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NEW CANADIAN BRANCH BANKING RULES FOR FOREIGN BANKS: OPPORTUNITIES AND ISSUES

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Liberalization of Canada's regulatory regime will open new opportunities for foreign banks by permitting them to operate in Canada through branches. On August 8, 2000, the Department of Finance released draft legislation and explanatory notes outlining a number of tax changes that will apply to branch bank operations, as well as a number of important transitional provisions to accommodate the tax-deferred transfer of a subsidiary's bank business to a branch operation.

In this article, the authors examine some of the issues associated with such a transfer and the effect of the draft proposals on the taxation of a foreign bank's Canadian branch and the conversion of a subsidiary to a branch operation.

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