



PRESS RELEASE

DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

NO.48

FOR IMMEDIATE RELEASE

WEDNESDAY, AUG8/56

THE DEPARTMENT OF EXTERNAL AFFAIRS ANNOUNCED TODAY THAT A CONVENTION WAS CONCLUDED BETWEEN CANADA AND THE USA TO AMEND THE INCOME TAX CONVENTION OF MARCH 1942 AS MODIFIED BY THE SUPPLEMENTARY CONVENTION OF JUNE 1950. MR. LIVINGSTON T. MERCHANT, THE USA AMBASSADOR TO CANADA SIGNED FOR HIS GOVERNMENT AND THE HONOURABLE WALTER E. HARRIS, MINISTER OF FINANCE, SIGNED ON BEHALF OF THE CANADIAN GOVERNMENT.

THE PURPOSE OF THESE AMENDMENTS IS TO CLARIFY AND TO BRING UP TO DATE THE AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION RELATING TO INCOME TAXES. ONE ITEM OF IMPORTANCE IN THE CONVENTION REDUCES FROM 95 PERCENT TO 51 PERCENT THE PERCENTAGE OF SHARE OWNERSHIP ENTITLING A USA PARENT COMPANY TO THE REDUCED TAX RATE OF 5 PERCENT ON DIVIDENDS FROM ITS CANADIAN SUBSIDIARY. THE PURPOSE OF THIS AMENDMENT IS TO ENCOURAGE USA PARENT CORPORATIONS TO GIVE CANADIAN INVESTORS OPPORTUNITIES TO PURCHASE SHARE OWNERSHIP IN THEIR SUBSIDIARY COMPANIES IN CANADA. ANOTHER ITEM ALLOWS, AS A TAX DEDUCTION, CHARITABLE DONATIONS MADE BY A RESIDENT OF ONE COUNTRY TO A CHARITABLE ORGANIZATION CREATED IN THE OTHER COUNTRY.

THIS SUPPLEMENTARY CONVENTION WILL COME INTO FORCE, AS AN INTEGRAL PART OF THE 1942 CONVENTION AS MODIFIED BY THE 1950 CONVENTION, WITH RESPECT TO TAXABLE YEARS BEGINNING ON AND AFTER THE FIRST DAY OF JANUARY OF THE CALENDAR YEAR IN WHICH INSTRUMENTS OF RATIFICATION FOR THE CONVENTION ARE EXCHANGED BETWEEN THE TWO GOVERNMENTS.