

of its profits which may reasonably be considered as having been derived from German business. The same rule applies in a converse way to a German company doing business in Canada.

There is a special provision, as there has been in so many of these other agreements, for airplane and shipping companies. A Canadian airplane company which operates between Canada and Germany, or a Canadian shipping company plying between the two countries, is not subject to German income tax simply by reason of the fact that its ships or airplanes, as the case may be, land in Germany. The same is true in a converse way of German shipping companies and German airplane companies.

As respects individuals, the agreement deals with the sort of things that we would expect it to deal with in matters of this kind. It refers, for instance, to the limits upon the withholding tax or dividends paid by a company in one country to a resident of the other. As honourable senators are aware, if a Canadian company pays dividends to a resident of Germany, the withholding tax which Canada can exact from that dividend is limited to 15 per cent, and *vice versa*.

There are similar provisions for various other kinds of payments flowing between the two countries, of the nature of copyright and royalty payments, and so on.

Honourable senators may be interested to know that article IX provides exemption from tax on capital gains made by a resident of one country in respect of his property in the other country.

Article XII provides that a resident of one country who receives a pension or an annuity from a source in the other country shall not be subject to tax in that other country. In other words, a resident of Canada who receives an annuity or a pension from a source in Germany is not subject to tax on that annuity in Germany.

Then there are provisions, similar to those we have noted in the past in other agreements, for professors and teachers. A professor or teacher who comes from Germany to Canada for a period limited to not more than two years for the purpose of teaching in a Canadian university or school is not subject to tax in Canada on any income he receives from Germany during that time.

**Hon. Mr. Connolly (Ottawa West):** Why not?

**Hon. Mr. Hugessen:** I cannot answer my honourable friend's question except to say that that is a provision which has been contained in, I think, every one of the tax agreements between Canada and other countries.

It is a sort of mutuality with respect to persons engaged in education. I see my honourable friend from Winnipeg (Hon. Mr. Wall) nods his head. I am sure he approves of that, being as prominent in the educational field as he is.

There is a similar provision in favour of students from one country who take their training in the other country. So long as they are training in a university or school in the other country they are not subject to tax in that country in respect of payments they receive from their own home country.

On past occasions we have had some discussions in this house with respect to the provisions in these agreements for the exchange of information between the Governments of the two countries concerned. In this agreement that provision is found in article XVII, and I think it is a fairly good article. It provides for the exchange of information between the Governments of the two countries for the prevention of fraud, but this is restricted to information which is available under the respective taxing laws of the contracting states. It requires that that information shall be secret, and it adds this provision in article XVII (2):

In no case shall the provisions of this Article be construed so as to impose upon either of the contracting States the obligation to carry out administrative measures at variance with the regulations and practice of either contracting State or which would be contrary to its sovereignty, security or public policy or to supply particulars which are not procurable under its own legislation or that of the State making application.

The agreement provides that it shall come into force one month following its ratification—ratification is dependent, of course, upon its approval by this Parliament, on the one hand, and by the Parliament of the Republic of Germany, on the other—and that when it comes into force it shall have effect with respect to taxes of the nature which I have described as and from the 1st of January, 1954.

I think that is about as brief an explanation as honourable senators would wish me to give. I would simply conclude by saying that, as in all these cases, this is designed as relieving taxation, as a measure to prevent double taxation in the two countries; and I think it should be welcome to this house.

**Hon. Mr. Horner:** Will it affect in any way Canadian troops serving in Germany?

**Hon. Mr. Hugessen:** I do not think so. There is no mention made of troops.

**Hon. Mr. Power:** Will there be any special provision with respect to banks? The question of the honourable senator from Blaine Lake