

nection I would mention that copyright royalties are exempt, and you will find the enumeration in Article 11 of the United Kingdom treaty with the extended meaning following the use of the words "copyright royalties".

In connection with patent royalties and royalties other than copyright royalties, withholding tax shall be at a rate not to exceed 10 per cent of the gross amount of such royalties. This represents a concession on the part of Canada because these were 15 per cent. It was felt that since the United Kingdom had reduced their taxation from 41½ per cent to 15 per cent on the withholding tax on interest and dividends, we should make some concessions too. We have reduced our rate from 15 per cent to 10 per cent. This is the only item in which there is this reduction. In others it remains at 15 per cent for this type of royalty.

As to United Kingdom surtax, by the new agreement individuals resident in Canada are in effect exempt from United Kingdom surtax from dividends, interest, patent and copyright royalties and alimony.

There is a new item in here dealing with alimony and maintenance payments. Before we assembled today I searched in vain for something which might possibly add a bit of romance to the consideration of tax conventions. I finally decided that this was not possible, but I have an item which might be described as the negation of romance. In connection with alimony or maintenance, it is provided that such payments are to be exempt in the country from which they are paid. For example, where the source of the payments is in Canada there will be no Canadian withholding tax of 15 per cent levied on such payments to United Kingdom residents. This also works in reverse.

In relation to teachers and students we have a number of provisions. In the first, professors or teachers resident of one country and teaching for up to two years in the other country are taxable on their remuneration for teaching only in the country of residence and not where teaching. You may find a few words of limitation in there, but they are easy to understand.

Furthermore, a person in receipt of a grant, allowance or award for the primary purpose of research from a government, religious, charitable, scientific, literary or educational organization in one country who goes to the other country for a period not exceeding two years to perform such research is not taxable on the amount of such grant in the country where he is carrying on the research.

The third type in this category is a student or business apprentice of one country who goes to the other country for instructions and who is not taxable in the country where he is studying on remittances for his maintenance, education or training received from outside such country.

Then we come to the general rules on salaries, wages and similar remuneration. Where such remuneration is derived by a resident of one country in respect of an employment, he is subject to tax only in that country unless the employment is exercised in the other country and if so such person is subject to tax on his remuneration in that other country. However, notwithstanding this provision he is subject to tax only in the country of residence if: (a) he is present in that other country for a period or periods not exceeding 183 days in any Canadian taxation year or the United Kingdom year of assessment, and (b) his remuneration is paid by or on behalf of an employer who is not resident in that other country, and (c) such remuneration is not deducted from the profits of a permanent establishment which the employer has in that other country. Then the only tax he would have to pay on his salary or remuneration would be the tax payable in the country of his residence.

There are certain broad exceptions, however. For instance, the country of residence of an individual or an enterprise has the sole right to tax profits or remuneration from, (i) the operation of ships or aircraft in international traffic; (ii) copyright royalties in respect of literary, musical or artistic works, not including films; (iii) pensions and annuities, with certain exceptions. These exceptions are very clear. The same rule that applies as to when an employee in certain circumstances is subject to tax where he is working, even though he is resident in another country, also applies in the case of a director who may be earning director's fees and who may be attending directors meetings, for example, in the United Kingdom while a Canadian citizen.

Then, honourable senators, we come to professional services or other independent activities of a similar character. The general rule is that the income of a resident of one country for such services is subject to tax only in that country unless he has a fixed base regularly available to him in the other country for the purpose of performing such services. In such case, then the portion of the income attributable to that base is taxable in that other country.