HOUSE OF COMMONS

Friday, February 17, 1961

The house met at 11 a.m.

EXTERNAL AFFAIRS

ANNOUNCEMENT OF VISIT OF UNITED KINGDOM PRIME MINISTER

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I wish to inform the house that the Prime Minister of the United Kingdom, Right Hon. Harold Macmillan, has accepted my invitation to visit Ottawa after his forthcoming meeting with President Kennedy in Washington. Mr. Macmillan will be accompanied by Lady Dorothy. He expects to arrive in Ottawa on the evening of Friday, April 7, and to leave late in the evening of April 8.

Hon. Paul Martin (Essex East): Mr. Speaker, I am sure that the announcement made by the Prime Minister of the intended visit of the Prime Minister of the United Kingdom to our country will be warmly received. The Prime Minister of the United Kingdom will, of course, be very welcome in Canada.

Mr. Hazen Argue (Assiniboia): This is a welcome announcement by the Prime Minister. All Canadians will be pleased to once again have the opportunity of welcoming the Prime Minister of the United Kingdom to our country. I express the hope that arrangements may be made for Prime Minister Macmillan to address both houses of parliament while he is visiting Canada. I think the nation would welcome this if it is possible to make the arrangements.

ESTATE TAX

ANNOUNCEMENT OF CONVENTION BETWEEN UNITED STATES AND CANADA

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, hon. members will no doubt be interested to know that a convention has been concluded between Canada and the United States for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates. Arrangements have been made to have the convention signed in Washington today by the Canadian ambassador and the United States secretary of state.

This convention is additional to the existing convention between Canada and the United States signed June 8, 1944, which continues to apply to the estates of persons who died before January 1, 1959. The new convention applies to the estates of persons dying on or after that date, which is the date on which the Canadian Estate Tax Act superseded the dominion succession duty act. The convention follows the general pattern of the 1944 convention between Canada and the United States and the conventions between Canada and the United Kingdom, France, Ireland and South Africa.

The taxes included in the scope of the new convention are the Canadian estate tax, the United States estate tax and any other taxes of a substantially similar character subsequently imposed by the federal governments of either country.

The main purpose of the convention is to avoid double taxation which might otherwise result, particularly when the estate of a person dying domiciled in one country includes assets situated in the other country. This purpose is accomplished chiefly by a reciprocal system of tax credits whereby the country of domicile gives credit for the tax imposed by the country where the assets are situated, that is to say the country of situs. In order to make this system work smoothly specific rules of situs for assets of various classes are provided. These rules are almost identical with those in the Estate Tax Act.

Another method of avoiding double taxation is by providing that when one country is taxing solely on the basis of situs it will take into account only property situated in its territory and will restrict its tax by limiting its rates or by allowing an exemption, or both. Accordingly Canada has bound for the term of the convention the present flat rate tax of 15 per cent imposed by the Estate Tax Act on property situated in Canada of any foreign domiciled decedent. The convention also stipulates that Canada will not tax such property if its value is less than $15,000. This contrasts with the provision in the Estate Tax Act whereby such property will not be taxed if its value is less than $5,000. The United States in taxing Canadian domiciliaries is similarly required to restrict its tax base to property situated in the United States and not to tax if this property is valued at less than $15,000. However, the United States, which uses a schedule of graduated rates, is not obliged to restrict its rates; instead it is