

Income Tax Agreement

we have many more American subsidiary companies doing business in Canada than we have in any other country in the world, and tax-wise that exchange of information is very beneficial to both countries. That is so more particularly, probably, with respect to Canada, because with the establishment of so many United States subsidiaries in this country one can readily understand that there are many more chances for evasion or giving us incorrect information. Money-wise it means we collect a lot more taxes than, probably, we would otherwise do if we did not have this exchange of information.

Mr. Macdonnell: I think what the minister has said is clearly so. Nevertheless, I will read the restricting words in the present agreement with the Netherlands for the purpose of asking whether we consider ourselves in any way bound, if not in the letter then in the spirit, to make these disclosures which are expressly prohibited in the Netherlands agreement. I will read the clause. After the agreement to exchange information of a fiscal nature, article XIX goes on to say:

The information so exchanged shall retain its secret nature and shall not be disclosed to persons other than those charged with assessment and collection of the taxes referred to in this convention.

That would seem to me to be only ordinary good sense, and I would hope that it could easily be observed. The next paragraph does not appear to be so easy:

The provisions of this article shall not in any case be considered as requiring one of the states to disclose to the other state information the furnishing of which would involve the disclosure of industrial, commercial or professional secrets or trade processes.

Can the minister say whether in the absence of such a clause in the United States agreement the precautions so clearly spelled out here would also be observed, because they are part of the spirit if they are not part of the letter of the agreement?

Mr. McCann: Mr. Chairman, the whole purpose of the agreement is to avoid the evasion of taxes. The type of information which is set out in paragraph 2 of article XIX has never been sought under any other agreement. It is the type of information which would involve the disclosure of commercial or professional secrets. I imagine that would have to do with patents, constituent parts of manufactured chemicals and the like. We have never been asked for that type of information.

Mr. Macdonnell: Have there been any complaints made by citizens of either Canada or the United States with regard to the working out of this provision?

Mr. McCann: There have been no complaints along this line at all.

Mr. Macdonnell: May I broaden the question and ask whether there have been any complaints as to the operation of article VII which, as the minister has pointed out, is very useful and very broad in scope?

Mr. McCann: The hon. gentleman is probably familiar with the case which is now before the courts in the United States, where there was objection by some individuals with regard to our taxation officials giving information on a company which is a Canadian incorporated company, information that we had in the taxation division.

But, as I pointed out in answer to a question in the house, we were within our powers and within our obligations to give that information when it was asked for by the department of internal revenue of the United States.

Mr. Macdonnell: I notice that the minister used the words "powers" and "obligations". The obligation is perfectly clear, is it? Is that the view of the department? In other words you had no option? Is that it?

Mr. McCann: That is exactly it.

Article agreed to.

Articles XX to XXIV inclusive agreed to.

On the schedule, Article XXV.

Mr. Macdonnell: In part this article reads:

This convention may be made applicable either in its entirety, or with modifications, in respect to any part of the kingdom of the Netherlands outside Europe . . .

In view of what I understand has happened in Indonesia, would the minister say what that would apply to?

Mr. McCann: Mr. Chairman, at the moment it only has application to the Netherlands, but the Netherlands has possessions in New Guinea, Netherlands Guiana, Netherlands Antilles and certain islands in the West Indies group. The agreement could be extended to them upon request by the Netherlands government, but at the moment it applies only to the Netherlands proper in Europe.

Mr. Macdonnell: Are these countries presumably under the same laws as the Netherlands and administered by the Netherlands government?

Mr. McCann: The tax laws would be different.

Mr. Macdonnell: Did the minister say the tax laws would be different?

Mr. McCann: In these different possessions they would probably have their own tax laws rather than conforming to those of the Netherlands in Europe.