

\$2,000 of allowable capital losses may be deducted from other income. Allowable capital losses that are not absorbed in the same year may be carried over to apply in other years. Losses on small business shares can be written off against other income without limit. Capital gains or losses relate to disposition of property. Other gains or losses, for example, resulting from a lottery or gambling, are not included. The sale of personal property at a price not exceeding \$1,000 and the sale of a home do not give rise to a capital gain or loss.

Certain amounts are deductible in computing income. Detailed information is available from Revenue Canada, Taxation.

Individual income tax statistics collected by Revenue Canada, Taxation are presented in Tables 22.7 - 22.11 on a calendar-year basis and are compiled from a sample of all returns received. Taxpayers and amounts of income and tax are shown for selected cities and by occupational class and income classes.

**Corporation income tax.** The Income Tax Act levies a tax upon the worldwide income of corporations resident in Canada and upon the income attributable to operations in Canada of non-resident corporations carrying on business in Canada. Half of capital gains must be included in income. In computing income, corporations may deduct operating expenses such as wages and salaries, costs of goods sold, municipal real estate taxes, reserves for doubtful debts, bad debts and interest on borrowed money.

Statistics on the taxation of corporate income showing a reconciliation of income taxes to taxable income and book profits are published on an industry basis in *Corporation taxation statistics* (Statistics Canada 61-208). Data are summarized for nine industrial divisions in Table 22.12. Taxable income data are also available on a provincial basis, as shown in Table 22.13.

**Excise taxes.** A drawback of 99% of the duty may be granted when domestic spirits, testing not less than 50% over proof, are delivered in limited quantities for medicinal or research purposes to universities, scientific or research laboratories, public hospitals or health institutions in receipt of federal and provincial government aid.

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.

Some goods are exempt from sales tax. Drugs, electricity, fuels for lighting or heating, all clothing and footwear, foodstuffs and a com-

prehensive 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, 1985 and 1986 are given in Table 22.15.

**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. Customs duties once were the chief source of revenue for the country but have declined in importance, now providing less than 10% of the total. Apart from its revenue aspects, however, the tariff occupies a place as an instrument of economic policy.

The customs tariff provides for four different tariff treatments — general preferential, British preferential, most-favoured-nation and general. The general preferential rates apply to certain goods imported from designated developing countries. For descriptions of the other rates see Chapter 21, External relations, trade and defence.