

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 are 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.

If an estate is valued at \$50,000 or less, no tax is exacted; this figure of \$50,000 is not a deductible exemption but simply an amount at or below which no tax is levied. If an estate is valued at more than \$50,000, it may or may not be taxable, depending on its size and the exemptions and deductions for which it qualifies, but in no case must the tax reduce the value of the estate after tax to less than \$50,000. The deductible exemption is \$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 child who is dependent (generally, under age 21). In all other cases the exemption is \$40,000 but if the deceased is survived by a dependent child (an orphan), there is an additional exemption of \$15,000 in respect of each orphan.

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.

As stated previously, there is an abatement from federal estate tax otherwise payable in respect of provincial succession duties. The abatement is a deduction of 75 p.c. from the federal tax otherwise payable in respect of property situated in a province that levies succession duties (see footnote, p. 1010).

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.) Where property is subject to provincial duties, the 15-p.c. tax is abated by 75 p.c. (see footnote, p. 1015).

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 9 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. 1017). An old age security tax of 3 p.c. is levied on the same basis as the 9-p.c. tax, bringing the total sales tax to 12 p.c.

Many classes of goods are exempt from sales tax. Foodstuffs, drugs, electricity and fuels for lighting or heating are generally exempt as are articles and materials used by public hospitals and certain welfare institutions. The products of farms, forests, mines and fisheries are, to a large extent, exempt as well as most equipment used in farming and fishing. Production machinery and equipment and 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.