Mr. LINTON: Yes, and this is here to provide that the new insurance taxing principle does not result in anything taxed as insurance under the appropriate sections coming into the value of shares too. It ensures that certain property does not get taxed twice.

Mr. BELL (*Carleton*): It is a relief section.

Mr. LINTON: Yes.

Mr. FLEMING (*Eglinton*): Changes made with respect to insurance have been cordially welcomed on behalf of the life insurance underwriters association and life officers association.

The CHAIRMAN: Is clause 32 agreed to?

Clause 32 agreed to.

Clause 33 agreed to.

On clause 34—Persons domiciled outside Canada.

The CHAIRMAN: This is part II now.

Mr. FLEMING (*Eglinton*): Mr. Chairman, this brings us now to part II. We leave now the case of the person who has died, domiciled in Canada. Part II is confined entirely to the case of the person who dies domiciled outside of Canada, but who at the date of his death had property in Canada. This bill changes the basis of taxation of property of that kind.

In line with the conception of the estate tax, we are now proposing that we take all of that property in Canada and, instead of treating it as it was treated before, which gave rise to filing returns and showing the total property, the world-wide property, of the deceased, before levying on the portion of it located in Canada, the plan of part II is to take that property in Canada as an entity and without allowing deductions or exemptions to subject it to a flat 15 per cent tax. We think that is equitable. We think it is simple. We think it is the sort of thing that may help to encourage capital coming into Canada, because it provides any foreign investor with complete knowledge in advance of his total tax liability on death with respect to assets that on his death are located in Canada. It is a straight 15 per cent tax on the gross value of the Canadian property.

There is one change that has been introduced, since bill 248, and this again is for the relief of the taxpayer in this case. It was mentioned the other day that we are now allowing deductions of encumberances. That was not provided for in bill 248 and that was one of the cases in which there were representations. Perhaps you would like to have a word from Doctor Eaton on this conception of the new type of tax of the property located in Canada.

Mr. A. K. EATON (*Assistant Deputy Minister, Department of Finance*): Perhaps I could say just a few words on that. Essentially it is introducing into the estate tax the principle that we follow in the income tax. This can be regarded, if you like, as a codification or introduction of uniformity into our tax system. On income tax a person resident in Canada pays on his world income at graduated rates. Non-resident persons are taxed at a flat 15 per cent. There are no deductions or exemptions. It is an impersonal tax,—that is, just a flat rate. You could almost call it an excise tax, to just chop off 15 per cent of that income going out of the country. I might say historically that Canada has been one of the countries that adopted that system, and you will find it pretty universal throughout the world. All countries are now giving up the idea of taxing the residents of another country on a personal basis, that is, making a person resident in Canada, file an income tax return in France and instead are adopting the system of chopping off or deducting at a flat rate and letting the country of residence tax on the total income.

Now that principle is being followed here in the estate tax. They are not proposing to have any interest in the status of the non-resident dependant