

*Income Tax Act*

that I will seriously consider this point, as well as the others that have been brought up during this debate. I have asked my officials to make a record of them.

**Mr. Gregoire:** We will accept the word of the Minister of Finance, Mr. Chairman.

**Mr. Rynard:** Mr. Chairman, I want to speak briefly on two aspects of Bill No. C-95. I am sure the Minister of Finance will agree when I say that it was much easier to offer suggestions and criticisms when he was in the opposition than it is today to run his department. I am sure also that he will say it was a lot easier to criticize before he was even elected to parliament. In the light of experience I am sure he has a different view, and probably yearns for those old days.

I am sure that no one questions the integrity of the Minister of Finance. I am sure too that just as he himself probably thought at one time, there are at least a thousand people across Canada who believe they could run his department better than he is doing today.

**Mr. Gordon:** Good luck.

**Mr. Rynard:** Yes, I can even remember when the minister was bold enough to say, as an opposition member, that he did not have to wait for the report of the royal commission on taxation; a few lawyers and accountants could fix up the taxing statutes. It seems to me that since that time the minister has made a few amendments and in my opinion made a few more loopholes in the act.

Speaking seriously, I think it is about time, Mr. Chairman, the laws and rules in relation to income tax were made simple enough for the people who pay the taxes to be able to understand them. Well, the critic of yesterday is the minister of today, and the Income Tax Act grows more complicated. No business firm could afford to hire a workman or executive who made similar fumbles in the conduct of business. Some of these fumbles that are apparent in Bill No. C-95 are important, and I will refer to one of them, the 15 per cent withholding tax on dividends of United States companies operating in Canada. This is to be increased to 20 per cent by 1965 if the United States subsidiary has not sold 25 per cent of its shares to Canadians.

In my opinion, Mr. Chairman, there are three inherent dangers in this provision. First, as soon as the United States government realizes that this provision is in force they will simply retaliate by removing their 15 per cent tax and automatically the withholding tax on the other side of the line will

[Mr. Gordon.]

go up to 30 per cent. This will apply to all Canadian subsidiaries in the United States.

Then I should like to know from the minister how in the world he is going to force Canadian investors to buy these stocks. In many cases the investor will receive a lower rate of dividend than he would receive from an investment in a Canadian company. Then if the investment is made, how in the world is the minister going to make the investor hold on to it?

The third danger is that you will scare investors away, and the people of the United States are the big investors in Canada. I submit, Mr. Chairman, this is an anti-American rule. You do this, and you take comfort in the fact that Mexico, France and other countries have done it. It is my opinion, Mr. Chairman, that such restriction should be imposed at the time of the incorporation of the company. Then the restrictions are known and accepted by the foreign investor at the time he makes his commitment, and not after. Here you are trying to change the rules of the game after he has invested his money. In my opinion such a policy must be regarded as evidence of bad faith.

Now, what happens to our Canadian subsidiaries in the United States? On the whole, Mr. Chairman, they are larger than their American counterparts in Canada. They are operating in a big market, about ten times the size of the market in Canada. The Canadian investment is substantial, and I could mention many firms such as Massey-Harris, Moore Corporation and Electrohome as well as the brewing and distilling interests. They are doing well in the United States market. At the moment the United States government is planning on lowering the corporation tax from 52 per cent to 45 per cent, a reduction of 7 per cent, leaving a larger portion of the profits subject to the 30 per cent withholding tax. If the Americans retaliate against our tax hike—and in the light of experience we know they have always done this—it will mean that the Canadian investor will have a larger cut taken from him. Let us take the example of a company earning \$1 million profit, a corporation that is taxed in the United States. Under the new tax it will pay \$450,000, leaving a balance of \$550,000. Then there is the 30 per cent withholding tax amounting to \$165,000, before any of the profit is returned to Canada. Then when this is remitted to the taxpayer he pays a third tax, income tax. This is a triple tax, and I submit that triple taxes are bad.

The Canadian operation or subsidiary in the United States is generally larger than the Canadian parent, and the Canadian operator wants a rather better dividend than