(Tax treaties with some countries provide certain exemptions from tax for remuneration for 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 of royalties on motion-picture films is only 10 per cent. The 1963 Budget announced that the 15 per cent rate on dividends paid by companies resident in Canada to non-resident persons would be reduced from 15 per cent to 10 per cent. When paid by a company that has a degree of Canadian ownership and control (for definition of "degree of Canadian ownership and control", see the previous section on corporation income tax). This change would be effective for dividends paid after June 13, 1963. At the same time, the 1963 Budget announced that the 15 per cent rate on dividends paid by companies resident in Canada to non-resident persons would be increased to 20 per cent effective from January 1, 1965, when paid by a company that has not a degree of Canadian ownership and control. As of July 1963, these proposed changes had not been translated into legislation.

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.

Special Tax on Branch Businesses

Profits earned in Canada by a non-resident corporation carrying on business through a branch or permanent establishment in Canada are subject to an additional tax of 15 per cent. This 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. The 1963 Budget announced that the rate of this tax would be increased to 20 per cent effective from January 1, 1965. As of July 1963, this proposed change had not been translated into legislation.

Gift Tax

The Income Tax Act levies a tax upon 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 and a general deduction of $4,000 from aggregate taxable value of gifts in the 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.

In computing the tax of a Canadian domiciliary, the value of the whole estate is first determined. Once the aggregate value of the estate has been determined, estate debts and certain expenses may be deducted. From the resulting "aggregate net value", there may be deducted the amount of a basic exemption, which is increased where the decedent leaves a widow or dependent child, and also the