and on one half of capital gains less losses on disposals of "taxable Canadian property". For this purpose taxable Canadian property includes: real property interests situated in Canada; assets used in carrying on business in Canada; interests in certain partnerships and trusts; shares in a corporation resident in Canada other than a public corporation; and shares in Canadian public corporations where the non-resident owns a 25% or greater interest. The taxation of capital gains may be restricted by the provisions in tax treaties between Canada and other countries.

The expression "carrying on business in Canada" includes producing, growing, packaging or improving any article in Canada and also soliciting orders or offering anything for sale in Canada through an agent or servant. However, this is usually modified by tax treaties so that an enterprise of the other country is taxed by Canada on its industrial and commercial profits only if it carries on business through a permanent establishment in this country.

The taxable income of non-resident individuals derived from employment or carrying on business or from capital gains in Canada is taxed under the same schedule of rates as Canadian resident individuals.

Income earned by non-resident corporations carrying on business or from capital gains in Canada is taxed at the regular rates of corporation income tax. The distributable business earnings of a branch of a non-resident corporation are also subject to an additional tax often referred to as a branch tax. This tax applies to the branch earnings net of taxes that are not reinvested in the business in Canada. The branch tax, which is imposed at the same rate as the non-resident withholding tax on dividends referred to below, is designed to place non-resident corporations that carry on business through a branch in Canada in a comparable position to those non-residents that conduct their Canadian operations through a separate company incorporated in Canada.

Certain specific items of income paid to non-residents from sources in Canada are subject to tax withheld at the source by the Canadian payer. This non-resident withholding tax applies to interest (except interest on certain bonds and interest paid to certain exempt lenders), dividends, rents, royalties, management fees, income from a trust or estate, alimony, pension benefits (other than the old age security pension and up to $1,290 of Canada Pension Plan or Quebec Pension Plan benefits), proceeds from deferred income plans and the taxable portion of annuities. The rate of this tax is generally 15% but the rate on royalties from motion picture and television films is only 10% and the standard rate of 15% on dividends is reduced to 10% in the case of dividends paid by a corporation that has a degree of Canadian ownership. Generally, a corporation is regarded as having a degree of Canadian ownership where 25% of its equity and voting shares are owned by Canadians and/or corporations controlled in Canada, or where the voting shares of the corporation are listed on a Canadian stock exchange and no more than 75% of its issued outstanding voting shares are owned by a non-resident alone or in combination with related persons.

The Income Tax Act provides that the rate of the above-mentioned non-resident withholding tax will become 25% in 1976, except for the rate on dividends paid by a corporation with a degree of Canadian ownership which will be 20%. These rates may be modified by tax treaties.

Non-residents who receive from sources in Canada only the kinds of income subject to the non-resident withholding tax do not file returns to Canada. However, those who receive rents on real property, timber royalties, pension benefits or proceeds from deferred income plans may elect to file returns and be taxed at personal or corporation rates as the case may be.

Estate and gift taxes. The federal government formerly imposed an estate tax and a tax on gifts. They do not apply in the case of a death occurring after 1971 or to a gift made after 1971.

Excise taxes. The Excise Tax Act levies a general sales tax and special excise taxes. These taxes are levied on goods imported into Canada as well as on goods produced in Canada. They are not levied on goods exported.

The general sales tax is at the rate of 12%. It 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. "Duty-paid value" includes the amount of customs duties, if any. For alcoholic beverages and tobacco products the sale price for purposes of the sales tax includes excise duties levied under the Excise Act. The rate of sales tax on a long list of construction materials and equipment for building is 5% instead of 12%.