

though it were a separate operation or a separate company and the proper deductions for such an operation would be made. That works in reverse as far as Canada is concerned.

So far as Canadian life insurance companies carrying on branch operations in the U.K. are concerned, in the old convention of 1946 they had a formula, a rough-and-ready formula, by which they determined the amount of world investment which would be taxed as investment income in the U.K. Roughly speaking, they took the world investment income, and then they took the total premiums paid in the United Kingdom over the total world premiums, and that percentage of the world investment income was the amount of investment income taxed in the U.K.

However, difficulties developed. I think an Australian insurance company went to the House of Lords quite a number of years ago, as a result of which it was held that the proper basis for determining the amount of investment income was in relationship to the permanent establishment which was being operated in the United Kingdom.

This trade convention reverts to the basis which was formerly in use—that is, the world income base, and the formula for determining the percentage to be treated as income in the U.K. for tax purposes. In several of the tax conventions you will see, by consulting your chart, this same provision is dealt with.

I am not going to deal with all the items—I think I have dealt with the important ones—and, needless to say, there is provision for the exchange of information at the level of the taxing authorities in Canada and the taxing authorities in the United Kingdom. It is impressed into the section providing for that, that the information shall be confidential; and there is provision by which a person who feels that he has been unjustly dealt with as a result of a see-sawing between the two jurisdictions may voice his complaint and hope that the authorities in both countries which are parties to this tax convention will see the merit of his case.

One item I referred to last May which is continued in this U.K. tax convention deals with dual residence, a situation which sometimes occurs. That is, in certain circumstances a person may find that he is resident in Canada and in the United States, and there are procedures outlined in the tax convention

by which a determination will be made as to which authority has the right to impose a tax by reason of residence.

Before going on to deal with Ireland, I think there are one or two important parts I should mention in the U.K. agreement.

There are some special cases dealt with which may be regarded as new. That is, this tax convention provides that each country will exempt dividends paid after April 5, 1966, by a resident company to a person resident in the other country, if certain conditions are met. The conditions are that the company paying the dividend must derive at least 90 per cent of its income from a business carried on by it in the other country, and the other country does not subject it to any special tax on branch profits.

Another provision that is somewhat similar is that in addition to the reciprocal undertaking whereby the United Kingdom gives a credit against its tax for Canadian tax imposed on income derived from a Canadian source, the United Kingdom Government also gives credit for the underlying Canadian corporation income tax where a corporation resident in the United Kingdom receives a dividend from a corporation resident in Canada in which it owns at least 10 per cent of the voting shares. This provision will be effective only as long as Canada continues to give a deduction in computing taxable income for dividends received by Canadian companies from subsidiaries in the United Kingdom in which the Canadian parent company has 25 per cent ownership of the voting shares. These are special features.

I have referred to the branch profits of Canadian life insurance companies operating in the United Kingdom as being given special consideration, having regard to the fact that this agreement reverts to a formula in the 1946 convention which had to be changed for a while.

I have told you the reasons why Ireland wanted a new convention, and I might just enumerate the new things. One is that on ratification of this new tax convention Canada will have the right to impose a tax of 15 per cent on dividends paid to a parent company in Ireland by its subsidiary controlled company in Canada. Under the existing agreement the tax rate on such dividends is limited to 5 per cent.

It is made clear in this agreement too that Canada has the right to impose a special 15 per cent tax on the branch profits of Irish companies operating in Canada. At present