

taxes paid that related to the capital gain. This would be of great assistance where no actual realization was necessary in administering the estate or finding money for estate taxes. It would not help where assets had to be disposed of.

The Committee has considered several alternative solutions.

(a) Full or partial credit against estate tax for tax on deemed or actual capital gains arising at death. This would discriminate against the person who realizes his assets before his death as compared with one who does not, and it is obvious that full credit would completely negate the capital gains tax and make the deemed realization proposal pointless. Where there was a time period for credit, the discrimination would be against the person who realized prior to the time period.

(b) Complete elimination of estate tax.

(c) Reduction of the estate tax across the board, either by reducing the rates or by expanding the brackets. This measure would of course be general, and not specifically a relief against tax paid on capital gains; but it would reduce the effect of capital gains tax plus estate tax on death.

We note that the problem may not be as great as many taxpayers appearing before us have suggested, having in mind the 1968 amendments, to which we have already referred, by which bequests to a spouse are tax exempt.

After much consideration, the Committee has decided to recommend the last alternative set out above, and suggests alleviation of the estate tax at least to the extent that: all exemptions be significantly increased, no estate of a value less than \$150,000 bear tax, rate brackets be expanded and the maximum rate not cut in until a value of about \$800,000 is reached.

We appreciate that the Minister of Finance will wish to discuss this matter fully with the provinces, in view of their major interest in death tax revenues.

3.39-3.40

6. Other Deemed Realizations

White Paper Proposal

On giving up Canadian residence, a taxpayer would be treated as though he had sold his assets on that day for their fair market value. A taxpayer moving to Canada would be treated as though on that day he had acquired his assets at fair market value.

Comments and Recommendations

Taxpayers appearing before the Committee have shown a basic reluctance to have barriers to entering or leaving Canada; one of the points of pride of Canadians is freedom to come and go at will. The Committee appreciates, however, that just as Canadians are now expected to meet their tax obligations on ordinary income before giving up Canadian residence, so they can