

Resolved that a message be sent to the Senate to inform Their Honours that this House has adopted a resolution approving of a convention made between Canada and the United States of America concerning the rates of income tax, signed at Washington, December 30, 1936; and requesting that Their Honours unite with this House in the approval of the said resolution.

Hon. RAOUL DANDURAND: Honourable senators, this matter of the regulation of the income tax to be collected from residents of Canada who have stocks or interests in the United States, and from residents of the United States who have stocks in Canada, is familiar to us all, as it has been pending for a number of years.

The resolution reads:

That it is expedient that the Houses of Parliament do approve of the convention entered into at Washington on the thirtieth day of December, 1936, by the Government of Canada and the Government of the United States of America, concerning rates of income tax upon non-resident individuals and corporations, and that this House do approve of the same.

The convention begins as follows:

Convention between Canada and the United States of America concerning rates of income tax imposed upon non-resident individuals and corporations. Signed at Washington, December 30, 1936.

The Government of Canada and the Government of the United States of America, being desirous of concluding a reciprocal convention concerning rates of income tax imposed upon non-resident individuals and corporations, have agreed as follows:

Article I: The high contracting parties mutually agree that the income taxation imposed in the two States shall be subject to the following reciprocal provisions.

I might perhaps dispense with reading the terms of the convention and simply state its purport and effect. The United States imposed a tax of ten per cent upon incomes of Canadians derived from the holding of stocks in the United States; the Canadian Government collected five per cent on incomes derived by Americans from the holding of stocks in Canada. The collection of the ten per cent by the United States Government not only was hard upon Canadians who held securities in the United States, but it affected the Canadian treasury as well, inasmuch as the ten per cent deduction in the United States left less income from which the Canadian Government collected tax. Under this convention the United States have in effect agreed to reduce their impost from ten per cent to five per cent, thus bringing about an absolute parity as between the two countries.

The Hon. the SPEAKER.

I might read the whole convention, or might spend half an hour in explaining its workings, but I shall content myself with saying that under it Canada stands to gain by reason of the fact that her nationals will no longer be obliged to pay ten per cent to the American Government while Americans pay only five per cent on their holdings in this country.

With this summary statement I move the adoption of this convention.

Right Hon. ARTHUR MEIGHEN: Honourable members, I am very glad the convention has been entered into. For a considerable time Canadian investors in American securities have been subject to a levy of ten per cent by the United States Government, and in estimating their income tax payable to their own Government they deducted this amount; so the real loser was the Government of Canada. A reverse provision prevailed in this country, but the rate payable in Canada was only five per cent. It is certainly well that some arrangement has been reached which equalizes the tax.

There are only two comments I wish to make. First, if my memory is correct, the new convention is effective as and from the 1st of January, 1936. Already since that date vast sums have been deducted through the ten per cent tax imposed by the United States Government upon Canadian holders of American securities, and there is nothing in the convention with respect to the return of the excess of five per cent. However, it is inconceivable that the United States Government will not deem it their duty to direct the return of that money. Otherwise that term of the convention is worthless.

The other comment I wish to make is this. The convention contains a clause providing for the violation of the agreement. It does not use those words, but it says that either of the parties may depart from the convention. In that event the only remedy the other party has is to depart from it also; so one may have considerable doubt as to the permanency of the arrangement. If the American Government were to start again next month to collect ten per cent, our only remedy would be to pass a new law authorizing the collection of ten per cent on our part; but I fancy considerations which restrained us from doing that before would likely restrain us again. Even though many of us on this side of the line do not look for anything very lasting in an arrangement of that kind, the agreement is worth adopting.