

deceased female survived by an incapacitated spouse and a dependent child. In both cases, there is an additional exemption of \$10,000 for each surviving dependent child (under 21). Finally, the basic exemption of \$40,000 is increased by \$15,000 for every surviving dependent child orphaned by the death of the deceased.

The tax on the estates of Canadian domiciliaries is calculated by applying a graduated scale of rates. For an aggregate taxable value of \$5,000 or less, the rate is 10 p.c. For an aggregate taxable value of \$100,000, the basic amount is \$19,000 plus 24 p.c. of any amount between \$100,000 and \$150,000. At \$2,000,000 of taxable value, the tax is \$816,500 and the excess over \$2,000,000 is chargeable at the highest rate of 54 p.c. A complete rate schedule is given in Sect. 8 of the Act.

As already stated, there is an abatement from federal estate taxes otherwise payable, in respect of provincial succession duties. Generally, the abatement is a deduction of 50 p.c. from the federal tax otherwise payable in respect of property situated in a province that levies succession duties.

The property situated in Canada of a deceased person not domiciled in Canada is subject to estate tax at a flat rate of 15 p.c. There is no deduction allowed against the assessed value of such property except for debts specifically chargeable to it. However, there is a special provision which exempts all such property of less than \$5,000 value and which also provides that the value of the property is not reduced by the tax to less than \$5,000. The 50-p.c. abatement referred to above also applies to this tax on property of deceased persons not domiciled in Canada where that property is subject to provincial duties.

Excise Taxes

The Excise Tax Act levies a general sales tax and special excise taxes, both of which are levied on goods imported into Canada and on goods produced in Canada. They are not levied on goods exported.

General Sales Tax.—An 8-p.c. sales tax is levied on the manufacturer's sale price of goods produced or manufactured in Canada or on the duty-paid value of goods imported into Canada. (For alcoholic beverages and tobacco products, the sale price for purposes of the sales tax includes excise duties levied under the Excise Act.) An old age security tax of 3 p.c. is levied on the same basis as the 8-p.c. tax bringing the total sales tax to 11 p.c.

Many classes of goods are exempt from sales tax. One important category is comprised of machinery and apparatus used in the process or manufacture or production of goods. The equipment to be exempt must enter directly into production. To illustrate, a stamping or cutting machine used in a factory is exempt from sales tax while office equipment or delivery equipment used by the same manufacturer is not. This exemption was established to reduce to a minimum the effect of the tax as a cost of production. Similarly, most equipment used by farmers, fishermen, loggers and mining companies is also exempt. Most building materials, foodstuffs, and fuels for lighting or heating are exempt from the tax as well as articles and materials used by public hospitals. The products of farms, forests, mines and fisheries are to a large extent exempt. Finally a variety of items is made exempt from sales tax when purchased by municipalities for prescribed uses. These and other exemptions are set forth in schedules to the Excise Tax Act.

Special Excise Taxes.—The Excise Tax Act also provides for a number of special excise taxes which are in addition to the sales tax. Where these are *ad valorem* taxes they are levied on exactly the same price or duty-paid value as the general sales tax. Articles subject to special excise taxes include automobiles, jewellery, cosmetics, toilet articles, radios, record players and television sets. Tobacco products and wines are also taxed under the Excise Tax Act.