

Income Tax Act

report of the royal commission on banking and finance we find these words:

There are a number of points in the Bank of Canada Act which call for amendment besides those noted earlier in this chapter. For example, sections 22 and 23, which provide for the redemption of Bank of Canada notes in gold and the maintenance of a gold ratio, have both been suspended for many years and should be removed from the act.

Mr. Deputy Speaker: Order. I regret to interrupt the hon. member but the hour appointed for the consideration of private members' business has now expired.

BUSINESS OF THE HOUSE

Mr. Deputy Speaker: It is my duty, pursuant to provisional standing order 39A, to inform the house that the questions to be raised at ten o'clock this day are as follows:

[*Translation*]

The hon. member for Lotbinière: impending closing down of radar stations.

The hon. member for Nicolet-Yamaska: request made by the cheesemakers of central Quebec.

[*Text*]

The hon. member for Parry Sound-Muskoka, action taken by the government to deal with the increase in the cost of living.

The house will now resume the business which was interrupted at five o'clock.

INCOME TAX ACT

The house resumed consideration in committee of Bill No. C-91, to amend the Income Tax Act—Mr. Gordon—Mr. Lamoureux in the chair.

The Chairman: It being six o'clock I do now leave the chair.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 8 p.m.

The Chairman: Order. When the committee adjourned at five o'clock we were considering clause 19.

Mr. Gordon: Mr. Chairman, I have had an opportunity during the recess to consult with the law clerk about the very interesting point that the hon. member for Pontiac-Témiscamingue raised concerning the differences between the English and French texts. The law clerk agrees that there was an error in the translation and if the committee will agree he will undertake to see that this is corrected before the bill is reprinted for

[Mr. Lloyd.]

third reading. I think that might be a satisfactory way to deal with it.

Mr. Martineau: I think that the suggestion made by the minister is quite acceptable.

The Chairman: Is that agreed?

Some hon. Members: Agreed.

The Chairman: Shall clause 19 carry?

Mr. Martineau: Mr. Chairman, with respect to clause 19 the minister said this afternoon that the reason why part IID of the act is being repealed is that the situation in the United States has changed because of the tax reduction assented to by the United States congress which will come into effect on the 1st of January next. I was a bit perturbed about the line of reasoning of the minister because I think it is dealing rather loosely with the situation when legislation adopted by this parliament depends on legislation being adopted in another jurisdiction, which legislation, of course, is subject to change without notice.

I do not understand how the minister can use the excuse of a tax reduction in the United States to justify his retreat from the withholding tax provision. Last year he increased the withholding tax from 15 per cent to 20 per cent for those corporations not meeting the minimum requirement of Canadian participation or equity ownership. That same situation exists today. If the minister still wishes to encourage greater Canadian participation, and he still does according to what he says, I do not know how he can hinge that objective upon the fact that lower taxes are being paid by United States corporations. I think the real reason for his dropping the provision, and he was well advised to do so, was simply that he found it was unworkable in every way. It was a provision that had not been thought out at all.

He mentioned carrots and sticks before supper. In the minister's heyday, when he was just assuming the responsibility which he now exercises with considerably greater sober second thought, he thought that by waving a big stick at the United States they would dutifully respond to his desires and give equivalent tax concessions. But things have not worked out that way and today we seem to have to depend on what is being done south of the border to know what sort of imposition we will adopt here.

Already thoughtful people have pointed to the real danger lurking in such an attitude, and which can only defeat the minister's own objectives. Perhaps the minister has already read the article by Peter Newman, who I understand is a good friend of those on that side of the house, in *MacLean's* of May 16, 1964. Mr. Newman had this to say: