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and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes inc.

July 15, 2008

Advisory Panel on Canada's System of International Taxation
333 Laurier Avenue West, 15 Floor
Ottawa, ON K1A 0G5

Attention: Mr. David Messier

Enhancing Canada's International Tax Advantage

The Canadian Life and Health Insurance Association ("CLHIA") is pleased to submit its comments and recommendations in response to *Enhancing Canada's International Tax Advantage*, a consultation paper issued by the Advisory Panel on Canada's System of International Taxation. Established in 1894, the CLHIA is a voluntary association whose member companies account for 99% of Canada's life and health insurance business.

The CLHIA and its members support the Advisory Panel's goal of making recommendations that improve the competitiveness, efficiency and fairness of Canada's international tax system while minimizing compliance costs and facilitating administration and enforcement. We believe that the competitiveness of Canada's international tax system is particularly important. We hope that the Advisory Panel's recommendations, when taken together with other recent initiatives such as the reductions in the federal corporate income tax rate to 15% by 2012[1] and the recommendations relating to international taxation in the report of the Competition Policy Review Panel,[2] will give Canadian multinationals a competitive advantage in the global market.

The life and health insurance industry is one of the largest in the Canadian economy, with over 120,000 Canadians earning some or all of their income from the industry. Many highly-skilled and well-paying industry jobs are situated in Canada because the head offices of the major Canadian life insurers are located here. The functions performed by head office employees are key to the success of a multinational enterprise. Strategic direction is provided by the CEO and other senior management, enterprise-wide control and oversight functions are performed, and expertise and knowledge is deployed to support businesses conducted outside Canada.

1 Department of Finance, October 30, 2007 Economic Statement, "Strong Leadership. A Better Canada." at page 10.

2 Competition Policy Review Panel Final Report, "Compete to Win", June 26, 2008.

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Canada's life and health insurers, faced with a mature domestic market with limited capacity for growth, have little choice but to expand internationally in order to remain competitive on a global scale. They have used the expertise and skills developed in an extremely competitive domestic market as a springboard for aggressive international expansion. Canada's major life and health insurers are widely acknowledged as global leaders, with significant operations in the United States, Europe and Asia. The three largest Canadian life and health insurers are among the top twelve in the world.[3] Although less than 35% of their business is within Canada, over 50% of their employment remains in Canada.

As discussed in greater detail below, the CLHIA believes that Canada's international tax system should facilitate the international expansion of Canadian multinational enterprises. To cultivate highly-skilled and well-paying jobs in Canada, the international tax rules should enhance Canada's attractiveness as a "home base" for multinational enterprises, as a good place to establish and grow head offices and centres of excellence for the development of expertise and for the provision of services on a global basis.

In summary, we believe that in working towards a Tax Policy Framework, the Advisory Panel should be guided by the following principles:

- Canada's corporate and withholding tax rates must be competitive with major developed countries around the world.

- Canada's system of international taxation must actively promote and support Canadian-based enterprises investing abroad and move away from capital export neutrality.

- There must be a level playing field for domestic business investment between Canadian-based enterprises and foreign-based enterprises.

- Canada's system of international taxation must promote the attractiveness of Canada as a location for head offices.

- Simplification and certainty of tax rules, and improvements in the process by which the rules are changed, must be a top priority.

The following sections of this letter expand on these guiding principles, providing recommendations and responses to specific questions raised by the consultation paper that are relevant to our industry.

[3] Based on market capitalization, per the Financial Times Global 500 2008.

Taxation of Outbound Direct Investment

Active Business Income of Foreign Affiliates

Recommendation 1: Canada should adopt a full exemption system for foreign active business income.

In our view, Canada should implement a full exemption system with respect to the taxation of active business income of foreign affiliates. Under this system, active business income earned by a foreign affiliate of a Canadian-resident corporation in any country may be repatriated to Canada without any Canadian tax.

We believe that the full exemption system should be available for any income of a foreign affiliate that qualifies as active business income. In relation to the Advisory Panel's objectives, we believe that a full exemption system for active business income:

- Promotes *fairness* and *neutrality* because foreign active business income would be treated the same no matter where earned. Under a full exemption system, taxpayers would be encouraged to engage in foreign business activities in the location that makes sense from a business perspective.

- Improves the *competitiveness* of Canadian multinationals vis-à-vis competitors in other jurisdictions with full exemption systems.

- Minimizes *compliance costs and complexity* because it would eliminate, at least with respect to active business income, the requirement to maintain and track separate taxable surplus and underlying foreign tax accounts. We believe that the costs of the compliance burden imposed by Canada's current hybrid exemption / credit system outweigh any tax revenues Canada derives from the system (in the form of taxes paid on distributed taxable surplus).

- Promotes *simplification* because taxpayers would not need to structure their transactions to eliminate or avoid distributing taxable surplus and our tax system would not need complex anti-avoidance measures (some of which are evident in recent proposed amendments).

Recommendation 2: The availability of the exemption system should not depend upon the existence of a comprehensive tax information exchange agreement.

We believe that there is little justification for basing the availability of the exemption system on the existence of a double taxation treaty or, in light of recently enacted changes, on the existence of a comprehensive tax information exchange agreement ("TIEA"). As noted above, taxpayers should be encouraged to invest in foreign active businesses in the geographic location that makes sense from a business perspective, and any income from such active businesses should, in the interests of fairness, be treated equally without regard to the existence of a double taxation treaty or a TIEA.

One traditional argument in defence of the treaty country requirement is that it is necessary to ensure that Canada only cedes its taxing jurisdiction to a source country that has a tax regime that is largely similar to Canada's to ensure, in essence, that the relevant active business income is subject to a level of taxation that is "reasonable" in relation to Canada's system. Whether this argument has merit is debatable. Under the new TIEA rules, however, it appears that this justification for access to the exemption system has been dispensed with. The most appropriate candidates for TIEA partners are countries that would not make appropriate tax treaty partners, because, for example, they impose no tax or impose tax at very low rates. The fact that Canada is now willing to extend exempt surplus treatment to any country solely on the basis of that country's willingness to enter into a TIEA with Canada means that, as a tax policy matter, a "reasonable" level of taxation is no longer a pre-requisite for the availability of the exemption system.

A TIEA is intended to provide the tax authorities with adequate information to ensure compliance and permit enforcement of the applicable tax rules. We believe that the government is particularly interested in information respecting offshore investments by Canadian-resident individuals. Where a country's refusal to enter into a TIEA denies access to the exemption system, we believe that the "penalty" is inappropriately applied to taxpayers, namely large multinational enterprises, that are willing and able to provide the Canadian tax authorities with the requisite information. Moreover, other countries may refuse to enter into a TIEA for various reasons. In the great majority of cases, the burdens imposed on a foreign government by a TIEA will outweigh the economic benefits accompanying a potential increase in investment by Canadian multinationals. In this regard, we believe that the government has overestimated the ability of Canadian multinationals to persuade foreign governments to enter into TIEAs with Canada.

One jurisdiction that is particularly relevant to Canadian life and health insurers is Hong Kong. Our members have significant active businesses in Hong Kong and are currently unable to access the exemption system because of the absence of a tax treaty applicable to Hong Kong. In addition, we understand that the government of the Hong Kong Special Administrative Region is not prepared to entertain TIEA negotiations. Under its current laws, Hong Kong does not have access to all of the information required to be provided under a TIEA, nor does it have the administrative personnel that would be required to obtain such information. Whatever the usefulness of a TIEA to Canada from a compliance and enforcement perspective, it seems unfair to us that the treatment of a Canadian taxpayer's foreign active business income depends upon a foreign government's decision on whether to enter into a TIEA with Canada.

Capital Gains on the Disposition of Shares of Foreign Affiliates

Recommendation 3: Capital gains realized on the sale of shares of an active foreign affiliate should be exempt from taxation in Canada.

In our view, under a full exemption system, it would be appropriate to exempt capital gains on the disposition of shares of a foreign affiliate that derives all or substantially all of its value from active business assets. Where the value of the shares of an affiliate is derived substantially from the value of assets that produce income subject to the exemption system (i.e., active business income), the gain on the shares should logically also be exempt. This is demonstrated by the fact that, if the underlying foreign business assets were sold for a gain, there would (under a full exemption system) be no Canadian tax on the gain and no Canadian tax upon the distribution of the proceeds as exempt dividends. The Canadian tax system should not distort business decisions by treating one method of disposing of a foreign business differently from another.

Canada's current system recognizes, in part, that capital gains on foreign affiliate shares that are traceable to underlying active business earnings should not be taxable in Canada. This is achieved through an elective mechanism, under subsection 93(1) of the *Income Tax Act* (Canada) (the "ITA"), that reduces the capital gain on the sale of foreign affiliate shares to the extent of underlying earnings. A full exemption for capital gains on the sale of the shares of an active foreign affiliate would merely represent an evolution of the current regime to reflect the fact that there is no reason, from a tax policy perspective, to differentiate between (i) realized active business earnings and (ii) unrealized active business earnings and gains.

The current "excluded property" definition is an appropriate tool for determining whether shares of a foreign affiliate held by a Canadian-resident taxpayer should be eligible for the exemption.

Responses to Specific Questions on Active Business Income of Foreign Affiliates[4]	
A.	**Should Canada's foreign affiliate regime for active business income be retained in its current form, or should changes be made to make it a broader exemption system?** The foreign affiliate regime for active business income should be changed to become a full exemption system.
B.	**What are the conditions that taxpayers should meet in order to access a broader exemption system?** The full exemption system should be available in respect of any active business

4 See page 21 of the Advisory Panel's consultation paper.

income.

C. If the exemption for active business income earned by an affiliate is expanded, is the new TIEA exemption the most appropriate way of achieving this goal? Should the accrual basis of taxation or some credit system apply to active business income earned by a controlled foreign affiliate in a non-treaty country that has failed to negotiate a TIEA with Canada?

The availability of the exemption system to active business income earned in a non-treaty country should not depend upon the existence of a TIEA, and it is inappropriate to apply accrual taxation on the basis of a country's refusal to enter into a TIEA with Canada.

D. Should Canada exempt the capital gain on the disposition of shares of foreign affiliates? If so, under what conditions?

Gains realized on the disposition of shares of a foreign affiliate should be exempt from Canadian tax where the shares derive all or substantially all of their value from active business assets.

Expense Allocation

Recommendation 4: There should be no restrictions on interest or other expenses allocable to outbound direct investment in a foreign active business.

We believe that it is neither necessary nor desirable for the full exemption system to be accompanied by restrictions on the deductibility of interest or other expenses that are reasonably allocable to an investment in a foreign affiliate carrying on an active business. Such restrictions are generally ineffective without complex anti-avoidance provisions (e.g., a tracing system), are unnecessarily complex or distort investment decisions (e.g., a global allocation system).

In our view, full deductibility of interest and other expenses incurred by Canadian multinational enterprises is critical to the expansion of international activities and goes a long way in promoting Canada's attractiveness as a home base for multinationals. We believe that the increased domestic activity, increased domestic head office employment and higher wages which accompany the international expansion of a Canadian-resident multinational offset the loss of any tax revenues resulting from the full deductibility of interest and other expenses associated with international active business investments.[5]

5 For research supporting this conclusion, see the presentation of James R. Hines Jr. of the University of Michigan and the National Bureau of Economic Research entitled "Reconsidering the Taxation of Foreign

We agree with the Competition Panel's recommendation that the International Tax Advisory Panel should assess the rules in section 18.2 of the ITA limiting the deduction of interest in respect of certain foreign investments.[6] These rules will hinder the ability of Canadian multinationals to finance their foreign operations in a manner that is efficient from a foreign tax perspective. In addition, the rules may be largely ineffective and difficult to enforce because they rely on tracing concepts to determine whether a particular financing expense is incurred in relation to money borrowed to make certain foreign investments.

We also agree with the Competition Panel's recommendation that the International Tax Advisory Panel should focus on tax rules which disadvantage Canadian companies relative to non-Canadian companies with respect to making acquisitions in Canada.[7] An example would be the rules that permit "debt dumping" by non-Canadian groups, whereby a Canadian subsidiary incurs substantial debt to finance non-Canadian operations in the foreign parent's group and uses the associated interest expense to eliminate income that would otherwise be subject to Canadian tax.

Responses to Specific Questions on Active Business Income of Foreign Affiliates[8]

E. If Canada adopts a broader exemption system, are additional rules needed to deal with expenses allocable to exempt foreign income?

No specific rule for expenses allocable to exempt foreign income is required.

Withholding Taxes

<u>Dividend Withholding Tax</u>

Recommendation 5: Canada should pursue the reciprocal elimination of dividend withholding taxes through negotiations with its tax treaty partners, with the United States as a top priority.

Income" at the symposium "International Tax Reform: Canada Confronts the Challenge" sponsored by IFA (Canadian Branch), the Canadian Tax Foundation, and the Faculty of Law, University of Toronto, in Toronto on June 2, 2008.

6 Recommendation 22 at page 66 of the Competition Panel's report.

7 Recommendation 21 at page 66 of the Competition Panel's report.

8 See page 22 of the Advisory Panel's Consultation Paper.

We are in favour of eliminating dividend withholding taxes. Canada should immediately and aggressively seek, through bilateral treaty negotiations, to eliminate dividend withholding tax payable by non-residents on Canadian shareholdings and by Canadian residents on foreign shareholdings. Negotiations with the United States should be the top priority, given its position as Canada's leading trading partner and the biggest market for capital and for foreign direct investment by Canadian multinationals.

As indicated by the data reproduced at paragraph 1.13 of the consultation paper, Canada is now a net capital exporter. The elimination of dividend withholding tax paid by Canadian residents on foreign investments (and, in particular, on investments in the United States) should increase the economic benefits to Canada by increasing net receipts by Canadian capital exporters. The elimination of dividend withholding tax should facilitate the efficient movement of capital (including capital repatriation) within a corporate group, provide greater flexibility with respect to financing Canadian and foreign operations, and encourage multinationals to use Canada as home base for their global operations.

Any revenue concerns associated with the elimination of dividend withholding tax on outbound payments should be allayed by the increased economic activity resulting both from enhanced returns enjoyed by Canadian capital exporters and from additional foreign investment in Canada that should result from Canada's increased attractiveness as a market for inbound investment.

Interest Withholding Tax

Recommendation 6: Canada should pursue the elimination of withholding tax on interest payments between related persons on a reciprocal basis through negotiations with its tax treaty partners.

Withholding tax on arm's-length interest payments has been eliminated under recently enacted changes to the ITA. In addition, under the Fifth Protocol to the Canada-US Tax Convention, withholding tax on interest payments between related persons that are residents of Canada and the United States will be phased out over two years. We support these initiatives, particularly the reciprocal elimination of withholding taxes on non-arm's-length interest payments with the United States. We believe that the government should pursue such reciprocal arrangements with Canada's other major trading partners. The elimination of foreign withholding tax on interest payments received by Canadian multinationals from related persons will provide them with greater flexibility in financing their foreign operations.

Responses to Specific Questions on Withholding Taxes[9]

A. Should Canada further reduce its withholding tax on payments to residents of other countries? If so, which additional types of payments should be exempt or taxed at a lower rate?

Canada should aggressively pursue the elimination of dividend withholding taxes on a reciprocal basis through negotiations with treaty partners, with the United States being the top priority.

Withholding tax on interest payments between related persons should be eliminated on a reciprocal basis through negotiations with treaty partners.

B. Should Canada implement any additional exemptions or rate reductions unilaterally by amending Canada's tax law or bilaterally through changes to Canada's tax treaties?

Canada should eliminate dividend withholding tax bilaterally through changes to Canada's tax treaties. Negotiations with the United States should be a top priority.

Other Issues

Canadian-Resident Service Providers and Carrying on Business in Canada

Recommendation 7: The tax rules relating to "carrying on business in Canada" should be relaxed to encourage the development of skills and expertise in Canada and the provision of services to related and unrelated non-resident customers.

Section 115.2 of the ITA permits a non-resident person to obtain certain "designated investment services" from a Canadian-resident service provider without being considered to be carrying on business in Canada for certain purposes of the ITA. Designated investment services include the purchase and sale of certain "qualified investments" on behalf of the non-resident, as well as investment management and advice with respect to qualified investments. Qualified investments include certain publicly-traded shares, indebtedness, annuities, exchange-traded commodities and commodities futures, currency, and related options.

Absent section 115.2, a non-resident who obtains designated investment services could be considered to be carrying on business in Canada, either under the common law tests for

9 See page 41 of the Advisory Panel's Consultation Paper.

determining where a business is carried on or because of the statutory test in section 253 of the ITA. Of particular relevance is paragraph 253(b), which provides that a non-resident person is deemed to be carrying on business in Canada where the person offers anything for sale in Canada through an agent or servant in Canada. Without the protection offered by section 115.2, this provision would apply to a non-resident that authorizes its Canadian-resident investment management service provider to offer designated investments for sale in Canada on behalf of the non-resident.

The protection offered by section 115.2 is subject to certain restrictions which we consider inappropriate. Most importantly, the protection is not available where persons affiliated with the Canadian-resident service provider own more than 25% of the non-resident person that is seeking the designated investment services. In practice, for Canadian multinational groups this means that a non-resident member of the group is generally not entitled to the benefit of section 115.2 when it seeks investment management services from a Canadian-resident member of the group. This has the effect of developing investment management expertise and capacity outside Canada rather than expanding the capacity and expertise domestically for the benefit of the enterprise.

Investment management is a significant and fundamental part of the life and health insurance business. Canadian multinational life insurance groups have developed significant and valuable investment management expertise in Canada. Where a non-resident group member is carrying on an active foreign insurance business and seeks, as part of that business, to invest in the Canadian market, it makes eminent sense from a business perspective for the services relating to such investment to be provided (in exchange for arm's-length compensation) by the Canadian-resident member of the group with the appropriate expertise. However, there is a significant risk that the non-resident would be considered to be carrying on business in Canada as a result of the services provided in Canada unless extraordinary (and often impractical) measures are taken. This triggers unnecessary complications and uncertainty in the form of income tax return filing requirements, permanent establishment concerns (in the case of a resident of a treaty country), and income allocation issues.

A non-resident group member that does not otherwise carry on business in Canada should not become subject to the Canadian tax rules in such circumstances merely because it seeks services from a group member in Canada. Canadian multinational groups should be encouraged to develop expertise in Canada and should be free to provide such expertise to any non-resident on an equal basis without regard to relationship or affiliation.

We do not see any significant risks associated with expanding section 115.2 protection to situations where services are provided by a related Canadian-resident service provider. A non-resident may still be considered to be carrying on business in Canada if it engages in activities in Canada that go beyond the services covered by section 115.2. Any concerns about adequate compensation should be addressed by the transfer pricing rules.

In addition, we recommend expanding the nature of services that may be provided by a Canadian-resident service provider beyond designated investment management services. As noted earlier, the development of expertise in Canada should be encouraged. The current rules relating to "carrying on business in Canada" are a disincentive to the development of centres of excellence in Canada and the provision of high value, enterprise-wide services (and the associated high-paying jobs) from Canada to members of a multinational group. The choice of Canada as a home base, with the associated economic activity and employment, is influenced by the ability to develop expertise in Canada and to exploit and deploy such expertise throughout the group in an efficient manner. In the life and health insurance industry, for example, it should be possible to provide Canadian expertise in underwriting, product development, asset liability management, and other areas to non-residents (whether related or unrelated) without raising a "carrying on business in Canada" concern. The economic benefits derived from a robust Canadian services sector should outweigh any concerns about risks to the Canadian tax base. Such concerns are misguided in any event, provided that the non-resident is not otherwise carrying on its insurance business in Canada (i.e., it is not offering insurance to Canadians) and the services offered to related parties are appropriately priced.

Executive Compensation

Recommendation 8: The ITA rules governing employment compensation and benefits should accommodate compensation plans and arrangements available to executives in the United States, and in Canada's other major trading partners.

Canadian multinational enterprises compete for talented executives in the global marketplace. Executives are often relocated to or from the home office in Canada so that their skills are deployed as and where required for the benefit of the multinational enterprise. In many cases, the relocated executive is taxable on employment compensation and benefits both in Canada and in the country of origin or destination.

The current tax rules present significant obstacles to recruiting and relocating executives, relating both to the timing of taxation and the rate at which certain benefits are taxed, resulting in additional costs to the enterprise. In some cases, there are intractable conflicts between the Canadian and US tax rules that apply to Canadian resident executives who, by reason of their US citizenship, are taxable in both countries on their compensations and benefits.

To enhance Canada's attractiveness as a "home base" for multinational enterprises, the tax rules in the ITA applicable to executive compensation plans and arrangements should accommodate, and be competitive with, the types of compensation plans and arrangements available to executives in the United States and in Canada's other major trading partners and should facilitate (rather than hinder) the recruitment or relocation of talented executives by Canadian-based multinational enterprises.

Certainty and Simplicity

Recommendation 9: Technical or relieving changes to the ITA should be enacted on a regular basis.

Recommendation 10: Fundamental changes to the ITA should be the subject of extensive consultations and should apply on a prospective basis only, with appropriate transition periods.

We are encouraged by the Advisory Panel's emphasis on certainty and simplicity in Canada's international tax legislation. The international tax rules, in particular in the foreign affiliate area, have, for a number of years, been anything but certain and simple. The number of proposed changes to the foreign affiliate rules and the length of time that some of the proposed amendments (and associated Department of Finance comfort letters) have been outstanding, along with the fact that the changes are often drafted with an overly-broad scope and apply retroactively in many cases, have made tax planning and compliance extremely challenging. The uncertainty has existed for so long and is so widespread that it threatens the integrity of, and taxpayers' respect for, Canada's international tax system, as even very sophisticated taxpayers are unable to discern the relevant rules.

We urge the Advisory Panel to consider and address the amendment process in this area. In our view, "technical" or relieving amendments should be made on a regular basis (at least annually) to prevent an inventory of such unenacted amendments from building up. More dramatic or fundamental changes should be disclosed in advance and should be subject to a meaningful consultation process before being released as draft legislation. Such changes should generally only be effective on a prospective basis from enactment and appropriate transition periods should be provided to allow taxpayers adequate time to restructure or reorganize their affairs to take the changes into account.

Recommendation 11: The advisability and scope of the proposed foreign investment entity and non-resident trust rules should be reconsidered.

Bill C-10 contains the latest version of the proposed rules relating to non-resident trusts ("NRTs") and foreign investment entities ("FIEs"). These rules were first proposed by the 1999 federal budget and have since been the subject of numerous iterations of draft legislation. Bill C-10 is currently before the Senate, and has been the subject of recent consideration by the Senate Banking Committee. The Committee has indicated that it will recommend to the Senate that changes be made to Bill C-10, including to the FIE and NRT rules, to reflect taxpayer concerns, and that it hopes to work with the Department of Finance on these changes.

Broadly speaking, the purpose of these rules is to supplement the foreign accrual property income system and to protect the Canadian tax base by preventing Canadian taxpayers from diverting income offshore. Although we do not take issue with the objectives of these rules in certain circumstances, we believe that any benefits from these rules are outweighed by the compliance burdens imposed by them and by the lost opportunity costs associated with their overly-broad scope and extraordinary complexity.

Compliance with these rules is difficult with a reasonable measure of certainty. They can apply to ordinary, unremarkable commercial transactions which should be outside the scope of the underlying tax policy of the rules. Transactions must often be restructured, unnecessarily and inefficiently, to ensure that the rules do not apply, resulting in additional expenses and delays. Our members, like other sophisticated taxpayers, report great difficulty in understanding, applying, and complying with these rules.

The Advisory Panel should consider the need for these rules in light of these concerns and should, in our view, recommend that they be eliminated or replaced with alternative measures that reduce unnecessary complexity. One such alternative measure would be to lower the threshold for "controlled foreign affiliate" status to broaden the scope of the foreign accrual property income rules, which are time-tested and understood by taxpayers. In the NRT context, one solution that would simplify the regime for multinational corporate groups would be to permit taxpayers to elect to have non-resident trusts treated as controlled foreign affiliates.

Recommendation 12: Corporate income tax rate reductions should continue and Canada should strive to remain competitive in this regard.

Much of the complexity in the international tax rules arises because of the perceived need to combat "base erosion" transactions (that is, transactions that reduce the income of a multinational enterprise that is subject to tax in Canada). A taxpayer will resort to such transactions where tax rates in Canada are significantly higher than rates in other jurisdictions in which the taxpayer or its competitors operate. By ensuring that Canada's corporate income tax rates are and remain competitive, the need for such transactions (and the complexity in the rules that they engender) would be significantly decreased.

We are encouraged by the reduction in the federal corporate income tax rate to 15% by 2012 and the government's objective of having the lowest statutory rate in the G7.[10] We believe that the government should actively monitor developments in key competitor jurisdictions, such as the United States and Europe, and adjust its goals in this regard as required to ensure that Canada remains highly competitive.

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[10] Department of Finance, October 30, 2007 Economic Statement, "Strong Leadership. A Better Canada." at page 10.

We appreciate the opportunity to make this submission and we hope that it assists the Advisory Panel in formulating its recommendations. We would be pleased to respond to any questions or requests for clarification of our comments.

Yours very truly,

James S. Witol
Vice President, Taxation and Research