legislation restricting advertising over foreign television stations.

Mr. Chrétien: We do not know exactly what the effect is on the monetary side. It is very much a matter of cultural policy for Canada. Obviously, under the bill we passed last year, a company in southern Manitoba which is advertising in the northern states will have to pay more in exchange for time there. The goal of the policy was to make such advertising expenses non-deductible against Canadian taxes. If the hon. member wishes an assessment in terms of the benefit to the Canadian television industry, perhaps he would address his questions to my colleague, the Secretary of State.

It is evident that with respect to magazines this has permitted *Macleans* to expand considerably in Canada since *Time* is not considered a Canadian magazine. *Macleans* magazine went from being a monthly publication to one which is published every two weeks, and I am told that next year it will be on a weekly basis. I might also mention that there were two bills but each was addressed to the same principle—the protection of the Canadian market.

Mr. Orlikow: Since any revenue which American Television stations get from Canadian companies is, really, an extra bonus to them, gravy, we would call it, I understand that what those stations have done is to cut the price charged for commercials by half. In that way, Canadian companies are able to advertise and really not pay any more than they did before. Has the government given consideration to further restrictions on this kind of advertising which is being sold in the United States?

● (2132)

Mr. Chrétien: Mr. Chairman, you cannot do more than we have done in terms of the tax system. Perhaps the solution is to black out American stations in Canada. However, I am not about to promote that.

Mr. Orlikow: Perhaps it is not the minister's business, but I suggest that blacking out the commercials is not only a good idea but, according to our courts, legal.

[*Translation*]

Mr. Beaudoin: Mr. Chairman, I agree with the minister when he says that these magazines which advertise outside Canada should pay taxes pursuant to the Income Tax Act. There is something I should like to ask the minister: Are *Macleans* and *Reader's Digest* the only two magazines Bill C-11 is dealing with?

Mr. Chrétien: Bill C-11 simply clarifies the provisions which the Department of National Revenue uses as a basis for its decisions. Yes, those are the only two magazines, because they were in fact the only two foreign magazines published in Canada. Naturally, we are receiving magazines from all over the world, including France, England, and the United States. But in the case of *Time* magazine, *Reader's Digest* and *Sélection du Reader's Digest*, those were American publications published right here in Canada. One qualified as a Canadian publication and the other could not. The others are not attempting to publish here in Canada. Therefore, advertising expenses in foreign magazines directed to the Canadian market are not deductible.

Mr. Beaudoin: Mr. Chairman, since those magazines are near-multinationals, can the Minister of Finance who is responsible for the bill tell us how he can check these two magazines' revenues for the purpose of Bill C-11?

Mr. Chrétien: Well, we do not have to check that. We say that a corporation inserting ads aimed at Canadian readers in *Time* magazine cannot deduct this as a legitimate expenditure. It can spend wherever it likes, but such expenditure is not tax deductible. This is the kind of checking being done. Any corporation wishing to spend $100,000 or $200,000 on advertisements in *Newsweek* magazine or any other U.S. magazine for that matter is perfectly free to do so providing this is not aimed at the Canadian market. Where a corporation wishes to buy space in a U.S. magazine to invite Americans to come to Canada, the expenditure is deductible, because it is not aimed at the Canadian but the American market.

Mr. Beaudoin: There is something I do not understand. You are saying that a corporation advertising in those two American magazines cannot make a deduction for it. This is what I cannot understand. How come you can check the impact of advertisements relative to the Canadian market, whether the expenditure is deductible, because this in my view is a one way proposition. You want to prevent those corporations from advertising in a U.S.-Canadian magazine, you are preventing them from advertising profitably, without checking across the board their advertising expenditures in Canada. This is what I do not understand.

Mr. Chrétien: I would first like to clarify this. *Reader's Digest* magazine qualifies as a Canadian magazine. So, in order not to confuse committee members, let us forget about it. All advertisement expenditures in the *Reader's Digest* magazine which is published in Canada, are deductible from the advertiser's income. But where an advertisement is inserted in *Time* magazine, the cost of that advertisement is not deductible from the corporation's revenues for income tax purposes. That's crystal clear. When an advertisement is directed to the Canadian public, when that advertisement has a Canadian content, when Canadians are for example invited to drink vodka by an advertisement which reads: "Drink Canadian vodka"—and *Time* has an advertisement section directed to Canadians only—no deduction is allowed. When the U.S. issue of *Time* publishes an advertisement to invite Americans to visit Canada, a deduction will be allowed. The Department of National Revenue has to compare the two advertisements and decide whether one is directed to Canadians or whether the other is directed to Americans.

Clause 13 agreed to.

On clause 14—