



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

NEWS RELEASE

For immediate release

Income trust tax proposal: Investment Industry Association of Canada gives government good grades on intentions but low scores on mechanics

November 1, 2006 (Toronto, Ontario) – The Investment Industry Association of Canada believes that the remedial tax measures on income trusts announced yesterday by Finance Minister Flaherty will have an adverse impact on Canadian investors and Canada’s capital markets that is out of proportion with concerns the Minister sought to address. The changes were intended to deal with the loss of current tax revenue and the significant increase in firms converting to income trusts that are ill-suited for such a structure.

“Income trusts, as high-yield equity investments, have offered Canadians an alternative to complement their portfolio holdings,” said Ian Russell, President and CEO of the Investment Industry Association.

“The big losers, as a result of today’s announced changes, are Canadian investors who already today have seen their investment portfolios erode. We expect to see a drop-off in market value of several billion dollars – an amount that well exceeds the tax loss that the new government is trying to address.”

The Investment Industry Association is further concerned that the proposed measures will hamper the future viability of the income trust instrument. Income trusts offer certain issuers an alternate vehicle to raise capital. They have also been an effective instrument for venture capital investors to finance select firms in the crucial phase between start-up and listing on Canadian exchanges.

The growth of income trusts has its origin in an inefficient tax system. The government has taken positive steps to improve the neutrality of the tax system. However, the current Canadian tax system limits the ability of Canadian businesses to be as productive as they need to be to grow and operate successfully in a competitive global economy. The Association continues to advocate for lower taxes on capital and looks forward to working with the Minister of Finance and his officials to explore ways to promote investment and growth in Canada.

- 30 -

The Investment Industry Association of Canada (IIAC), formerly the industry association arm of the Investment Dealers Association of Canada (IDA), advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, the Investment Industry Association has a mandate to promote efficient, fair and competitive capital markets for Canada while helping its member firms across the country succeed in the industry.

For more information:

Annie Côté-Kennedy
Director, Public Affairs
Investment Industry Association of Canada
Tel: (416) 687-5474
E-mail: acotekennedy@iiac.ca