

**2009 IFA TRAVELLING LECTURESHIP ON ROYALTIES BY NATHAN BOIDMAN  
APPENDICES TO LECTURE OUTLINE**

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**APPENDIX 32 (1993 CANADIAN TREATY POLICY ON ARTICLE 12)**

**Material:**

1993 Federal Budget Material

# **The Budget 1993**

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*Tabled in the House of Commons  
by the Honourable Don Mazankowski  
Minister of Finance*

*April 26, 1993*



Department of Finance  
Canada

Ministère des Finances  
Canada

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**■ *Withholding taxes on payments for the use of patents***

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When Canadian businesses acquire rights to use new technologies from non-residents, the payments for these rights are subject to withholding tax. The *Income Tax Act* currently imposes a non-resident withholding tax of 25 per cent on these payments. This rate is generally reduced in bilateral income tax treaties and is currently 10 per cent on such payments made by Canadian taxpayers to residents of most industrialized countries.

The Canadian government is prepared, in its tax treaty negotiations, to eliminate the withholding tax on arm's length payments in respect of rights to use patented information or information concerning scientific experience.

The government also affirms its commitment to negotiate, on a bilateral basis, exemptions from withholding taxes for payments made for the use of computer software. Canada recently concluded a protocol to the Canada-Netherlands Income Tax Convention which provides for such an exemption.

Eliminating the withholding tax on these payments will reduce the cost to Canadian firms of accessing technology developed by foreign firms. As any such exemption will be negotiated on a bilateral basis, it will also make it more attractive for Canadian firms to export technology they have developed. These factors should enhance the ability of Canadian firms to keep pace with innovative developments abroad and should expand the overseas market for Canadian technology.