

The duties on spirits are on a proof gallon basis. They do not apply to denatured alcohol intended for use in the arts and industries, or for fuel, light or power, or any mechanical purposes. The various duties are as follows: on every gallon of the strength of proof distilled in Canada, \$14.25; on every gallon of the strength of proof used in manufacture of: medicines, extracts, pharmaceutical preparations, etc., \$1.50 per gallon; approved chemical compositions, 15 cents per gallon; spirits sold to a druggist and used in the preparation of prescriptions, \$1.50 per gallon; imported spirits when taken into a bonded manufactory in addition to other duties, 30 cents per gallon.

Canadian brandy (a spirit distilled exclusively from juices of native fruits without the addition of sweetening materials) is subject to an excise duty of \$12.25 per proof gallon. All beer or other malt liquor is subject to a duty of 42 cents per gallon.

Excise duties are imposed on tobacco, cigars and cigarettes in addition to the special excise taxes which have already been described. The rates of excise duty are as follows: on manufactured tobacco of all descriptions, except cigarettes, 35 cents per lb.; cigarettes weighing not more than three lb. per thousand (nearly all of the cigarettes used in Canada are of this type), \$4 per thousand; cigarettes weighing more than three lb. per thousand, \$5 per thousand; cigars, \$2 per thousand; Canadian raw leaf tobacco when sold for consumption, 10 cents per lb.

Total taxes on tobacco products. The aggregate of taxes imposed on tobacco products under the Excise Tax Act and the duties imposed under the Excise Act are: cigarettes, \$10 per thousand (20 cents per pack of 20 cigarettes) plus the 12% sales tax on the manufacturer's sale price; pipe and cut tobacco, \$1.25 per lb. plus the 12% sales tax on the manufacturer's sale price; cigars, \$2 per thousand plus the 17½% special excise tax and the 12% sales tax on the manufacturer's sale price.

Customs duties. Most goods imported into Canada are subject to customs duties at various rates as provided by tariff schedules. Customs duties which once were the chief source of revenue for the country have declined in importance as a source of revenue to the point where they now provide less than 10% of the total. Quite apart from its revenue aspects, however, the tariff still occupies an important place as an instrument of economic policy.

The Canadian Tariff consists mainly of three sets of rates, namely, British Preferential, Most-Favoured-Nation and General. The British Preferential rates are, with some exceptions, the lowest rates. They are applied to imported dutiable commodities shipped directly to Canada from countries within the British Commonwealth. Special rates lower than the ordinary preferential duty are applied on certain goods imported from designated Commonwealth countries.

The Most-Favoured-Nation rates apply to goods from countries that have been accorded tariff treatment more favourable than the General Tariff but which are not entitled to the British Preferential rate. Canada has Most-Favoured-Nation arrangements with almost every country outside the Commonwealth. The most important agreement providing for the exchange of Most-Favoured-Nation treatment is the General Agreement on Tariffs and Trade.

The General Tariff applies to imports from countries not entitled to either the British Preferential or Most-Favoured-Nation treatment. Few countries are in this category and in terms of trade coverage are negligible.

In all cases where the tariff applies there are provisions for drawbacks of duty on imports of materials used in the manufacture of products later exported. The purpose of these drawbacks is to assist Canadian manufacturers to compete with foreign manufacturers of similar goods. There is a second class of drawbacks known as "home consumption" drawbacks. These apply to imported materials used in the production of specified classes of goods manufactured for home consumption.

The tariff schedules are too lengthy and complicated to be summarized here but the rates which apply on any particular item may be obtained from the Department of National Revenue which is responsible for administering the Customs Tariff.

20.6.2 Provincial taxes

All of Canada's ten provinces impose a wide variety of taxes to raise the revenue necessary for provincial purposes. All provinces levy a tax on the income of individuals and corporations resident within their boundaries or deriving income from activities or operations carried out