

Income Funds

September 8, 2005

Department of Finance announces consultations on tax issues related to income trusts and other flow-through entities

In connection with statements made in the 2005 Federal Budget, the Department of Finance released a consultation paper (the "Consultation Paper") today titled *Tax and Other Issues Related to Publicly Listed Flow-Through Entities*. The Consultation Paper launches a process of discussion and third-party input on the impact of publicly listed income trusts and other flow-through entities ("FTEs") on federal tax revenues and the Canadian economy.

The consultation process will seek input on a number of key questions, including:

- Does the tax advantage of FTEs relative to public corporations have a significant impact on how businesses are organized in Canada?
- Have FTEs had a significant impact on tax revenues? Is there potential for revenue losses to grow in the years to come?
- What impacts are FTEs having on investment decisions and the allocation of capital in Canada? Is the overall impact on the economy positive or negative?

- Given the important role that tax-exempt investors play in Canadian capital markets, and could play in the FTE market, what impact could this have on government revenues and economic efficiency?
- Overall, are there public policy concerns about FTEs and how the tax system influences their existence, and if so, what actions should be considered to address these concerns?

This process will not include the separate consultations announced by the Department of Finance on December 6, 2004 regarding the 2004 Federal Budget proposals with respect to mutual funds maintained primarily for the benefit of non-residents.

The Department of Finance has invited submissions until December 31, 2005. An additional vehicle for public input will be symposiums to be organized and hosted by the Canadian Tax Foundation. During the consultation process, the Department of Finance will continue to monitor developments in the FTE market.

For further information or assistance in providing feedback on the Consultation Paper, please contact the Chair of Goodmans' Income Funds Group, Stephen Pincus at 416.597.4104 or spincus@goodmans.ca.