

The agreement with Trinidad and Tobago is new. We ventured part way a year or so ago with Norway, and I believe the matter got to the stage of first reading in the House of Commons and did not get further at that time, for reasons with which we are not now concerned.

With respect to Trinidad and Tobago, we are taking advantage of the opportunity of a new agreement with the United Kingdom to make a separate tax convention with Trinidad and Tobago, because in the interim it has become more or less a self-governing country. The treaty or convention we had with the United Kingdom before that also included the then colonies of the United Kingdom, and hence Trinidad and Tobago were covered.

The duration of each of these agreements is provided in each case. The provision as to Trinidad and Tobago, Ireland, Norway and the United Kingdom is that when the agreements come into force they will continue indefinitely, with provision for notice of termination by either country, and provides the date when the termination becomes effective.

As to the United States, the provision with respect to termination is a little different. The provision in the main agreement—and this is only a supplementary agreement—is that on six months' notice the agreement may be terminated at the beginning of the calendar year following the year in which the six months' notice was given.

Honourable senators, I shall devote a reasonable amount of time to explaining the convention with the United Kingdom, and then give you the necessary means by which you can gather the information in relation to the other treaties. I shall deal briefly with the United States.

I should state that we had a tax convention with the United Kingdom dated 1946. In 1960, as a matter of government policy, we changed our withholding tax provision in relation to the percentage of withholding tax, and at that time provision was made for a 15 per cent withholding tax in relation to dividends distributed by a company in Canada to a non-resident shareholder. In the United Kingdom agreement there was a provision under which, in the case of a wholly-owned subsidiary, the dividends flowing from Canada to that wholly-owned subsidiary in the United Kingdom would flow without tax.

Canada endeavoured over a number of years to secure an amendment to that tax convention so as to reflect this change in the

withholding tax rate. It was difficult to secure an arrangement with the United Kingdom. Then, during the latter part of the period of the negotiations they were revising and changing their own tax structure. Accordingly, in 1964 Canada served a notice of termination, as a preliminary to negotiating a new agreement.

You will recall that because there were certain items in the relationships between Canada and the United Kingdom that required a high degree of certainty as to tax, an interim agreement, or a stop-gap agreement, was entered into between Canada and the United Kingdom. We had that measure before us here in the Senate; and you will see by *Hansard* of May 5, 1966, I was privileged to give the explanation on the second reading of that bill. The headings which were dealt with at that time were only four in number, as being the items that required particular certainty. They were the business, commercial and industrial profits, the relationship of a permanent establishment to that kind of operation, copyright royalties, pensions, and the profits earned by ships and aircraft operating in international traffic.

There were many other things that could have been said to have been very important, but these which I have mentioned were regarded as requiring immediate certainty.

Now we have an agreement which deals fully with all the various heads of relationships that might attract tax as between Canada and the United Kingdom, and that is what we have before us at this time.

I can tell you that the provisions of the stop-gap agreement were approved last year, and I might observe, too, that Senator Thorvaldson spoke on the bill when it was in the Senate in May of last year. These provisions are assimilated into the present treaty.

In giving the explanation in May—from which I am not going to read at this time, because you will find it in *Hansard* of May 5, 1966, pages 441-443—I took particular care to develop how government pensions and non-government pensions, payable from a Canadian source to residents in the United Kingdom, and then the reverse situation, were dealt with both under the old treaty of 1946 and in the period when there was no treaty or convention, and how they were dealt with by the stop-gap agreement of 1965. Since those provisions are now assimilated into the present agreement, it is simply a matter of reference to what was said at that time.