

aware, the problem of the withholding tax on interest and dividends as between Canada and the United States, Canada and the United Kingdom, and Canada and other countries, has been the subject of more or less continuing negotiation with various countries. Indeed, I recall many changes in the withholding tax between Canada and various countries since I was appointed to the Senate some years ago. For instance, I recall that at one time under the 1946 agreement with the United Kingdom there was a most peculiar provision in regard to the withholding tax on dividends.

By the way, Senator Hayden explained that the 1946 agreement with the United Kingdom was an interim agreement and only last year a new and permanent agreement was enacted with that country. But in the agreement of 1946 we had a situation where there was a withholding tax of 15 per cent on dividends emanating from Canada payable to citizens of the United Kingdom, where the dividends resulted simply from holdings of shares in Canadian companies by United Kingdom residents. On the other hand, if the Canadian company happened to be wholly owned by a British corporation Canada charged no withholding tax whatsoever. Honourable senators can understand, therefore, how this was completely contrary to the present policies by which we are trying to obtain a greater ownership in Canada ourselves.

There was therefore a great incentive under the 1946 agreement between Canada and the United Kingdom for citizens of that country in buying Canadian businesses to buy a Canadian corporation by the purchase of 100 per cent of its capital stock. If they obtained 100 per cent of the stock there was no withholding tax, but if they held less than 100 per cent of the stock there was a 15 per cent withholding tax charged. As a result there was an incentive to purchase the whole of a Canadian company rather than a part of it, thus preventing any Canadian participation in the venture.

That, of course, can no longer happen because of the 1965 agreement, and the current ones have done away with this abuse.

Honourable senators, there is really nothing more I have to say in connection with this bill. Without these agreements the commercial situation between our country and other countries would be a tax jungle. These tax conventions are therefore most useful in clarifying our tax relationships with these countries.

Motion agreed to and bill read the second time.

**The Hon. the Speaker:** Honourable senators, when shall this bill be read the third time?

**Hon. Mr. Hayden** moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

#### BUSINESS OF THE SENATE

**Hon. John J. Connolly:** Honourable senators, before the next item on the Orders of the Day is called I should like to suggest to the house that all the remaining items stand for today. I make this suggestion because Bill C-231 is now before the Standing Committee on Transport and Communications. The committee made good progress this morning, and it plans to reassemble when the Senate rises this afternoon. It might suit the convenience of all honourable senators and speed up the consideration of the legislation before us if this course were adopted.

**Hon. Mr. Brooks:** I gather that there is no urgency with respect to any other item on the Order Paper?

**Hon. Mr. Connolly (Ottawa West):** No.

**Hon. Senators:** Agreed.

The Senate adjourned until tomorrow at 3 p.m.