

conventions between Canada and the United Kingdom, France, Ireland and South Africa.

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

RECIPROCAL TAX CREDITS

The main object 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 gives 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.

Another method of avoiding double taxation is by providing that when one country is taxing solely on the 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 of 15 per cent imposed by the Estate Tax 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 will not be taxed if its value is less than \$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. However, the United States, which uses a schedule of graduated rates, is not obliged to restrict its rates; instead it is required to allow a deductible exemption of \$2,000 in all cases where the property is valued at more than \$15,000.

MUTUAL CREDITS

By the terms of the convention, Canada will make two other changes of substance affecting the normal operation of the Estate Tax Act. The first is that Canada, in giving a credit for United States taxes on property situated therein will give a credit for the United States federal tax before this tax is itself reduced by credits allowed in respect of taxes levied by the state governments. The United States will similarly give a credit for the Canadian federal estate tax before this tax is reduced by abatements in respect of provincial succession duties. This provision has much the

same result as allowing a credit for the provincial or state taxes of the other country. The new provision will make Canadian practice reciprocal with long-standing United States practice and will benefit estates of certain Canadian domiciliaries by increasing the amount of credits given.

The second of these changes is that, where Canada allows a deduction for a bequest to a charitable organization in Canada, as it now does under the Estate Tax Act, it will also allow a deduction for a bequest to any charitable organization in the United States that would have qualified according to the Canadian definition of a charitable organization, if it had been in Canada. The provision affecting this amendment is reciprocal and again will bring Canadian practice into conformity with long-standing United States practice. It will also be beneficial to the estates of Canadian domiciliaries where such a bequest exists.

The convention will come into force when it receives legislative approval and is ratified by the Governments of the two countries. When it comes into force, it will be retroactive to January 1, 1959, so as to provide continuity with the existing convention. Consequently, benefits resulting from its terms will apply to estates of persons dying on or after that date.

OECD SECRETARY VISITS OTTAWA

Mr. Thorkil Kristensen, Secretary-General Designate of the new Organization for Economic Co-operation and Development when it comes into being, paid an official visit to Ottawa, at the invitation of the Canadian Government, on February 27 and 28. The Secretary-General Designate was accompanied by Mr. Gunter Keiser, Director of Trade and Payments of the OEEC; Mr. John Fay, Director of Economic and Statistics; and Mr. Ottino Carraciolo di Forino, Chief of the OEEC Mission in Washington.

Mr. Kristensen called on the Prime Minister and other Ministers concerned with the new organization, and also had discussions with Canadian officials. He addressed a luncheon meeting of the Canadian Club on Monday, February 27, at the Chateau Laurier, and attended a dinner given by the Minister of Finance at the Rideau Club that evening.

Mr. Kristensen and his party left Ottawa for New York on February 28.

This was the first official visit to Canada of the Secretary-General Designate of the OECD, and provided an opportunity to review the proposed activities of the new organization and the problems with which it would be concerned. Canada has signed the OECD Convention and will become a full member when the Organization comes into force following ratification by signatories.