The Acting Speaker (Mr. Blaker): Is the House ready for the question?

Some hon. Members: Question.

The Acting Speaker (Mr. Blaker): I understand there is a disposition to put this matter through all stages.

Some hon. Members: Agreed.

Motion agreed to, bill read the second time, considered in committee, reported, read the third time and passed.

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[*Translation*]

INCOME TAX

MEASURE RESPECTING AVOIDANCE OF DOUBLE TAXATION

Hon. Pierre Bussières (Minister of State (Finance)) moved that Bill S-17, to implement conventions between Canada and New Zealand and Canada and Australia for the avoidance of double taxation with respect to income tax, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

He said: Mr. Speaker, the purpose of Bill S-17 is to implement conventions negotiated and entered into between Canada and New Zealand on the one hand, and Canada and Australia on the other hand, for the avoidance of double taxation with respect to income tax. Hon. members will recall that we considered a similar bill to implement tax treaties with several countries a few months ago, and the bill before us today is of the same type, includes the same provisions as Bill S-2 which we considered earlier, and confirms more or less some well-known negotiations and agreements.

Hon. members will recall that at the time of tax reform, Canada had tax treaties in force with over 15 countries. Of these 15 or 16 countries, Australia has had a tax treaty with Canada since 1967, and New Zealand since 1948. As you will recall, since the tax reform, we have invited several countries to enter into negotiations with Canada in an attempt to conclude treaties designed to avoid double taxation. We have now renewed and renegotiated such conventions with 32 countries, and it is expected that other countries will be added to that list.

As in the case of similar tax treaty legislation approved by Parliament in the past, this bill contains a special provision dealing with any future changes to the conventions. Part III of the bill is designed to ensure that the tax treaties can be kept up to date as the result of changes in the tax system of Canada or of the other countries. The mechanisms provided for under this bill are similar to those agreed to previously. In addition, the bill provides that the governor in council may, subject to a resolution of Parliament, give effect to any supplementary convention.

The two tax treaties under consideration follow the general pattern of the treaties concluded with other countries after tax reform. They also follow to a large extent the format and language of the latest model double taxation convention published in 1977 by the Committee of Fiscal Affairs of the Organization for Economic Co-operation and Development, or OECD. Hon. members will recall that, when we were considering Bill S-2, we spent a great deal of time in the standing committee reviewing this standard or model treaty prepared by the OECD and that we also compared this model treaty with the various ones contained in Bill S-2.

The treaties generally provide that dividends can be taxed in the country of source at a maximum rate of 15 per cent. A general rate of 15 per cent is also provided for in the case of interests originating in one country and paid to a resident of the other country. With respect to royalties, the treaty with Australia provides for a general rate of 10 per cent, and the one with New Zealand provides for a rate of 15 per cent. The only limitations provided for under the old agreements were 15 per cent in the case of dividends with Australia and an exemption for copyright royalties with both Australia and New Zealand. I should now like to go over briefly the provisions concerning capital gains which preserve the right of the source country to tax gains arising on the sale of real property, business assets and shares in real estate companies.

Contrary to other tax treaties concluded by Canada, the treaties with Australia and New Zealand do not contain an article on non-discrimination. It is those countries' firm policy not to include such an article in their tax treaties and, as a matter of fact, the existing agreements already reflect their position. No special concession for teachers is included in the tax treaties. The reciprocal exemption now granted teachers under both the Australian and New Zealand agreements will consequently be terminated. Under the existing agreements, pensions and annuities are taxable only in the country where the recipient resides. Under the new conventions, Canada has preserved its right to tax pensions paid to residents of the other countries; in the case of New Zealand, there is however a special provision whereby that right will be exercised only if a pension within a year exceeds $10,000. The country in which the recipient of the pension resides retains its full taxing rights.

Double taxation of foreign source income of Canadian residents is alleviated by way of a foreign tax credit. In addition, an exemption is granted for certain dividends received from a foreign affiliate of a Canadian company. In order to promote the flow of capital and investments, the tax treaties also ensure that proper relief will be granted in the other countries in respect of taxes paid in Canada. On balance, Mr. Speaker, the terms of the tax treaties provide an equitable solution to the various problems of double taxation existing between Canada and these two countries. Mr. Speaker, I therefore commend