

Income Tax Act

provision is needed to make the thing consistent.

Mr. Lambert: In commenting on the minister's reply of a few minutes ago I may say, and this applies to this and other sections of the act, that I am very concerned that the action of this legislative body in passing a law shall not be deemed to be an irrevocable act. The minister himself realizes that we do not pass amendments to acts, or we do not pass bills, so that later we can merely repeal or amend them.

Mr. Gordon: I hope not.

Mr. Lambert: We can say—

Mr. Gordon: Except in 40A; I must say I thought that was a good thing to yank back.

Mr. Lambert: It seems we are on extremely thin ice in accepting an unofficial assurance the minister might have received, that there is plenty of time to think about this within the terms of the tax convention, the possible abrogation of the treaty and the automatic imposition of a 30 per cent level of withholding tax by the United States authorities. Once the Canadian parliament enact a law, this is not merely an expression of opinion. It is an overt act on the part of the Canadian government. This is where I think the minister's argument is just a little thin.

I know the minister has given warning about other matters, for instance in the field of business expenses, as did his predecessor. There are other fields in which the Minister of Finance has given a warning without introducing any legislation. Really, this and all the other related provisions to which I am referring are warnings. Suppose the minister's negotiations are not as fruitful as he expects? What is he going to do? Is he going to come back next year and say: I was not quite as successful as I hoped, would you please amend the act? This is not good enough to maintain the confidence of the business community.

This is the reason I asked the minister if he can give us that assurance, that the passage of this legislation will not be deemed by United States authorities to be the imposition of a new level of taxation as of the coming into effect of this amendment to the Income Tax Act? It is not too much to ask. I think we are entitled, as is the business community of this country, to know just what is going to happen. After all, there is certainly enough uncertainty.

Mr. Gordon: Well, there is a lot of uncertainty, particularly about the changes that were made in the December 1960 budget. After hon. members requests, the withholding taxes were changed in that budget and this left a good many of the tax agreements up in the air.

[Mr. Gordon.]

Mr. Lambert: But they were renegotiated.

Mr. Gordon: They were not renegotiated with the greatest respect. They still have to be renegotiated. Notice has to be given prior to June 30 in any year, and then they have to be renegotiated. Despite the fact that these changes took place—

Mr. Lambert: There was no complaint.

Mr. Gordon: No, there was no complaint because the increased tax has not been collected. It cannot be collected under the agreements about which I am talking, and there are seven or eight of them. In this case we intend to collect these taxes now. The hon. member suggests it would be better merely to give a warning that we intend to do something in the future. I think the way to give a real warning is to put it in the act; then people are likely to take some steps, and to take this more seriously than they would if they were just exhorted to do it.

I want to be quite clear. I am not in a position to give a categorical assurance as to what the United States administration will do when we get down to negotiating this particular matter, because I have not gone into it in that detail. They have suggested that these negotiations be deferred until the bill is passed, so I am not in a position to give that assurance. However, I would remind the hon. gentleman that, as we all know, there is a difference between the total amount of United States investments in this country and the amount of Canadian investment in the United States. United States investment very greatly exceeds Canadian, and these people will be reasonable and keep that in mind when we renegotiate the matter.

Mr. Lambert: The minister agrees, of course, that the sums per capita are not that far apart compared with the global amount, taking into account the difference between a population of 200 million and one of 19 million.

Mr. Gordon: With respect I suggest that that is a completely irrelevant point. I thought the hon. gentleman was asking me whether I could give him a specific assurance as to what the United States administration was going to do about this tax treaty, and my answer is that I cannot do so.

Clause agreed to.

On clause 16—*Exemption of income from manufacturing or processing business in designated areas.*

Mr. Alkenbrack: Mr. Chairman, I have listened with interest to the various stages of the bill, particularly to the clause by clause discussion. I would say that the Minister of Finance has been rather wildly shuffling the