They also follow, to a large extent, the format and language of the Model Double Taxation Convention prepared by the Committee of Fiscal Affairs of the Organization for Economic Cooperation and Development, OECD. The treaty with Jamaica and the United Kingdom, when in force, will replace the existing agreements signed in 1971 and 1966 respectively.

I should like to point out that although the bill is voluminous—indeed, it is a very large bill—it deals mostly with tax treaties this house has already approved in the past. As a matter of fact, only two schedules in the bill are new to this house: schedule X relating to Barbados and schedule XII relating to the protocol with the United Kingdom. Some honourable senators will remember that this house has already approved three times the treaties with Malaysia, Spain, Liberia, Austria and Italy; approved twice the treaties with South Korea and Jamaica; and approved once the treaties with the United Kingdom, Romania and Indonesia.

The treaties generally provide that dividends can be taxed in the country of source at a maximum rate of 15 per cent. In the case of Malaysia, the rate is nil for dividends received by Canadians, because Malaysia does not impose a tax of general application on dividends; and in the case of Jamaica, the rate is set, as in the existing agreement, at 22.5 per cent when the Canadian enterprise controls the Jamaican enterprise.

A general rate of 15 per cent—20 per cent in some cases with Liberia—is provided for in the case of interest originating in one country and paid to a resident of the other country. Certain types of interest—for example, interest paid to the Export Development Corporation—are exempted in the source country. The 1971 agreement with Jamaica did not put any ceiling on the Canadian rate.

With respect to royalties, the treaties provide for a general rate of 10 per cent, except that those with Korea, Malaysia, Indonesia and Romania provide for a rate of 15 per cent. The 1971 agreement with Jamaica provided for a 12.5 per cent rate in the case of Jamaica and no ceiling in the case of Canada. The treaties with Spain, Austria, Italy, the United Kingdom, Jamaica and Barbados also provide for an exemption in case of copyright royalties, while the one with Romania sets the rate at 10 per cent.

Some of the other matters dealt with in these tax treaties include reference to capital gains. The provisions here, in the whole of the 11 treaties relating to capital gains, are in line with the Canadian policy preserving the right of the source country to tax gains arising on the sale of real property, business assets and shares in real estate companies.

The provisions also deal with non-discrimination by declaring that discrimination, based on the concept of nationality, is prohibited under all of the treaties. This will ensure a fair and equal treatment in the countries concerned. On the other hand—and this seems to belie the statement I have just made—fiscal incentives based on the concept of residence, such as the small business deduction and the dividend tax credit in Canada, will not be affected. That is to say, they will not have to be extended to non-residents.

With respect to teachers, no special concession for teachers from abroad is included in these tax treaties. The unilateral exemption granted Canadian teachers in Jamaica and the reciprocal one with the United Kingdom have been removed in the new treaties.

May I interject here, because this is a matter of special interest to me in my capacity as an educator, that this arrangement whereby foreign teachers, especially university teachers, could come as visiting professors to a Canadian university for two years and avoid the payment of income tax in Canada, resulted in some strange and anomalous situations. I am sorry to say that treaties with some countries, including the United States, still exist which permit this, although our immigration regulations now make it much more difficult for Americans to take advantage of it.

Let us consider the situation before the tax treaties I am now referring to were changed, and let us suppose that a Canadian university administrator had $20,000 to pay a professor of English. An American professor could keep the full amount of $20,000 for two years, but a Canadian professor would have to pay income tax on it. If university administrators were smart they would offer an American professor a couple of thousand dollars less, and he would still have more take-home pay than a Canadian professor engaged to do the same job.

In my view that has been a bad arrangement and I am pleased that these treaties are correcting the situation. I hope that future treaties with other countries will omit this anomalous concession to foreign teachers coming into Canada. Indeed, I believe it is quite fair that Canadian teachers should not be accorded this same privilege in countries like Jamaica, to which I made reference just a few moments ago.

With regard to pensions, Canada has preserved its right to tax pensions paid to residents of the countries named in this bill. In the case of the United Kingdom and Italy, however, there is a special provision whereby that right will be exercised only if the pension paid in a year exceeds $10,000. The country in which the recipient of the pension resides retains its full taxing rights.

Concerning double taxation relief, the provision dealing with the methods for eliminating double taxation is a very important one in a tax treaty. Double taxation of foreign source income of Canadian residents is alleviated by way of a foreign tax credit. In addition, an exemption is granted for certain dividends received from a foreign affiliate of a Canadian company. In order to promote the flow of capital and investment, the tax treaties also ensure that proper relief will be granted in the other countries in respect of taxes paid in Canada.

The tax treaties with Malaysia, Spain, Liberia, Korea, Jamaica, Barbados, Romania and Indonesia contain an additional feature commonly referred to as a "tax-sparing provision." Under such a provision, the tax incentives granted by those countries under a pioneer industry legislation will directly benefit Canadian residents. This is achieved by Canada