

Inquiries of the Ministry

Finance tell the house the point which has been reached in negotiations with the government of the United Kingdom with respect to a new arrangement covering personal income and corporation tax arrangements between our two countries?

Hon. Walter L. Gordon (Minister of Finance): Mr. Speaker—

Some hon. Members: Oh, oh.

Mr. Gordon: I might say, Mr. Speaker, that my hon. friend did not give me notice of his question until after today's proceedings had begun.

Mr. Starr: You mean you gave him the question.

Mr. Gordon: I had expected that some member of the opposition might be on to this, so I am ready to reply. Meetings to discuss the new agreement were held in Ottawa in September and October of 1964. At these meetings a draft for a new agreement was prepared by officials, but this draft has not yet been approved.

In negotiating tax agreements Canada has always attempted to have the agreement provide that pensions and annuities of all kinds should be liable for tax only in the country where the recipient of the pension is a resident.

It was understood that the U.K. authorities would inform Canada whether they could agree to the draft prepared in Ottawa, but shortly thereafter the situation was changed by a new government taking office in the U.K. and the new chancellor of the exchequer's announcement that the form of the tax on corporations in the U.K. would be completely changed following the 1965 budget. Canada would not want to conclude a new agreement until it has studied the new taxes to be imposed in the U.K., which were announced this morning, and it is believed that the U.K. authorities have not wanted to continue the negotiation of a new agreement until details of the new U.K. taxes could be made public.

CONSIDERATION OF PROPOSALS RESPECTING
EXCHANGE FUND

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I should like to address a question to the Minister of Finance. In view of the interest of numerous mining communities and other groups, and editorial comment in connection with the proposals by General Charles

[Mr. Groos.]

de Gaulle of France for that country, and later in this house, by Sergeant Murdo Martin of Timmins, with the sympathy of Staff Sergeant MacLean of Charlotte, with respect to the conversion of a larger percentage of the Canadian exchange fund into gold, would the minister consider referring this very important fiscal matter to the banking and commerce committee for the hearing of evidence, study and a report to this house for the enlightenment of members so they will understand what is actually involved in this very complicated question?

Hon. Walter L. Gordon (Minister of Finance): Mr. Speaker, the hon. gentleman was kind enough to give me notice of this question and I should like to give a full answer, omitting perhaps the reference to Sergeant Murdo Martin. I did not appreciate his interest in this matter.

Canada currently holds close to 40 per cent of her official reserves in the form of gold and the rest in the form of United States dollars, most of which are invested in short term obligations of the United States government. While the proportion of gold in our reserves will alter somewhat as the level of our reserves changes from time to time, the government is fully confident of the ability of the United States to protect the value of its currency in relation to gold and is a willing holder of United States dollars. Indeed, in contrast to gold holdings, which pay no interest, our U.S. dollar investments have earned more than \$188 million in foreign exchange over the past five years.

The government is quite satisfied with the composition of our reserves; therefore I can see no advantage in referring the question to the banking and commerce committee, which I hope will soon be fully occupied considering revisions to the banking legislation.

ROYAL CANADIAN MOUNTED POLICE

REPORTED INTENTION TO CHANGE UNIFORM

On the orders of the day:

Right Hon. J. G. Diefenbaker (Leader of the Opposition): Mr. Speaker, I should like to direct a question to the Minister of Justice asking him whether it is a fact that the old, historic force, first known as the Royal Northwest Mounted Police and the Royal Canadian Mounted Police, is now being divested of its stetsons, spurs, riding breeches, riding boots and Sam Browne belts, except for parades; and does he not feel that this historic force which did so much to hold the