

*Income Tax Amendment*

have large incomes against which to write off their drilling and exploration expenses.

**Mr. Olson:** Mr. Chairman, I have some recollection of being advised that some United States companies enjoy a tax write-off or deduction privilege under United States law that in some cases puts them in a relatively advantageous position vis-à-vis Canadian companies in the matter of engaging in this kind of exploration in Canada. Therefore, Mr. Chairman, I should like to ask the minister whether or not he is aware that any of these foreign companies have an advantage for taxation purposes that is not enjoyed by Canadian companies under Canadian law at the moment.

**Mr. Sharp:** Mr. Chairman, I can recollect long arguments when I was an official about the relative tax positions of Canadian and American mining and oil companies. The argument continues and I expect it will continue. The Carter commission has only provided a new round of discussion and a new enthusiasm, of which I expect to be the beneficiary in the near future.

**Mr. Olson:** I appreciate, Mr. Chairman, that we now have this royal commission report on taxation and that when we have had sufficient time, and particularly when the minister has had time, to give the report appropriate study we may have some changes to make. But on this day, February 28, 1967, we have before us amendments to the law respecting income tax deductions for drilling and exploration expenses.

I should like to put my question again, and I do not think it is an exact repetition of the previous question. Has the government made any search of the law in this regard? We certainly have a vast assembly of foreign companies in Canada which in many cases are conducting this kind of exploration work. I would ask the minister whether the government is satisfied that Canadian companies are at least on an equal basis from the taxation point of view with some of the foreign owned companies with which, to some extent, Canadian companies compete. This competition gets to the point that if foreign owned companies have greater advantage than Canadian companies, the risk is such that they are more anxious to move in and undertake some of this high risk exploration work. However, Mr. Chairman, in the end if these companies find something worth while it is they who wind up with the assets.

It seems to me, Mr. Chairman, that the minister and his officials should have ascertained the position so as to make sure that by passing this amendment we are not putting any Canadian company in a relatively disadvantageous position in conducting this kind of work. Over the long range we want as many Canadian companies as possible to be involved in exploration, so that it is those companies that wind up with the assets if and when their efforts bear fruit.

**Mr. Barnett:** Mr. Chairman, I am rising to ask a question either of the hon. member for Medicine Hat or of the minister, so that we can at least understand what this discussion is about. As I understood it, the minister and the hon. member for Medicine Hat are agreed that the grants under the northern assistance regulations are available only to Canadian companies; I think I understood that part clearly.

What is puzzling me, in part at least, about the argument being advanced by the hon. member for Medicine Hat is this: By implication it almost seems that foreign owned companies must be receiving similar grants from government funds in their own country which they put into exploration in Canada. It seems to me that this is a rather strange procedure for another country to adopt. Have I got that straight or have I not?

**Mr. Monteith:** Seven o'clock.

**Mr. Olson:** Mr. Chairman, I think the hon. member has followed the argument. What I am asking the minister is whether he and his officials have ascertained whether or not Canadian companies are in a relatively disadvantageous tax position vis-à-vis foreign companies in the matter of drilling and exploration. I agree there is the possibility that there may be some double advantages under the act as it is now written and perhaps this amendment will tidy the position up. But the question that I posed was whether, by passing this amendment to the act, we would reduce the relative advantage of Canadian companies, which I say would be undesirable.

I am not suggesting, Mr. Chairman, that simply by making another amendment to clause 16 we equalize the situation, because other decisions may be made in this matter by other governments. But in the matter of exploration in Canada, Mr. Chairman, I believe that Canadian companies should have at least equal advantage.