

August 31, 2011

The Canada Revenue Agency
Income Tax Technical Publications Section
Income Tax Rulings Directorate
Place de Ville
16 Floor, Tower A
320 Queen Street
Ottawa ON K1A 0L5

Attention: Ms. Renee Shields

Re: Canada Revenue Agency Income Tax Technical Publications

Dear Ms. Shields

On behalf of PricewaterhouseCoopers LLP, I am pleased to provide our comments regarding your request for feedback on which Interpretation Bulletins published by the Canada Revenue Agency (“the CRA”) are presently in the most urgent need of review and update.

The Canadian income tax system requires each taxpayer to calculate and report their own income. This type of system places a heavy burden on taxpayers to be knowledgeable about the complex tax rules that apply to their situation. In order to ensure that the tax system in Canada works efficiently, it is essential that taxpayers are provided with clear, up-to-date and reliable information regarding how the CRA interprets the provisions of the *Income Tax Act* (the “Act”). There can be little doubt that Interpretation Bulletins have historically played a vital role in communicating these interpretations, not just to taxpayers and practitioners, but also to the employees of the CRA, including auditors and personnel manning “helpdesk” phone lines.

More recently, however, the release of new Interpretation Bulletins and the update of existing bulletins has slowed drastically. Many Interpretation Bulletins have not been updated in twenty years or longer. Jurisprudence decided and Technical Interpretations and Advance Income Tax Rulings issued after the release of Interpretation Bulletins have in many cases superseded significant portions of the Bulletins. Therefore, we applaud the CRA’s initiative to identify and update first the Interpretation Bulletins in respect of which an update is most urgently required.

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However, we strongly urge the CRA not to take the selection and provision by our firm and other stakeholders of our list of top priorities as definitive. Each taxpayer has a different situation and, in our view, each deserves certainty as to how to comply with the provisions of the Act. Accordingly, in addition to the present initiative, we urge the CRA to put into place processes and resources dedicated to the revision of Interpretation Bulletins on an ongoing basis, such that each bulletin is reviewed within a period of 3-5 years. We believe that the cost of such processes and resources would be made up through:

- reduced time spent on the part of the CRA auditing taxpayers based on out-of-date Bulletins that do not reflect current law and/or administrative practices; and
- enhanced certainty to taxpayers and practitioners in preparing tax returns accurately and completely.

If such a dedicated process is not ultimately viable, we urge the CRA to, at the least, update each Interpretation Bulletin by including a reference list of subsequent CRA documents (for example, Technical Interpretations, Advance Income Tax Rulings, and Income Tax Technical News bulletins) that covers subject matter relevant to the Bulletin. In our view, this task could be performed relatively easily without the CRA having to undertake the extensive review necessary to issue a revised Interpretation Bulletin, while still providing taxpayers and the CRA staff with the assistance of a comprehensive list of all relevant CRA documents and make them aware that some parts of a bulletin may no longer reflect the current law and/or position of the CRA.

With the above caveat stated, we are pleased to provide a list of Interpretation Bulletins that we believe are most in need of revision.

**1. IT-489-R – Non-Arm’s Length Sale of Shares to a Corporation
Issued: February 28, 1994**

This Bulletin contains an extensive discussion regarding the application of section 84.1 of the Act. Since 1994, section 84.1 has been amended numerous times by Parliament and the courts have issued numerous decisions considering its application. These should be reflected in the Bulletin.

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**2. IT-432R2 –Benefits Conferred on Shareholders
Issued: February 10, 1995**

This Bulletin discusses the application of subsection 15(1). Subsection 15(1) can be a difficult provision for small business owners and it is important that CRA's policies on this subsection are plainly and clearly disclosed. The CRA has issued numerous documents concerning subsection 15(1) since 1995, and it is important that these be reflected in the Bulletin.

**3. IT-533 – Interest Deductibility and Related Issues
Issued: October 31, 2003**

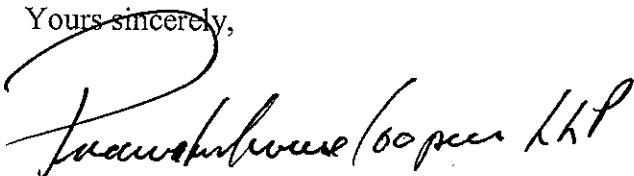
This Bulletin discusses the application of paragraph 20(1)(c). While this Bulletin was welcomed on its release and has provided a great deal of assistance to many taxpayers, the interest deduction provided by the Act is relied on by taxpayers in many different scenarios. Since the Bulletin's release, the CRA has released a long list of Advanced Tax Rulings and Technical Interpretations. If the CRA's views were once again assembled within one document, it would be of significant benefit.

4. Loss Consolidation

Loss consolidation within a related or affiliated corporate group has been the subject of a number of Advanced Income Tax Rulings, beginning with ATR-44 in 1992. It would provide significant certainty to corporate groups if the exact position of the CRA were set out within one document.

We appreciate having the opportunity to submit our recommendations and would welcome any opportunity to discuss them in greater detail with you.

Yours sincerely,



Nick Pantaleo, FCA

Partner

Canadian National Tax Services