

trade receivables and royalties received by such an affiliate in respect of patents or know-how developed by it abroad in the course of its active business operations (to name but a few) may be taxed currently in the hands of the Canadian shareholder as diverted income even though such income is in fact directly attributable to the foreign affiliate's active business. Such income is not diverted income.

• (5:50 p.m.)

I move on to the second recommendation:

(b) that the *de minimis* rule contained in the proposed legislation be broadened to the effect that the passive income rules will not apply to any foreign affiliate whose passive income does not exceed a specified percentage of its total gross revenue (such as the 30 per cent rule in the United States); alternatively, the *de minimis* rule may be expressed as a percentage of the foreign affiliate's gross assets.

(c) that the term "foreign affiliate" be re-defined for purposes of the foreign accrual property income rules to include with respect to foreign corporations only those corporations which are controlled directly or indirectly in Canada.

I am positive the parliamentary secretary is aware of this recommendation. Let me quote again from this document. This is not my usual manner of speaking but I am at a loss for further elaboration, as I read this document, in attempting to place the case for the Canadian people before the government. In the conclusions the report reads:

In conclusion, your committee feels constrained to reiterate the views expressed by it in its report on the white paper proposals for tax reform condemning the implications inherent in the government's proposals that vast tax avoidance schemes exist through the use of foreign entities. As stated in its report the committee believes that tax avoidance of this kind can be effectively blocked under existing legislation and failure to block such abuses (if they exist) is due more to lack of enforcement of existing law than to lack of legislation.

Mr. Chairman, I could continue but let me just say that we are at the stage where we must be very much concerned about the direction in which we are going. If we do not take serious note of the actions of other countries in respect of their corporations or industries, and if we do not attempt to give the same type of assistance and exercise the same type of concern in respect of our industries, we must ask where we are going. I think this is why the Canadian people and our industries are very concerned. They do not know where this government is going.

When I continually receive these briefs, brochures and letters of concern from industry, the labour movement and the layman there is no wonder we have lack of confidence. Everyone is afraid of the future. I believe that the pursuit of the provisions relating to multinational corporations in this bill can have nothing but a disastrous effect upon Canada and its economy. We all talk about tax reform. Certainly we want tax reform. However, I question whether this is tax reform. If we are to have tax reform, I respectfully submit that we should not attempt to unduly stifle personal initiative and economic growth. It is based upon these two policies or philosophies, if you will, that we can arrive at full employment.

This bill in many instances smacks of the policy of discouragement rather than encouragement. We wonder what the United States surcharge will do to us in terms of moneys lost. I believe the amount has been put at \$1 billion, if implemented for a year, plus the loss of 90,000 jobs. I should like to know right now what the future

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holds for us. We hear there is a possibility that the DISC program will go ahead. It probably will. I was one of the fortunate persons who had an opportunity to meet with our United States colleagues. They were equally concerned about what is happening to Canada.

As I understand it, there will be a move to make this program ineffective in the long run, because they are very much aware that so long as their policies create unemployment, obviously they can never reach a balance of trade, because if we do not have sufficient employment we do not have the money with which to buy goods. When the parliamentary secretary has a big t-bone steak for supper and comes back refreshed, I hope he will be able to give us some answers to the many problems and questions raised by hon. members on this very complicated subject.

Since the parliamentary secretary in the first instance brought in 95 amendments to this bill, it would seem that it was improperly drawn up or that the drafters were not competent. Then later a further 40 amendments were moved. I may be out by four or five amendments but I know the parliamentary secretary will correct me if I am wrong. This certainly is reason to question the competency of those behind the bill. Eight more amendments were recently brought in. Are we to have more?

**Mr. Mahoney:** Your party has asked for more.

**Mr. Alexander:** Your side has also asked for more. I know your side has had a great deal to say about co-operatives and credit unions. I am not becoming involved in that subject at this time, but I understand if that part of the bill is passed one of your members is likely to quit.

**The Assistant Deputy Chairman:** Order.

**Mr. Alexander:** I will call it six o'clock, Mr. Chairman.

**The Assistant Deputy Chairman:** Order. It being six o'clock, I do now leave the chair until eight o'clock.

At six o'clock the committee took recess.

### AFTER RECESS

The committee resumed at 8 p.m.

**The Chairman:** When the committee rose at six o'clock it had under consideration clause 1, section 2. Shall the section carry?

**Mr. Alexander:** Mr. Chairman, as we reached the hour of six o'clock I had completed my remarks, but now I wish to rise on a question of privilege. In speaking on these most controversial sections I quoted at length at times, from the report of the committee on banking and finance of the other place. In my enthusiasm with respect to the inequities I have found in these sections dealing with multinational corporations, I was carried away. It has now been brought to my attention that in reference to documents or speeches, or anything that occurs in the other place one should not quote them at length and the most one can do, as I understand it, is to paraphrase.