

## Minister of Finance Releases Rules for Income Trust Conversions

JOHN LORITO, SIMON ROMANO, JEFFREY SINGER AND JOEL BINDER

On July 14, 2008 the Minister of Finance released draft legislative proposals that implement certain measures from the 2008 federal Budget together with certain previously announced tax changes including certain proposals to amend the rules relating to specified investment flow-through (“SIFT”) trusts and partnerships that were announced in December 2007. In addition, the proposals contain the rules for allowing a SIFT trust to convert into a publicly traded corporation without adverse consequences for the trust or its unitholders.

The SIFT conversion rules generally allow the unitholders of a SIFT trust to transfer their units of the trust to a corporation in exchange for shares of the corporation on a tax deferred basis. While such a transfer is possible under the current rules in the *Income Tax Act*, the new rules allow this tax deferred transfer to be effected without the need for a joint election to be filed by the unitholder and the corporation. In addition, the new rules will allow the trust and its subsidiary trusts to be subsequently wound up into the corporation without adverse tax consequences and will permit the flow-through of certain tax attributes of the trust and its subsidiary trusts to the corporation. Alternatively, a SIFT trust (or a subsidiary trust of a SIFT trust) whose only asset is shares of a taxable Canadian corporation may wind-up and distribute the shares of the corporation to its beneficiaries on a tax deferred basis.

The SIFT conversion rules will apply to conversions that are effected after July 14, 2008 and before 2013 and, on election, may also apply to conversions occurring after December 20, 2007 and prior to July 14, 2008.

For further information please contact your Stikeman Elliott representative, one of the authors listed above or any member of our Securities Group listed at [www.stikeman.com](http://www.stikeman.com)

**“Canadian Law Firm  
of the Year”**

IFLR 2007  
CHAMBERS GLOBAL 2006

This newsletter was prepared by members of the Securities Group at Stikeman Elliott.