




Finding the way*

Insurance Industry: Key Dates
and Other Essentials (2008-2009)

*connectedthinking

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Finding the way

Insurance Industry: Key Dates
and Other Essentials (2008-2009)

This booklet is available at
www.pwc.com/ca/insurancekeydates.

Insurance Help from PricewaterhouseCoopers

To find out more about our insurance practice and how we can help, or about our financial reporting monographs or insurance software, please contact any of the following PricewaterhouseCoopers Insurance Industry Group leaders:

Audit and Assurance Group

Greater Toronto Area

Alodie Brew alodie.brew@ca.pwc.com
Leigh Chalmers leigh.chalmers@ca.pwc.com
Jonathan Simmons jonathan.simmons@ca.pwc.com
Bruce Winter bruce.winter@ca.pwc.com
Diane Woodruff diane.woodruff@ca.pwc.com

Calgary

Robert Hawley robert.j.hawley@ca.pwc.com

Edmonton

Barry James barry.james@ca.pwc.com
Gordon Keiller gordon.r.keiller@ca.pwc.com

Kitchener

Michael Johnston m.johnston@ca.pwc.com

Montreal

Lyne Dufresne lyne.dufresne@ca.pwc.com
Alain Dugal alain.dugal@ca.pwc.com
Kenneth Hotton kenneth.hotton@ca.pwc.com
Philippe Thieren philippe.thieren@ca.pwc.com

Quebec City

Raynald Lafrance raynald.lafrance@ca.pwc.com

St. John's

Charlie Follett charlie.m.follett@ca.pwc.com

Vancouver

Len Boggio lenard.f.boggio@ca.pwc.com
Jane Butterfield jane.butterfield@ca.pwc.com
Paul Challinor paul.challinor@ca.pwc.com
Steven Wilson steven.m.wilson@ca.pwc.com

Winnipeg

Tony Catanese tony.catanese@ca.pwc.com
Chris Couture chris.o.couture@ca.pwc.com

Actuarial Services

Dan Doyle daniel.doyle@ca.pwc.com
Richard Gauthier richard.gauthier@ca.pwc.com

Taxation

Fred Borgmann fred.borgmann@ca.pwc.com
Barbara Bryden barbara.j.bryden@ca.pwc.com
Wallace Conway¹ wallace.g.conway@ca.pwc.com
Martin Kern martin.kern@ca.pwc.com
Yves Magnan yves.magnan@ca.pwc.com
Jason Swales jason.a.swales@ca.pwc.com
Dan Torbiak daniel.h.torbiak@ca.pwc.com
Jillian Welch² jillian.m.welch@ca.pwc.com
Alfred Yau alfred.yau@ca.pwc.com

Commodity Tax

Mike Firth¹ michael.p.firth@ca.pwc.com
Mario Seyer mario.seyer@ca.pwc.com

Transfer Pricing

Saul Plener saul.plener@ca.pwc.com

Advisory

Corporate Advisory & Restructuring

Rick Pettit richard.c.pettit@ca.pwc.com
Greg Watson greg.watson@ca.pwc.com

Corporate Finance

Keith Mosley keith.mosley@ca.pwc.com

Performance Improvement

Rob Belsey robert.j.belsey@ca.pwc.com
Allan Buitendag allan.c.buitendag@ca.pwc.com
Arturo Lopez arturo.j.lopez@ca.pwc.com
George Sheen george.sheen@ca.pwc.com

Risk and Regulatory

Diana Chant diana.chant@ca.pwc.com
Dorothy Sanford dorothy.a.sanford@ca.pwc.com

Transaction Support

Tony Gibbons anthony.f.gibbons@ca.pwc.com

Valuations

Helen Mallovy Hicks helen.m.mallovy,hicks@ca.pwc.com

Insurance Claims Services

Leonard Boon leonard.j.boon@ca.pwc.com
Jim Forbes jim.forbes@ca.pwc.com
Kas Rehman kas.rehman@ca.pwc.com
Bruce Webster bruce.j.webster@ca.pwc.com

Office addresses and telephone numbers are available at:
www.pwc.com/ca/offices.

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2. Member of Wilson & Partners LLP, a law firm affiliated with PricewaterhouseCoopers, whose partners advise on a broad range of corporate tax matters including domestic and cross-border mergers and acquisitions, capital markets transactions, corporate reorganizations, financial products and structures as well as the acquisition and restructuring of income funds and REITs.

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Some Cautions

Rates and other information are current to August 20, 2008, but may change as a result of legislation or regulations issued after that date.

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Recent Tax Changes: Selected Highlights

Corporate income tax rates for 2008

Combined federal and provincial/territorial corporate income tax rates are listed on [page 19](#).

Status of changes for accounting purposes

For accounting purposes, knowing which income tax changes are considered substantively enacted for Canadian purposes and enacted for U.S. purposes can be important. The tables of corporate tax rate changes below show which of the rate changes that are effective after 2006 are recognized for accounting purposes as of August 20, 2008.

Federal Changes

Federal General Corporate Income Tax Rate

The federal general corporate income tax rate is decreasing:

		Rate		Recognized for accounting purposes?	
		Before surtax	After surtax	Canada	U.S.
Effective date	Before January 1, 2008	21%	22.12%	Yes	
	January 1, 2008	19.5%			
	January 1, 2009	19%			
	January 1, 2010	18%			
	January 1, 2011	16.5%			
	January 1, 2012	15% ¹			

1. The federal government's goal is to achieve combined 25% federal/provincial and federal/territorial rates.

Federal Surtax

The federal surtax was eliminated:

		Rate	Recognized for accounting purposes?	
			Canada	U.S.
Effective date	Before January 1, 2008	4%	Yes	
	January 1, 2008	Nil ¹		

1. Elimination of the federal surtax resulted in a 1.12% decrease in corporate income tax rates.

Specified Investment Flow-Through (SIFT) Entities

A "distribution tax" is imposed on the income distributed by a SIFT (i.e., publicly traded income trusts and partnerships) to its unitholders, starting in the 2007 taxation year, for SIFTs first publicly traded after October 31, 2006, and starting in the 2011 taxation year, for other SIFTs. The tax rate equals the general federal corporate income tax rate plus a provincial component, which will be revised:

		Rate	Recognized for accounting purposes?	
			Canada	U.S.
Effective date	2007 taxation years	13%	Yes	
	2009 taxation years¹	Various ²	Not as of August 20, 2008	

1. The change will apply commencing 2007 or 2008 taxation years if the SIFT elects.
2. The rate will be based on the general provincial corporate income tax rate of each province in which the SIFT has a permanent establishment, but will be 10% for income not allocated to a province. However, the rate will be nil for taxable distributions allocated to Quebec because Quebec imposes its own distribution tax, which equals its corporate income tax rate that would apply if the SIFT were a corporation.

Draft rules that facilitate the conversion of SIFT trusts into corporations generally apply to transactions that occur after July 13, 2008, and before 2013. See our *Tax Memo* “Tax Planning for Income Trust Conversions and Acquisitions” at www.pwc.com/ca/taxmemo.

Taxation of Financial Institutions

Draft legislation released on November 7, 2007 (reissued on July 14, 2008, with no material revisions), is intended to simplify the taxation of “financial institutions” by aligning the tax rules with the financial instruments accounting standard that came into effect on October 1, 2006. This legislation, which is generally effective for taxation years beginning after September 30, 2006, also applies to unregulated entities that have captive banking or insurance arrangements. See our *Tax Memo*, “Draft Legislation Affects Insurers and Other Financial Institutions” at www.pwc.com/ca/taxmemo.

Anti-Tax-Haven Initiative

New rules prevent multinational corporations from using tax havens and other tax avoidance structures to generate two expense deductions for only one investment, often referred to as “double dipping.” These rules will restrict certain interest payable after 2011 on investments in debt or equity of foreign affiliates.

Sale of Property by Non-Residents

Rules that apply to dispositions of “taxable Canadian property” by non-residents after 2008:

- exempt dispositions from the withholding and clearance certificate requirements, if the gain will not be taxable in Canada by virtue of a tax treaty;
- expand the circumstances in which purchasers are exempt from the withholding requirements; and
- eliminate the need for non-residents to file a Canadian income tax return in certain cases when no tax is payable.

Withholding Tax on Interest

Commencing 2008, Canadian withholding tax is eliminated on most interest paid to arm’s-length non-residents. See our *Tax Memo*, “Withholding Tax on Interest—Welcome Changes for 2008 and Beyond” at www.pwc.com/ca/taxmemo.

International Tax System

An advisory panel was established to consider ways to improve the fairness and competitiveness of Canada’s system of international tax. The panel issued a consultation paper that poses questions about Canada’s international taxation system and provides the panel’s initial views on a framework for improving the system. See our *Tax Memo*, “International Tax Policy—April 2008 Consultation Paper” at www.pwc.com/ca/taxmemo.

Canada-U.S. Tax Treaty

Canada and the United States signed the fifth Protocol to the Canada-U.S. Tax Treaty. Upon ratification, the Protocol will:

- eliminate withholding tax on most interest (over three years for interest on related-party debt);
- make the Limitation of Benefits article bilateral;
- extend treaty benefits to owners of limited liability companies; and
- affect the treatment of various personal tax considerations (e.g., pension contributions, stock options).

See our *Tax Memos*, “Canada-U.S. Income Tax Treaty: Fifth Protocol Makes Major Changes,” “Fifth Protocol to the Canada-U.S. Income Tax Treaty—Reflections” and “Fifth Protocol to the Canada-U.S. Treaty: Technical Explanation” at www.pwc.com/ca/taxmemo.

Goods and Services Tax/Harmonized Sales Tax (GST/HST)

On January 1, 2008, the GST rate decreased from 6% to 5% and the HST rate decreased from 14% to 13%. The federal government has mentioned the need for harmonization of federal and provincial sales taxes.

For fiscal years commencing after 2006, within six months after year end, financial institutions (as defined by the *Excise Tax Act*) that are GST/HST registrants and have total annual revenues exceeding \$1 million must file Form GST111, "Schedule 1 – Financial Institution GST/HST Annual Information Schedule."

Draft GST/HST rules affect the financial services sector, including insurers:

- Imported services – Financial institutions will be required to self-assess GST/HST on certain expenses incurred outside Canada that relate to their Canadian activities, retroactive to taxation years ending after November 16, 2005. The draft rules will apply to taxable imports of services and intangibles between separate branches of the same financial institution.
- Input tax credit (ITC) allocation methods – New rules will determine how ITCs will be allocated when an input is used to make both taxable and exempt supplies. Generally, financial institutions will be required to use allocation methods that conform to criteria specified by the Canada Revenue Agency (CRA) to determine the percentage of GST/HST paid on purchases and expenses that can be recovered as an ITC. Large banks, insurers and securities dealers can use a prescribed rate for allocations or obtain pre-approval from the CRA to use an ITC allocation method developed by the financial institution. The rules will generally apply to fiscal years beginning after March 2007. Pre-approval will be required for fiscal years beginning after March 2008.

International Financial Reporting Standards (IFRS)

The move to IFRS from current Canadian Generally Accepting Accounting Principles (GAAP) could affect the measurement and reporting of income taxes for financial statement purposes and the calculation of Canadian taxes payable. It is proposed that IFRS will be effective for interim and annual financial statements for fiscal years beginning after December 31, 2010, with earlier adoption permitted. IFRS will be mandatory for publicly accountable profit-oriented enterprises and elective for other enterprises. See our *Tax Memo*, "The Move to IFRS: Tax Implications" at www.pwc.com/ca/taxmemo.

Accounting and regulatory developments relating to IFRS are outlined on [page 9](#).

T3 and T5013 Reporting

New rules require earlier posting of information related to T3s and T5013s to the CDS Innovations Inc. website by:

- publicly traded trusts with taxation years ending after July 3, 2007; and
- publicly traded partnerships with fiscal periods ending after July 3, 2007.

Source Deductions

For remittances of source deductions due after February 25, 2008:

- large remitters can remit their withholdings directly to the CRA if the CRA receives the payment at least one full day before the due date; and
- late payroll remittances are subject to graduated penalties, ranging from 3% to 10%, instead of a flat rate of 10%.

Automobile Deduction Limits and Benefit Rates

2008 prescribed rates for automobiles for purposes of determining capital cost allowance, interest and leasing deductions will remain at their 2007 levels. However, automobile allowance deductions, tax-exempt allowances and taxable benefits will be 2¢ per kilometre higher than for 2007.

For more information on the rules governing automobile expenses and benefits, consult *Car Expenses and Benefits—A Tax Guide (2008)* at www.pwc.com/ca/carexpenses.

Tracking of Motor Vehicle Use

Commencing 2009, a logbook maintained for a sample period will be sufficient to support motor vehicle expense and taxable benefit calculations.

Retirement Savings Plans and Deferred Profit Sharing Plans

Contribution limits for retirement savings plans and profit sharing plans are increasing:

	Registered Retirement Savings Plans (RRSPs)	Money Purchase Registered Pension Plans (RPPs)	Deferred Profit Sharing Plans (DPSPs)
2007	\$19,000	\$20,000	\$10,000
2008	\$20,000	\$21,000	\$10,500
2009	\$21,000	\$22,000	\$11,000
2010	\$22,000	Indexed	
2011			

Life Income Funds

Life income fund (LIF) holders who face financial hardship or are age 55 years or older will have increased flexibility when withdrawing funds from a LIF.

Defined Benefit Registered Pension Plans (RPPs)

The maximum pension benefit that may be paid from defined benefit RPPs is increasing:

	Pension benefit (per year of service)
2007	\$2,222
2008	\$2,333
2009	\$2,444
2010	Indexed

Provincial Changes

Alberta

General corporate income tax rate

Alberta has indicated that it intends to reduce its general corporate income tax rate from 10% to 8% when doing so is affordable.

Notices of Objection

Starting September 1, 2007, a large corporation that objects to an Alberta assessment must file a separate Notice of Objection with Alberta.

Health care premiums

Health care premiums will be eliminated on January 1, 2009.

British Columbia

General corporate income tax rate

British Columbia's general corporate income tax rate is decreasing:

Effective date	Rate	Recognized for accounting purposes?	
		Canada	U.S.
Before July 1, 2008	12%	Yes	
July 1, 2008	11%		
By 2011	10%	Not as of August 20, 2008	

Manitoba

General corporate income tax rate

Manitoba's general corporate income tax rate is decreasing:

Effective date	Rate	Recognized for accounting purposes?	
		Canada	U.S.
Before January 1, 2007	14.5%	Yes	
January 1, 2007	14%		
July 1, 2008	13%		
July 1, 2009	12%		
To be determined	11% ¹	Not as of August 20, 2008	

1. Subject to balanced budget requirements.

Capital tax rate

Manitoba's general capital tax rate is decreasing:

Taxation year commencing	First \$5 million	Taxable capital employed in Manitoba ¹				
		>\$5 million and ≤\$10 million	>\$10 million and ≤\$15 million	>\$15 million and ≤\$20 million	>\$20 million and ≤\$21 million	>\$21 million
Before January 2, 2007		0.3%		0.5%		
After January 1, 2007			0.3%	2.5%	0.5%	
After January 1, 2008 ²			0.2%	2.4%	0.4%	
After January 1, 2009 ²		Nil	0.1%	2.3%	0.3%	
After January 1, 2010 ²					2.2%	0.2%
After 2010 ²						

1. Taxable capital employed in Canada is before the capital tax deduction. Therefore, after the capital tax deduction (see below), capital tax is nil on the first:

- \$5 million of taxable capital, for taxation years commencing before January 2, 2007; and
- \$10 million of taxable capital, for taxation years commencing after January 1, 2007.

2. Changes do not apply to Crown corporations.

Capital tax deduction

Manitoba's capital tax deduction increased:

Taxation years commencing	Capital tax deduction
Before January 2, 2007	\$5 million
After January 1, 2007	\$10 million

Capital tax instalments

For taxation years commencing after January 1, 2008, the threshold above which corporations must pay capital tax instalments increased from \$2,400 to \$5,000.

Health and Post-Secondary Education Tax

The thresholds at which Manitoba's payroll tax applies increased:

	Total payroll		
	Before January 1, 2008	After December 31, 2007	
Rates	2.15%	Over \$2 million	Over \$2.5 million
	4.3%	\$1 million to \$2 million	\$1.25 million to \$2.5 million
	0%	\$0 to \$1 million	\$0 to \$1.25 million

New Brunswick

General corporate income tax rate

New Brunswick's general corporate income tax rate remains 13%:

Effective date	Rate	Recognized for accounting purposes?	
		Canada	U.S.
Before January 1, 2007	13%	Yes	
	12% ¹		
	13% ¹		
January 1, 2007			

1. A 1% decrease, previously scheduled for January 1, 2007, was repealed.

Newfoundland and Labrador

Health and Post-Secondary Education Tax

The threshold at which the province's payroll tax applies increased:

	Total payroll		
	Before January 1, 2008	After December 31, 2007	
Rates	2%	Over \$700,000	Over \$1,000,000
	4%	\$600,000 to \$700,000	n/a
	0%	\$0 to \$600,000	\$0 to \$1,000,000

Provincial sales tax

Retroactive to January 1, 2008, Newfoundland and Labrador eliminated its 15% provincial sales tax on property and casualty insurance premiums.

Nova Scotia

Capital tax rate

Nova Scotia's general capital tax is being phased out:

Effective date	Rate on taxable capital	< \$10 million	≥ \$10 million
Before July 1, 2007	0.5%	0.25%	
	July 1, 2007	0.45%	0.225%
	July 1, 2008	0.4%	0.2%
	July 1, 2009	0.3%	0.15%
	July 1, 2010	0.2%	0.1%
	July 1, 2011	0.1%	0.05%
	July 1, 2012	Nil	

Ontario

Corporate tax harmonization

Commencing taxation years ending after December 31, 2008, the Canada Revenue Agency will administer Ontario's corporate income tax, capital tax, corporate minimum tax (CMT) and Special Additional Tax on life insurers. As a result, the Ontario corporate income tax base will be harmonized with the federal base. Transitional rules will apply. In addition:

- starting April 3, 2008, federal and Ontario audits, rulings, objections and appeals for all pre-2009 taxation years will be integrated; and
- for taxation years ending after 2008, Ontario will adopt federal rules under which corporations paying up to \$3,000 federal tax in the current or previous year do not have to pay instalments.

Corporate minimum tax (CMT)

An election that had to be filed before February 23, 2008, allowed corporations to remove, for CMT purposes, the effect of Canadian accounting rules that require certain assets to be reported at fair market value rather than historical cost, retroactive to all taxation years starting after June 30, 2004, and ending before March 23, 2007.

Quebec

Corporate tax rate on active/eligible income and inactive income

Quebec's general corporate tax rate on active/eligible income and its rate on inactive income is changing:

		Rate	Recognized for accounting purposes?		
			Canada	U.S.	
Effective date	Active/eligible income	Before January 1, 2008	9.9% ¹	Yes	
		January 1, 2008	11.4% ¹		
		January 1, 2009	11.9%		
	Inactive income	Before February 21, 2007	16.25%		Not as of August 20, 2008
		February 21, 2007	9.9%		
		January 1, 2008	11.4%		
	January 1, 2009	11.9%			

1. From June 1, 2007, to December 31, 2008, different rates apply to active/eligible income of financial institutions (other than insurance corporations) and oil refining companies.

Federal harmonization

Quebec will harmonize with many federal tax changes (with modifications, in some cases), including those relating to the Anti-Tax-Haven Initiative, the disposition of taxable Canadian property by non-residents and T3 and T5013 reporting (see [pages 2 to 3](#)).

Aggressive tax-planning schemes

Quebec will devote resources to manage, detect and shut down aggressive tax-planning schemes, and will issue a paper on this topic in the autumn of 2008.

Taxation year

Retroactive to December 20, 2006, a corporation's taxation year end must be identical for federal and Quebec purposes.

Saskatchewan

General corporate income tax rate

Saskatchewan's general corporate income tax rate is decreasing:

		Rate	Recognized for accounting purposes?	
			Canada	U.S.
Effective date	Before July 1, 2007	14%	Yes	
	July 1, 2007	13%		
	July 1, 2008	12%		

Northwest Territories, Nunavut, Prince Edward Island and the Yukon

No significant changes were made to the rules that apply to insurers in the Northwest Territories, Nunavut, Prince Edward Island and the Yukon.

Recent Tax Cases

General Anti-Avoidance Rule (GAAR)

In **Gary Landrus v. The Queen**, two partnerships that held real estate sold all their assets to a new partnership, and their partners received interests in the new partnership. The real estate disposition triggered terminal losses that were allocated to the limited partners, including the taxpayer. The Tax Court of Canada held that GAAR did not apply to deny the deduction of the terminal loss allocated to the taxpayer. The Minister is appealing this decision.

Permanent Establishment

In **American Income Life Insurance Company v. The Queen** and **Knights of Columbus v. The Queen**, the Tax Court of Canada held that a non-resident that carried on an insurance business in Canada was not subject to tax in Canada because it did not have a permanent establishment in Canada.

Treaty Limitations

In **The Queen v. Canwest Mediaworks Inc. (Successor by Amalgamation to Canvideo Television Sales (1983) Limited)**, the Federal Court of Appeal ruled that the Minister's reassessment to include foreign accrual property income in the taxpayer's income was not statute-barred, even though it was issued after the five-year limit imposed by the Canada-Barbados Income Tax Convention 1980. The Supreme Court of Canada has dismissed the taxpayer's application for leave to appeal this decision. Therefore, the Federal Court of Appeal's decision will stand.

Unpaid Amounts

In **The Queen v. Dow Chemical Canada Inc.**, the Federal Court of Appeal ruled that the taxpayer, an amalgamated company, must include in its income unpaid interest on a related party loan that was previously deducted by a predecessor of the amalgamated company, because any debt or other obligation incurred or issued by a predecessor company is to be treated "as if" the obligation had been incurred or issued by the amalgamated company.

Stop Loss Rules

As part of a restructuring plan, the taxpayer in **Cascades Inc. v. The Queen**, sold its shares in a company (PIL) to its wholly owned subsidiary, triggering a capital loss. Within 30 days of the sale, the subsidiary and PIL were amalgamated. The Tax Court of Canada ruled that the stop-loss rules did not apply to deny the capital loss. The Minister is appealing this decision.

Stock Options

In **Imperial Tobacco Canada Limited (Successor by Amalgamation to Shoppers Drug Mart Limited) v. The Queen**, the Tax Court of Canada allowed a subsidiary to deduct reimbursements to its parent for payments by the parent to the subsidiary's employees on the surrender of options to acquire shares of the parent. The Tax Court of Canada found that the payments were akin to compensation to the employees and did not create an enduring benefit to the subsidiary's business.

For additional recent tax cases, see [page 42](#) of *Tax Facts and Figures: Canada 2008* at www.pwc.com/ca/taxfacts.

Recent Federal Regulatory Changes

The Office of the Superintendent for Financial Institutions (OSFI) updates and revises the guidelines and advisories affecting Canadian insurers. Below are highlights of some recent changes. The full text is available on the OSFI website at www.osfi-bsif.gc.ca.

See International Financial Reporting Standards (IFRS) – Accounting and Regulatory Developments (below) for regulatory changes relating to Canada’s move to IFRS.

Minimum Continuing Capital and Surplus Requirements (MCCSR) Advisory Committee’s Vision Paper

In January 2008, OSFI’s MCCSR Advisory Committee released its paper, *Canadian Vision for Life Insurer Solvency Assessment*, which outlines a new vision for principles-based solvency financial requirements for Canadian life insurers.

A working group composed of regulatory and industry representatives is updating the solvency framework to prepare for Canada’s adoption of IFRS. The proposed new accounting method for insurance contracts (IFRS Insurance Contracts Phase II) will significantly change the way insurance obligations are valued and provided for in the capital requirements. Modifications to the regulatory credit and market capital requirements will also be required.

New Regulatory and Legislative Advisory on the Insurance in Canada of Risks

This Advisory provides guidance for the purpose of Part XIII of the *Insurance Companies Act* in determining whether a foreign entity is insuring in Canada a risk. OSFI has decided to postpone implementation of the amendments to Part XIII of the *Insurance Companies Act* until January 1, 2010, to accommodate requests by insurance companies to allow more time to implement certain aspects of the amended regime. At that date, stakeholders will be expected to comply with the new requirements.

International Financial Reporting Standards (IFRS) – Accounting and Regulatory Developments

The most significant accounting development for Canadian insurers is the move to IFRS, which the Canadian Accounting Standards Board confirmed on February 13, 2008. Effective for fiscal years beginning after December 31, 2010, publicly accountable profit-oriented enterprises will be required to use IFRS in their interim and annual financial statements, with earlier adoption permitted in certain circumstances.

In May 2008, the Canadian Securities Administrators (CSA) issued guidance on disclosures that an issuer should make relating to expected changes in accounting policies as a result of the changeover to IFRS. If an issuer has developed an IFRS changeover plan, its 2008, 2009 and 2010 interim and annual management discussion and analysis should include a discussion of the plan.

In addition, OSFI has confirmed that all federally regulated financial institutions (FRFIs) are considered publicly accountable enterprises and that FRFIs will not be permitted early adoption of IFRS. Commencing with the 2008 fiscal year, OSFI also expects every FRFI to submit a semi-annual progress review on its plan to adopt IFRS, which is to be modeled after the disclosure requirements issued by the CSA. The progress review should include an assessment of the company’s readiness to adopt IFRS in 2011, any challenges that it anticipates and steps to resolve them. The plan must be filed with OSFI within 30 days of the end of the FRFI’s semi-annual period.

See [pages 10 and 11](#) for publications issued by PwC to help insurers stay abreast of IFRS developments.

Insurance Software Available

Software templates in popular spreadsheet formats are available for:

- completing Annual Statement and Interim Return forms by life and property and casualty insurance companies and branches;
- completing Annual Information Return (Form 49) and the Certified Financial Statements (Form 60) for pension plans as required by OSFI;
- computing income replacement benefits under the Statutory Accident Benefits Schedule (SABS), including pre- and post-accident net weekly income; and
- calculating interest payable on overdue payments under SABS.

For more information, contact any of the PricewaterhouseCoopers leaders listed at the front of this booklet.

Publications

For Canadian and international insurance and financial services industries, PricewaterhouseCoopers issues numerous thought-leadership publications including those listed below. Copies can be obtained from our website at www.pwc.com or by contacting any of our Canadian Insurance Industry Group leaders, listed at the front of this booklet.

Publications are grouped below under the following headings:

- International Financial Reporting Standards (both Canadian and worldwide)
- Other Publications – Canada
- Other Publications – Worldwide

International Financial Reporting Standards (IFRS)

The implementation of IFRS will result in fundamental changes to the way the insurance industry does business. Recognizing this, PricewaterhouseCoopers prepares briefing papers and other publications on the key business and technical challenges, delivering the information the industry needs to respond to the IFRS revolution. These publications can be found on our website at www.pwcifrs.ca/insurance.

Putting IFRS in Motion: The impact of International Financial Reporting Standards (IFRS) on the Canadian insurance sector

This publication provides:

- an overview of the Accounting Standards Board's timeline for the adoption of IFRS;
- an outline of some of the significant accounting differences between Canadian GAAP and IFRS in the insurance sector (including some of the more contentious issues of the proposed components of IFRS 4 Phase II, valuation and measurement of insurance contracts); and
- insights into the considerations for the adoption of IFRS.

Insurance Review (see [page 12](#))

Canada's move to IFRS is discussed in the following issues of this Canadian publication:

- Summer 2008 (Countdown to IFRS – are you on track?)
- Spring 2008 (Putting Canadian insurance IFRS in motion)
- Summer 2007 (Transforming the accounting for insurance contracts; Migrating to IFRS – the Canadian context)

IFRS Pocket guide – 2008

PricewaterhouseCoopers' IFRS at-a-glance guide provides a summary of the recognition and measurement requirements of IFRS, published up to March 2008. Detailed guidance on disclosure requirements, which are not addressed in the IFRS Pocket guide, can be found in the *IFRS Disclosure checklist*.

Topics include:

- accounting rules and principles;
- profit and loss account and related notes;
- balance sheet and related notes;
- consolidated financial statements; and
- industry-specific topics.

IFRS Illustrative corporate consolidated financial statements 2006 – Insurance

This publication, soon to be updated for 2007, provides an illustrative set of consolidated financial statements, prepared in accordance with IFRS, for a fictional multinational insurance group in the property and casualty, savings and life sectors.

IFRS Disclosure checklist 2007

This updated Disclosure checklist outlines the disclosures required by all standards and interpretations released by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) up to and including September 2007.

Getting closer to the finish line? – Insurance contracts accounting under IFRS

In May 2007, the IASB published its proposals for the future reporting of insurance contracts. By March 7, 2008, 161 formal responses had been lodged with the IASB. This publication summarizes the key points that emerged from those responses, implications of the parallel development of Solvency II regulatory proposals in Europe and the potential involvement of the U.S. Financial Accounting Standards Board in a joint project.

Get set for IFRS Insurance Phase II: The planned changes, the business implications and what you should consider doing now

IFRS Phase II proposes to replace any old-fashioned, often excessively prudent approaches and move towards a more current and market-consistent basis that applies to all types of insurance contracts. This publication provides an overview of these proposals, the financial reporting and operational implications and what companies should consider to ensure IFRS Phase II meets the 2012 expected implementation date.

IFRS News

IFRS News is a PricewaterhouseCoopers monthly newsletter highlighting current developments at the IASB and IFRIC. It focuses on the business implications of the IASB's proposals and new standards. Typical content includes:

- feature articles on new standards, amendments and exposure drafts;
- insights into IFRS transition work in a particular country;
- interviews with senior figures involved in IFRS activity; and
- summary updates of IASB projects.

For recent editions visit www.pwc.com/ifrsnews.

Other Publications – Canada

Insurance Review

Insurance Review is a periodic publication discussing matters of interest to Canadian insurance industry executives.

Summer 2008 topics:

- The perfect storm – finding talent, hiring talent, keeping talent
- Countdown to IFRS – are you on track?
- Does ERM matter? Enterprise risk management in the insurance industry
- Insurance in Canada of risks – change in implementation date

Spring 2008 topics:

- Improve business performance by selecting and managing the “right” key performance indicators (KPIs)
- Putting Canadian insurance IFRS in motion
- GST developments

Year-end 2007 topics:

- Insurance Banana Skins 2007
- Ontario tax harmonization – strengthening business through a simpler tax system act
- 2007 accounting, tax and regulatory developments

Fall 2007 topics:

- Integrating governance, risk management and compliance
- Mergers and acquisitions in the P&C brokerage industry
- What is an insurance risk in Canada?

Dealing with the impact of the new financial instrument standards for Canadian insurers

Financial reporting for insurance entities in Canada changed significantly in 2007 as a result of the new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): CICA Handbook Section 1530, “Comprehensive Income”; Section 3855, “Financial Instruments – Recognition and Measurement”; Section 3861, “Financial Instruments – Disclosure and Presentation”; and Section 3865, “Hedges.” This publication provides a guide to the expanded disclosure requirements, as well as practical assistance to preparers of financial statements.

Other Publications – Worldwide

Insurance Digest

In separate editions for the Americas, Asia Pacific and Europe, this publication provides thought-provoking insights into some of the key strategic issues facing the insurance industry.

Insurance Digest (Americas edition)

November 2007 topics:

- Economic capital: Recognizing the value of risk
- Enterprise risk management (ERM): No longer a nice-to-have
- A road map for surviving the credit crunch
- Catastrophic loss estimation: Overview of current practice
- Insurance risk transfer: Tax red flags to watch for

Insurance Digest (Asia Pacific edition)

January 2008 topics:

- IFRS: Is Asia singing from the same song sheet?
- Takaful: The Malaysian experience
- The insurance sector in India: Poised for further liberalization and growth
- Bancassurance around the globe
- Dealing with unit pricing problems
- Solvency II: Thinking for Asia's tomorrow

Insurance Digest (European edition)

April 2008 topics:

- Smart cost management: Making every cent count
- Tomorrow's workforce: Securing the talent to succeed
- Three lines of defence: How to take the burden out of compliance
- Gauging the risks and opportunities of the new international agreement on branch taxation
- Ageing and insurance: The opportunities of an older Europe
- Realising the potential: Entry and development in the Chinese insurance market

Does ERM matter? – Enterprise risk management in the insurance industry – A global study

Enterprise risk management (ERM) has reached a critical juncture as the demands of regulators, rating agencies and a more volatile market environment heighten the pressure on insurers to put risk considerations at the heart of their strategy and operations. This global survey examines how ERM programs have developed and matured since 2004 and how well the insurance industry is equipped to meet evolving market and stakeholder demands.

Bridging risk and capital – Countdown to Solvency II

The third edition of Countdown to Solvency II:

- examines how to make the most of the European Commission's fourth quantitative impact study (QIS 4) and view it as an opportunity to understand the commercial implications of Solvency II;
- discusses operational risk and how effective risk management could improve the efficiency of systems, processes and controls;
- explores internal models, emphasizing that model approval is more than just getting the numbers right; and
- discusses the learning points from Basel II.

Gearing up for Solvency II: The new business environment

The European Commission's draft framework Directive for the rationalization, harmonization and modernization of insurance regulation in the European Union was launched in July 2007. The Directive includes ambitious and far-reaching proposals for a new, principles-based and risk-sensitive solvency regime, and sets a deadline of October 31, 2012, for Solvency II implementation. This publication summarizes the key features and commercial implications of the Directive.

Chief Risk Officers are from Babylon, Chief Financial Officers are from Florence – Aligning risk and finance

This publication provides an overview of the significant benefits that can be delivered from aligning risk and finance more effectively, and shows that it can also be a mistake to integrate risk and finance.

Financial Services Survey – CBI/PricewaterhouseCoopers quarterly survey – 75th edition

CBI/PricewaterhouseCoopers' 75th financial survey shows the industry's confidence falling to its lowest level since 1990, and that respondents are becoming more pessimistic about the duration of the slowdown and its effect on their levels of business.

International Comparison of Insurance Taxation – October 2007

Chapters on 32 countries provide an overview of the accounting and taxation rules that apply to life and non-life insurance businesses.

Key Tax Dates and Rates

The following Canadian tax dates for insurance companies are based on a December 31 fiscal year end. Deadlines falling on holidays or weekends may be extended to the next business day. (Filing dates for miscellaneous matters affecting insurers in Canada, such as provincial taxes, licences, fees, permits and municipal taxes, are not covered.)

Federal Tax Dates		Payments		Returns
		Instalments	Balance	
Corporate Income Tax; Tax on Capital of Financial Institutions	Some Canadian-controlled private corporations	Last day of each month ¹	March 31	June 30
	All other insurers		February 28	
Life Insurer's Investment Income Tax				
Branch Tax		June 30 for remittances		
Non-Resident Tax	T2016			
Transactions with Non-Residents	NR4 ²			March 31
	Related-party transactions: T106			June 30
Foreign Property Reporting	T1135, T1141 and T1142	n/a		15 months after year end
	T1134-A and T1134-B			
Federal Excise Tax – Unlicensed Insurance		April 30 for returns and remittances		
Insurers Not Registered for GST that Import Taxable Supplies		1 month after month of importation for returns and remittances		
Financial Institution GST/HST Annual Information Schedule³	GST111 Schedule 1	n/a		6 months after year end

Provincial Tax Dates		Payments		Returns
		Instalments	Balance	
Corporate Income Tax (Alberta; Ontario⁴; Quebec)	Some Alberta and Ontario ⁴ Canadian-controlled private corporations	Last day of each month ^{1,4}	March 31	June 30
	All other insurers		February 28	
Capital Tax	Manitoba	15th of March, June, September and December	June 30	
	Nova Scotia	Same as federal corporate income tax		
	Life insurers in Ontario ⁴ and Quebec	Same as provincial corporate income tax		

- For taxation years commencing after 2007, Canadian-controlled private corporations can pay federal and Quebec instalments quarterly (rather than monthly) if certain conditions are met.
- The payer in a transaction with a non-resident is required to remit withholding tax on or before the 15th of the month following the month the amount was paid or credited to the non-resident.
- For fiscal years commencing after 2006, GST 111 Schedule 1 must be filed by financial institutions that are GST/HST registrants and have total annual revenues exceeding \$1 million.
- For taxation years ending after 2008, the Canada Revenue Agency (CRA) will administer Ontario's corporate income tax, corporate minimum tax and Special Additional Tax on Life Insurers (see [pages 6 and 7](#)). As a result:
 - the CRA will collect Ontario corporate tax instalments;
 - Ontario will adopt federal corporate tax instalment rates; and
 - one corporate tax return will be filed for federal and Ontario purposes.

Canadian Premium and Fire Tax – Rates and Deadlines

Rates			Deadlines			
Life, Accident and Sickness	Premium Tax		Fire Tax ¹	Instalments		Return and Balance Due
	Property and Casualty			Premium Tax	Fire Tax	
2%	3%	Nil	Alberta	Not required		75 days after year end
	4.4%		British Columbia²	If prior year's tax payable exceeds \$25,000, 15th of June, September and December		March 31
	3%	1.25%	Manitoba	Last day of April, July, October and January		
		1%	New Brunswick	Last day of June, September and December		
4%		Nil ³	Newfoundland and Labrador	20th day of each month		March 20
3%	3% or 4% ³		N.W.T. & Nunavut	Not required		March 15
	4%	1.25%	Nova Scotia	60 days after end of each quarter		Premium: 60 days after last quarter Fire: March 31
2%	3% or 3.5% ⁴	Nil	Ontario	Same as provincial income tax (page 15)		
3.5%		1%	Prince Edward Island	Last day of each quarter		3 months after year end
2.35%	3.35%	Nil	Quebec⁵	Same as provincial income tax (page 15)		
3%	4%	1%	Saskatchewan⁶	Not required		March 15
2%	2% or 3% ⁷	Nil ⁷	Yukon			

1. Fire tax rates are levied under the *Fire Prevention Act* or similar legislation of each jurisdiction. For the Northwest Territories, Nunavut and Yukon, footnotes 3 and 7 set out rates levied under other legislation relating to fire insurance premiums.
2. British Columbia's premium tax rate on property insurance and automobile insurance is 4.4%. A rate of 4% applies to most other types of insurance not referred to in the table.
3. Northwest Territories and Nunavut impose an additional 1% tax on gross premiums in respect of fire insurance.
4. Ontario levies a premium tax rate of 3.5% on property insurance.
5. Quebec rates include 0.35% compensation tax on insurance premiums.
6. Saskatchewan imposes an additional 1% tax on gross premiums in respect of motor vehicle insurance. Saskatchewan's premium tax rate on hail insurance is 3%.
7. Yukon imposes an additional 1% tax on gross premiums in respect of fire insurance and property damage insurance.

Sales and Commodity Tax – Rates and Deadlines

	Tax	Rate	Filing Conditions	Balance and Returns		
				Reporting period	Due after	
Federal	GST ¹	5% ²	Default	Fiscal year end ³	3 months ⁴	
			Elected	Fiscal quarter	1 month	
				Fiscal month		
Alberta			No provincial sales tax			
British Columbia			Default	Calendar month	23 days ⁵	
			Approved	Approved period		
Manitoba	PST	7%	Monthly tax	< \$200	Calendar year	20 days
				\$200 to \$499	Semi-annual calendar period	
				\$500 to \$999	Calendar quarter	
				≥ \$1,000	Calendar month	
New Brunswick	HST	13% ²	Same as federal GST ⁶			
Newfoundland and Labrador ⁷						
Northwest Territories			No territorial sales tax			
Nova Scotia	HST	13% ²	Same as federal GST ⁶			
Nunavut			No territorial sales tax			
Ontario	PST	8% ⁸	Semi-annual tax	< \$2,000	Semi-annual calendar period	23 days
				\$2,000 to \$3,999	Calendar quarter	
				\$4,000 to \$6,000	2 calendar months	
				> \$6,000	Calendar month	
Prince Edward Island		10% ⁹	Default	Calendar month	20 days	
Quebec	QST	7.5%, 5% or 9% ¹⁰	Default	Fiscal year end	3 months ⁴	
			Elected	Fiscal quarter	1 month	
				Fiscal month		
Saskatchewan	PST	5%	Annual tax	< \$3,600 ¹¹	Calendar year	20 days
				\$3,600 ¹¹ to ≤ \$7,200	Calendar quarter	
				> \$7,200	Calendar month	
Yukon			No territorial sales tax			

GST = Goods and Services tax
PST = Provincial sales tax

HST = Harmonized sales tax
QST = Quebec sales tax

1. Instead of the GST, a 5% (6% before January 1, 2008) First Nations Goods and Services Tax (FNGST) applies in certain First Nations.
2. On January 1, 2008, the GST rate decreased from 6% to 5% and the HST rate decreased from 14% to 13%.
3. To ease the GST/HST compliance burden of small and medium-sized businesses, GST/HST filing and remittance thresholds increased for taxation years beginning after 2007.
4. Federal and Quebec instalments are due one month after each quarter.
5. Effective April 1, 2007, the due date of the British Columbia PST return is extended from 15 days to 23 days after the end of the reporting period.
6. For monthly or quarterly filers that are specified financial institutions with December 31 year ends, the final HST return is due March 31.
7. Retroactive to January 1, 2008, Newfoundland and Labrador eliminated its 15% provincial sales tax on property and casualty insurance premiums.
8. Ontario's general retail sales tax rate is 8%. Ontario also imposes a retail sales tax of 8% on other insurance premiums, with certain exceptions, e.g., individual life and health, automobile premiums.
9. In Prince Edward Island the 10% PST rate is imposed on GST.
10. Quebec's general sales tax rate is 7.5%. This rate is imposed on GST. Quebec also imposes a retail sales tax of 5% on automobile premiums and 9% on insurance premiums, with certain exceptions, e.g., individual life and health.
11. Administratively, Saskatchewan may permit annual reporting if the annual PST payment is under \$3,600.

Selected Regulatory Dates for Canada, the U.K. and the U.S.

		Domestic	Foreign Branches
Insurance Companies Act (Canada)	Fiscal year ends	October 31 or December 31	
Office of the Superintendent of Financial Institutions	Annual financial returns¹	60 days ^{2, 4}	Same as domestic
	Report of the Actuary		
	Auditors' Report	On financial statements	May 31
		On MCCSR/TAAM ³	
	Quarterly financial returns	45 days ²	Same as domestic
Ontario Securities Commission	Annual financial statements	90 days ²	
	Interim financial statements	45 days after end of interim fiscal period	
United Kingdom	The Insurance Annual Return to the Financial Services Authority	3 months ² if filed electronically or under rule 9.36A; otherwise, 2 months and 15 days ²	
	Enhanced Capital Requirement Return (unaudited)		
	Insurance Group Capital Adequacy Requirement	4 months ²	
United States	Annual Convention Blank (State Insurance Commissioners)	June 1 (applies to companies listed in the U.S.)	
	10K Regular Annual Report (Securities and Exchange Commission)	Generally February 28	

1. Annual financial return deadlines for provinces and territories may differ. In particular, for reinsurers some filing deadlines are earlier than the 105-day OSFI deadline for annual financial returns referred to in footnote 4.
2. Days or months after year end.
3. MCCSR = Minimum Continuing Capital and Surplus Requirements
TAAM = Test of Adequacy of Assets in Canada and Margin Requirements
4. Filing deadlines for annual reports of reinsurers are grandfathered (105 days for financial returns, 135 days for MCCSR/TAAM returns) until the applicable legislation is changed.

Corporate Income Tax Rates for 2008

The following rates, which have been pro-rated for a December 31, 2008 year end, apply to insurance companies. For Canadian-controlled private property and casualty insurers, lower rates may apply on up to \$400,000 of active business income. Thresholds greater than \$400,000 apply in Alberta, Ontario and Saskatchewan in 2008.

Basic federal rate	38%		
Provincial abatement	-10%		
General rate reduction	-8.5%		
Total federal rate	19.5%¹		
		Provincial	Provincial + 19.5% Federal
Alberta	10% ¹	10% ¹	29.5%
British Columbia	11.5% ¹	11.5% ¹	31.0%
Manitoba	13.5% ¹	13.5% ¹	33.0%
New Brunswick	13% ¹	13% ¹	32.5%
Newfoundland and Labrador	14% H	14% H	33.5%
Northwest Territories	11.5%	11.5%	31.0%
Nova Scotia	16%	16%	35.5%
Nunavut	12%	12%	31.5%
Ontario²	14%	14%	33.5%
Prince Edward Island	16%	16%	35.5%
Quebec	11.4% ¹ H	11.4% ¹ H	30.9%
Saskatchewan	12.5% ¹	12.5% ¹	32.0%
Yukon	15%	15%	34.5%

H Tax holidays are available to certain corporations.

1. Recent and future income tax changes are outlined on [pages 1 to 7](#).
2. Ontario corporations that, on an associated basis, have either gross revenues over \$10 million or total assets over \$5 million, may have a corporate minimum tax based on adjusted book income. The minimum tax is payable to the extent that it exceeds the regular Ontario income tax liability.

Capital Tax Rates for 2008¹

		Life ¹	Non-Life ¹
Federal	Large Corporations Tax (LCT) ²		No capital tax
	Part VI Financial Institutions Capital Tax ³	On first \$1 billion taxable capital On taxable capital > \$1 billion	
Alberta			
British Columbia			
Manitoba ⁴	On first \$10 million taxable capital		Nil
	On taxable capital > \$10 million and ≤ \$20 million		0.3%
	On taxable capital > \$20 million and ≤ \$21 million		2.5%
	On taxable capital > \$21 million		0.5%
New Brunswick			
Newfoundland and Labrador			
Northwest Territories			
Nova Scotia ⁴	If taxable capital < \$10 million		Nil
	On first \$5 million taxable capital		0.425%
	On taxable capital > \$5 million		
If taxable capital ≥ \$10 million		0.212%	
Nunavut			
Ontario ⁵ and Quebec ⁶	On taxable capital ≤ \$10 million		Nil
	On taxable capital > \$10 million and ≤ \$50 million		0.625%
	On taxable capital > \$50 million and ≤ \$100 million		0.9375%
	On taxable capital > \$100 million and ≤ \$200 million		1.25%
	On taxable capital > \$200 million and ≤ \$300 million		0.625%
	On taxable capital > \$300 million		0.3125%
Prince Edward Island			
Saskatchewan			
Yukon			

1. All rates in this table are for a December 31, 2008 year end. When applying the thresholds, taxable capital of all companies in a group is considered.
2. The federal LCT was eliminated January 1, 2006. A notional LCT, calculated as if the LCT rate and capital tax threshold were 0.225% and \$10 million, respectively, remains relevant for certain purposes (e.g., a CCPC's small business limit). Before 2008, the portion of the federal surtax liability that was the corporation's Canadian surtax liability reduced any LCT liability for the year or the previous three years (and, before 2006, the next seven years).
3. The federal Part VI Tax is reduced by the corporation's federal income tax liability, net of any federal surtax claimed against the LCT liability. Any unused federal income tax liability can be applied to reduce the Part VI Tax for the previous three years and the next seven. Unused income taxes that can be carried back from taxation years ending after June 30, 2006, will be calculated using capital tax rates and thresholds that applied before July 1, 2006 (i.e., 1.25% for capital over \$300 million; 1% for capital between \$200 million and \$300 million; nil for capital below \$200 million).
4. Recent and future changes are outlined on [pages 5 and 6](#).
5. Ontario capital tax may be reduced by the Ontario income tax and corporate minimum tax payable for the year.
6. Quebec capital tax may be reduced by the Quebec income tax payable for the year.

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