

Income Tax

● (7:30 p.m.)

Mr. Sharp: When I was the minister of trade and commerce.

Mr. Lambert: Yes, when the Minister of Finance was then the minister charged with piloting through CALURA amendments. He knows whereof I speak.

Mr. Sharp: Mr. Chairman, this article is not identical with the article in the previous agreement, because the scope of this agreement is much more limited than the agreement it replaces. The precise answer to the first question put by the hon. gentleman, therefore, is that the exchange of information is more limited because this article relates to the exchange of information that is necessary in carrying out the provisions of this agreement. It is not as comprehensive as the former one was.

The second point I should like to make is that the form of this article is in accordance with the recommendations of the Organization for Economic Co-operation and Development. This is based on their model law for tax agreements.

The third point is that the only information that can be exchanged is, first of all, information necessary to the carrying out of the agreement. It is information which is at their disposal under their respective taxation laws in the normal course of administration. I do not believe it would be possible for the taxation authorities to pass on anything that they did not get in the ordinary course of administration of the taxation laws that relate to matters covered by this agreement. I do not really think that the question of CALURA is raised because, under that act, the taxation authorities were passing information along to CALURA. This relates only to the passing of information between the taxation authorities of two countries, information that is necessary for the carrying out of the provisions of this agreement. I suggest to my hon. friend that he is stretching his suspicions almost beyond belief.

Mr. Lambert: Not beyond belief; I do not believe I am necessarily chasing a bogeyman here. With respect, I point out to the minister that the information the tax authorities of this country obtained from business was for the purpose only of the administration of taxation. However, they take that self-same information and pass it on under the terms of CALURA. It will be recalled that under CALURA, as it was originally designed, there

[Mr. Lambert.]

was a specified return made for the purpose of that particular act, the Corporations and Labour Unions Returns Act. Now, we simply ask for the tax report, plus perhaps some additional information, so therefore the Minister of National Revenue of this country is obtaining information during the ordinary course, as is disclosed by this wording, "concerned with the assessment and collection of taxes which are the subject of this agreement".

Farther on there is a reference to what is necessary for the carrying out of the provisions of this agreement. I am raising this particular point as a warning because I rather believe that some of our friends, such as auditors and chartered accountants, may raise it. I hope that I may be wrong, but there is, to my mind, at least, a question. Perhaps experience will show whether I am right or wrong.

Mr. Barnett: I should like to return to the subject matter of article VII. When the hon. member for Edmonton West was speaking during second reading he said that this article relates to pensions and has affected, I suppose, thousands of people in various parts of Canada, certainly in my own part of Canada. The minister gave the hon. member for Winnipeg North Centre a short answer a moment ago, but I feel this is something on which we should be quite clear, so that if this agreement comes into effect we will be in a position to answer inquiries directed to us, at least up to a point.

I understood the minister to say during the debate on second reading, that this new agreement becomes effective as of the date of the expiration of the former agreement between ourselves and the United Kingdom which lapsed for a period. As I understood him, he said that the pensioners who were resident in either country would have some choice as to whether, in future, they accepted their tax levies under the terms of the old agreement or under the terms of the new agreement. Is that so?

Mr. Sharp: My understanding of the position is that the general rule in the future will be that pensions and annuities are taxable in the country of residence of the pensioner or annuitant. However, pensioners or annuitants who were receiving pensions under the old agreement, when the rule was different, in that the country of the source of these governmental pensions was the taxing authority, will be able to retain their former status if that is more advantageous than their new