

Income Tax Act

Mr. Martineau: Would the minister have preferred to have an exemption clause as part of the act rather than have it left to the discretion of the United States president?

The Chairman: Shall clause 19 carry?

Mr. Martineau: I have asked the minister a question.

[*Translation*]

Mr. Grégoire: Mr. Chairman, I would have a few questions to ask on clause 20.

The Chairman: I am sorry, but we still are on clause 19.

[*Text*]

Mr. Martineau: I think the minister wanted to give an answer.

Mr. Gordon: I was asked about certain negotiations in July, 1963 with the secretary of the treasury respecting the proposed interest equalization tax. I have answered my hon. friend's question, that the question of the Canadian withholding tax, to my knowledge, did not come up at the time. He then asked whether Canada would have preferred complete exemption from the proposed interest equalization tax, rather than leaving the question to the discretion of the President. Of course, we would have preferred it. Here, we were confronted with a situation, as was the United States treasury, where a detailed proposal had been made to congress that a bill should be passed along certain lines. The secretary of the treasury, Mr. Dillon, after consultation with the President, decided that the best thing they could do over that week end, a very difficult week end, would be to say that they would recommend this exemption for Canada within the discretion of the President. It seemed to us at the time that since that was as far as they thought they could go, that would allay the fears in Canadian financial markets. Of course, when the announcement was made, those fears were allayed and Canadian markets have progressed to greater heights.

I can assure my hon. friend that, to my knowledge, there has seldom been more confidence in Canadian markets than there is at the present time. I am sure he will be delighted with this.

Mr. Martineau: I thank the minister for his information. I understand that in the haste of that memorable week end, that was all the Canadian government could obtain in the way of concessions. I wonder if since that time there have been further attempts made to have the exemption form part of the act?

Mr. Gordon: I do not know whether I can usefully pursue this line of questioning much

[*Mr. Gordon.*]

farther, Mr. Chairman. Obviously, as my hon. friend knows, the Canadian government, particularly myself as Minister of Finance, are in touch with the United States treasury officials. My great concern at the moment is to find out what is going to happen to this proposed interest equalization tax. I have been trying to find out, ever since it was first announced, when, if ever, it is going to be passed, so we will know where we stand and Canada will not be up against the uncertainties with which we have been living for the last nine months.

Mr. Monteith: Ever since June, 1963.

Mr. Gordon: Oh, I would not go back that far; just nine months. In another field, of course, at the end of that period of time there is usually a solution of one kind or another. But we are still faced with a situation where we do not know whether this proposed tax will be passed by the United States senate before it adjourns for the elections that will be held some time next fall.

When I last spoke to him about two or three weeks ago, the secretary of the treasury was confident that this proposed tax would be dealt with by the senate before it adjourned in July. I cannot say anything more about it. I would remind my hon. friend that this particular clause 19 merely deals with the rescinding of a tax that has never been applied, and that becomes unnecessary because of the reduction in the rate of withholding tax that otherwise would have been increased next January.

[*Translation*]

Mr. Grégoire: Mr. Chairman—

[*Text*]

Mr. Nowlan: Could I ask the minister this—

The Chairman: Order, please.

[*Translation*]

Order. Is the hon. member rising to deal with clause 19?

Mr. Grégoire: Yes, Mr. Chairman, that is with both clause 19 and clause 20, since there is surely an indirect connection between the two.

I merely wish to ask the Minister of Finance a question concerning the special taxes on profits and dividends of non-residents which were decreed during the last year, to encourage Canadians to invest more and more in order to take over part of their economy, or a percentage at least of the shares of companies established in Canada. Could the minister tell us if, in addition to the special tax imposed to achieve his objective, he took other steps to have Canadian investments replace