

Government Orders

Canadian and American taxes conceivably exceeding the property's value. Obviously, that is absurd.

Our revised Canada-U.S. tax treaty corrects the problem. It does so by allowing Canadians to credit U.S. estate taxes against Canadian income taxes on U.S. income. In parallel, it allows Americans to credit Canadian income taxes against the U.S. estate tax liability.

I have covered the two most important areas of the tax treaty change that this legislation will ratify. There is another aspect to the protocol that I would like to review briefly. It deals with social security payments made by one country to someone who is now a resident of another country. Under the existing convention, such payments are not taxable in the source country. In other words, an old age security or Canada pension plan payment to someone who now lives in the United States is not subject to Canadian tax and only one-half of the benefit is taxable in the other country. Once the protocol is ratified, however, social security benefits paid from one country will be taxable exclusively in that country. They will no longer be subject to tax in the other country.

I should point out that once the protocol is ratified our government will be proposing amendments in the Income Tax Act to apply the non-resident withholding tax to these payments. These should take effect next year.

The issues I have highlighted represent the most important and substantive changes to the existing tax convention between Canada and the United States. Now let me flag some of the more technical amendments the protocol also addresses.

There is a provision allowing for a better working of the rules concerning charitable contributions to tax exempt organizations of the other state.

Another provision covers an arbitration mechanism for the settlement of difficulties over the interpretation or application of this convention.

The protocol also introduces an article providing for assistance in the collection of taxes of the other state and to improve the exchange of tax information between our two countries.

These are small but useful steps for improving our country's ability to collect taxes owing, something the Minister of Finance pledged loud and clear in the February budget.

In conclusion, Bill S-9 is the result of carefully considered negotiations between Canada and the United States and I ask the House for its support as soon as possible.

[Translation]

Mr. Pierre Brien (Témiscamingue, BQ): Mr. Speaker, as far as Bill S-9, whose purpose is to amend the August 31, 1994 tax convention between Canada and the United States, is concerned, we do not see any major problems with these amendments to a

tax convention that was first signed with the U.S. in 1980, if I am not mistaken, and then amended in 1983 and again in 1984. So this is the third time we are amending this tax convention to make it better with time and facilitate trade between Canada and the U.S. to the maximum extent possible. I will get back to these trade relations between Canada and the U.S. and between Canada and its other trading partners toward the end of my speech.

Of course, since this is my first speech in this House since Parliament reconvened, I cannot help but point out that our legislative agenda is extremely modest. The bills we are reviewing are anything but controversial or would have very little impact in the short term. In other words, we are trying to dispose of our leftovers.

• (1310)

We might have expected, upon returning to the House, to be able to debate the reforms announced by the government that are late in coming with respect to unemployment, the old age pension plan, the human resources investment fund as well as the long-awaited GST reform that the Liberal Party promised in the election to carry out within two years. Time is running out; we are almost there. We now realize that this will not happen. There is absolutely nothing on the table indicating this can be done within the next two years.

Since these matters are not on the table, we are debating those bills that were tabled. However, we can deplore the fact that a government which claims to be concerned with job creation and the real problems has put so little on the table for the people of Quebec and Canada to enable us to discuss the economic and social future of this country as seen by this government. Instead, we are debating other important issues. There is no denying that tax conventions are important, but we would have liked to be able to discuss other topics as well.

Coming back to this convention and the subject of tax conventions in general, the purpose of tax conventions is to avoid double taxation, that is to say the levying of taxes in two different countries on foreign investments. This fosters the free movement of capital without putting tax barriers in the way of investing in other regions. And this fits in with the strong world-wide trend towards free capital flow. This is a good thing in that it allows resources to be directed where they will be the most useful to make better use of often scarce resources. In time, this will enable us to improve our economic system, provided of course that we manage to incorporate the other factors.

So, avoiding double taxation and ensuring that fiscal constraints are not created foster trade between countries. Bilateral trade between Canada and the United States is constantly growing. As well, trade between Quebec and the U.S. is also on the rise, particularly since the free trade agreement, which received strong support from Quebecers, came into