

Tax concessions to encourage Canadian capitalists do not necessarily improve the position of the Canadian worker. Indeed, to the extent that government give aways end up in profits, the bargaining position of management in its dealings with the workers becomes relatively stronger. The encouragement of Canadian ownership through the tax system puts an unequal burden on Canadian taxpayers. Those receiving concessions gain at the expense of other taxpayers to whom concessions are not available.

I should like to say a few words dealing with the part of the bill which concerns foreign income of Canadians. The principle adopted by the bill, as we understand it, is that foreign income of Canadians should in general be taxed the same way it would have been taxed had it been domestic income. An exception to the general rule is that certain tax concessions are available to certain classes of Canadian taxpayers to encourage Canadian ownership.

Canadian taxation of the foreign income of our citizens takes into account tax paid to the country where the income was earned. If the tax is less than would have been paid had the income been earned in Canada, tax is payable to the Canadian government to bring the rate up to the Canadian level. If this approach were adopted, we would find no argument with it if we could accept the basic approach that is involved.

When we come to the question of the Canadian income of foreigners, we note that wage and salary income, to the extent that it is earned by foreigners in Canada, is subject to the normal tax provisions. Investment income, pensions and similar payments are subjected to a withholding tax. I understand that beginning in 1976 withholding tax will be increased from 15 per cent to 25 per cent in most cases. However, a particularly inappropriate provision reduces the withholding tax to 20 per cent for shareholders receiving dividends from corporations with a certain degree of Canadian ownership. To this we must take objection. In addition, I would also note that where reciprocal treaties are arranged with other countries, the withholding tax on Canadian source income of foreigners is often reduced as part of a bilateral arrangement. In this context it will take time to negotiate changes in taxation. I would hope that as a general rule the Department of Finance and the government would adopt the principle of minimizing concessions to the greatest extent possible.

• (3:30 p.m.)

I am not sure that I can go along entirely with the remarks of the hon. member for Dauphin who pointed out, as is so often pointed out by the Progressive Conservative party, that this is the wrong time to be making any such change. Without passing judgment on those changes which may be necessary, or which the government may try to negotiate, it seems to me that the Progressive Conservatives always declare that a particular proposal is being made at the wrong time. I presume the general rule would be that no change should be made unless, in the judgment of the government, it was to the advantage of Canada within the over-all framework of tax policy.

When we are dealing with the subject of Canadian income of non-residents there is one particular point I would like to take up with the parliamentary secretary. In this context I wish to quote from the Summary of 1971 Tax Reform Legislation presented to us on June 18.

Income Tax Act

Under the heading "Non-resident-owned Investment Corporations" it reads:

The special tax treatment for non-resident-owned investment corporations (NRO's) is continued in the new bill.

Once the new system is fully operative in 1976, it will provide for:

—a 25-per-cent tax on the income of the NRO, including capital gains that are taxable to non-residents, but excluding other gains; the tax paid (including only one-half of the tax on capital gains) will be refunded to the corporation when the earnings are distributed; and normal withholding tax on dividends paid;

—a requirement that NRO's must be 100-per-cent owned by non-residents, compared with the existing 95 per cent ownership rule.

Until 1976 the rate of tax on income will stay at 15 per cent and the new ownership rules will not apply.

This is a special concession in this area. I note that a very lengthy and complex amendment was submitted on October 13, and moved on October 22, dealing with this matter. I must confess that I have not waded through it sufficiently to understand its import fully, but I think it is necessary that we be given some explanation by the parliamentary secretary why special tax treatment is needed for non-resident-owned investment corporations. I would also like to have some further explanation concerning the amendment.

In dealing with this matter we must also concern ourselves with Canada's policy regarding foreign ownership. There has been considerable discussion of this subject in recent days. It has become apparent that the government took a decision in principle to establish an agency to act as a screening mechanism with regard to foreign take-overs. This is an entirely inadequate response to the problem. It is typical of the Liberal responses to so many problems connected with the Canadian economy. It does not come to grips with the basic question.

We have to deal with the problem of multinational corporations. This is a problem which is growing in importance on the world scene. Some observers have suggested that by the end of this century multinational corporations will be the effective power instruments on the world scene rather than the nation states, such as is the case today. The question comes up: should Canada get into this game and try to get its share of the multinational corporations, of the 300 or 400 such corporations that are paramount? I question whether Canada should get on the bandwagon and try to get a small piece of the action because I can assure you, Mr. Chairman, it would be only a small piece of the action. At the same time we must recognize that, regardless of what policy Canada adopts, there will be a continuation of the proliferation of multinational corporations, and a continuation of the growth of their influence. The only context in which we can hope to find an eventual solution for the problem is some form of international action.

In this regard I note that Canada has taken a halting, limited step at the United Nations in an effort to have a study undertaken on the influence of multinational corporations. This is only a timid step, and possibly it is all that could be accomplished in that forum at this stage. I maintain that Canada must be more aggressive at the United Nations in trying to get a greater degree of international action to deal with multinational corporations.