

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 gifts made within three years of death (the value of which must be 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 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 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. Finally, the basic exemption of \$40,000 is increased by \$15,000 for every surviving dependent child made an orphan 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 tax is \$19,000 and anything between \$100,000 and \$150,000 is taxed at 24 p.c. 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.

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. No deduction is allowed against the assessed value of such property except for debts specifically chargeable to it. However, there is a special provision that exempts all such property of less than \$5,000 value and also provides that the tax must not reduce the value of the property to less than \$5,000. (The Estate Tax Convention between Canada and the United States increases this figure to \$15,000.) As stated previously, there is an abatement from federal estate taxes otherwise payable, in respect of property situated in a province that levies succession duties. Where property is subject to provincial duties, the 15-p.c. tax is abated by 75 p.c. (At present this abatement is only 50 p.c. in Ontario and Quebec.\*)

### Excise Taxes

The Excise Tax Act levies a general sales tax and special excise taxes. Both the sales tax and the special excise taxes are levied on goods imported into Canada and on goods produced in Canada. They are not levied on goods exported. The sales tax, which is at the rate of 8 p.c., † 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 (see p. 1028). 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. Foodstuffs, electricity and fuels for lighting or heating are generally exempt as well as articles and materials used by public hospitals. The products of farms, forests, mines and fisheries are, to a large extent, exempt as well as most equipment used in farming and fishing. Materials consumed or expended in production are not taxed. Also, 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.

The 1966 Budget announced that machinery and equipment used directly in the manufacture or production of goods would be relieved of tax over a two-year period. Effective Mar. 30, 1966, full exemption is extended to dies, moulds, jigs, fixtures and the cutting or

\* See footnote †, p. 1020.

† Raised in December 1966 to 9 p.c., effective Jan. 1, 1967, bringing total sales tax to 12 p.c.