country. It has worked well as between us and the United States, and ourselves and Great Britain, and I am sure it will work well with Australia. The agreement has been signed by representatives of both our countries, and all that remains is to ratify it. I cannot give nearly as brilliant an explanation of the contents as the honourable senator from Toronto (Hon. Mr. Hayden) did in connection with a similar bill. I thought that bill was very complicated and intricate, but, having got used to legislation of this kind I am now fairly well informed on the subject.

Hon. Salter A. Hayden: Honourable senators, I shall not detain you very long with any comments I make on this bill. It is a type of legislation which is beneficial to Canada, particularly as regards tax conventions with countries where Canadian businesses and corporations are carrying on any substantial amount of business.

For those who may be in a reading mood I suggest that a reasonably complete explanation of the provisions of the present bill may be found in the Senate *Debates* of 1956, when we were considering a similar tax convention with Denmark. Beyond one or two very general comments I propose only to indicate to you the differences between this agreement and the last convention of the kind which came before this house.

In general, of course, the basis of taxability under this agreement is whether or not the Canadian enterprise or the Australian enterprise, for what it does in the other country, maintains what is called a permanent establishment. The definition of "permanent establishment" is given in the agreement; the explanations are there, they are very plain, honourable senators have heard them several times, and I do not propose to repeat them. I should point out that the scheme of the legislation is that the bill appends or attaches the agreement, to which it gives the force of law; and it provides that, where there are any inconsistencies between the income tax provisions as contained in the agreement and the general law of Canada or of Australia in relation to income tax, the law as contained in the agreement shall govern the transaction. So we have agreements which are given the force of law and enter into and form part of our general income tax law.

Some exemptions are provided. Those which are uniform, in the sense that they appear in most of the tax agreements into which we have entered, I do not propose to refer to now. There is one change which I regard as significant. Under prior agreements, if the federal Government maintains a representative in the other country for purposes of Government business in that country, the income which that agent received was exempted from income taxation in the country where he was working. This concession was limited to the Government agent or representative of the federal Government. In this agreement, for the first time, there has been incorporated this additional provision: that not only the federal authority but the agent of any province of Canada or any state in Australia shall have the same exemption. I am sure this will confer benefits in some cases.

I should point out too that there are certain omissions. Previous agreements contained a specific provision whereby students and apprentices who went from Canada to the country with which the agreement was concluded—Denmark, for instance, or Sweden —for the purposes of studying in relation to their school or university work or their apprenticeship, were exempted from taxation in respect of income from home received by them in the country where they were so studying or serving apprenticeship. That provision is omitted from the present agreement.

There is another omission from the present agreement as compared with the convention with, for instance, Denmark. Under that agreement each country retained the right to impose a withholding tax up to 15 per cent on dividends which are paid from that country to persons resident in the other country. It was provided that if the dividend was passing from a subsidiary in Denmark to the parent company in Canada—by "subsidiary" I mean that the parent company owns more than 50 per cent of the shares— the withholding tax, instead of being 15 per cent, was limited to 5 per cent. This latter provision for reducing under these circumstances the withholding tax from 15 to 5 per cent has been omitted from the present agreement.

There is only one other thing to which I wish to direct attention. The tax agreement with Denmark went into considerable detail in dealing with exchange of information for purposes of avoidance of fiscal fraud, and the secrecy which should attach to that information. It also dealt rather fully with the purposes of avoidance of double taxation, in that each country would devote its energies to reducing, wherever the situation might so expose itself, any incidence of double taxation. This elaboration does not appear in the present agreement. I do not think that fact is significant. To my mind it is only "prayerful", anyway: the same result is likely to occur whether or not the specific language appears in the statute.

Many things that I said when we were discussing the agreement with Denmark I do not think it necessary to repeat. However,