



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA  
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**BY FAX: 613-995-5176 & MAIL**

November 27, 2006

Finance Canada  
Minister's Office – L'Esplanade Laurier  
140 O'Connor Street  
Ottawa, ON  
K1A 0G5

**Attn: The Honourable James M. Flaherty, P.C., M.P.  
Minister of Finance**

Dear Sir:

**Re: October 31<sup>st</sup> Announcement on Income Trusts (the "Announcement")**

Founded in 1962, IFIC is the national association of the Canadian investment funds industry. Membership comprises mutual fund management companies, retail distributors and affiliates from the legal, accounting and other professions from across Canada, who work in an open, consultative process to ensure all views are considered and met. Members' assets under administration – the amount Canadians have invested in the mutual fund industry – currently stand at well over \$550 billion.

IFIC acknowledges the policy considerations that led to the Announcement. However, we wish to make four general observations with respect to the Announcement and the legislation that will be drafted in order to give effect to its proposals:

1. We understand that it is the intention of the Department of Finance that units of an open-end trust contemplated by paragraph 108 (2)(a) of the *Income Tax Act* (Canada) will not, by reason only of the right of investors to redeem such units on demand, be considered to be listed on a stock exchange or other mutual public market. Consequently, such unit trusts will not be specified investment flow-throughs ("SIFTs"). We request that the legislation make this clear.
2. The legislation must be drafted such that compliance with it is practical for investors.
3. The rules to give effect to the Announcement should be such that the characterization of an investment (*i.e.*, SIFT or not a SIFT) and its tax treatment are certain. Ambiguities as to the effect of the rules on a particular investment will affect pricing in the market and the ability of taxpayers, including mutual funds managed by IFIC

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Members, to determine the tax treatment of income and gains to be derived from the particular investment.

Members of our Taxation Working Group would be pleased to discuss any of the foregoing points with you. If you wish to do so, please contact the undersigned at 416-309-2319 or by email at [jparker@ific.ca](mailto:jparker@ific.ca). Thank you for your consideration of this matter.

Yours truly,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**

By: John Parker  
Vice President, Finance & Administration