

ROAD MAP



RST – Ontario Related Party Rules

GST – Carrying on Business Policy

MILLAR & REKLEWETZ LLP

Ontario's Related Party Rules

MILLAR & REKLEWETZ LLP

Ontario Related Party Rules

What do they do ?

RST

Allow for TAX FREE / LESS TAX
Transfer of Taxable TPP
between Related Parties

First substantive changes since 1961

Also Address Partnerships

MILLAR & REKLEWETZ LLP

Ontario Related Party Rules

Related Party

Same 95%
Ownership Test

Expanded Application

MILLAR & REKLEWETZ LLP

Ontario Related Party Rules

Eligible Property

Main Requirement:
Tax Paid

Exempt or Resale
Situations
NOT Eligible

Now Allows for
Multiple Usage

MILLAR & REKLEWETZ LLP

Ontario Related Party Rules

Main Rule

Where **Related Parties**,
Eligible Property may be
transferred **tax free**

Fine Print:
(1) 180 day holding period
(2) After July 19, 2004

MILLAR & REKLEWETZ LLP

Rule where less than 95%

Where **Unrelated Parties**,
Eligible Property may be
transferred on a
pro-rated basis

Concept: You don't pay tax on
your percentage ownership.

Same Fine Print

Special Rules for Partnerships

Rule on Creation of Partnership

No RST if "Consideration Received"
for TPP = "Partnership Interest"

What is the "Partnership Interest"

How should it be valued ?

Remember: Can Take it Out Tax-Free Too

Rule for Transfers After Creation

Treat certain amount as exempt,
based on "% of Profits" of Partnership

Applies on TPP Going IN and OUT
(But not if taking out someone's else's TPP)

Inherent Double Tax Still the Norm

Why % of Profits ?

GST & CARRYING ON BUSINESS

Draft GST Policy P-051 R2

GST

Carrying on Business Brings a
Non-Resident INTO the GST System

Significant Change in the
Traditional Guideposts



QUESTIONS

MILLAR KREKLEWETZ LLP

Regulation 1013

Interpretation 13

1. This section contains interpretation rules that apply for the purposes of this section and sections 13.1 to 13.7.
2. A corporation is related to another corporation if one corporation wholly owns the other corporation or if both corporations are wholly-owned by the same person.
3. A corporation is wholly-owned by a person or an individual, as the case may be, if the beneficial ownership of shares representing not less than 95 per cent of the sum of the stated capital of all classes and series of shares of the corporation is held directly or indirectly,
 - a. by the person; or
 - b. by the individual and one or more individuals who are members of his or her family.
4. A corporation (the "subsidiary corporation") that is wholly-owned by another corporation shall be deemed to include any other corporation that is itself wholly-owned by the subsidiary corporation.

MILLAR KREKLEWETZ LLP

Regulation 1013

Interpretation 13

1. This section contains interpretation rules that apply for the purposes of this section and sections 13.1 to 13.7.
2. A corporation is related to another corporation if one corporation wholly owns the other corporation or if both corporations are wholly-owned by the same person.
3. A corporation is wholly-owned by a person or an individual, as the case may be, if the beneficial ownership of shares representing not less than 95 per cent of the sum of the stated capital of all classes and series of shares of the corporation is held directly or indirectly,
 - a. by the person; or
 - b. by the individual and one or more individuals who are members of his or her family.
4. A corporation (the "subsidiary corporation") that is wholly-owned by another corporation shall be deemed to include any other corporation that is itself wholly-owned by the subsidiary corporation.

MILLAR KREKLEWETZ LLP

Regulation 1013

Interpretation 13

1. This section contains interpretation rules that apply for the purposes of this section and sections 13.1 to 13.7.
2. A corporation is related to another corporation if one corporation wholly owns the other corporation or if both corporations are wholly-owned by the same person.
3. A corporation is wholly-owned by a person or an individual, as the case may be, if the beneficial ownership of shares representing not less than 95 per cent of the sum of the stated capital of all classes and series of shares of the corporation is held directly or indirectly,
 - a. by the person; or
 - b. by the individual and one or more individuals who are members of his or her family.
4. A corporation (the "subsidiary corporation") that is wholly-owned by another corporation shall be deemed to include any other corporation that is itself wholly-owned by the subsidiary corporation.

MILLAR KREKLEWETZ LLP

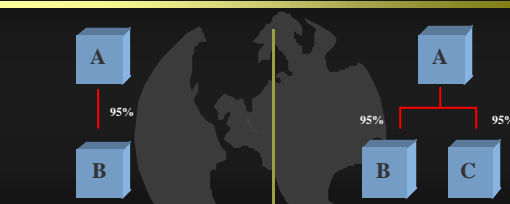
Regulation 1013

Interpretation 13

1. This section contains interpretation rules that apply for the purposes of this section and sections 13.1 to 13.7.
2. A corporation is related to another corporation if one corporation wholly owns the other corporation or if both corporations are wholly-owned by the same person.
3. A corporation is wholly-owned by a person or an individual, as the case may be, if the beneficial ownership of shares representing not less than 95 per cent of the sum of the stated capital of all classes and series of shares of the corporation is held directly or indirectly,
 - a. by the person; or
 - b. by the individual and one or more individuals who are members of his or her family.
4. A corporation (the "subsidiary corporation") that is wholly-owned by another corporation shall be deemed to include any other corporation that is itself wholly-owned by the subsidiary corporation.

MILLAR KREKLEWETZ LLP

The Related Concept



A & B are related

A & B & C are Related

MILLAR KREKLEWETZ LLP

