

been negotiated between this country and other countries, as well as those negotiated solely between foreign countries. Moreover, the OECD is presently involved in a considerable study in this area for the purpose of harmonizing tax treaty policies.

I also think the Common Market countries are also working toward a similar objective.

Mr. CURTIS. I thought that was the position the committee was going to be in, that we are going to have to sort of look at each one of these tax treaties. Unfortunately we don't have a little handbook to follow to look at as to what the accepted principles are.

On page 11, for example, you point out on capital gains: "The present system of taxing capital gains realized by foreigners has contributed to the view that investment in the United States is something that should be approached cautiously," et cetera, and I was thinking generally with respect to international tax policy principles.

We have a much more liberal interpretation of what is capital gain than the British, for example. Many of the things that we call capital gain they regard as ordinary income and I would wonder, for example, vis-a-vis Great Britain, whether the net result was that we weren't more liberal in our overall tax treatment because we don't regard as ordinary income a number of things that they do.

This would be one of the details we would have to get into in a reconciliation.

Secretary FOWLER. I think I will ask Secretary Surrey to comment on that because he has been dealing with the tax treaty problem rather substantially in recent months.

Mr. SURREY. It is very hard to say. Most of the capital gains that are involved are generally sales of stock and securities and the definitions are roughly the same if the foreign country has a tax on capital gains.

Some foreign countries do not have a tax on capital gains. The British tax on capital gains, if the bill before Parliament is adopted, will be somewhat stiffer than ours. The rate would be higher.

Mr. CURTIS. This is true. You are directing your attention to securities?

Mr. SURREY. Yes.

Mr. CURTIS. The complexities you have to get into in ordinary income are not in this area.

Mr. SURREY. That is right.

Mr. CURTIS. Thank you.

Mr. ULLMAN (presiding). Without objection the record will be kept open in the cases indicated by Congressman Curtis.

Mr. Burke?

Mr. BURKE. Mr. Secretary, do you see anything in this bill that would give a foreign investor an advantage over an American investor, say, in the line of a direct investment because of the tax breaks he would be getting?

Secretary FOWLER. I don't believe I do, Congressman Burke. I don't believe I see any advantage in that respect.

Mr. BURKE. Do you see the possibility of any loophole being established here whereby American money could be turned over to