

Mr. BENNETT: Yes, but is that not done by regulation?

Mr. MICHAUD: Yes.

Mr. BENNETT: This regulation says there shall be no limit for eight years.

Mr. MICHAUD: Yes.

Mr. BENNETT: And that will clean out our fisheries.

Mr. MICHAUD: If we had no treaty that would continue to prevail.

Mr. BENNETT: For eight years there is to be no treaty.

Mr. NEILL: I say that is what we want, if there is to be no treaty for eight years, but I object to its being in existence and not operative.

Mr. MICHAUD: The equal division of the catch is not the only purpose of the treaty. I am afraid that is a misapprehension under which we have been labouring.

Mr. BENNETT: No, it is conservation on one hand and equality of catch on the other.

Mr. MICHAUD: Yes, and more than that, to bring back the run of sockeye on the Fraser river to the 1913 level, if possible. It is more than conservation. The purpose is to try to increase the quantity of fish in the Fraser river by investigating the possibilities of protecting breeding grounds and preventing the over-catch in American waters of fish coming up to breed in Canadian waters, where Canadians have their only chance of taking them. So considering the purpose behind the treaty, and the powers to be given to the commission, it must be admitted that unless there is some change it will not be possible for the commission to order an equal division of catch on the river. That is certain. However, in view of conditions as they prevail to-day, I am afraid that Canadians will not be the first to ask for a revision of the understanding.

The CHAIRMAN: Shall the resolution carry?

Mr. BENNETT: I think we shall have to say "on division," because I cannot bring myself to follow that part of it.

The CHAIRMAN: Shall I report the resolution?

Mr. BENNETT: Does the government propose to found a bill on it?

Mr. MACKENZIE KING: No.

Mr. BENNETT: It has no authority in law, then.

Resolution reported, read the second time and concurred in.

[Mr. Michaud.]

NON-RESIDENT INCOME TAX CONVENTION BETWEEN CANADA AND THE UNITED STATES AS TO RATES AFFECTING INDIVIDUALS AND CORPORATIONS

Hon. J. L. ILSLEY (Minister of National Revenue) moved that the house go into committee to consider the following proposed resolution:

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.

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:

(a) The rate of income tax imposed by one of the contracting states, in respect of income derived from sources therein, upon individuals residing in the other state, who are not engaged in trade or business in the taxing state and have no office or place of business therein, shall not exceed five per centum for each taxable year, so long as an equivalent or lower rate of income taxation is imposed by the other state upon individuals residing in the former state who are not engaged in trade or business in such other state and do not have an office or place of business therein.

(b) The rate of income tax imposed by one of the contracting states, in respect of dividends derived from sources therein, upon non-resident foreign corporations organized under the laws of the other state, which are not engaged in trade or business in the taxing state and have no office or place of business therein, shall not exceed five per centum for each taxable year, so long as an equivalent or lower rate of income taxation on dividends is imposed by the other state upon corporations organized under the laws of the former state which are not engaged in trade or business in such other state and do not have an office or place of business therein.

(c) Either state shall be at liberty to increase the rate of taxation prescribed by paragraphs (a) and (b) of this article, and in such case the other state shall be released from the requirements of the said paragraphs (a) and (b).

(d) Effect shall be given to the foregoing provisions by both states as and from the first day of January, nineteen hundred and thirty-six.

Article II

The provisions of this convention shall not apply to citizens of the United States of America domiciled or resident in Canada.

Article III

This convention shall be ratified and shall take effect immediately upon the exchange of ratifications which shall take place at Washington as soon as possible.

Signed, in duplicate, at Washington by the duly authorized representatives of Canada and the United States of America, this thirtieth day of December, in the year of our Lord, one thousand nine hundred and thirty-six.

For Canada:

(L.S.) Herbert M. Marler
Envoy Extraordinary and Minister
Plenipotentiary

For the United States of America:

(L.S.) R. Walton Moore
Acting Secretary of State

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

Mr. ILSLEY: Mr. Chairman, I do not believe I need enter into a long explanation of the convention standing in my name as a resolution on the order paper. It is one between Canada and the United States of America concerning rates of income tax imposed upon non-resident individuals and corporations, and was signed at Washington on December 30, 1936. In May of last year the United States authorities made certain alterations in their income tax law by which it became necessary for persons remitting certain dividends and other forms of income to non-resident aliens to deduct 10 per cent therefrom and pay it to the United States government.

Since 1933 Canada has had a provision in its income tax legislation by which five per cent is deducted from certain dividends and interest being remitted to non-resident aliens. The result was—

Mr. BENNETT:—that we got several millions of dollars in income tax.

Mr. ILSLEY: Yes. After the passing of the amendment in the United States the result was that more was deducted from incomes of residents of Canada derived from sources in the United States than was deducted from incomes of residents of the United States derived from sources in Canada. Representations were made by and on behalf of this government, at the time the bill was under consideration in the United States, that the deduction should be five per cent in the case of residents of Canada so that it would be the same as the reduction made here. Before the bill actually became law a change was made in it providing for a treaty with

countries contiguous to the United States, the effect of which might be to reduce the deduction to five per cent. I read the following from an explanation of the United States Revenue Act of 1936:

In the case of foreign corporations subject to taxation under this title not engaged in trade or business within the United States and not having any office or place of business therein, there shall be deducted and withheld at the source in the same manner and upon the same items of income as is provided in section 143 a tax equal to 15 per centum thereof, except that in the case of dividends the rate shall be 10 per centum, and except that in the case of corporations organized under the laws of a contiguous country such rate of 10 per centum with respect to dividends shall be reduced to such rate (not less than 5 per centum) as may be provided by treaty with such country;

Mr. LAWSON: Is that section 232 of their act?

Mr. ILSLEY: I am reading from the explanation of section 144 of their act. If hon. members will refer to the convention, they will see that clause (a) reads as follows:

(a) The rate of income tax imposed by one of the Contracting States, in respect of income derived from sources therein, upon individuals residing in the other State, who are not engaged in trade or business in the taxing State and have no office or place of business therein, shall not exceed five per centum for each taxable year, so long as an equivalent or lower rate of income taxation is imposed by the other State upon individuals residing in the former State who are not engaged in trade or business in such other State and do not have an office or place of business therein.

The effect of that is that on dividends remitted from the United States to Canadian corporations not engaged in trade or business within the United States, and not having any office or place of business in the United States, the rate is five per centum and not ten per centum.

Mr. BENNETT: The same as the Canadian rate.

Mr. ILSLEY: The same as the Canadian rate. Section 211 of the Revenue Act, 1936, of the United States refers to non-resident alien individuals. Subsection (a) reads:

There shall be levied, collected and paid for each taxable year, in lieu of the tax imposed by sections 11 and 12, upon the amount received, by every non-resident alien individual not engaged in trade or business within the United States and not having an office or place of business therein, from sources within the United States as interest (except interest on deposits with persons carrying on the banking business), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and