

The taxable income of a non-resident individual derived from carrying on business in Canada or from employment in Canada is taxed under the same schedule of rates as Canadian resident individuals, and non-resident corporations deriving income from carrying on business in Canada are taxed on their taxable income attributable to operations in Canada at the same rates as Canadian resident corporations. (Tax treaties with some countries provide certain exemptions from tax in remuneration of services performed in Canada by residents or employees of these countries.)

Furthermore, the Income Tax Act provides for a tax at the rate of 15 per cent on certain forms of income going from Canada to non-resident persons. It applies to interest, dividends, rentals, royalties, income from a trust or estate and alimony. This tax applies whether the income goes to non-resident individuals or corporations. The rate on royalties from motion-picture films is only 10 per cent. The standard rate of 15 per cent is also reduced to 10 per cent in the case of dividends paid by a company that has a degree of Canadian ownership. *

The non-resident 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 returns in Canada.

Profits earned in Canada by a non-resident corporation carrying on business through a branch or permanent establishment in Canada are taxed at the regular rates of corporation income tax and are also subject to an additional tax of 15 per cent. This additional tax is imposed on profits attributable to the branch after deducting therefrom Canadian federal and provincial income taxes and an allowance in respect of the net increase in capital investment in property in Canada.

Gift Tax

The Income Tax Act levies a tax on gifts. The rates range from 10 per cent on an aggregate taxable value of \$5,000 or under to 28 per cent on an aggregate taxable value of over \$1 million. Exemptions include complete exemption of gifts of \$1,000 or less per donee and a general deduction of \$4,000 ** from the aggregate taxable value of gifts made in a year.

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 Canada, only their property situated in Canada is subject to tax.

* For a definition of "degree of Canadian ownership", see the section on corporation income tax.

** This exemption from aggregate taxable value is in addition to the complete exemption of gifts of \$1,000 or less a donee.