

computed by reference to the income of the taxation year. In the sixth month following the end of the fiscal year, the final return must be filed and the remainder of the tax paid for that year.

### **Taxation of Non-residents**

A non-resident is liable to the payment of income tax if he was employed or was carrying on business in Canada during a taxation year. The expression "carrying on business in Canada" includes maintaining a permanent establishment in Canada, processing goods even partially in Canada, and entering into contracts in Canada.

The taxable income of a non-resident individual is taxed under the same schedule of rates as Canadian resident individuals. Non-resident corporations deriving income from carrying on business in Canada are taxed on their taxable income attributable to operations in Canada at the same corporation income tax rates as Canadian resident corporations. In addition, the profits remaining after subtracting the federal and provincial corporation income taxes and an allowance in respect of net capital investment in property in Canada during the year are subject to a special 15-p.c. tax commencing Jan. 1, 1961. (Tax treaties with some countries provide certain exemptions from tax for remuneration for services performed in this country by residents or employees of the other country.)

Furthermore, the Income Tax Act provides for a tax at the rate of 15 p.c. on certain forms of income going from Canada to non-resident persons or corporations. It applies to interest, dividends, rentals, royalties, income from a trust or estate, and alimony. This 15-p.c. tax applies whether the income goes to non-resident individuals or corporations. (The rate on royalties on motion picture films is 10 p.c.) This 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 tax returns in Canada.

### **Gift Tax**

The Income Tax Act levies a tax upon gifts. The rates range from 10 p.c. on an aggregate taxable value of \$5,000 or under, to 28 p.c. on an aggregate taxable value of over \$1,000,000. 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 of 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 deceased leaves a widow or dependent child, and also the amount of any charitable bequests to charitable organizations in Canada. After these deductions the amount left is the "aggregate taxable value" to which is applied the tax rates. From the tax so calculated may be deducted: (1) a tax abatement in respect of property situated in a province that levies a succession duty; (2) a credit for gift tax paid on recent gifts the amount of which is included in the aggregate net value of the estate; and (3) a credit for foreign taxes.

No estate valued at less than \$50,000 is subject to estate tax. This \$50,000 is not an exemption but it is the starting point for tax. The estate tax must not reduce the value of an estate after tax to less than \$50,000. The basic deductible exemption which applies to all estates of Canadian domiciliaries is \$40,000. This basic exemption of \$40,000 is increased to \$60,000 in respect of a deceased male survived by a spouse, or in respect of a