

equity and voting shares are owned by Canadians 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.

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 either personal or corporation rates.

**Estate and gift taxes.** The federal government formerly imposed an estate tax and a tax on gifts. They do not apply to deaths occurring after 1971 or gifts 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 rate is 9%. Alcoholic beverages and tobacco products are taxed at a rate of 12%. Motor gasoline and diesel fuel are subject to specific tax rates. The federal sales tax 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 buildings is 5%.

Some goods are exempt from sales tax. Drugs, electricity, fuels for lighting or heating, all clothing and footwear, foodstuffs and a comprehensive list of energy conservation, transportation and construction equipment are exempt. In addition articles and materials purchased by public hospitals and certain welfare institutions are not subject to sales tax. The products of farms, forests, mines and fisheries are, to a large extent, exempt as is most equipment used in farming and fishing. Machinery and equipment used directly in production, materials consumed or expended in production and equipment acquired by manufacturers or producers to prevent or reduce pollution to water, soil or air from their manufacturing operations are all exempt. A number of items are exempt when purchased by municipalities. These and other exemptions are set forth in the Excise Tax Act.

The Excise Tax Act also imposes a number of special excise taxes in addition to the sales tax. Where these are ad valorem taxes they are levied on the same price or duty-paid value as the general sales tax. Those levied as at December 31, 1978 are given in Table 22.16.

**Excise duties.** The excise act levies taxes (referred to as excise duties) upon alcohol, alcoholic beverages other than wines and tobacco products. These duties are not levied on imports but the customs tariff applies special duties to these products equivalent to the excise duties levied on the products manufactured in Canada. Exported goods are not subject to excise duties.

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 purpose. Canadian brandy (distilled exclusively from juices of native fruits without the addition of sweetening materials) is subject to an excise duty. Excise duties are imposed on tobacco, cigars and cigarettes in addition to the special excise taxes.

**Customs duties.** Many goods imported into Canada are subject to customs duties at various rates as set out in the customs tariff. 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 customs tariff provides for four sets of rates — general preferential, British preferential, most-favoured-nation and general. The general preferential rates apply to certain goods imported from designated developing countries.