

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 tax is \$19,000 and anything between \$100,000 and \$150,000 is taxed at 24 per cent. At \$2,000,000 of taxable value, the tax is \$816,500, and the excess over \$2,000,000 is chargeable at the highest 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 succession duties. Generally, the abatement is a deduction of 75 per cent from the federal tax otherwise payable in respect of property situated in a province that levies succession duties.*

The property situated in Canada of a decedent not domiciled in Canada is subject to estate tax at a flat rate of 15 per cent. No deduction is allowed against the assessed value of such property except for debts specifically chargeable to it. However, there is a special provision that exempts all such property of less than \$5,000 value and also provides that the tax must not reduce the value of the property to less than \$5,000. (The Estate Tax Convention between Canada and the United States increases this figure to \$15,000.) Where property is subject to provincial duties, the 15 per cent tax is abated by 75 per cent. (At present this abatement is only 50 per cent in Ontario and Quebec.)

Excise Taxes

The Excise Tax Act levies a general sales tax and special excise taxes. Both the sales tax and the special excise taxes are levied on goods imported into Canada and on goods produced in Canada. They are not levied on goods exported.

The sales tax, which is at the rate of 8 per cent, is levied on the manufacturer's sale price of goods produced or manufactured in Canada or on the duty-paid value of goods imported into Canada. For alcoholic beverages and tobacco products, the sale price for purposes of the sales tax includes excise duties levied under the Excise Act referred to below. An old-age security tax of 3 per cent is levied on the same basis as the 8 per cent tax, bringing the total sales tax to 11 per cent.

Many classes of goods are exempt from sales tax. Foodstuffs, electricity, and fuels for lighting or heating are generally exempt from the levy as well as articles and materials used by public hospitals. The products of farms, forests, mines and fisheries are, to a large extent, exempt, as well as most equipment used in farming and fishing. Finally, a variety of items are exempt from sales tax when purchased by municipalities. These and other exemptions are set forth in schedules to the Excise Tax Act.

It was announced in the 1963 Budget that the application of federal sales tax would be extended to the building materials and production machinery that had previously been exempt. The proposed change was ultimately arranged to take place by stages, and the rate applicable between June 14, 1963, and April 1, 1964 was only 4 per cent. It rose to 8 per cent on April 1, 1964. The full 11 per cent (the 3 per cent old-age security rate being the last one to be added) will become applicable on January 1, 1965.

The Excise Tax Act also provides for a number of special excise taxes, which are in addition to the sales tax. Where these are ad valorem taxes, they are levied on exactly the same price or duty-paid value as the general sales tax. Articles subject to special excise taxes include jewellery,

* At present, the abatement in respect of Quebec and Ontario estates is 50 per cent. It will go up to 75 per cent when these two provinces increase their succession duty rates. See introductory section.