

**CAIF**CANADIAN ASSOCIATION  
OF INCOME FUNDSL'ASSOCIATION CANADIENNE  
DES FONDS DE REVENU**ACFR**

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## **CAIF MOBILIZES MEMBERSHIP TO OPPOSE GOVERNMENT'S TAX CHANGES**

Calgary, October 15, 2004 – Members of the Canadian Association of Income Funds (CAIF) are mobilizing their membership to oppose new changes to the federal tax law. Specifically, CAIF is concerned with changes that will restrict the ability of income trusts to access capital from foreign investors by placing a cap of 50% on foreign ownership of mutual fund trusts. The budget also implemented a change requiring a 15% withholding tax on all income trust distributions paid to non-residents.

“This is a major shift in investment policy towards the trust industry,” said Stephen Probyn, Chairman of CAIF, and President and CEO of Clean Power Income Fund. “We are very disturbed by these legislative changes because they pose a severe challenge to income trusts which require access to foreign markets to attract the significant capital required to expand and undertake new projects”, he said.

George Kesteven, of PrimeWest Energy and Chair of CAIF's Non-Resident Committee agrees. “Both Canadian unitholders and Canadian income trusts benefit from access to global capital markets. Today, energy trusts in particular require increasing amounts of capital to continue to develop Canada's oil and natural gas reserves including capital intensive projects such as Oils Sands recovery.

Margaret Lefebvre, Executive Director of CAIF argues that the foreign ownership restriction is unnecessary given the full implementation of a 15% withholding tax. “The government's concern appears to be “tax leakage” however this issue has essentially been neutralized now that all distributions paid to non-residents are subject to a withholding tax. This should increase government revenues by \$83 million or more.”

The Toronto Stock Exchange reported that the market capitalization of income trusts at \$124.4 billion as of June 2004. In 2003 Income funds accounted for over 80% of IPOs in Canada.

In its submission to the Minister of Finance, CAIF is asking the government to withdraw clauses in the legislation that impose foreign investment limits pending further consultation. “We are asking the government to participate in an open public consultation process so that all impacted industry stakeholders and investors can be heard on this major change of Canadian public policy,” said Probyn.

### **For Background Information Contact:**

**Ruth Abrahamson, CAIF (416) 494-1440 ext. 231 or go to [www.caif.ca](http://www.caif.ca)**

For Comment:

**Montreal: Margaret Lefebvre, CAIF Executive Director, (514) 935-4131**

**Toronto: Stephen Probyn, CAIF Chairman (416) 777-2800 ext. 224**

**Calgary: George Kesteven, PrimeWest Energy (403) 699-7367**

**Attachments: CAIF Fact Sheet, Submission on Draft Budget 2004 Legislation**

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