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Recent Tax Developments and Issues Affecting Canada-U.S. Transnational Business Activities (Operations, Investment, and Personnel): Introduction of the Panel

Hhenry T. King Jr.

Recent Tax Developments and Issues Affecting Canada-U.S. Transnational Business Activities (Operations, Investment, and Personnel)

Introduction of the Panel

*by Henry T. King**

This afternoon we will deal with some of the current issues in the tax field which affect Canada-U.S. transnational business activities. We have three speakers, two of whom are from Canada and one from the United States. Each of these men is well known to many of you since all three appeared on our last tax program two years ago. All are extremely well qualified in terms of their backgrounds and the subjects they will discuss this afternoon.

First, a word about U.S.-Canadian involvement. Canada and the United States have the longest border of any two countries in the world. The relationship between the two countries is most intense. Canada is the leading trading partner of the United States and more American goods are exported to Canada than to any other area in the world.

U.S. investment is particularly heavy in Canada and in many industries it is predominant. The U.S. investment in Canada far exceeds that in any other country. The heavy investment of the United States in Canada, however, has brought a reaction on the part of the Canadians in terms of FIRA, which is designed to regulate new operations or acquisitions in Canada; there must be a benefit to Canada if the activity is to be permitted.

The new Canadian Government under Trudeau is more nationalistic than the previous government and we may anticipate that the trend of Canadian economic nationalism will continue and that this trend will be reflected in actions of the U.S. Government in terms of new activities in Canada.

You have already had plenty of background this morning. As I told you, we have three speakers and I think it is best to identify them in terms of what they will talk about rather than to interrupt the sequence of their appearance.

Robert Brown, on my left, is resident partner for Price Waterhouse and Company, Toronto, Canada. Bob is going to cover the proposed new Canada-U.S. Tax Treaty. Bob Brown has followed this subject very closely and has written at least one very complete article on this subject. This is a development which is important to all U.S. and Canada busi-

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* Chief Corporate International Counsel, TRW Inc., Cleveland, Ohio.

nesses which conduct transfrontier activities.

The issues involved, as Bob will tell you, are most significant. It is important that U.S. and Canadian firms and their counsel know the current arrangements and the proposals for revisions in these arrangements.

Bob Brown is eminently qualified to speak to you on these treaty developments and he is well known to you as a speaker at our last meeting and has appeared on many symposiums both here and in Canada.

The second speaker, on my immediate right, is George Goodrich. George Goodrich is a tax partner at Arthur Andersen here in Cleveland, and he is on many of the firm's committees which Arthur Andersen has established to deal with significant new tax developments in the international field. George is going to talk to you about some gutsy issues. He will discuss the workings of competent authority as between Canada and the United States. He has handled many cases in this area and can certainly assess developments in this field.

The second area which George will cover is the matter of joint audits. This new procedure had just been announced at the time we had our last conference two years ago and has now been in effect for over two years. It is certainly novel from the standpoint of the United States and finds few, if any, parallel arrangements with other countries.

Canada, on the other hand, is pushing ahead with parallel arrangements with a number of other countries. George is going to tell you just how this new development is actually working. George's overall topic is Canada-U.S. Tax Accounting: Competent Authority such as 482 Transfers and Joint Audits.

My third speaker is a member of a well known and highly respected law firm in Montreal, Quebec. We enjoyed hearing him two years ago and I know we will profit from his being with us this afternoon.

Mr. Peter Cumyn, of the firm of Stikeman, Elliot, Tamaki, Mercier and Robb, is located in Montreal and he is going to talk to us about a problem which is most intriguing. This is Canadian Taxation of Offshore Oil and Gas Exploration Activities: Can it Be Done?

I assume that this involves the matter of taxation by Canada of offshore oil and gas exploration activities which are conducted in the North Atlantic off the coast of Newfoundland.

Obviously there are parallels in the attempts to tax these activities by Canada to the situation in the North Sea where the United Kingdom Government has successfully taxed the offshore oil activities of firms conducting exploratory and drilling operations in the North Sea.

This poses some interesting questions from a legal standpoint, and as I say, the subject intrigues me from the standpoint of jurisdiction. So that we are looking forward today to what Peter Cumyn has to say because we believe that it will be topically significant.

Without further ado, I am going to give you our first speaker, Bob Brown, who is going to tell us about the new treaty.