THE FOREIGN AFFILIATE FRESH START RULES

Jerry Mahnger and Susan McKilligan***

This article discusses the policy behind the fresh start rules and reviews the proposed amendments to the rules. If the recommendations of the Advisory Panel on Canada’s System of International Taxation are adopted, there should be a greater focus on the characterization of income as foreign accrual property income or active business income, resulting in an even greater focus on the application of the fresh start rules. The authors highlight some of the issues and anomalies contained in the proposed amendments and suggest further changes to address these matters.

KEYWORDS: FOREIGN AFFILIATES ▪ INVESTMENT INCOME ▪ FAPI ▪ BUSINESS ▪ ACTIVE ▪ AMENDMENTS

* Of PricewaterhouseCoopers LLP, Vancouver.
** Of PricewaterhouseCoopers LLP, Toronto.
*** Of PricewaterhouseCoopers LLP, Vancouver (e-mail: susan.mckilligan@ca.pwc.com; jerry.mahnger@ca.pwc.com). The authors would like to thank William Holms and Michael Shields of PricewaterhouseCoopers LLP, Vancouver, and Wallace Conway of PricewaterhouseCoopers LLP, Toronto, for their comments in the preparation of this article.