

Income Tax Agreement

Mr. Macdonnell: Then is the agreement drafted with sufficient flexibility to take care of these other laws? I had thought that it dealt only with taxes in the Netherlands and in Canada.

Mr. McCann: It could with modifications. It would have to be modified in order to apply to these others, because they might have tax laws in some of these possessions that might, from a general look at them, correspond with income taxes but by name might be known as different taxes entirely. Therefore there would have to be modifications if the agreement were to apply to any of the possessions of the Netherlands, and at the moment it does apply only to the Netherlands in Europe.

Mr. Macdonnell: Is there a clause—I confess I have not spotted it—which sets forth that the provisions of this legislation can, with the necessary changes, be extended to these other possessions to which it does not now apply? I point out that article XXV seems to suggest merely that further arrangements will be made to extend the application, but as I read that it implies that the present arrangements could be made applicable to these other territories.

Mr. McCann: Yes, Mr. Chairman. That is clearly set out in section 2 of Article I which is in these words:

This convention shall also apply to any other taxes of a substantially similar character, imposed by either contracting party subsequent to the signing of this convention.

Mr. Macdonnell: I do not want to take time on this, and indeed it may not be very important, but does the minister really think subsection 2 of article I would apply to taxes in some new territory? It seems to me to apply only to new taxes in the same territory.

Mr. McCann: If the hon. gentleman will read article XXV he will see that it says:

This convention may be made applicable either in its entirety, or with modification, in respect to any part of the kingdom of the Netherlands outside Europe, which imposes taxes of a substantially similar character to the taxes specified in article I of this convention . . .

I have already read that.

Mr. Macdonnell: That seems to clear it.

Article agreed to.

Articles XXVI and XXVII agreed to.

Protocol agreed to.

Clauses 3 to 5 inclusive agreed to.

Schedule agreed to.

Title agreed to.

Bill reported.

[Mr. McCann.]

Mr. Deputy Speaker: Shall this bill, by leave of the house, be read the third time now?

Some hon. Members: Agreed.

Mr. McCann moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

INCOME TAX

AGREEMENT BETWEEN CANADA AND THE UNION OF SOUTH AFRICA FOR THE AVOIDANCE OF DOUBLE TAXATION

Hon. J. J. McCann (Minister of National Revenue) moved the second reading of Bill No. 414, to implement an agreement between Canada and the Union of South Africa for the avoidance of double taxation with respect to income tax.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Robinson (Simcoe East) in the chair.

On clause 1—*Short title.*

Mr. McCann: Mr. Chairman, the purpose of this bill is to give legal effect in Canada to the agreement which, as the result of negotiations and subsequent exchanges, has been reached between the government of Canada and the government of the Union of South Africa for the avoidance of double taxation and the establishment of rules for reciprocal fiscal assistance in the matter of income taxes, which agreement was signed at Ottawa on the 28th September, 1956.

The agreement follows the pattern established in the present income tax agreements which Canada has made with the United States, the United Kingdom, Sweden, New Zealand, Ireland, Denmark, France and the Federal Republic of Germany, as well as the treaty with the Netherlands which has been before the house today. It has for its purpose the avoidance of double taxation and the exchange of information. Double taxation as avoided chiefly by the reciprocal system of tax credits in which the country of residence gives credit for the tax imposed by the country where the income has its source.

The agreement contains the usual provision limiting the taxation of trading profits to the permanent establishment rule. In addition, certain special provisions are made. Profits from the operation of ships and aircraft will be taxed solely in the country of residence of the operator.

If we follow the same procedure and turn to the schedule we can take the articles one by one.