



THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA
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Richard Montroy.
Director General
Policy and Planning
Legislative Policy Directorate
22nd floor, Place de Ville, Tower A
325 Queen Street
Ottawa, ON K1A 0L5

Dear Mr. Montroy:

As you are aware from your discussions with Hugh Chasmar, IFIC members have serious concerns regarding a statement in the 2004 T3 Guide that a mutual fund trust that reports an amount in new box 42 (reductions in adjusted cost base) cannot issue a combined T3 slip.

The existing ability to issue one combined T3 which consolidates all reportable amounts for a customer arising from more than one mutual fund provides substantial benefits to both unitholders and mutual fund companies. The benefits of reduced paperwork, costs, complexity, and confusion are both obvious and significant. The proposed requirement to issue separate T3 slips for mutual funds which pay a return of capital would undermine these benefits.

Mutual funds (and hence unitholders) will bear the resulting additional mailing costs including increased labour needed to manage a larger volume of slips. As well, unitholders will be receiving more paperwork and thus may have a harder time keeping track of whether they have received all the required slips. This may lead to increased erroneous tax reporting to CRA by unitholders, as well as calls to mutual fund companies requesting duplicate slips (or just to find out why there are so many slips issued).

Under the established procedure, statements breaking down income, capital gains and returns of capital on a fund-by-fund basis are provided to unitholders along with the T3 slips. These statements provide unitholders with the necessary information to calculate their ACBs of each fund. Issuing separate slips will not provide any more useful information to either Canada Revenue Agency or unitholders. Furthermore, the magnetic media filings to CRA are not consolidated.

Apart from the fundamental concerns we have, the immediate difficulty faced by IFIC members is that this new restriction on the ability to produce combined T3 slips comes at an impossibly late stage in the preparations for the 2004 tax reporting season. Specifically, fund companies will need to make major programming changes to their current extract systems (i.e. get the programs to recognize when to combine and when not to combine). Given that there are only three weeks until the end of year, it is highly improbable and also unwise to make and test all the changes within such a short time frame.

We hope that CRA reconsiders this matter and allows the continued use of combined T3 slips.

Yours truly,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

“Original signed by John W. Murray”

John W. Murray
Vice President, Regulation & Corporate Affairs

JWM/mm