

### Tax Incentive Influence Slight On Foreign Control

OTTAWA (CP)—A tax incentive launched 31 years ago by the Liberal government to spur Canadian ownership in foreign-controlled companies has had no measurable effect, say federal experts.

The incentive altered the withholding tax on dividends paid to non-residents, a levy dating back in various forms to 1935.

As finance minister introducing the first Liberal budget after the 1953 federal election, Walter Gordon scaled down the tax to 10 per cent from 15 in cases where the paying company is at least 25-per-cent Canadian-owned, with Canadians making up 25 per cent of its directors.

Studies since then indicate that few companies would find it worthwhile to bring their foreign-owned equity down to 75 per cent.

The latest breakdown, for 1962, shows that most corporations in Canada were either more than 95-per-cent foreign-owned or less than five-per-cent foreign-owned.

In the first group were about 8,900 companies with \$15,000,000,000 in assets. In the second were 18,250 companies with assets of \$20,000,000,000.

The number of companies with foreign ownership ranging between 50 and 95 per cent was fewer than 1,300 with assets of \$13,500,000. And companies owned 50 to 95 per cent by Canadians totalled 1,904, with assets of \$15,000,000.

Further studies under way for 1963 and 1964 are not expected to change these proportions much, officials report. Any variation is likely to be found in a larger concentration of foreign-owned firms, because these are the larger operations, growing faster.

Further, about 70 per cent of the foreign-controlled companies operating in Canada are subsidiaries of U.S. firms.

Under U.S. tax law, these parent companies may recover all or almost all of the taxes paid in Canada through deductions from either their taxable income or their U.S. tax liability. They therefore would not benefit from qualifying for the 10-per-cent Canadian tax.

No government department breaks down taxes paid by non-residents, so that even the crude volume of withholding taxes cannot be determined.

Beyond these difficulties, however, there is opposition to the tax incentive within both the business and academic communities.

The Canadian Chamber of Commerce says a 25-per-cent interest will not give Canadian investors an effective voice in any subsidiary. Such investment funds were tied up in a foreign-controlled company instead of being invested in a Canadian-controlled company.

**EXPECT FEW CHANGES**

In any case, there was not enough Canadian investment money around to buy a 25-per-cent interest in all foreign-controlled companies in Canada. And if funds are forced in this direction, it "may seriously impair financing operations of Canadian-owned enterprises," the chamber says.

If many U.S. parent companies disposed of 25 per cent of their interests in Canadian subsidiaries and took the money out of Canada, it would put Canada's exchange reserves under severe strain.

In other cases, the money

might be used to buy a controlling interest in an existing Canadian business.

T. chamber argues that where there is a minority interest in a Canadian subsidiary, the foreign parent may be less inclined to give the subsidiary export orders and other special benefits it might enjoy as a wholly-owned subsidiary.

Some leading university economists argue that the ownership of a company is less important than the conduct of management.

For these few foreign-owned concerns not acting in Canadian interests, the best course open to governments would be a requirement for corporate disclosure.

This would encompass export and purchasing practices, inside trading and payments to parent companies for research and financing.

Among these economists, new federal interest in securities legislation is being applauded.

**N.S. Aircraft May Use Roads**

HALIFAX (CP)—Aircraft of the Nova Scotia department of lands and forests may soon be landing on the province's highways. One road is already being used as a temporary landing strip.

Experimenting with the use of ground-based instead of water-based aircraft to fight forest fires, the department blocked off half a mile of road in Lunenburg County while a fire department truck pumped 250 gallons of water into an Aer-Commander Snow aircraft outside Martin's River. The water was then dropped on a fire nearby.

Officials leased the plane, originally designed as a chemical sprayer as well as a water-bomber, from a New Brunswick concern and said the plan might be applied to parts of the province where roads are nearer fire locations than lakes or rivers.

No more could be said of the first test, however. The aircraft had to fly home after taking off with its second load of water because the release hatch jammed shut.

**Mortgage Sale**

There will be sold by Public Auction in front of the Law Courts Building in Charlottetown in Queens County in Prince Edward Island, on the 28th day of December, A.D. 1966 at the hour of twelve o'clock in the forenoon.

**ALL THAT TRACT, PIECE AND PARCEL OF LAND, situate, lying and being in Township Number 56 in Kings County, bounded and described as follows, that is to say:— COMMENCING on the western side of the Sparrows Road, at the northeast angle of fifty (50) acres of land in possession of Patrick Lawler, thence westwardly along the northern boundary line of said Patrick Lawler's land to the division line between Lots 59 and 65, thence northwardly along the said division line to the northern boundary of a farm of land owned by Donald McEachern thence eastwardly along the said southern boundary and along the southern boundary of a tract of land of forty-six (46) acres formerly in the possession of Michael Lussan now in possession of Andrew Lussan until it strikes the eastern sideline of the said Andrew Lussan's farm, thence northwardly along the said eastern sideline to the southern boundary of sixty (60) acres of land formerly owned by Simon McEachern now in possession of Thomas Lussan, thence easterly along the said last mentioned boundary to the southeast angle of said farm of sixty (60) acres thence northerly along the eastern sideline of said farm of sixty (60) acres to the southern or rear line of eighty (80) acres of land owned by Patrick Mahar, thence easterly along the said last mentioned southern boundary line to Sparrows Road, thence southerly along the said road to the place of commencement containing one hundred and forty (140) acres of land a little more or less, and being thus described in a deed from Leonard Phillips to Margaret Power, dated 4th August, 1958.**

The above sale is made under and by virtue of and pursuant to a power of sale contained in a certain indenture of mortgage dated the 28th day of November A.D. 1965, made between Lester Bruce Nicholson, of Wood Islands, Queens County, Prince Edward Island, Farmer and Veina Nicholson, wife of the said Lester Bruce Nicholson of the one part and Her Majesty the Queen in the other part, default having been made in the payment of the principal and interest secured.

Dated this 18th day of November A.D. 1966.

C. E. McQuaid, Q.C., Attorney for Her Majesty the Queen in the Right of the Province of Prince Edward Island.

**Fresh Island TURKEY for Christmas Order early! 10 to 25 lbs. QUEEN ST. MEAT MARKET**

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**ALL THAT PARCEL of land situate, lying and being in Township Number 57 in Queens County bounded and described as follows, that is to say:— COMMENCING on the north side of the Montague River, at the southeast angle of lands sold to Donald Munroe, thence north to the Division Line of Townships 59 and 57, thence east to the County Line, thence south to the River thence along the river to the place of commencement containing one hundred and thirty-six (136) acres of land a little more or less.**

The above sale is made under and by virtue of and pursuant to a power of sale contained in a certain indenture of mortgage dated the 28th day of November A.D. 1965, made between Lester Bruce Nicholson, of Wood Islands, Queens County, Prince Edward Island, Farmer and Veina Nicholson, wife of the said Lester Bruce Nicholson of the one part and Her Majesty the Queen in the other part, default having been made in the payment of the principal and interest secured.

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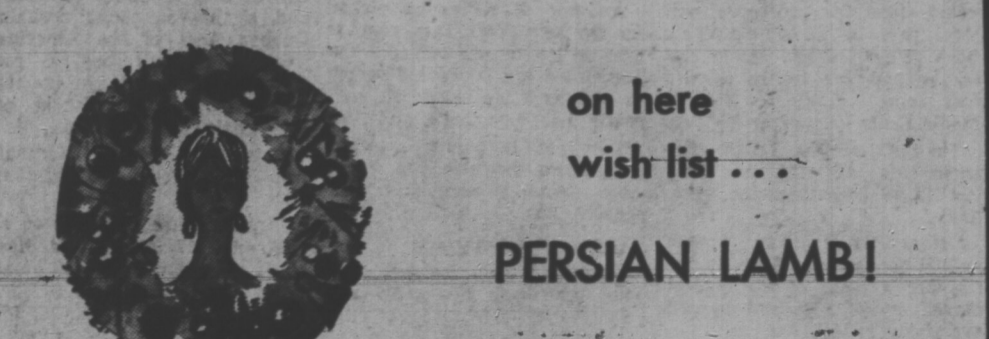
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