



The Joint Committee on Taxation of  
The Canadian Bar Association  
and  
The Canadian Institute of Chartered Accountants

The Canadian Institute of Chartered Accountants 277 Wellington St. W., Toronto Ontario, M5V3H2  
The Canadian Bar Association 500-865 Carling Avenue Ottawa, Ontario K1S 5S8

July 15, 2008

Mr. Peter C. Godsoe, OC  
Chair  
Advisory Panel on Canada's System of International Taxation  
333 Laurier Avenue West, 15<sup>th</sup> Floor  
Ottawa, Ontario K1A 0G6

Dear Mr. Godsoe

**Re: Canada's System of International Taxation**

We are pleased to provide you with our submission on ways to enhance Canada's tax advantage. We also thank you for providing members of our Committee the opportunity to meet with members of your Panel to discuss the issues raised on the Panel's April 2008 Consultation Paper.

The Consultation Paper states Canadian tax policy is important to our ability to compete in a changing global environment and that Canada's international tax system needs to promote the competitiveness of Canadian business internationally and to attract new foreign investment to Canada. We agree with this objective, but we also recognize that these objectives should be balanced with the need to protect Canada's tax base.

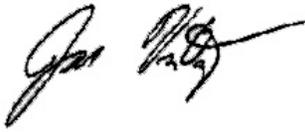
We also agree with the Panel's initial view that the current exemption regime is fundamentally sound, although in our view it would be desirable to simplify compliance for both taxpayers and the Canada Revenue Agency.

The Consultation Paper states that in some cases the unrestricted deductibility of interest by foreign-owned Canadian corporations may be inappropriate. As discussed in our submission, we believe that this concern is linked to the deductibility of interest costs related to the funding of foreign affiliates.

We are concerned that the existing and proposed legislation with respect to our international tax system has become overly complex and, in some ways, almost unworkable. In our submission, we refer to the proposed amendments to the foreign affiliate provisions and the proposed rules with respect to foreign investment entities (FIEs) and non-resident trusts (NRTs). One objective of any changes should be certainty and simplicity. We would also be concerned if the implementation of any of the Panel's recommendations caused the opposite result.

We trust that you will find our comments and recommendations helpful. We would be pleased to meet with you at a convenient time to elaborate on any of the issues discussed in this submission.

Yours truly,



John Van Ogtrop  
Chair, Taxation Committee  
Canadian Institute of Chartered Accountants



Paul Tamaki  
Chair, Taxation Section  
Canadian Bar Association