THE SENATE

Friday, April 12, 1957

The Senate met at 11 a.m., the Speaker in the Chair.

Prayers.

Routine proceedings.

BUSINESS OF THE SENATE

Hon. W. Ross Macdonald: Honourable senators, when we adjourned last evening we were hopeful that the interim supply bill would be before us this morning. However, for some reason or other the debate on the bill in the other house has been more protracted than usual. Consequently, we have no business to proceed with at the present time. I am hopeful that the bill will reach us later this morning or early this afternoon.

Hon. Mr. MacKinnon: Or late tonight?

Hon. Mr. Macdonald: Perhaps it will be late tonight.

In the circumstances, I would suggest that the house rise now, to reassemble at the call of the bell.

The Senate adjourned during pleasure.

At 3.40 p.m. the sitting was resumed.

CANADA-NETHERLANDS INCOME TAX AGREEMENT BILL

FIRST READING

A message was received from the House of Commons with Bill 413, an Act to implement an agreement between Canada and the Netherlands for the avoidance of double taxation with respect to income tax.

The bill was read the first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. W. Ross Macdonald: Honourable senators, I move the second reading now.

The purpose of this bill is to give legal effect in Canada to an agreement between the Government of Canada and the Government of the Netherlands for the avoidance of double taxation and the establishment of rules for reciprocal fiscal arrangements in the matter of income tax. The agreement was signed at Ottawa on the 2nd of April, 1957. Honourable senators are familiar with bills of this type.

The Acting Leader of the Opposition (Hon. Mr. Marcotte), who has been a member of this house over a long period, will recall that we have passed bills to give legal effect to agreements for the avoidance of double taxation regarding income tax with the following countries: In 1943, with the United States; in 1946, with the United Kingdom; in 1948, with New Zealand; in 1951, with Sweden and France; in 1955, with Ireland; in 1956, with Denmark and West Germany.

A bill passed by the House of Commons approving a similar agreement entered into between Canada and the Union of South Africa will be coming over to us this afternoon, so the remarks I make now can be applied, generally speaking, to that bill also.

The agreement is designed to avoid double taxation, and it provides for exchange of information. By means of the exchange of reciprocal tax credits the country of residence gives credit for the tax in the country in which the actual tax had its source.

Also, under this agreement, as under the others which have been entered into by the Government and approved by this house on previous occasions, taxation by a state on trade profits of an enterprise in the other state is limited to those profits attributable to the permanent establishment of such enterprise in the first-mentioned state. In addition, certain specific provisions are made regarding the profits from the operation of ships and aircraft, and the exemption from taxation on the exchange of teachers and students.

The taxes to which the agreement refers will be found in Article I of the agreement or convention, which is a schedule to the bill. In Canada these are income taxes, including surtaxes, imposed by the federal Government. Naturally an agreement between the federal Government of Canada and the Government of a foreign country can have no effect on provincial income tax laws of this dominion nor on provincial or state laws of the other country. In the Netherlands the taxes subject to this convention are income tax, wages tax, company tax, dividends tax, and the tax on fees of directors.

In this agreement provision is made for taxation upon companies doing business in both countries.

As regards individuals, the agreement deals with the limits upon the withholding tax on dividends paid by a company in one country to residents in another country. It follows the existing practice under similar agreements between Canada and other countries: if a Canadian company pays dividends to residents of the Netherlands, the withholding tax which Canada can exact from the dividends is limited to 15 per cent, and *vice versa*.