aggregate taxable value of \$5,000, or less, the rate is 10 per cent. For an aggregate taxable value of \$100,000, the basic amount is \$19,000 plus 24 per cent of anything between \$100,000 and \$150,000. At \$2 million of taxable value, the tax stands at \$816,500 and the excess over \$2 million is chargeable at the rate of 54 per cent. (For the complete rate schedule see section 8 of the Act.)

As stated above, there is an abatement from federal estate taxes otherwise payable in respect of provincial duties. The abatement is a deduction of 50 per cent from the federal tax otherwise payable in respect of property situated in a province that levies succession duties.