

Canada-Jamaica Income Tax Agreement

and to press forward with it, bearing in mind that it is essential to come up with realistic conclusions covering all facets of the situation in order to ensure that any government action will be effective and meaningful.

The government has already received a number of suggestions with respect to the provisions in the present legislation, as have a number of hon. members. All such submissions are, of course, receiving study and will be taken into account in the course of further developments. In the interim, passage of Bill C-191 will ensure that these programs will continue to be available to these three important sectors of the economy.

Mr. G. W. Baldwin (Peace River): Just one or two sentences, Mr. Speaker, keeping within the caveat laid down by the hon. member for Winnipeg North Centre (Mr. Knowles) not to be provocative. I only want to say that it has been reported to me that the committee hearings were excellent and that the members of the opposition, with that inspiration, intellectual honesty and dedication to duty that characterizes them, had an extremely useful discussion on the bill. They made a lot of very interesting and provocative suggestions which I am sure the government will take in mind, and when these bills come to the House to be amended once more, as I am sure they will, the government will have the benefit of the collective wisdom of the opposition members of the committee.

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, I merely wish to endorse the well spoken words of the hon. member for Peace River (Mr. Baldwin).

Motion agreed to and bill read the third time and passed.

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**CANADA-JAMAICA INCOME TAX AGREEMENT ACT,
1971**

IMPLEMENTATION OF AGREEMENT FOR AVOIDANCE OF
DOUBLE TAXATION

Hon. John N. Turner (for the Minister of Finance) moved that Bill C-217, to implement an agreement for the avoidance of double taxation with respect to income tax between Canada and Jamaica, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

Mr. P. M. Mahoney (Parliamentary Secretary to Minister of Finance): Again being unprovocative, Mr. Speaker, but just a trifle longer, I am sure that when this bill is referred to the standing committee members of all parties, as they did in the case of Bill C-191, will have an opportunity to suggest improvements.

The purpose of this bill is to implement an agreement with Jamaica for the alleviation of double taxation on certain categories of income. Canada now has international agreements with 15 other countries relating to income taxation. Such an agreement, in fact, existed between Canada and Jamaica for some time by virtue of a special provision of the 1946 Canada-United Kingdom income tax agreement which extended its application to

[Mr. Mahoney.]

a number of Commonwealth territories. In 1965, that agreement with the U.K. was terminated and Jamaica was not party to the new Canada-U.K. agreement. Shortly thereafter, following the 1966 Commonwealth Caribbean-Canada conference, negotiations began with Jamaica for a comprehensive tax agreement. However, they were interrupted after the report of the Royal Commission on Taxation was made public early in 1967. The pending reform of the Canadian tax system made it difficult for Canada to contemplate the negotiation of comprehensive fiscal arrangements with Jamaica or, indeed, with any other country.

In 1970 Jamaica introduced a fundamental reform of its system of taxing corporate earnings and distributions. The government of Jamaica approached Canada to explore the possibility of entering into a special agreement in order to alleviate the adverse effects of the Jamaican tax changes on those Canadians with Jamaican investments or business activities. Over the years Canadian capital has been a significant factor in the development of Jamaica.

In view of the special circumstances involved and of the special relationship which has long existed between our two countries, it seemed appropriate to conclude an agreement which would also serve in an important way to facilitate Canadian investment in Jamaica. The agreement, which is appended as a schedule to this bill, is of limited scope. As reflected in the preamble to the agreement, it is intended as an interim arrangement to be replaced by a more comprehensive agreement as soon as the program of tax reform, now under way in both countries, permits. The agreement deals with the taxation of four categories of income: dividends, management and technical service fees, teachers' salaries and the earnings of non-resident employees.

• (4:40 p.m.)

On dividends, the withholding tax is restricted to a maximum rate of 22½ per cent. This represents a reduction from a 37½ per cent statutory rate in Jamaica. It will have no effect on the existing rate of Canadian withholding tax, which remains at 10 per cent for dividends paid by companies with a degree of Canadian ownership and 15 per cent in other circumstances. On management and technical service fees, the Jamaican withholding tax is reduced from 25 per cent to 12½ per cent on the gross amount of the payment. The same rate will apply to interest, rent and royalty payments to Canadian recipients. The agreement also contains additional technical provisions designed to provide effective double taxation relief on such items of income.

The Jamaican tax on dividends and fees for management and technical services paid to Canadians is automatically reduced should Jamaica impose a lower rate of tax on such payments to residents of any other country outside the Caribbean Free Trade Association.

Under another article of the agreement, Canadians are entitled to a two-year exemption from Jamaican tax on any remuneration from teaching in Jamaica. This represents a special concession on Jamaica's part to attract Canadian teachers. The agreement does not provide for