

credit, at least for the time being, and to the introduction of a measure such as that proposed in the White Paper to permit withdrawals of pre-implementation surplus at a tax cost of 15%.

Repeal of the Estate Tax Act

4.20 The repeal of the Estate Tax Act should take place in conjunction with the introduction of a tax on capital gains which would require a deemed realization on death, modified by provisions for orderly liquidation of estate assets. We regard the Estate Tax Act, as it stands at present, as being extremely harmful to the Canadian economy in that it depletes pools of capital, reduces the incentive to save and encourages the sale of Canadian business abroad. At the same time the collections of revenue which result from the estate tax are comparatively insignificant, having averaged slightly in excess of \$100 million for each of the last several years.

4.21 We have suggested that, for purposes of the tax on capital gains, the making of an inter-vivos gift be treated as a deemed realization. In conjunction with this, the gift tax provisions of the Income Tax Act should be repealed.

4.22 As a transitional measure, we envisage that substantial personal estates as at Valuation Day would be subject to a future tax levy at the time of a subsequent deemed realization resulting from death or gifting.

Bond Interest

4.23 For the reasons described in paragraph 3.15, we recommend that interest up to a maximum of, say, \$1,000 per annum received by individuals resident in Canada on bonds issued by a Canadian municipality or province be taxed at a rate not in