
INTERNATIONAL TAX PLANNING

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SALE OF PROPERTY AND PARAGRAPH 95(2)(a.1)

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Paragraph 95(2)(a.1) of the Income Tax Act is a base erosion rule that was introduced to remove the potential tax incentive of setting up foreign affiliates to carry out certain purchase and sale activities. The provision is broadly worded, capturing many regular business transactions. This article describes how paragraph 95(2)(a.1) operates, identifies interpretive and practical issues that result from the broad wording, and suggests possible changes to address the issues.

KEYWORDS: ANTI-AVOIDANCE ■ FAPI ■ SALE ■ PROPERTY ■ DESIGNATED ■ OFFSHORE

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