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**For Required Disclosures, please see page 6.**

# Business and Royalty Trusts

## Deep Dive into Tax Issues: Canadian Pensioners Taxed Twice on Canadian Corporate Dividends!

## Two Key, Important, But Separate, Issues

Two key issues at the heart of the Trust Debate: Canadian Pension Benefits taxed twice on Canadian Corporate Dividends, and Foreign Investor Tax Inequality.

## A Summary of this Report

- **Double Taxing Pension Benefits** – Currently, Canadian corporate dividends received by a pension or retirement fund are ultimately taxed twice (Canadian individual and corporate investors are provided a credit for the taxes paid by the dividend paying corporation), whereas interest from a Canadian corporation or government is only taxed once. The Trusts amplify this inequity by providing the opportunity to invest in cash distributions from a trust that will only be taxed once.
- **Foreign Investor Tax Inequality** – Currently, when certain foreigners invest in Canadian Trusts, they are subject to lower levels of tax in Canada than the reciprocal treatment provided a Canadian investor. A key bilateral tax treaty, with respect to flow through entities, is skewed against Canadian investors and favours the foreign investors. The equation should be rebalanced in order to ensure tax fairness.
- **Tax Proposals Only Fix One Problem: Foreign Investors** – The Department of Finance's proposed taxation of trusts only solves one of the inherent tax issues surrounding the trusts, the issue surrounding the taxation of foreign investors. Under the Department of Finance's proposals, Canadian pension beneficiaries will still be subject to double taxation on dividends from Canadian corporations.
- **The Solution: Surprise, It is not the Current Proposals** – We believe a solution should strive for fairness and improvement. The Department of Finance's trust tax proposals do not solve one of the two core issues we outline. Pension Benefits will still be subject to double taxation on Canadian Corporate Dividends. We cannot understand why any Canadians would support double taxation of retirement benefits – it affects us all eventually. Likely supporters of the Department of Finance proposals do not realize the real issues – they are too focused on the wrong aspects.
- **What Will Work** – A combination of the Mintz and the PricewaterhouseCoopers Proposals will eloquently solve both issues. Why is the Department of Finance ignoring a fair solution? A solution that is fair to all Canadians.
- **The Premise to Our Recommendation** – Trusts and Corporations should be treated equally; double taxation in Canada should be eliminated and foreign tax policy should ensure that Canadians as foreign investors should be treated equally to foreign investors in Canada (that bilateral tax treaties generate symmetrical tax results.)

## A Quick Summary of the Two Issues that Caused the Proposed Trust Tax

Canadian Income and Royalty Trusts have been a lightening rod for negative attention from politicians, corporate executives, writers and other "experts" for about 6 years now. Few of those complaining about the trusts have bothered to understand the micro-economic drivers of the trusts. Rather, many have merely looked at the trust values relative to corporate values and have incorrectly assumed that there was "something wrong" with the trust structure – namely that it caused economic distortions. Such comments, as we will show, are not well founded.

In some of our historic work regarding trusts, we looked for the cause of the value differences between trusts and corporations by looking at after-tax cash flow differences, and in almost all cases, the value difference can be identified to specific tax issues. Rather than the trusts being an "abnormality in Canadian tax law", we have actually found that the abnormality lays with the way Canadian corporations and investors are taxed. If it were not for the trusts, we doubt that the double taxation of Canadian public corporate dividends in the hands of Canadian taxpayers would have been remedied – but it was, in 2006. We believe more is needed to eliminate double taxation. We hate double taxation!

### Exhibit 1 – The Two Issues Summarized

**Income and Royalty Trusts**

**Issue #1**
**Tax Treatment of Foreign Investors**

**Perceived Problem**
Insufficient Canadian Tax Collected from Foreign Investors

**Assessment of Problem**
The Canada/U.S. Tax Treaty determines the withholding of taxes on distributions to foreign investors. With respect to U.S. investors, American investors pay less withholding taxes on Canadian Trust investments than Canadians pay on equivalent U.S. investments - U.S. investors are getting preferential tax treatment.

**Solution to the Problem**
Withholding taxes paid should be symmetrical - Foreign investors in Canada should be treated equivalent to Canadian investors in that other country for the same type of investment. Symmetry should be attained either through revisions to the Canada/U.S. Tax Treaty, or amendments should be made to Canadian Income Tax Law to achieve tax symmetry.

**Issue #2**
**Tax Treatment of Canadian Pension Funds**

**Perceived Problem**
Pension Funds Not Paying Income Taxes

**Assessment of Problem**
Pension Funds do not Pay Income Taxes; Pension Beneficiaries pay the Income Taxes. The Problem actually lies with the Taxation of Canadian Corporate Dividends, they are taxed twice - once as Corporate Income and again when paid out as Pension Benefits. Trust Distributions and Interest from Canadian Corporations are only taxed once - as Pension Benefits.

**Solution to the Problem**
Double taxation of Canadian Corporate Dividends should be eliminated in Canada. In 2006, Canada eliminated double taxation of Canadian Corporate dividends in the hands of Canadian taxable investors thorugh revisions to the refundable dividend tax system. This is not a Trust Issue, but a Coporate issue - Trusts have wrongly been attacked on this issue.

Source: RBC Capital markets

Many corporations were happy to sell assets to trusts at prices previously thought unattainable, reinvesting the proceeds in other areas of their business – enjoying the benefits of the value premium. We question how some of those same executives and investors can then turn around and complain about the trusts, claiming they were a "distortion" in corporate Canada.

## Splitting the Tax Issues into its Component Parts

In order to really understand the issues underlying the taxation of trusts, we looked at the after-tax cash flows from trusts and corporations from three different investor perspectives: taxable Canadian investors, tax-deferred Canadian investors (pension or retirement funds) and foreign investors. By comparing the differences in after-tax cash flows based on marginal income tax rates we can identify the issues surrounding the Canadian trusts and limited partnerships.

In Exhibit 2 adjacent, we start with $100 of pre-tax income earned by both a Canadian corporation (on the left) and trust or partnership (on the right). We have assumed that 100% of after-tax income is paid to the investors. (Remember, we are trying to understand the differences between a corporation and a trust.)

### Exhibit 2 – After-Tax Analysis

| | | Corporation | | | Partnership and Trust | | |
|---|---|---|---|---|---|---|---|
| **Income Before Taxes** | | | $100 | | | $100 | |
| Corporate Income Taxes: | *34%* | | -34 | | | 0 | |
| **After Tax Available for Distribution** | | | $66 | | | $100 | |
| | | **Canadian Taxable Individual** | **Canadian Pension Investor** | **Foreign Investor 15%** | **Canadian Taxable Individual** | **Canadian Pension Investor** | **Foreign Investor 15%** |
| **Distributed to Investors** | | $66 | $66 | $66 | $100 | $100 | $100 |
| **Individual Income Taxes:** | | | | | | | |
| Taxed as Canadian Dividend | *22%* | -15 | | | | | |
| Taxed As Income | *46%* | | | | -46 | | |
| **Foreign Investors:** | | | | | | | |
| Foreign Withholding Taxes | *15%* | | | -10 | | | -15 |
| **After Tax to Investor** | | $51 | $66 | $56 | $54 | $100 | $85 |
| ***Effective Tax Rate*** | | *49%* | *34%* | *44%* | *46%* | *0%* | *15%* |
| ***Trust / Partnership Tax Rate Advantage*** | | | | | *2%* | *34%* | *29%* |
| ***Trust / Partnership Value Advantage*** | | | | | *4%* | *52%* | *52%* |

Source: Canadian Income Tax Act, Canada/U.S. Tax Treaty and RBC CM estimates

In the following analysis, we will dissect the differences by each investor group. For a detailed understanding on the impact of the after-tax cash flows by investor group and the impact on business valuations and the corresponding cost of capital, we refer readers to our research report "***Income and Royalty Trusts: The Trust Valuation Premium – A Theoretical Perspective***" dated December 15, 2004.

## Canadian Taxable Investors

*Double Taxation of Canadian Corporate Dividends Eliminated in 2006*

During the 2005 White Paper consultation period, it became apparent that dividends from public Canadian corporations were being taxed twice, once at the corporate level and again at the individual level. In Canada, a system of taxation was created to eliminate instances where the same income is taxed twice – the dividend tax credit system. The problem was, that dividends from private Canadian corporations were generally free of double taxation, however, dividends from public corporations were subject to double taxation. Distributions from Canadian trusts were only subject to one layer of taxation – in the hands of the investor. Canadians, investing in Canadian Businesses, would prefer trust distributions to corporate dividends, as the distributions from the trusts were subject to tax at a rate approximately 10% less than dividends from a Canadian public corporation. The Federal Government's response in 2006 was to eliminate the double taxation of Canadian corporate dividends for taxable Canadian investors. As a result of the changes to the dividend tax credit system, taxable Canadian investors should be indifferent, after-tax, between trust distributions and corporate dividends. We have outlined the comparative after-tax computations for a taxable Canadian investor in 2007 and 2010 in Exhibit 3. The bottom line; the Federal Government made the right move in 2006 by eliminating double taxation of Canadian corporate dividends in the hands of taxable Canadian investors. Canadian taxable investors are now indifferent, an on after-tax basis, as to whether they receive a distribution from a Canadian trust or partnership, or a dividend from a Canadian corporation.

**Exhibit 3: Taxation of Canadian Taxable Individuals**

| | | 2007 | | | 2010 | |
|---|---|---|---|---|---|---|
| | | Corporation | Trust or Partnership | | Corporation | Trust or Partnership |
| **Income Before Taxes** | | $100 | $100 | | $100 | $100 |
| Income Taxes | *34%* | -34 | | *32%* | -32 | |
| **Income After Taxes** | | $66 | $100 | | $68 | $100 |
| **Dividend/Distribution** | | $66 | $100 | | $68 | $100 |
| **Individual Income Taxes:** | | | | | | |
| Taxed as Canadian Dividend | *22%* | -15 | | *20%* | -14 | |
| Taxed As Income | *46%* | | -46 | *46%* | | -46 |
| **After Tax Cash Flows** | | $51 | $54 | | $54 | $54 |
| ***Effective Tax Rate*** | | *49%* | *46%* | | *46%* | *46%* |

Source: Canadian Income Tax Act, PricewaterhouseCoopers and RBC CM estimates

## Canadian Tax-Deferred Investors (Pension and Retirement Funds)

*Double Taxation of Canadian Corporate Dividends Still Exists…*

In Exhibit 2 above, we witnessed that a Pension Fund investor should prefer receiving $100 cash distribution from a trust compared with the $66 dividend from a corporation. However, our work does not stop there. Pension or Retirement Funds are a vehicle to invest and save for people's retirement. So we follow the cash flows further, ultimately to the hands of the beneficiary. In Exhibit 4 adjacent, we analyze the income (dividend or distribution) as it passes through the pension fund to the pension beneficiary.

**Exhibit 4 – Taxation of Canadian Pension Benefits**

| | | Corporation | Trust or Partnership | |
|---|---|---|---|---|
| **Dividend/Distribution to Pension Fund** | | $66 | $100 | |
| **Pension Benefit Paid to Retiree** | | $66 | $100 | |
| **Individual Income Taxes:** | | | | |
| Taxed As Income | *46%* | -31 | -46 | |
| **After Tax to Beneficiary** | | $35 | $54 | |
| ***Effective Tax Rate*** | | *65%* | *46%* | |
| ***Trust / Partnership Tax Rate Advantage*** | | | *18%* | ***Effect of Double Taxation*** |
| ***Trust / Partnership Value Advantage*** | | | *52%* | |

Source: Canadian Income Tax Act, PricewaterhouseCoopers and RBC CM estimates

*…And Should be Eliminated in Canada – There is Still One More Flaw to Fix*

Pension benefits are taxed as income in the hands of the beneficiary. What we find is that pension benefits sourced from Canadian corporate dividends are taxed twice, once at the corporate level, and again in the beneficiaries hands. Distributions from a trust, however, are only taxed once, when the pension benefits are actually paid to the beneficiary. In a similar fashion to trust distributions, interest payments from corporations to pensions are only taxed once – when the funds are paid to the pension beneficiary. We find it curious that the double taxation of Canadian corporate dividends to taxable Canadian investors was eliminated with changes to tax law in 2006, yet the double taxation of Canadian corporate dividends through Canadian pension benefits remains. We believe it appropriate that double taxation of Canadian corporate dividends be eliminated. Further, we do not believe there is a problem with the trust structure with respect to pension funds investing; rather, the issue lies with the way Canadian corporate dividends are taxed in the hands of pension beneficiaries.

## Foreign Investors: American Investors Get Better Treatment

*Asymmetrical Treatment with a Bilateral Agreement*

We are not trying to be funny with the sub-heading; it is just the most succinct way to state what we have observed. Rather than delving into marginal versus realized tax rates, we decided to take a different tack in our analysis. We decided to compare how U.S. investors were treated by Canadian tax authorities on their investment in the Canadian trusts to how Canadian investors are treated by U.S. tax authorities on their investment in the U.S. trust equivalents – the REITs and the Master Limited Partnerships. One would expect that the underlying taxes and withholding taxes should be equivalent, as both sets of investors would be subject to the overriding Canada/U.S. Tax Treaty – the Treaty taking precedence over the local tax code. However, as we outline in Exhibit 5, the withholding taxes are in fact not symmetrical, rather they are asymmetrical, with U.S. investors in Canadian trusts obtaining preferential treatment relative to the Canadian investors in U.S. trust-like investments.

**Exhibit 5 – Taxation of Foreigners in Flow Through Entities**

| | | Canadians Investing in the U.S. | | | | Americans Investing in Canada | | |
|---|---|---|---|---|---|---|---|---|
| | | Corporation | Trust | Partnership | | Corporation | Trust | Partnership |
| **Business Income Before Tax** | | **$100** | **$100** | **$100** | | **$100** | **$100** | **$100** |
| Corporate Income Taxes | *34%* | **-34** | **0** | **0** | *34%* | **-34** | **0** | **0** |
| **Business Income After Tax** | | **$66** | **$100** | **$100** | | **$66** | **$100** | **$100** |
| **Distributioin to Investors** | | **$66** | **$100** | **$100** | | **$66** | **$100** | **$100** |
| **Withholding Taxes:** | ***U.S*** | | | | ***Cda*** | | | |
| Corporate Dividend | *15%* | -10 | | | *15%* | -10 | | |
| Public Partnership | *30%* | | -30 | | *15%* | | -15 | |
| Public Trust | *35%* | | | -35 | *15%* | | | -15 |
| **After Withholding Tax to Investor** | | **$56** | **$70** | **$65** | | **$56** | **$85** | **$85** |
| ***Effective Tax Rate:*** *after withholding taxes* | | **44%** | **30%** | **35%** | | **44%** | **15%** | **15%** |
| ***US Investor Advantage*** | | | | | | ***0%*** | ***21%*** | ***31%*** |

Source: Canadian Income Tax Act and RBC CM estimates

*Should there be Asymmetrical Treatment of Investor: No*

We do not believe that the economic results in Exhibit 5 should exist in a bilateral tax treaty. We believe Canadian investors in the U.S. should be treated the same as U.S. investors in Canada – this is one of the underlying principles of International Tax Treaties. So how could such a distortion happen? We do not believe it was by design that asymmetrical treatment occurred. The U.S. Tax Department identified the potential for foreign investors to receive pre-tax earnings from real estate investments, and to remedy this issue, specifically exempted publicly traded trusts from the Article that dealt with trust distributions, forcing the issue to be dealt with in the Article that taxes foreign branch operations in the U.S., thereby subjecting the distributions to a higher withholding tax rate – 30%. Canada did not make the same provision for public trust distributions. Additionally, for Canadians investing in Master Limited Partnerships (a U.S. flow through entity), Canadians (and foreigners) may be precluded from investing, or there are requirements for a 35% withholding tax rate, with the potential for filing a U.S. income tax return, or in some cases, foreign investors are not eligible for the distribution.

*Does Canada have Some Form of Foreign Investor Restrictions? Yes*

Foreign investors are precluded from investing in Canadian partnerships, for the reason that pre-tax earnings are to be first taxed by Canada on operations based in Canada. Canadian public partnerships exist, and those Partnerships do not have foreign investors. For a foreigner to invest in a Canadian partnership requires the establishment of a subsidiary Canadian corporation, which then could be subject to tax on its proportionate share of income. Publicly traded partnerships in Canada include: Creststreet Power, Epcore Power, Fort Chicago, Gaz Metropolitan, InterPipeline, Taylor NGL and TransAlta Power. There is therefore no preferential treatment for foreign investors in Canadian publicly traded partnerships, as investment is disallowed.

## Potential Solutions to the Two Issues

We believe any potential solution needs to address both of the issues outlined above. Regrettably, the Department of Finance's proposal only addresses the issue of foreign investors, and perpetuates the problem of double taxation of Canadian corporate dividends in the hands of pension beneficiaries. The Department of Finance's solution is to effectively eliminate publicly traded trusts. We believe there are two excellent proposals in the public domain, that when combined, solve both of the issues raised; allowing trusts to continue as a viable public vehicle by equalizing trust and corporate taxation. If two counter-proposals were enacted, there would be no economic difference between trusts and corporation; corporations would not need to convert into trusts to attain higher valuations, and trusts would not need to convert back to corporate form in order to effectively comply with the current Department of Finance proposed tax laws.

## The PricewaterhouseCoopers Proposal

Credited to PricewaterhouseCoopers because they clearly outlined the proposal recently (the proposal was a part of some the submissions to the Department of Finance in the 2005 White Paper process.) No matter, the PricewaterhouseCoopers proposal is an excellent idea. Utilizing existing sections of the Canadian Income Tax Act, the trusts would pay a "corporate tax" rate on distributions to investors, similar to the current Department of Finance proposals.

The significant difference between the Department of Finance and the PricewaterhouseCoopers tax proposal is that the PricewaterhouseCoopers proposal grants all Canadians a full tax credit for the taxes paid by the trust, whether or not the Canadian investor pays taxes or not. For Canadian Pension Funds and RRSPs, this would generate a tax refund. Foreign investors, not eligible for the tax credit, would be subject to withholding taxes in a manner and rate similar to corporate dividends. In Exhibit 6 adjacent, we outline the financial impact of the PricewaterhouseCoopers proposals utilizing proposed 2010 corporate tax rates and using marginal economics.

### Exhibit 6 – The PricewaterhouseCoopers Proposal

| | | Partnership and Trust | | |
|---|---|---|---|---|
| **Income Before Taxes** | | | $100 | |
| Corporate Income Taxes: | *32%* | | -32 | |
| **After Tax Available for Distribution** | | | $68 | |
| | | **Canadian Taxable Individual** | **Canadian Pension Investor** | **Foreign Investor 15%** |
| **Distributed to Investors** | | $68 | $68 | $68 |
| Distribution Tax Credit | | 32 | 32 | |
| **Taxable Income** | | $100 | $100 | $68 |
| **Individual Income Taxes:** | | | | |
| Taxed As Income | *46%* | -46 | | |
| **Foreign Investors:** | | | | |
| Foreign Withholding Taxes | *15%* | | | -10 |
| **After Tax to Investor** | | $54 | $100 | $58 |
| ***Effective Tax Rate*** | | *46%* | *0%* | *42%* |

Source: PricewaterhosueCoopers and RBC CM estimates

For those readers who think that Canadian Pension investors are "getting away without paying income taxes", we again remind you that Canadian Pension Funds do not pay income taxes, and that the income taxes will be collected from the beneficiaries who will pay full income taxes on funds distributed to them. The full $100 pension benefit will be taxed in a manner similar to the column for the Canadian Taxable Individual; there is no income escaping income tax in Canada.

*One Small Problem – Double Taxation of Canadian Corporate Dividends is not Remedied*

The only drawback with the PricewaterhouseCoopers proposal is that it does not remedy the double taxation of Canadian corporate dividends when passed through a Canadian Pension Plan to a beneficiary. To solve this issue, we move on to the Mintz proposal.

## The Mintz Proposal

Discussed in the past (see our daily commentary dated December 5, 2006, "***Business Trusts: Where to From Here?***"), but worth repeating over and over. Why, because it makes economic sense. The premise of the Mintz proposal is summed in the following rhetorical question; "Why do we need the trust structure, can we not achieve the same economics with the traditional corporate form?" The answer, through the Mintz proposal we can.

The idea behind the Mintz proposal is that corporations pay dividends from after-tax income, and just like the PricewaterhouseCoopers proposal, the taxes paid by the corporation are creditable to Canadian investors, generating a refund for those whose tax rate is less than the corporate tax rate. Understandably, the economics as outlined in Exhibit 7 are identical to the PricewaterhosueCoopers proposal. Again, the financial impact of the Mintz proposals was calculated utilizing proposed 2010 corporate tax rates and using marginal economics.

The key to the Mintz proposal is that Corporate dividends can only be paid from after-tax income, If tax has not been paid by the corporation, then corporate income taxes could be pre-paid.

### Exhibit 7 – The Mintz Proposal

| | | Corporations | | |
|---|---|---|---|---|
| **Income Before Taxes** | | | $100 | |
| Corporate Income Taxes: | *32%* | | -32 | |
| **After Tax Available for Distribution** | | | $68 | |
| | | **Canadian Taxable Individual** | **Canadian Pension Investor** | **Foreign Investor 15%** |
| **Distributed to Investors** | | $68 | $68 | $68 |
| Dividend Tax Credit | | 32 | 32 | |
| **Taxable Income** | | $100 | $100 | $68 |
| **Individual Income Taxes:** | | | | |
| Taxed As Income | *46%* | -46 | | |
| **Foreign Investors:** | | | | |
| Foreign Withholding Taxes | *15%* | | | -10 |
| **After Tax to Investor** | | $54 | $100 | $58 |
| ***Effective Tax Rate*** | | *46%* | *0%* | *42%* |

Source: Mintz and RBC CM estimates

## Structural Detente

By combining the PricewaterhouseCoopers and Mintz proposals, Canada reaches a structural détente, as structural form no longer generates independent economic benefits. If this appears to be some form of structural nirvana, we agree, it does. A structural truce is formed, and investors can focus on investments without concern about value differences driven by structure. In addition, we believe there would be no need for groups to seek specific exemption from the Department of Finance trust proposals; and no need for corporations to complain about trust preferential tax treatment. Corporations should never have complained about the trusts in the first place, the Corporations should have complained at how their Canadian shareholders were being taxed on the dividends paid. Strip away any economic deviation as a result of structural differences, and we are back to comparing the businesses based on their individual economics. This is where we ought to have been in the first place.

### What is Stopping The Department of Finance?

We believe the Department of Finance is well aware of the two proposals and their inherent benefits. We therefore believe that the PricewaterhouseCoopers and Mintz proposals were not integrated into the Department of Finance proposals due to economics reasons – they must believe the cost is too high to implement, though we have not the ability within the trust research group to run the economics of such policies. We do point out however, that the tax credit generated from the two proposals will be based on actually taxes paid, rather than based on notional taxes paid (we have already determined that effective tax rates for Canadian composite index corporations is approximately 16-20%, far below the current marginal tax rate of 35%.) With the tax credits being effectively fully funded by taxes first paid by the corporations or trusts, we believe the financial impact of the proposals would be less than one might believe at first blush. At any rate, if we want a fair tax system, the double taxation of Canadian investors should be eliminated. We believe a study of the costs of the combined proposals would be worthy of the time and effort required.

### Phase in This in Four Years Instead

We believe that the phasing in of the PricewaterhouseCoopers and Mintz proposals in 2011 rather than the current proposals would go a long way to restoring faith in the Canadian capital markets, provide fairness to all investors, and would mitigate the need to abandon the trust structure, yet negate the need for corporate conversions to trust form. We believe the detractors of the trusts should carefully review the recommendations outlined in this report, we believe they will be surprised at the results. We cannot understand who in Canada would support a system of taxation that double taxes the pension benefits provided by Canadian corporate dividends, except maybe those Canadians who do not need to worry about their pensions because they are effectively underwritten by the Canadian taxpayer.

### What is Double Taxation?

Common belief is that if an income stream is taxed more than once then the income is subject to double taxation. Sounds simple, but we believe this is an inaccurate description of double taxation, and leads to confusion. We believe double taxation occurs if the aggregate taxes paid at the entity level and at the investor level *exceeds* the taxes that would have been paid if the income had been received directly by the investor.

We believe a small example may be in order. Assume you receive interest payments from an investment in the U.S. that total Cdn $1,000 annually. If you were to receive the interest payment directly, without any taxes levied prior to you receiving the interest, you would pay income taxes on that interest at your marginal income tax rate – let’s assume that rate is 46%. After tax you would have in your hands $540. If, because of various taxes you were to end up with less than $540 after-tax, you would have a right to complain that you had been subject to double taxation. It would not matter to you if five or fifty layers of tax had been levied on the Cdn$1,000 of interest income, just as long as after all taxes are paid you end up with $540.

Double taxation is NOT dependent on how many times tax has been levied on the income stream; it is dependent on how much after-tax income remains with the investor. A fully integrated taxation system will eliminate double taxation, typically through a system of income gross-ups and tax credits. Canada is close to having a fully integrated tax system, and we believe such a system is a desired goal for all Canadian investors, whether you are investing your capital or your time.

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