

from a new capital injection made after the date this agreement was signed, that being October 30, 1985.

In general, interests paid by a resident of one country to a resident of the other country are subject to a 15 per cent tax rate. There are however exceptions, where interests are paid by or to a Government. In the case of Guyana, interest paid to a resident of Canada are subject to a 25 per cent withholding rate.

● (1210)

As far as royalties are concerned, the agreements provide for a general tax rate of 10 per cent in the source country. However, under the agreement with India, a 30 per cent rate will apply to technology transferred under arrangements made or contracts signed after the date the agreement was signed. In Canada, the statutory rate of 25 per cent will apply to royalties paid to residents of India.

The agreements also deal with other items, Mr. Speaker, especially the taxing of capital gains, income derived in respect of professional services or other dependent activities and pensions. In all those cases, Canada has maintained the right to tax those items pursuant to the policy previously in force.

The tax agreements further provide for a relief from double taxation on foreign income of Canadian residents, subject to the limits provided for them by Canadian law. Furthermore, they provide for dividends received by Canadian corporations on the tax exempt surplus of their foreign affiliates residing in the country with whom Canada has reached a tax agreement to be tax exempt in Canada from now on.

Finally, Mr. Speaker, the agreements signed with Guayana and India include provisions about the credit for fictitious income tax. Under such provisions, fiscal incentives granted under a specific statute of those countries will be recognized for the purpose of computing the foreign tax credit in Canada. This means that Canadian investors will benefit directly from those incentives without any possibility of the Canadian tax eliminating them.

On the whole, Mr. Speaker, the provisions of each of these agreements present fair solutions to various problems of double taxation between Canada and those various countries. Each of the countries involved hopes to be able to implement within the shortest possible time frame a valid bilateral tax agreement.

Therefore, Mr. Speaker, I recommend that this House give speedy attention to this Bill.

[English]

Miss Aideen Nicholson (Trinity): Mr. Speaker, as I said the last time we had one of these tax treaty Bills before us, commenting on a Bill of this nature is always somewhat anticlimactic in that the treaty has already been signed by the Governments concerned, usually after protracted negotiations, and parliamentary approval by both countries is the last step. It is rare for amendments to be made to this kind of Bill,

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although in 1980 the then Standing Committee on Finance, Trade and Economic Affairs amended a Bill containing 11 tax treaties. They removed approval for one. That treaty was signed in 1976 but not finalized and has never since been renegotiated.

The Bill before us today concerns taxation between Canada and the Union of Soviet Socialist Republics, a convention between Canada and the Cooperative Republic of Guyana, and an agreement between Canada and India for the avoidance of double taxation with respect to income tax.

These measures should make for additional convenience for residents of Canada who have either family businesses or other business interests in those countries. It should make for certain additional smoothness in managing their tax affairs. On balance, the terms of the respective double taxation conventions provide an equitable solution to problems of double taxation and should be acceptable to most Canadian residents.

The convention also contains tax sparing provisions in the case of Guyana and India. Under these provisions the tax incentives granted by the domestic legislation of those countries will be recognized in computing Canadian tax. Therefore, Canadian residents will be allowed to deduct the amount of tax which would have been payable in the absence of special incentive legislation in the other country.

In Canada, double taxation of foreign source income of Canadian residents is alleviated by way of a foreign tax credit. In addition, dividends received by a company resident in Canada from the exempt surplus of its foreign-affiliate resident in a treaty country will be exempt from tax in Canada. The right of Canada to tax pensions and annuities paid to non-residents is protected.

Some of the other matters also dealt within these tax treaties include capital gains and non-discrimination. Under the conventions, discrimination on the basis of nationality is prohibited. This will ensure that nationals of a country receive equal treatment to that received by nationals of the other country in the same tax circumstances. However, this does not prevent a country from providing fiscal incentives, for example small business deductions, on the basis of the residence of the taxpayer.

In conclusion, this appears to be a relatively straightforward piece of legislation. We on this side have no particular reason to debate it at length and we would like to see it move into committee.

Mr. Nelson A. Riis (Kamloops-Shuswap): Mr. Speaker, it is a pleasure to have an opportunity to rise to say a few words regarding Bill S-6. Not to prolong the discussions around this Bill let me just say that the previous two speakers have indicated its nature. As the Hon. Member indicated, everything is signed, sealed and delivered and we are going through a formality because it must be done. One can hardly get excited or enthused about something that is really an afterthought. However, it is important that Canada take the initiative to complete these agreements between Canada and, in this case, India, Guyana and the U.S.S.R.