about 25,000 jobs are at stake within those two companies alone. Already, two smaller companies have decided to leave Canada or to fold up.

Also, the Senate committee, in the forty-seventh record of its proceedings, makes far reaching recommendations on page 7 with respect to foreign accrual property income and dividends received from foreign affiliates. Those recommendations would completely alter, if accepted, the character of the legislation before us. In placing these recommendations before us, the other place in my opinion has done an excellent job of giving sober second thought to legislation to which very little "first" thought was given.

**Some hon. Members:** Hear, hear.

**Mr. Ryan:** If the bill passes in its present form, Mr. Chairman, Canada will be the only country in the world with such complex and intrusive laws governing the taxation of foreign affiliates.

In its usual fuzzy manner, Mr. Chairman, the government has introduced a number of fuzzy concepts and terms in this bill. In the area of the taxation of international incomes, the most outstanding of these vague concepts is that of FAPI, foreign accrual property income. As usual, the government has failed to define this term properly and, hence, a great deal of uncertainty has arisen. The alleged purpose behind the application of the FAPI concept is to prevent the undue deferment or avoidance of payment of Canadian tax on passive income. But the plug, Mr. Chairman, is far bigger than the hole and the result is tax regulations which are somewhat astonishing, to say the least.

Let us take as an example the case of three companies, A, B and C. Let us say that A is a wholly-owned Canadian corporation which is based in Canada and let us say that that company owns 30 per cent of B, a company in a non-tax treaty country. Company B, in turn, owns 100 per cent of the common shares of C, a company in another non-treaty country. Company A also owns 100 per cent of the preferred shares of C. Therefore, under the proposed tax legislation, A has a 130 per cent equity in C. Thus, if C receives $100 of passive income, A has $130 of passive income attributed to it and must pay tax on it, even though C may well choose not to pass on to A and B in the form of dividends or otherwise any part of its $100 passive income. This, Mr. Chairman, is clearly a nonsensical situation and it looks every much as if the government did not read this part of its proposed legislation very carefully before proposing it.

Another disquieting feature of FAPI, Mr. Chairman, relates to the fact that the treatment of dividends from foreign affiliates differs, depending upon whether or not the foreign affiliate's home country has a comprehensive tax treaty with Canada. This is inequitable. First, the Canadian government has no right to penalize a company simply because the country in which its foreign affiliate is located has no tax treaty with Canada. The lack of any tax treaty may be the government's own fault. Second, as the committee of the other place on banking, trade and commerce has noted with regard to countries which do not have tax treaties with Canada, "Many of these countries are developing nations which offer tax incentives to foreign corporations. Canada should not tax away these incentives and reduce their value to Canadian corporations." Third, there is absolutely no reason companies should not receive a tax credit for foreign withholding taxes paid on dividends from non-treaty countries.

[Mr. Ryan.]

Another aspect of FAPI which the government has failed to consider is that the information necessary for its application may be at times extremely difficult to gather, especially if a Canadian company does not have a controlling interest. The Alcan company made this clear to the committee of the other place. They said' "We are working with the Nippon Light Metal Company, the largest aluminum producer in Japan." Alcan has about 50 per cent of its shares but the Nippon company has about 150 subsidiaries. The Alcan company said, "We do not know much about a great many of these companies in Japan and we cannot ask too many questions because the Japanese may think we are interfering." Under this legislation, Alcan will have to go to all the trouble of filling out all the forms in order to find out what has happened to any passive income, if any. Furthermore, since they must deal in the Japanese language, there will be translation difficulties.

In addition, Mr. Chairman, the taxation theories of many countries are completely different from our own and what we may consider as passive income they may consider as active income. This is true of Great Britain. The question is, who is to sort out this mess? Surely, the government can find some simpler system than this one that it is trying to impose upon multinational corporations. In my opinion, Canada needs its multinational corporations. We must not drive them away. I hope the government will realize this and will provide sensible legislation in the area of international incomes. Let us have more common sense legislation, simpler and far more well defined than that which is now before us. Let the government concentrate on taxing truly tainted diverted income which it can do by enforcing existing laws and regulations.

• (4:00 p.m.)

Surely, it is more important to have more and not less multinational giants based in Canada. France found that out. She permitted the growth of multinational corporations and then moved to ease them out of France, claiming that there was too much American influence involved. They moved into Belgium, Holland, Luxembourg and West Germany. That happened just to please Mr. DeGaulle. With them went the jobs of thousands of French workers. Soon the French completely reversed their policy and welcomed the giants once more, but it was too late for most of the gravy because many opportunities were lost in the interim. Mr. J. J. Servan-Schreiber has told us all about that trouble in France and we in Canada ought to be warned by it. For the sake of an estimated $10 million or so for a hungry Department of National Revenue, we can very easily do great harm by winding down the control and operations of our exporting multinational corporations with the loss of thousands of jobs, economic growth and, eventually, the loss of tax revenue.

It is all too easy to strike from within at multinational corporations that are Canadian based. However, they have the worry of different tax laws in every country in which they operate. Naturally, they are attracted to the most favourable tax and economic climate. We must help