

*Adjournment Debate*

granted by Canada to dividends paid to companies residing in Canada.

When a Canadian resident has commercial operations abroad, through a branch office, for instance, the income derived from that source may be taxed by the foreign government concerned. Such income would also be subject to Canadian income tax. When the income is thus made liable to both foreign and Canadian income taxes, our legislation provides an allowance on the basis of the income tax paid a foreign government. This allowance is intended to minimize the possibility of double taxation. Those provisions on tax deductions apply to all income earned in foreign countries.

When operations are carried out abroad through a foreign affiliate instead of a subsidiary the income they produce would normally come back to Canada in the form of dividends from the foreign affiliate.

At present, as has been the case for a long time indeed, the Canadian tax scheme provides that dividends received by a resident corporation of Canada from a foreign company in which it held a substantial percentage of votes—over 25 per cent—were exempt from Canadian income tax. That provision actually allowed the repatriation of gains made abroad without submitting them to Canadian income tax in addition to foreign income tax.

The tax reform included a major revision of the tax treatment of dividends from foreign corporations but until the new provisions become entirely applicable in 1976, dividends representing gains made abroad before 1976 may be earned by a Canadian corporation without being subject to Canadian income tax.

As of 1976 the tax-free repatriation of gains considered to be dividends from foreign corporations will be subject to a number of restrictions. One of the determining factors concerning the application of those restrictions will be the position of the particular country where the dividends come from, that is whether that country is one of those with which Canada signed an overall tax agreement. As I said already, Canada did not sign any agreement of this kind with Namibia. So, whatever might be the Canadian tax benefits to be drawn from dividends of another country that signed an agreement with Canada, those benefits will not be applicable to dividends coming from that country unless the agreement in question becomes effective.

The provision dealing with abatements for foreign taxes paid on income from a foreign source is not deemed, generally speaking, to be a tax concession in its nature. Abatements for foreign taxes are not unusual at all in the area of international taxation. In Canada, they have been an integral part of our tax system for many years.

The various modes of taxation provided under international tax agreements are not usually considered to be tax concessions either. Those agreements are the result of separate negotiations undertaken with each particular country with which an agreement is concluded, and they include what both countries arrived at under common agreement in the form of a compromise.

**The Acting Speaker (Mrs. Morin):** Order, please. The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until 2 p.m. tomorrow.

Motion agreed to and the House adjourned at 10.20 p.m.