length, the test must be one of judgment. In other words, the authorities in the two countries watch the operations of companies that appear to be related, and if their relationship is such that they are beginning to juggle their profits from one country to the other, then they can deem that the juggling does not reduce their tax in the country from which the profits have been taken, shall we say illegally.

Mr. Lambert: In other words, you say that the taxing authorities reserve unto themselves to judge whether they shall have the p.e and eat it, too?

Mr. Knowles: Mr. Chairman, I have one or two questions which relate to the schedule, but the schedule appears to be covered by clause 2 of the bill. Does this new agreement between Canada and the United Kingdom cover pension income? I have in mind in particular the case of people who have come here from the United Kingdom and are still drawing their pensions from the United Kingdom. Will this agreement have the effect of relieving such persons from taxes that they now have to pay in the United Kingdom?

Mr. Sharp: Mr. Chairman, I am not sure whether the hon. gentleman was here when I made my brief remarks on second reading. Perhaps I will be permitted to repeat the substance of them which deals precisely with this point. The general rule established in this new agreement is that all pensions and annuities will be taxable only in the country where the recipient of the pension or annuity is a resident. This differs from the former agreement, but in order to preserve the position of pensioners who might prefer the old rule, they are permitted to do so.

Therefore the general rule laid down by this agreement is that pensions and annuities will be taxable only in the country of residence, but if the old agreement conferred a benefit upon them that is taken away by the application of this new rule, they may retain their former position provided they were in residence in either of the countries.

Mr. Knowles: I have one more question, Mr. Chairman. If the minister tells me that he answered this question while I was out of the chamber, I can only plead that the point gets reached when it is a human desire to go out and have supper. What is the position with regard to the effective date? I have looked at article X of the agreement and think I understand it, but may I put the question this way: If a person is assessed taxation on income from the United Kingdom at the present time, will there be the possibility of that assessment being adjusted after this agreement goes through, in view of what seems to be the effective date in the case of United Kingdom income of April 6, 1965?

Mr. Sharp: Mr. Chairman, I think the short answer is yes.

Mr. Lambert: Mr. Chairman, I should like to ask a question about article VIII. Not having the previous agreement with me, I should like to know whether the provisions of article VIII, paragraphs 1 and 2, are the same as existed in the previous agreement. This deals with disclosure of information at the request of the other contracting party. In other words, it is obvious that the two taxing authorities must be able to exchange information with regard to operations in both territories as covered by the agreement. I am glad to see that there is provision that "no information as aforesaid shall be exchanged which would disclose any trade, business, industrial or professional secret or trade process."

Following the changes made in CALURA, information is passed by the Department of National Revenue to the Dominion Bureau of Statistics with regard to operations of Canadian business. What effect has that provision in relation to article VIII? Is this procedure specifically excluded? Would the authorities in Canada who have possession of information with regard to the operations of, say a foreign principal operating in Canada, have the right to pass information which they obtain under the terms of this particular agreement to the Dominion Bureau of Statistics, who may have a perfectly legitimate purpose in the future in determining for statistical purposes the size of global operations of companies or subsidiaries, business enterprises, operating in Canada?

It is conceivable that we would like to have this information at some date in the future. It may be that I am engaging in some form of wide hypothesis here, but we do know that under CALURA there is the power and in fact the duty imposed upon the Minister of National Revenue to pass on such information. This was something that I and several of my colleagues, including the late hon. member for Digby-Annapolis-Kings, objected to strenuously, when the CALURA statute was amended.