

*Government Orders*

With respect to the first point it should be borne in mind that U.S. estate taxes do not kick in for American citizens until the value of their estate exceeds \$600,000. Under our law enacted in 1988 the threshold for Canadians with property in the United States is only \$60,000. In our opinion that is simply not fair. This protocol changes that, ensuring that Canadians are entitled to the same treatment as our American neighbours.

There is the matter of double taxation. For half a century tax treaties have been combating the unfairness and financial disincentives of double taxation. Typically each jurisdiction provides a credit against its own taxes on revenue from the other jurisdiction that has already been taxed in that jurisdiction. The complicating factor in this case is that while both Canada and the United States impose taxes upon death, these taxes take two different forms. The U.S. applies an estate tax whereas in Canada the levy takes the form of an income tax on any appreciation of a deceased's property over his or her lifetime.

Bill S-9 simply recognizes the situation and addresses the anomaly that would otherwise result. Without the proposed change, combined Canada and U.S. tax on the estate of a Canadian with U.S. property could actually exceed the property value. I do not think anyone in the House would deny that would be patently unfair to the taxpayers.

In other words, any suggestion this provision represents a tax break for the wealthy rests on the confusion about tax treaties in general and this protocol in particular. Wealthy Canadians will continue to pay substantial taxes on property owned at death.

Another important change is the reduction or elimination of the rate of withholding tax that each country will apply to certain types of revenue. The rate on interest payments will be reduced to 10 per cent from 15 per cent. The rate on direct dividends will go down to 5 per cent from 10 per cent and the rate on royalties on computer software and on patent and technological information will be eliminated entirely.

These changes bring the rates under the Canada-U.S. convention into line with those provided in the OECD model tax convention accepted by most of the OECD's 25 countries. More to the point, the reduced rates will facilitate trade and investments between our two countries.

For example, the elimination of the withholding tax on certain types of information technology will make it cheaper for Canadian companies to access technology from the United States and easier for our high tech firms to sell to the United States.

I will mention one further beneficial change provided for in this protocol. It concerns the treatment of social security payments such as old age security and the Canada pension plan. Under the existing convention these payments are not taxable in the source country and only half the benefit is taxable in the other country. Once the protocol is ratified, however, benefits

paid from one country will be taxable exclusively in that country.

To sum up, double taxation conventions are a vital part of the legal infrastructure underpinning trade and investment relationships between modern economies. The protocol the bill will ratify will result in fair taxation while enhancing the international environment for trade and investment.

Once again I remind hon. members the bill came out of committee unchanged. I suggest we pass it without further delay.

• (1600)

[*Translation*]

**Mr. René Laurin (Joliette, BQ):** Mr. Speaker, we have seen that the purpose of Bill S-9 is to ratify a protocol to the Canada-United States Tax Convention.

This convention regulates most tax provisions, as the hon. member explained earlier. This means it regulates most tax provisions between Canada and the United States. Canada has similar conventions with many other countries throughout the world. The purpose of these conventions is primarily to avoid double taxation. It would be unfair for a Canadian or a Quebecer who works a few months in the United States to be taxed first in the United States and again in Canada or Quebec when he files his income tax return at the end of the year.

So considering the extent of our trade relations and the proximity of the United States, the Canada-United States Tax Convention should be as harmonized as possible, although it is still detailed and very complex.

The bill before the House today will make it possible for both governments to help each other collect taxes from their taxpayers. It is often said that one good deed deserves another. The United States will help Canada collect taxes owed by Canadian taxpayers abroad and in turn, Canada will help the United States collect taxes from Americans when they are on foreign soil.

Following the free trade agreement with the United States, both countries decided to operate even more closely to simplify fiscal exchanges between the two countries. This enhanced co-operation and harmonization are all part of the trend towards free trade that is now sweeping the international community and is forcing governments to become more efficient in the way they tax companies and citizens of the two countries that are signatories to this convention.

The Bloc Québécois fully supports the trend towards free trade, as we have done since the negotiations began and as Quebec did as soon as the issue of international free trade was broached, since the Province of Quebec, unlike the federal Liberal government at the time, had come out in favour of free trade. Since we support the free exchange of goods in the greatest possible harmony and on the most equitable terms for Canadians and Americans, we have not changed the position we