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The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

January 30, 2014

Department of Finance Canada
Tax Policy Branch
140 O'Connor Street
Ottawa, ON K1A 0G5

Attention: James Robertson

Dear Sirs/Mesdames,

Re: Examination of the GST/HST Treatment of Financial Services

The Association of Canadian Pension Management is the informed voice of Canadian retirement income plan sponsors, administrators and their allied service providers. We are a non-profit organization and our objective is to advocate for an effective and sustainable Canadian retirement income system. Our membership represents over 400 retirement income plans consisting of more than 3 million plan members, with assets under management in excess of \$330 billion.

The ACPM promotes its vision for the development of a world-leading retirement income system in Canada by championing the following Guiding Principles:

- Clarity in legislation, regulations and retirement income arrangements;
- Balanced consideration of other stakeholders' interests; and
- Excellence in governance and administration

We appreciated the opportunity to meet with you and your team on November 29, 2013 in Toronto. We were pleased to get an update on the Department's review of the application of the GST/HST to financial services. As requested, this letter sets out our further views on the application of the GST/HST to pension plans and, in particular, responds to the questions raised in your hand-out dated November 25, 2013.

1. In-house Bias

In-house bias is an issue for pension plans. Pension plans that perform functions internally are taxed at a lower rate than pension plans that outsource those functions. This tends to favour larger pension plans, which have a greater capacity to hire internal resources to manage the administration and investment of the pension plan and its assets. This bias could be alleviated by increasing the rebate available to the pension plan.

2. Policy Exception for Retirement Income

We have previously raised with you the broader policy issue that imposing GST/HST on pension plans goes against the stated government policy of encouraging retirement savings

3. Group Relief

Pension plans that invest through pension investment corporations or pension real estate corporations remain at a disadvantage under the GST/HST rules. Such corporations are not treated as pension entities and are thus not eligible for the rebate available to pension entities. In our view, that is a gap in the current rules, and we see no reason from a policy perspective why these corporations are not treated the same as pension entities. Accordingly, we recommend that such corporations be included as pension entities for the purposes of the GST/HST rules.

4. *De Minimis* Thresholds

We support higher *de minimis* thresholds. In our view the amount of tax payable should always substantially exceed the costs of calculating and remitting the tax and complying with the tax rules. We applaud changes announced in the March 22, 2013 budget that created thresholds for relief from deemed supplies made by employers to pension plan and argue that thresholds should be created or increased for qualifying small investment plans and for determining a pension plan to be a Selected Listed Financial Institution as examples.

5. Other Issues

We attach a copy of our letter to you of December 11, 2012. With the exception of item 12 (which has been dealt with), we re-state our comments made in that letter.

Thank you again for the opportunity to meet with you. We would be delighted to meet again or answer any additional questions you may have. In particular, we are willing to provide further information on the structure and operation of pension plans and their investment vehicles.

Sincerely



Bryan D. Hocking
Chief Executive Officer