I referred earlier this evening to the need for a continuing inflow of foreign capital. To facilitate the sale of Canadian bonds and debentures to certain investors abroad, I shall propose that the Minister of National Revenue be given power to issue to any non-resident bank, company or trust which is free of income tax in its country of residence, a certificate of exemption from withholding tax on interest payable on Canadian bonds and debentures issued after tonight.

With a view to promoting a growing partnership between Canadians and non-resident investors in Canadian corporations, I am proposing some amendments in our withholding taxes on dividends paid abroad. These amendments will not become fully effective for a period of three and a half years. This will give ample time for us to revise a number of our tax treaties with other countries, some of which revisions are overdue. It will also give ample opportunity for those concerned to assess the situation and to make decisions in their own time and under no form of pressure to act quickly.

As hon. members will recall, our withholding taxes have, since 1960, stood at 15 per cent on dividends paid to all non-residents except in so far as modified by tax treaties. Prior to 1960 the rate of the withholding taxes on dividends depended on the degree of foreign ownership of the companies in question.

I am proposing two changes, one upward and the other downward, in the withholding taxes on dividends paid to non-residents. Effective from tonight a new and reduced rate of 10 per cent will apply when the paying company is beneficially owned by Canadian residents to the extent of 25 per cent or more. Effective from January 1, 1965, an increased rate of 20 per cent will apply to dividends paid by other companies including those which are the wholly owned subsidiaries of foreign parents.

If before January 1967 a company is able to bring its percentage of Canadian ownership from below 25 per cent to above 25 per cent, certain refunds of the non-resident withholding tax will be made. Any non-resident who can show that he has borne the tax will receive a refund, without interest, to the extent of the difference between the 15 or 20 per cent rates and the 10 per cent rate.

In order to avoid advantage being taken of this advance notice, a tax of 5 per cent—the difference between the present 15 per cent and the proposed 20 per cent rate—will be levied on the amount of any increase in dividends paid after tonight and prior to January 1, 1965, by companies with less than a 25 per cent Canadian participation. This will be a special tax payable by the company and not by the recipient of the dividend. It is proposed, as of tonight, to extend the 15 per cent withholding tax to management fees paid to non-residents.

As I indicated earlier, it is the policy of this government to encourage direct foreign investment in new enterprises in this country on the basis of partnership with Canadian residents. While this type of investment is of great value to Canada, it is our view that non-resident takeovers of established Canadian companies rarely confer any benefit on the Canadian economy. We shall therefore propose a measure of taxation of certain sales which might contribute to such takeovers. We shall propose that effective tonight a 30 per cent tax be levied on certain sales by Canadian residents to non-residents and non-resident controlled companies, of shares in Canadian companies listed on Canadian stock exchanges. There is to be no liability for the tax when such sales are made on the floor of a Canadian exchange in the normal trading manner and do not form part of sales exceeding $50,000 per day by any single seller. Effective tonight also, we are proposing a similar 30 per cent sales tax on the sale by a listed Canadian corporation of the whole or substantially the whole of its property to a non-resident or a non-resident controlled company.

It will be noted that this measure applies only to the shares of listed public companies. Measures are under consideration, and may be discussed with the provinces at an appropriate time, which will apply to all Canadian companies including private companies. I trust that no flood of sales of established Canadian concerns to non-residents will develop in an attempt to anticipate the further measures to which I have referred, in light of the declared view of the government that such sales are generally undesirable.

The major tax proposals which, on behalf of the government, I shall now put before the house are based on a number of guiding principles. To begin with, they must provide revenue sufficient to allow an important step toward budgetary balance. And since the increased outlays under certain new programs will be tapered off or stopped in two or three years time, provision can also be made for some revenue of a non-recurring nature.

To obtain the additional revenue that is required, there are good reasons for using the manufacturers sales tax rather than increased income taxes. While it would not be correct to describe any tax as being popular anywhere, it is the case that indirect taxes such as the sales tax are now regarded with more favour in quite a number of countries than in the past. In this connection, I would just