

PRESS RELEASE



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MONDAY, APRIL 9, 1962.

The Secretary of State for External Affairs, the Honourable Howard Green, announced today that the Convention between Canada and the United States of America for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates signed in Washington February 17, 1961, was brought into force today by the exchange of instruments of ratification by the two Governments.

The Convention applies to the estates of persons dying on or after January 1, 1959 - the date on which the Estate Tax Act superseded the Dominion Succession Duty Act. Consequently benefits resulting from the terms of the Convention will apply to all such estates.

The taxes included in the scope of the new Convention are the Canadian estate tax, the United States estate tax and any other taxes of a substantially similar character subsequently imposed by the Federal Government of either country.

The main purpose of the Convention is to avoid double taxation that might otherwise result, particularly when the estate of a person dying domiciled in one country includes assets situated in the other country. This purpose is accomplished chiefly by a reciprocal system of tax credits whereby the country of domicile binds itself to give credit for the tax imposed by the country where the assets are situated (the country of situs). In order to make this system work smoothly specific rules of situs for assets of various classes are provided. These rules are almost identical with those in the Estate Tax Act. The Convention provides that these rules shall not be construed so as to increase the tax otherwise payable under the laws of either country.

Another method of avoiding double taxation or unduly onerous taxation is by providing that when one country is taxing solely on the