



THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA
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June 25, 2003

Mr. David Miller
Assistant Commissioner
Assessment and Collection Branch
Canada Customs and Revenue Agency
25 McArthur Road, 10th Floor
Ottawa, ON K1A 0L5

Dear Mr. Miller:

Re: Blanket Extension of Time to Make Tax Filings After Mutual Fund Mergers

We are writing to request that CCRA grant a blanket extension of time for all tax filings that must be prepared by unit trusts and mutual fund trusts that are a party to a merger. We request that the blanket extension apply whether or not the merger was a “qualifying exchange” as defined in subsection 132.2(2) of the Income Tax Act (Canada)(the “Act”) and that the filing due dates be extended to the next normal filing date that would have occurred in the absence of the merger (i.e., 90 days after December 15 or December 31). Finally, with respect to the continuing fund, we request blanket permission to combine the information for the taxation years immediately before and after the merger date into one T3 slip for each unitholder.

When a mutual fund is a party to a “qualifying exchange”, both the continuing fund and the terminating fund are deemed to have a year-end for tax purposes. As a result, the funds must prepare tax returns, T3 summaries and slips and NR4 summaries and slips for the taxation year ending on the merger date. The returns and slips must be filed within days of that merger date. When two trusts are parties to a non-qualifying exchange, the terminating trust has the above-mentioned filing obligations.

As CCRA is aware, these mid-year filing obligations place a significant burden on mutual fund managers because their computer systems are simply not equipped to process the information. Further, experience has demonstrated that investors are confused when they receive T3 slips mid-year, or when they received more than one T3 slip for a single mutual fund. A significant

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number of T3 slips are lost and it is costly and time consuming to replace them. It is also costly and time consuming to deal with investor confusion.

Under subsection 220(3) of the Act, CCRA has the authority to extend the time to file a return. In fact, CCRA currently has a policy of granting filing extensions upon request. We are not aware of any situation when a request has not been granted. However, our members have experienced lengthy delays, often several months, in receiving CCRA's written approval. This is an inefficient and unnecessary process, which would be eliminated by a blanket extension. In addition to a blanket extension, this relief could be incorporated into the next version of the T4013 - T3 Trust Guide, so that it would be widely known.

Members of our Taxation Committee would be pleased to discuss this issue with you further.

Thank you for considering this request.

Yours truly,

ORIGINAL SIGNED BY JOHN MOUNTAIN

John Mountain
Vice President
Regulation