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The Current Canada-United States Tax Treaty: Impact on Transnational Operations

Introductory Remarks

Brian Arnold, Professor of Law, University of Western Ontario, London.

THE SECOND SESSION in this Conference deals with the current Canada-United States Tax Treaty. This Treaty was signed twenty-seven years ago, in March 1942. It has served both the Canadian and the United States governments and taxpayers reasonably well since that time. Certainly, it is not perfect and thus I emphasize *reasonably well* as the descriptive term for the Treaty. There have been very few changes in the Treaty since it was first introduced in 1942. From a Canadian perspective, it is our most important treaty, and probably one of the most important among the American treaties currently in force.

Nevertheless, both Canada and the United States have witnessed sweeping tax reform movements since the Treaty's inception. Canada has had significant tax reform in 1972 which was followed by equally significant amendments in 1974 and additional amendments in 1976. The United States, on the other hand, has had tax reform in the development of an OECD model treaty, the publication of an American model treaty, and most recently, President Carter's proposal to withdraw the benefits of deferral. In light of this, it is not surprising that both Canada and the United States are renegotiating many of their tax treaties, including the Canada-United States Tax Treaty.

Here, today, to discuss what we are likely to see in the *new* Canada-United States Tax Treaty as well as some of the problems which exist in the current Treaty, the Institute is privileged to have Mr. Robert Patrick, Jr.* and Mr. Peter Cumyn. We will begin with Mr. Cumyn.

* Mr. Patrick's remarks at the Conference were unable to be reprinted due to technical difficulties.