REPORT

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CONFERENCE

On the Report of

The Royal Commission on Taxation

Canadian Tax Foundation
L'Association Canadienne D'Études Fiscales
100 University Avenue
Toronto 1, Canada

Canadian corporations that carry on international business causing then retreat from these areas. Thus the Carter recommendations will foster econ isolationism.

Speaker: **R. Alan Short**
Canadian Tax Foundation, Toronto

Because the tax system proposed for Canada would depart fundamer from the tax systems of other countries, considerable strain would undoubtedl on the tax treaty process for reconciling major differences. Unfortunately, discussion of the treaty situation is frustrated since the international implications of the proposals are not fully developed.

Nevertheless it is interesting to speculate on some of the concessions that Canada might be required to make in treaty negotiations with other countries.

The Neutrality Gap

The existing tax system in Canada provides a substantial degree of what might be referred to as "border neutrality". On balance, Canadian taxation discriminates little as between domestic and foreign income or as between Canadian and overseas investors. It therefore maintains, in the jargon of the economist, a reasonable degree of "capital-export" and "capital-import" neutrality.

The proposed integration of the corporate and personal income tax would result in a radical departure from neutrality since the substantial benefits would generally be confined to the Canadian investor in Canadian securities.

Of course tax systems are never completely neutral; they exhibit various degrees of acidity in different countries. And one of the less-publicized but important functions of tax treaties is to alkalize the more acidic system so that departures from neutrality in each contracting jurisdiction roughly counteract each other. The acidity of the proposed system might well require a substantial dose of neutralizing treaty salts in bilaterial negotiations with other countries.

For example, a country such as the United States—concerned with balance-of-payments difficulties and reluctant to see Canadian portfolio investors withdraw from American securities markets—would undoubtedly attempt to press for some reduction of the discrimination favouring Canadian investment in domestic over foreign shares. Foreign negotiators would probably explore the extent to which Canada might be willing to exempt foreign dividends from Canadian tax or to further extend the integration of foreign corporate taxes by increasing the arbitrary percentage allowed as foreign tax credit. As a practical matter the recommended 30% rate could probably not be increased for revenue reasons; although if the percentage were lower, especially on portfolio investment, Canada's negotiators might have more room to manoeuvre in treaty bargaining.

An alternative approach might be for the foreign negotiators to press for a reduction of the Canadian tax on capital gains realized by Canadians on the sale of foreign securities. The *Report* itself supports the argument for a preferred rate

> We could not countenance the unwarranted benefits that some shareholders would obtain from full integration if share gains were not taxed in full; similarly, *we could not accept the adverse effects of taxing share gains in full without removing the double taxation of corporate source income.* The two proposals are part of a package. Neither can be recommended in isolation. (Vol. 4, p. 28) (Italics added)

It is difficult to maintain that equity, in these terms, should halt at the Canadian border; and I would expect U.S. negotiators to argue that if capital gains on U.S. securities are to be fully taxable in Canada, U.S. dividends should be exempt from any Canadian tax. Undoubtedly a number of other treaty concessions designed to narrow the "capital-export" neutrality gap (illustrated in the accompanying table) would be considered.

TABLE I

Assume a Canadian resident individual, taxable at 25%, acquired shares for $1,000 in January 1970 in Canadian, American and Bahamian companies. Assume further that the pre-tax earnings attributable to the shares of each company were $100 and that a dividend of $25 was paid.

	Canadian Company	U.S. Company		Bahamian Company	
		Direct	Portfolio	Direct	Portfolio
Corporate earnings	100	100	100	100	100
Corporate Tax	50	48	48	—	—
Net Profit	50	52	52	100	100
Shareholder's Income	100.0	30.36[1]	25.0	35.71	25.0
Shareholder's Tax					
Tax on Accrual	—	—	—	30.0	—
Foreign Tax Withheld	—	3.75	3.75	—	—
Canadian Tax (25%)	25.0[2]	7.59	6.25	8.93	6.25
Less:					
Corporate Tax Credit	(50.0)	—	—	—	—
Foreign Tax Credit	—	(9.11)	(3.75)	(10.71)	—
Net Tax on Dividend—					
Proposed System	(25.0)	2.23	6.25	28.22	6.25
Existing System	1.25[3]	6.25	6.25	6.25	6.25
Additional Tax if Shares Sold for $1,100	18.75[4]	25.00	25.00	[5]	25.00

[1] Net dividend grossed up at 30% (Vol. 4-516).

[2] Assuming $25 distributed and remaining $25 allocated to shareholder.

[3] $6.25 reduced by 20% dividend tax credit.

[4] 25% of $75 (the $100 gain reduced by $25 allocation).

[5] This would appear to be either $5.71 or $2.50—i.e. $25 (25% of the $100 gain) minus either $19.29 or $22.50 (whatever amount is considered to be the unused portion of the tax on accrual), (Vol. 4-529).

It may be suggested that Canada should also be prepared to offer dividend withholding tax concessions to narrow the "capital-import" neutrality gap—that is, the discrimination built into the proposed system favouring the domestic over the foreign investor. Alternatively, it may be argued that if the underlying corporate tax rates are similar in each contracting country, the withholding taxes on dividends crossing the border should be at the same rate. Hard treaty bargaining might be expected in this area since the principles of neutrality and reciprocity would be in direct conflict.

(In this connection one possible modification of the proposed integration as it affects non-residents might be explored before implementation. The accompanying schedule—Table II—indicates that the U.S. tax system does not generally favour domestic over foreign investment by an American portfolio investor. In fact, for many years the U.S. system (like Canada's) favoured investment in the U.K. by permitting a foreign tax credit for the underlying British corporate income tax. Canada's proposed system might well secure a similar benefit to foreign portfolio

investors at no revenue loss to the Canadian Treasury, by treating dividends in much the same way as Britain did prior to the so-called "corporate tax reform" introduced by the U.K. *Finance Act, 1965*. From the Canadian point of view, such a change—treating the dividend as the net distribution grossed up by the underlying corporate tax—would be consistent with the proposed treatment accorded domestic dividends and would represent a change in form only. While it seems unlikely that the U.S. Treasury would ever again accept a provision like that in the old Anglo-American treaty, a modification along the lines proposed might enchance Canada's bargaining position and benefit portfolio investors in some other countries.)

TABLE II

Assume a U.S. shareholder taxable at 30% invests in British, Canadian and American shares and that the distributed corporate profits (before tax) attributable to each share are $100. The following schedule shows the net return to the shareholder.

	U.S. Shares	U.K. Shares		Canadian Shares		
		1964	1967	Existing System	Proposed System Commission	Modified[1]
Corporate Earnings	100	100	100	100	100	100
Corporate Tax	48	56.25	40	52	50	50
Net distribution (1)	52	43.25	60	48	50	50
Shareholder's Income	52	74.47[2]	60	48	50	100
Shareholder's Tax—						
Dividend Withholding	—	—	9.0	4.8	5.0	5.0
U.S. Personal Tax	15.6	22.34	18.0	14.4	15.0	30.0
Foreign Tax Credit	—	(22.34)	(9.0)	(4.8)	(5.0)	(30.0)
Total Tax (2)	15.6	0	18.0	14.4	15.0	5.0
After-tax Return (1 minus 2)	$36.40	$43.25	$42.00	$33.60	$35.00	$45.00

[1] See text for gross-up proposal.
[2] $43.25 grossed up for U.K. income taxes of 41¼%.

International Labour Mobility

Tax treaties are also used to overcome fiscal barriers to international labour mobility. Discussion here is hampered by the difficulty of sorting out the relevant implications of the comprehensive tax base and family unit concepts as they might affect personnel transfers. Take, for example, a U.S. citizen who accepts a three-year executive posting to a Canadian subsidiary and who is later joined in Canada by his 20-year-old son. It is not clear from the *Report* how property belonging to the son would be taxable; but it seems possible that the following might happen.

(i) On the son's coming into Canada the value of his property might be taxable to the family unit as acquisition of economic power under the "net gains" formulation of the comprehensive tax base (Vol. 3, Chapter 8).

(ii) On the son's becoming 21 any subsequent gain on the property would be taxable to the family unit (Vol. 3—137) and at the same time the value of the property in excess of $5,250 (the lifetime and annual exemption) would be included in the son's income.

(iii) When the son became non-resident any further subsequent gain would again be taxed to the son (Vol. 3—394).

This treatment of dependant's property, taken together with other provisions (especially those relating to gifts and inheritances) might be expected to deter all but the most unwitting foreigner from accepting a Canadian posting. Of course much of the dependent child problem could be easily avoided by ensuring that the son retained non-resident status, or if, prior to establishing Canadian residence, all family property were vested in a non-resident trust—a vehicle apparently outside the scope of the Chapter 21 rules and offering considerable scope for the imaginative.

Until these implications are clarified, it would not be unreasonable for the foreign negotiators to suggest that the U.S. citizen resident but not domiciled in Canada be permitted a treaty election to have the Canadian family unit and gift provisions waived or at least modified. The practice in the U.K. of limiting the taxation of non-domiciliaries to income *received in* Britain might well be necessary here if Canada is not to discourage foreign managerial and technical personnel from accepting Canadian employment.

In any event, whether or not the *Report* is implemented, the foreign negotiators might well argue for the non-application of the "soujourner" provision— the so-called "183 day rule"—in section 139(3) of the *Income Tax Act*. The unreasonableness of this provision is perhaps more apparent this year because of the number of overseas employees attached to Expo '67—a world exhibition lasting exactly 183 days. (This is understood to be a co-incidence rather than a diabolical plot of the Revenue Department.) The unfortunate consequences, under present taxation, of treating sojourners as residents of Canada throughout the year, would smack even more of "bloody-mindedness" under the proposed system. The Commission recognized that the concept of personal residence is "not without its share of obscurity" and that its proposals would increase the need for greater certainty (Vol. 4—541); but no specific recommendations were made.

Evasion and Avoidance

International tax avoidance and evasion—a matter of concern in tax treaties—would be frustrated by a number of the Commission's recommendations including:

—the organization of special international tax groups within the Departments of Finance and National Revenue (Vol. 4—563),

—the requirement for "detailed reporting on international transactions between taxpayers not dealing at arm's length" (Vol. 4—565),

—the detailed reporting by all residents of all holdings, acquisitions and disposals of property (Vol. 3—356), and

—the requirement for residents to obtain a tax clearance before emigrating from Canada (Vol. 3—376).

The Commission also expressed legitimate concern with the opportunities for abuse presented by the ease with which corporate residence may be changed (Vol. 3—378). A foreign incorporated company would, in the absence of restrictions, be able to establish Canadian control, and therefore Canadian residence, to avoid tax—the special section 110B tax on Canadian branch earnings and the non-resident withholding tax on Canadian source dividend income—and subsequently re-establish foreign residence in order to avoid the Canadian tax on its property gains and dividend payments. Tightened rules respecting changes in corporate residence, and the other anti-abuse measures noted above, should not have adverse treaty implications.

Reciprocal Enforcement

In addition the Commission recommended that treaties "provide for reciprocal enforcement of tax judgments within defined limits" (Vol. 5—150). The OECD Draft Convention does not call for mutual collection assistance; and Canada, like Britain, has not yet accepted such an obligation. Reciprocal collection assistance in one form or another has been incorporated in a limited number of American and European treaties.[1] There is an abundance of literature on international anti-evasion, and proposals for dealing with it range from making tax fraud an extraditable offense to the establishment of an international organization for world-wide tax co-operation and enforcement.[2]

Reciprocal enforcement provisions have not been widely accepted in the past although several publicized cases (such as *Harden v. U.S.A.*, 1965 DTC 1276, in the Supreme Court of Canada) might serve to gain sympathy for proponements of effective anti-evasion measures. The difficulty, of course, is to devise a treaty provision which (i) effectively thwarts evasion, (ii) adequately protects the taxpayer against discriminatory foreign taxation, and (iii) ensures that the tax authorities of one country would not be burdened with the responsibility of administering a foreign tax that could not otherwise be properly enforced abroad.

The U.S. negotiators might be expected to resist inclusion of a broad reciprocal collection provision in a Canada-U.S. treaty. The Commission suggested that all gains on Canadian property realized by non-residents should be taxable but refrained from recommending such taxation only because of the difficulty of administration and enforcement (Vol. 3—357). A broad treaty collection provision might overcome these difficulties but the U.S. authorities would be unlikely to appreciate the added burden of administering a provision that could expose its citizens and/or residents to a Canadian tax that could not generally be enforced by Canada against other non-residents in non-treaty jurisdictions.

Another anti-avoidance recommendation is that interest payments by Canadian corporations to non-resident affiliates should be treated as non-deductible dividends (Vol. 4—74). The effect would be to force international double taxation on those foreign entities required to include interest in income. (It would, for example, conflict with the proposed U.S. regulations under section 482 of the *Internal Revenue Code* which require a U.S. company to charge an appropriate rate of interest on inter-company indebtedness.) A similar approach was taken in the U.K. *Finance Act, 1965* to curtail potential abuses of the sort described in the *Report*. However Britain has agreed to waive the restriction in its bilateral tax treaties with other countries[3] and Canada would, or at least should, be required to do the same. Double taxation, at current tax levels throughout the world, results in the virtual confiscation of income.

Double Taxation

The final purpose of tax treaties discussed here is that of alleviating international double taxation. Some of the relevant proposals of the Commission are discussed below.

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[1] Mutual collection assistance provisions are in U.S. treaties with Denmark, France, the Netherlands and Sweden. However, such provisions have encountered considerable taxpayer and senate opposition and any collection provisions included in American treaties promulgated since 1948 have been of very restricted scope. See *Legislative History of United States Tax Conventions*, Volume 1, pages 522 to 605. In addition several other countries have entered into separate tax administration and collection assistance agreements. See *International Tax Agreements*, United Nations, Vol. IX, Part 1.

[2] See, for example, J. V. Surr "Intertax: Intergovernmental Cooperation in Taxation", *Harvard International Law Club Journal*, Vol. 7, No. 2 (Spring, 1966).

[3] See, for example, Article 10(4) of the 1966 Canada-U.K. Treaty.

Non-Resident Withholding Tax

The Commission proposed an increase in, and an extension of, the non-resident withholding tax to 30% on interest, rents, royalties, employment income and other payments such as pensions, annuities, gifts exceeding $1,000 and bequests (Vol. 4—540). The 30% rate is probably excessive but necessary to enhance Canada's treaty bargaining position.

The proposals relating to gifts and inheritances would complicate treaty negotiations tremendously by making it necessary for Canada to expand income tax treaties to include provisions usually confined to a separate inheritance and estate tax convention. If the provinces accept the Commission's invitation to withdraw from the succession duty field, some complications may be reduced. In addition the limitation of the Canadian tax on property passing to non-residents on death to 15% of the value of property located in Canada in the case of non-Canadian domiciliaries (Vol. 3—510) should further reduce problems of treaty negotiation.

Elections for Non-Residents

It is proposed that non-residents in receipt of Canadian source gifts, inheritances, employment income and several other types of income be given an option to avoid tax at 30% by electing to file as Canadian residents and to pay tax on their world income (Vol. 4—556). In addition rents, royalties and other income "against which substantial business expenses" may be offset, may be taxed at the option of the taxpayer, not on gross income at 30%, but on net income at the ordinary rates appropriate to the recipient. These elections are reasonable in principle, but a number of practical difficulties seem inevitable which, if not removed in any implementing legislation, might be the subject of a special clarifying treaty provision.[4]

Dividend Withholding

The proposal to impose a flat rate of withholding tax of 15% on dividends going abroad, regardless of the degree of Canadian ownership, to be reduced on a reciprocal basis to 10% in treaty negotiations (Vol. 4—547) presents no special treaty problem. In addition, the proposed retention (and extension) of the special section 110B tax imposed on the Canadian branch earnings of a non-resident corporation at the same rate as is applied to dividends seems reasonable from Canada's point of view and should probably not be sacrificed in treaty negotiations (Vol. 4—546).

Tax Sparing

The Commission accepted the principle of "tax-sparing" under which Canada would agree to allow double taxation relief for foreign taxes waived under foreign investment incentives (Vol. 4—532). Acceptance of this controversial principle should facilitate the extension of Canada's tax treaty program to some of the increasingly treaty-conscious less developed countries.[5]

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[4] One very practical problem is that of calculating reciprocal foreign tax credits where a person is fully taxable in two jurisdictions on the same income. Another problem is that of determining the appropriate expense deductions in calculating net royalty and rental income. It is difficult to appreciate the reasoning underlying the recommendation that foreign expenses "which would be subject to withholding tax if paid by a Canadian resident, should not be deductible" under the election. The Commission's other recommendations, especially that imposing a withholding tax on personal service income (Vol. 4-553) would effectively disqualify a large number of otherwise deductible items.

[5] See "Tax Treaties with Developing Countries", *Journal,* Vol. XIV, No. 2 (March-April, 1966) page 171.

Tax on Services

The proposal to impose a special 10% tax on payments made by Canadian residents for personal services performed abroad by non-residents (Vol. 4—553) is likely to cause concern to foreign taxpayers since, in most foreign countries, the Canadian tax would not qualify for double taxation relief. However, as the Commission pointed out, a number of difficulties flow from the rather arbitrary "distinction between international income from capital, which is taxed where the capital is employed, and international income from services, which is taxed where the personnel physically performed the services". While this oversimplifies the problem, the different source rules are difficult to justify even where a distinction can be made. One must sympathize with the reasons behind this recommendation,[6] but it does seem unfair that the victim in the war for revenue between competing tax jurisdictions should be the innocent taxpayer. It is to be hoped that in treaty negotiations Canada would either agree to forgo this tax or attempt to persuade the foreign country to allow relief for it.

(It is also to be hoped that Canada would enact statutory rules delimiting the geographical source of the various types of income. For the purpose of Canada's foreign tax credit, the Canadian Act should probably also be amended to ensure that the same source rules were made applicable to both residents and non-residents—this would overcome at least one of the important deficiencies of section 41.)[7]

Allocation of Income

The Commission recommended a study of the feasibility of replacing the fair market value rules applicable to individual transactions by a formula method of allocating income as between related entities in different tax jurisdictions, (Vol. 4—562).[8] Under this approach, total profits would presumably be apportioned as between the various jurisdictions on the basis of a formula taking into account any one or combination of factors such as payroll expenses, number of employees, net working assets, turnover and so on.

Formula allocation is rarely used internationally although it is not uncommon for allocating income as between political sub-divisions.[9] The logic for the use of a formula basis of allocation is that the various activities (such as manufacturing, administration and distribution) contribute to earnings and that it is neither practicable nor appropriate to measure their separate profit contributions. However, it is doubtful that a mechanical formula would simplify problems of compliance for the taxpayer or of enforcement for the tax collector.

If equity is to be achieved three conditions must be met: each taxing jurisdiction would be required (i) to accept the same formula, (ii) to employ the formula in the same circumstances, and (iii) to apply the formula to the same

[6] Although it is difficult to understand why the tax should apply only to payments deductible in computing Canadian business or property income.

[7] For a listing of some of the deficiencies of Canada's foreign tax credit provisions see "Tax Considerations for Exporters" in the Foundation's *1964 Conference Report,* pages 184-192.

[8] In the United States, in 1962, congressional consideration was given to the use of a three-factor formula for allocating income arising from sales of tangible property as between related entities. A proposed amendment to section 482 of the U.S. Code would have imposed a formula based on tangible assets, distribution expenses and payroll except where the taxpayer was able to establish fair market value by reference to comparable transactions with unrelated parties. However, the formula was dropped from the final version of the Revenue Act of 1962 for the reason that a change, if desirable, could be made in regulations and did not require statutory amendment. Formula apportionment is not recommended in the proposed regulations issued by the U.S. Treasury in August, 1966.

[9] It is used in Canada for allocating income as between permanent establishments and has been recommended in the United States by the U.S. Congressional Subcommittee on the State Taxation of Interstate Commerce.

profits. Even if international agreement could be obtained on a standard formula and the circumstances in which it would be applied, it seems unlikely that any two countries would agree on a common measurement of the profits to which the formula would be applied. Without such agreement each country would presumably calculate the allocable profits according to its own tax accounting rules. But it would be wholly impracticable if each taxing jurisdiction were to require the taxpayer to file separate financial statements for each affiliated company and to make the necessary foreign exchange, consolidation and other adjustments necessary to conform to its tax accounting concepts. For example, Alcan Aluminium Limited is reported in the *Financial Post Survey of Industrials* as being engaged in mining, smelting, transportation, power development, fabrication and sales activities in over 100 countries through more than 60 affiliated companies. Such a company could not comply with such a reporting requirement which would presumably be necessary, for administrative reasons, so that each jurisdiction could ensure that the appropriate amount of profit had been properly allocated.

In addition formula apportionment is deficient in that it allocates income retroactively and on a quantitative basis but ignores the qualitative aspects which have important tax and non-tax implications. A value must be assigned to a transaction at the time it takes place, not in the subsequent year when profits have been finally determined. It is necessary, for example, to break revenue down as between product prices, royalties, dividends, fees for services and so on for a variety of purposes, including sales and excise taxes, foreign exchange control, customs duties and non-resident withholding taxes.

An official of the U.S. Treasury Department indicated that, before the proposed U.S. regulations on inter-company pricing were issued, "Consideration was given to the possible use of a formula or mechanical test for determining an arm's length price. . . . However, as the Treasury study continued, it became obvious that what was involved in the pricing area was an infinite variety of factual patterns involving a wide variety of products. Any attempt to arrive at a fixed formula . . . in a desire to provide absolute certainty necessarily would produce arbitrary results far removed from economic reality."[10]

If formula allocation is impracticable, hope none the less remains for reducing some of the uncertainty in the troublesome area of non-arm's length transactions. In August last year the U.S. Treasury released the widely publicized proposed regulations under section 482, setting forth detailed rules for placing a fair market value on inter-company transactions in five situations—interest on indebtedness, fees for services, rents for property, royalties on intangibles and the selling price of property.

The guidelines have received less than wholly enthusiastic acclaim. The rules are said to have technical deficiencies, to be arbitrary and to lack flexibility in some areas and precision in others. It seems apparent that technical rules—even as detailed as those proposed—cannot make a precise science out of the imprecise art of valuation.[11]

Many of the objections stem from the fact that not all countries abide by the same rules. Such objections lose considerable force if two contracting treaty

[10] Arthur J. Rothkopf, "Section 482 in Perspective" in *Taxes—The Tax Magazine*, November, 1966, page 732.

[11] A basic objection to the proposed guidelines stems from the fact that an assessment carries a presumption of validity and the burden is on the taxpayer to establish, not only that his own method of inter-company pricing was reasonable, but also that the Commissioner's adjustment was unreasonable. The section 482 guidelines might have gained greater acceptance if the onus for justifying a re-allocation were transferred to the Commissioner in certain circumstances—for example, where the profitability or return on investment of the related entities is similar, where the tax rates are reasonably close in the jurisdictions whose revenues would be affected by a proposed re-allocation, or where a substantial minority interest exists in one of the related entities.

countries agree both to accept the same guidelines and to apply them in the same manner. Uniform application of valuation rules might be guaranteed under a safeguard provision such as that contained in the *1964 Model Commonwealth Taxation Agreement* proposed by the Special Taxation Committee of the Federation of Commonwealth Chambers of Commerce. Article 7(2) of the Convention provides that a re-allocation of income by one taxing jurisdiction shall not be made without the concurrence of the other contracting country and that the latter state shall take whatever measures are necessary to ensure that the adjustment does not give rise to double taxation.

Such an idealistic provision has apparently not been given serious consideration in actual bilateral treaty negotiations. The Commission's proposal is for improvement in the "mutual agreement" or "competent authority" provision of tax treaties. This provision, found in one form or another in most conventions, establishes what has been referred to as the taxpayer grievance procedure. However the standard provision calling for inter-governmental consultation to resolve treaty differences affords the taxpayer little real protection against double taxation. It is cumbersome and seldom, if ever, works. The Commission noted that:

> An aspect of the treaties that calls for improvement is the "competent authority" provision. The present arrangements are unsatisfactory, resting as they do on the sufferance of the contending tax authorities. In our opinion, the determination of the existence and degree of double taxation should be made the responsibility of a tribunal consisting of a representative from each country and a third member chosen by them. The tribunal should have power, on a finding of double taxation, to allocate income between the two countries or even to allow a rebate on equitable principles. (Vol. 4—569)

This recommendation is similar to proposals made in 1959 by the Taxation Commission of the International Chamber of Commerce in a brochure entitled *Double Taxation—Settlement of Disputes* and would, if incorporated into a treaty, represent a major breakthrough in the field of international tax relationships. Nevertheless a major breakthrough is necessary if perhaps the most vexing problem of international double taxation is to be resolved. I regard this as one of the more important recommendations in the *Report*.

Conclusion

Canada's existing tax system has not required any basic modification by the treaty process—tax conventions have not appreciably altered the Canadian tax rules or rates applying either to the foreign source income of Canadians or to the Canadian source income of non-residents. Under the proposed system, tax treaties would assume greater importance for both domestic and foreign taxpayers. Predictions as to the concessions that would be required in treaty negotiations simply cannot be made at this time. However it seems reasonable to assume that negotiations, particularly those with the United States, would be protracted and that resulting treaties would be greater in number and far more complex than the (wholly inadequate) ones we now have.

Speaker: **Dr. Jacob Strobl**
Attorney, Munich, Germany

Systems of Corporation Income Tax

General

The tax burden of corporations can be judged only together with the taxation of the shareholders.