

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 referred to below. 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. Thus, 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 are exempt from sales tax when purchased by municipalities. 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 jewellery, cosmetics, toilet articles, radios, record players and television sets. Tobacco products and wines are also taxed under the Excise Tax Act.

The special excise taxes levied at present are listed as follows:—

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| Cigarettes..... | 2½ cents per 5 cigs. |
| Cigars..... | 15 p.c. ad valorem |
| Jewellery, including clocks, watches, jewellery, articles of ivory, amber, shell, precious or semi-precious stones, goldsmiths' and silversmiths' products except gold-plated or silver-plated ware for the preparation or serving of food or drink..... | 10 p.c. ad valorem |
| Lighters..... | the greater of 10 cents per lighter or 10 p.c. ad valorem |
| Playing cards..... | 20 cents per pack |
| Radios..... | the greater of \$2 per radio or 15 p.c. ad valorem |
| Phonographs and television sets..... | 15 p.c. ad valorem |
| Tubes for radios, phonographs and television sets, not including television picture tubes, priced under \$5 per tube..... | the greater of 10 cents per tube or 15 p.c. ad valorem |
| Television set picture tubes..... | 15 p.c. ad valorem |
| Slot machines—coin, disc or token-operated games or amusement devices.... | 10 p.c. ad valorem |
| Matches..... | 10 p.c. ad valorem |
| Tobacco—pipe tobacco, cut tobacco and snuff..... | 80 cents per lb. |
| Tobacco pipes, cigar and cigarette holders and cigarette rolling devices..... | 10 p.c. ad valorem |
| Toilet articles, including cosmetics, perfumes, shaving creams, antiseptics, etc. | 10 p.c. ad valorem |
| Wines—* | |
| Wines of all kinds containing not more than 7 p.c. absolute alcohol by volume..... | 25 cents per gal. |
| Non-sparkling wines containing more than 7 p.c. absolute alcohol by volume but not more than 40 p.c. proof spirit..... | 50 cents per gal. |
| Sparkling wines..... | \$2.50 per gal. |
| Insurance premiums paid to British or foreign companies not authorized to transact business in Canada or to non-resident agents of authorized British or foreign companies..... | 10 p.c. of net premium for property, surety, fidelity and liability insurance. (Most other kinds of insurance are exempt.) |
| Electric power exported from Canada..... | 3/100 of one cent per kwh. |

* These taxes apply only to wines manufactured in Canada. The customs tariff on wines includes a levy to correspond to these taxes on domestic production.