Canadian tax conventions. The conventions with France, Belgium and Israel do not contain such provisions.

Canada has also upheld its general right to tax pensions and annuities paid to non-residents. Moreover, the three conventions reflect the provisions of the Income Tax Act in providing a tax exemption on pensions paid to veterans.

As for double taxation, the provision dealing with specific procedures to eliminate double taxation is obviously one of the most important of a convention concerning double taxation agreed to with various countries. The Income Tax Act contains unilateral rules whose objective is to relieve Canadian residents from double taxation on incomes from foreign sources. The rules applying to foreign income credits are usually satisfactory but, because of their unilateral character, they cannot make allowances for the particular circumstances inherent in each case. A convention for the avoidance of double taxation gives Canada the chance to adjust its rules on foreign tax credits to accommodate the specific problems that may come up when a Canadian taxpayer receives income from a foreign country. In addition, as I indicated earlier, Canadian companies can be forgiven certain dividends they receive from their subsidiaries only if there is a double taxation convention. Those two objectives are achieved by the conventions with France, Belgium and Israel. To encourage the flow of capital and investments, the three conventions stipulate, of course, that France, Belgium and Israel will do away with, in appropriate fashion, the double taxation in the case of income taxes paid in Canada.

The convention with Israel contains, in addition a stipulation commonly known as the provision for fictitious income tax credit. Let me explain myself, Mr. Speaker. That is a technical means of ensuring that fiscal incentives granted by Israel, through legislation on progressive industries, will in fact benefit Canadian enterprises and that those benefits will not be transferred to the Canadian treasury. This result is achieved in the following way: Canada accepts to include, for the purpose of calculation of foreign tax credit, the amount of Israeli tax which would have been paid without this special incentive legislation. Those provisions will apply to business profits, dividends and interests that a Canadian resident derives from Israeli sources. It is to be noted that in practice the cost for such a provision would probably be very low since there is already an exemption for dividends, which means that there will be no tax payable in Canada for dividends generated by an investment abroad.

● (1430)

One last recommendation: discrimination on the basis of nationality is not allowed under the conventions to ensure that a Canadian citizen will get fair and equitable treatment by the three countries concerned. However, certain tax incentives—tax deduction for small businesses and tax credit for dividends—available, independently of their nationality, to Canadian residents to induce them to invest in Canada will not be affected by the non-discrimination provision since they are applied on the basis of "residence" as opposed to "nationality".

Finally we must aim at working out a policy to keep the conventions up to date. In the past, a bill had to be introduced in Parliament to implement any further amendment to the tax agreement. Considering the expected extension of the tax agreement network in Canada, as I have already said, this method will shortly require much parliamentary time, only to consider technical changes in most cases.

To avoid this and make sure that tax conventions are kept up to date following changes in the bilateral tax relationship between Canada and other countries, part IV of the bill provides for the Governor in Council to be empowered with the implementation of future amendments to the agreements with France, Belgium and Israel, through an order in council subject to the approval of a resolution by Parliament.

Clause 12 of Part IV provides, if both Houses pass regulations such as was described above, for the implementation of those regulations.

In conclusion, Mr. Speaker, I believe that the terms of the conventions with France, Belgium and Israel provide for a solution which is equitable and in many respects favourable for Canada to the problems raised by double taxation between Canada and those countries. Therefore I urge the House to pass the bill to implement the conventions.

[*English*]

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, having regard to the debate on Bill S-32, I think the House should first of all consider part IV, the part with which the parliamentary secretary has just dealt. It is important that we review the provisions of that part of the bill because in my mind they demonstrate the rather cavalier attitude on the part of this government to the role of the Parliament of Canada in relation to the cabinet.

Some hon. Members: Hear, hear!

Mr. Stevens: We have sat here for 20 minutes, from two o'clock until 2.20 waiting for two cabinet ministers to come in, in order that we might start this debate on a bill that I would suggest is much more important than the government has indicated so far.

The three clauses I should like to refer to in Bill S-32 are 10, 11 and 12. If I may, I would put on the record certain comments concerning those clauses. It is our belief that clause 10 of Bill S-32 allows the governor in council to conclude supplementary agreements which would be made effective by proclamation. I believe the parliamentary secretary referred to this point. These are the supplementary agreements to the tax treaties between Israel, France and Belgium that we are now being asked to ratify. Clause 11 purports to set out a negative resolution procedure whereby this executive action can be disallowed if parliament objects, and clause 12 provides that when parliament acquires its own Standing Orders on negative resolutions, the temporary provisions of clause 11 will lapse.

There are two fundamental problems, I would suggest, with this approach. First, the procedure described in clause 11 is useless, because procedurally any resolution would have no claim to the attention of the House. Second, clause 12 anticipates procedural changes here and in the other place which are not even under discussion at the present time, to the best of our knowledge. The government may have something in mind, but it has not allowed the official