

- (D) cigars, \$2 a thousand;
- (E) Canadian raw leaf tobacco when sold for consumption, 10¢ a pound.

COMBINED EFFECT OF EXCISE TAXES AND
EXCISE DUTIES ON TOBACCO PRODUCTS

Bringing together the taxes imposed on tobacco products under the Excise Tax Act and the duties imposed under the Excise Act gives the following total taxes:

- Cigarettes - \$9 a thousand (or 18¢ a pack of 20 cigarettes) plus the 11 percent sales tax on the manufacturer's sale price.
- Manufactured - Tobacco - \$1.15 a pound plus the 11 percent sales tax on the manufacturer's sale price.
- Cigars - \$2 a 1000 plus the 15 percent special excise tax and the 11 percent sales tax on the manufacturer's sale price.

Customs Duties

Most goods imported into Canada are subject to customs duties at various rates, as provided by tariff schedules. Customs duties which once were the chief source of revenue for the country have declined in importance as a source of revenue to the point where they now provide about 10 percent of the total. Quite apart from its revenue aspects, however, the tariff still occupies an important place as an instrument of economic policy.

The Canadian tariff consists mainly of three sets of rates, namely, British preferential, most-favoured-nation and general. The British preferential rates are, with some exceptions, the lowest. They are applied to imported dutiable commodities shipped directly to Canada from countries within the Commonwealth. Special rates lower than the ordinary preferential duty are applied on certain goods imported from designated Commonwealth countries.

The most-favoured-nation rates apply to goods from countries that have been accorded tariff treatment more favourable than the general tariff, but which are not entitled to the British preferential rate. Canada has most-favoured-nation arrangements with almost every country outside the Commonwealth. The most important agreement providing for the exchange of most-favoured-nation treatment is the General Agreement on Tariffs and Trade.

The general tariff applies to imports from countries not entitled to either the preferential or most-favoured-nation treatment. Few countries are in this category and, in terms of trade coverage, they are negligible.

In all cases where the tariff applies, there are provisions for drawbacks of duty on imports of materials used in the manufacture of products later exported. The purpose of these drawbacks is to assist Canadian manufacturers to compete with foreign manufacturers of similar goods. There is a second class of drawbacks known as "home consumption" drawbacks. These apply to imported materials used in the production of specified classes of goods manufactured for home consumption.