

*Double Taxation*

In essence, I think there is disposition to dispose of this item in all stages today. If my suggestion is acceptable, perhaps you could put the rescission proposition and then put the motion as I proposed to amend it to read to committee of the whole.

**Mr. Gauthier:** Mr. Speaker, in essence the agreements have been reflected in the words of the Government House Leader except, Mr. Speaker, I do not think I can give him a guarantee that the Bill will be adopted today. We accept referral to committee of the whole third reading, and passage of the Bill hopefully sometime.

**Mr. Deputy Speaker:** The House has heard the terms of the proposal of the President of the Privy Council. Is there unanimous consent?

**Some Hon. Members:** Agreed.

Motion (Mr. Hnatyshyn) agreed to.

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**INCOME TAX AGREEMENTS, 1985**

## MEASURE TO ENACT

House in Committee on Bill S-6, an Act to implement an agreement between Canada and the Union of Soviet Socialist Republics, a convention between Canada and the Corporative Republic of Guyana and an agreement between Canada and India for the avoidance of double taxation with respect to income tax—Mr. Wilson—Mr. Danis in the Chair.

**The Chairman:** House in Committee of the Whole on Bill S-6, an Act to implement an agreement between Canada and the Union of Soviet Socialist Republics, a convention between Canada and the Co-operative Republic of Guyana and an agreement between Canada and India for the avoidance of double taxation with respect to income tax. Part I, Canada-U.S.S.R. Income Tax Agreement.

Shall Clause 1 carry?

● (1250)

On Clause 1—*Citation of Part I*

**Miss Nicholson:** Mr. Chairman, I have only two brief questions on this Bill. Perhaps the Minister might be willing to deal with them under Clause 1. Schedule IV of the Bill lists certain exceptions for India. For instance, there is a difference in the treatment of India with regard to the rates on royalties and fees. In the case of India, a rate of 30 per cent on royalties and fees for technical services applies, but only in respect of technology transferred under agreements made after the date of signature of the agreement, and in Canada the statutory rate of 25 per cent will apply. I believe that for the two other countries covered in the agreement, the rate is 10 per cent. Could the Minister explain both the reason for the difference and the probable amounts involved? Actually, I do not know which Minister will be answering my questions. Perhaps, since

the Minister of National Revenue was not here at the beginning of my remarks, he would like me to repeat my questions.

**Mr. MacKay:** Mr. Chairman, I apologize to my colleague. I was across the House speaking to another colleague, and I am not too certain what were her questions. Do they concern Bill C-59?

**Miss Nicholson:** We are on Bill S-6.

**An Hon. Member:** The Parliamentary Secretary will answer.

**Miss Nicholson:** Mr. Chairman, since I have two general questions, rather than ask them when we touch upon each clause, it might save time if I just asked them and they were answered on Clause 1. Then I would not have any further questions to ask.

The main issue was the difference in the treatment of India—what were the reasons and what are the financial implications? There is a difference in the treatment of royalties and fees for technical services.

Also, in the case of the Canada-India Double Taxation Agreement, the rate of withholding tax on dividends is reduced from 25 per cent to 15 per cent only if the recipient is a company which owns at least 10 per cent of the shares of the company paying the dividends, and if the dividends are paid out of profits from investments made after the date of signature of the agreement. Could I have an explanation of the different treatment of India and of the possible financial implications of both these measures?

[*Translation*]

**Mr. Vincent:** Mr. Chairman, as I said in my speech at the second reading stage, there are indeed differences in the rates for India, the USSR and Guyana, and this is quite normal. These agreements are negotiated between Canada and various countries and they have to respect the tax laws in those countries.

However, I believe that these differences are minimal. In monetary terms, I am unfortunately unable to provide accurate figures to the Hon. Member because it is only when the agreement is applied that people will be able to benefit and that we shall find out its full financial implications.

However, Mr. Chairman, I repeat that this comes from the fact that Canada has to negotiate with these various countries and that they each have their own tax laws.

Clause agreed to.

Clauses 2 to 18 inclusive agreed to.

Schedules I to III inclusive agreed to.

On Schedule IV—

**Mr. Gauthier:** Mr. Chairman, I simply want to come back to the question asked by my colleague for Trinity (Miss Nicholson) because Schedule IV deals with this issue, namely,