



1200 G Street, N.W., Suite 300
Washington, D.C. 20005-3814
202.638.5601
tei.org

2018-2019 OFFICERS

JAMES P. SILVESTRI
President
PCS Wireless
Florham Park, NJ

KATRINA H. WELCH
Sr. Vice President
Texas Instruments Incorporated
Dallas, TX

JAMES A. KENNEDY
Secretary
OppenheimerFunds, Inc.
Denver, CO

MITCHELL S. TRAGER
Treasurer
Georgia-Pacific LLC
Atlanta, GA

BRIAN MUSTARD
Vice President, Region I
BCE, Inc.
Montreal, QC

KIMBERLY M. PEPE
Vice President, Region II
Lighthouse Management Services, LLC
New York, NY

GREGORY STAY
Vice President, Region III
Ahold USA, Inc.
Quincy, MA

EVAN G. ERNEST
Vice President, Region IV
Toll Brothers, Inc.
Horsham, PA

CRAIG SCHMIDTGESLING
Vice President, Region V
Givaudan Flavors Corporation
Cincinnati, OH

JOHN A. MANN
Vice President, Region VI
Abbott Laboratories
Abbott Park, IL

KRISTINE M. ROGERS
Vice President, Region VII
Love's Travel Stops & Country Stores, Inc.
Oklahoma City, OK

DINA ARMSTRONG
Vice President, Region VIII
Swedish Match North America Inc.
Richmond, VA

JENNIFER K. BOWERS
Vice President, Region IX
Fortive Corporation
Everett, WA

LINDA S. KIM
Vice President, Region X
The Wonderful Company
Los Angeles, CA

ANNA THEEUWES
Vice President, Region XI
Shell International B.V.
Netherlands

ELI J. DICKER
Executive Director

W. PATRICK EVANS
Chief Tax Counsel

May 29, 2019

Mr. Carlos Achadinha
Legislative Chief
Sales Tax Division, Tax Policy Branch
Finance Canada
90 Elgin Street,
Ottawa, Ontario K1A 0G5

Re: Changes to the GST/HST Joint Venture Election

Dear Mr. Achadinha:

In the February 11, 2014 Federal Budget (“Budget 2014”), the Government of Canada (the “Government”) announced its intention to propose new joint venture election measures under section 273 of the Excise Tax Act (“ETA”). Tax Executives Institute (“TEI”) welcomes efforts of the Department of Finance (“Finance”) to expand the election and looks forward to participating in the Government’s consultation process.

About Tax Executives Institute

TEI is the preeminent international association of in-house tax professionals worldwide. The Institute’s nearly 7,000 professionals manage the tax affairs of over 3,000 of the leading companies across all industry sectors in North America, Europe, and Asia. Canadians constitute approximately 15 percent of TEI’s membership.

Joint Venture Election

Section 273 of the ETA permits participants in a joint venture to elect for one participant, the “operator,” to be responsible for the GST/HST obligations of the entire joint venture. This election, however, is currently limited to the exploration or exploitation of mineral deposits and joint ventures engaged in activities prescribed by regulation, which primarily includes certain activities in the natural resources sector.



Connect. Engage. Impact.

May 29, 2019

Page 2

Participants in all other joint ventures must account for GST/HST individually according to their pro rata shares of the joint venture's activities.

Budget 2014 announced the Government's intention to expand the availability of the election to all joint ventures engaged exclusively in commercial activities, provided that all the participants of the joint venture were also engaged exclusively in commercial activities. However, despite repeating this intention to expand the election in later budgets, the Government has yet to release draft legislation.¹

As indicated in its July 18, 2014, letter to Finance and the Canadian Revenue Agency ("CRA") (attached), TEI supports Finance and CRA in expanding the availability of the election to all joint ventures, as it will significantly ease the GST/HST compliance burden for businesses with joint venture operations in Canada. TEI also proposes that Finance retain the current joint venture election practice of not requiring the filing of the joint venture election. This practice has stood the test of time since implemented in 1992 and minimizes the administrative burden for both taxpayers and CRA.

TEI would like to express its thanks again to Finance for its dedication to an ongoing and productive dialogue with business stakeholders. To the extent that Finance has concerns regarding the appropriate scope of participants eligible for the joint venture election, TEI welcomes the opportunity to provide input on industries that particularly need this election and/or to address Finance's concerns regarding how the election would apply for certain industries. TEI looks forward to working with Finance to assist with transition rules and other issues that may arise as they implement changes to the joint venture election rules.

This letter was prepared under the aegis of the Institute's Canadian Commodity Tax Committee, whose chair is Chantal Groulx. If you have questions, please call Ms. Groulx at 514.399.7877 or Chantal.Groulx@cn.ca.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James Silvestri', is written over a light blue horizontal line.

Tax Executives Institute, Inc.
James Silvestri
International President

¹ Parliament confirmed its Budget 2014 intention in each of the Budgets from 2015-2019.



TAX EXECUTIVES INSTITUTE, INC.

2013-2014 OFFICERS

TERILEA J. WIELENGA
President

Allergan, Inc.
Irvine, California

MARK C. SILBIGER
Senior Vice President
The Lubrizol Corporation
Wickliffe, Ohio

C. N. (SANDY) MACFARLANE
Secretary
Chevron Corporation
San Ramon, California

JANICE L. LUCCHESI
Treasurer
Akzo Nobel Inc.
CHICAGO, ILLINOIS

SHIRAZ J. NAZERALI
Vice President-Region I
Devon Canada Corporation
Calgary, Alberta

THOMAS V. MAGALDI
Vice President-Region II
Pearson Inc.
Upper Saddle River, New Jersey

TIMOTHY R. GARAHAN
Vice President-Region III
Unifirst Corporation
Wilmington, Massachusetts

BRUCE R. THOMPSON
Vice President-Region IV
Nationwide Insurance Company
Columbus, Ohio

RITA M. MAKARIS
Vice President-Region V
Skidmore, Owings, & Merrill LLP
CHICAGO, ILLINOIS

SUSAN K. MUSCH
Vice President-Region VI
AEI SERVICES LLC
HOUSTON, TEXAS

WALTER B. DOGGETT, III
Vice President-Region VII
E*TRADE Financial Corporation
Arlington, Virginia

DONALD J. RATH
Vice President-Region VIII
Symantec Corporation
Mountain View, California

CHRISTER T. BELL
Vice President-Region IX
LEGO System A/S
Billund, Denmark

ELIJAH DICKER
Executive Director

W. PATRICK EVANS
Chief Tax Counsel

July 18, 2014

Please Respond To:
Shiraz Nazerali
Director, Tax
Devon Canada Corporation
403 – 3rd Avenue S.W., Suite 2000
Calgary, Alberta T2P 4H2
403.213.8125
shiraz.nazerali@dvn.com

Mr. Carlos Achadinha
Legislative Chief
Department of Finance,
L'Esplanade Laurier, East Tower, 16th Floor
140 O'Connor Street,
Ottawa, Ontario K1A 0G5

Ms. Danielle Laflèche
Director General, Legislative Policy and Regulatory Affairs Branch
Place de Ville, Tower A, 14th Floor
320 Queen Street,
Ottawa, Ontario K1A 0L5

Re: Changes to GST/HST Joint Venture Election

Dear Mr. Achadinha and Ms. Laflèche,

In the February 11, 2014 Federal Budget, the Government of Canada (the "Government") announced welcome changes to the joint venture election in section 273 of the *Excise Tax Act* ("ETA"). Tax Executives Institute ("TEI") commends both the Department of Finance ("Finance") and the Canada Revenue Agency ("CRA") for their extensive efforts in developing and crafting this expansion of the joint venture election that will allow most businesses to access the GST/HST simplification benefits of the election. We also look forward to participating in the consultation process once the Government releases its specific legislative drafts for review and comment later this year.

TEI is the preeminent international association of in-house tax professionals worldwide. The Institute's nearly 7,000 professionals manage the tax affairs of more than 3,000 of the leading companies across

all industry sectors in North America, Europe, and Asia. Canadians constitute approximately fifteen-percent of TEI's membership, with our Canadian members belonging to chapters in Calgary, Montreal, Vancouver, and Toronto (which is TEI's largest chapter). TEI members must contend daily with the planning and compliance aspects of Canada's business tax laws.

The joint venture election in section 273 of the ETA permits one participant in a joint venture to be responsible for the GST/HST obligations of the entire joint venture. This election, however, is currently limited to the exploration or exploitation of mineral deposits or joint ventures engaged in activities prescribed by regulation, which include primarily certain activities in the natural resources sector. Participants in all other joint ventures must account for GST/HST individually according to their pro rata shares of the joint venture's activities. The Federal Budget proposes expanding the availability of the election to all joint ventures engaged exclusively in commercial activities where all participants of the joint venture are also engaged exclusively in commercial activities. The budget proposal strikes an appropriate balance between increased administrative efficiency and the need to minimize compliance risks. TEI welcomes these new rules, as they will significantly ease the GST/HST compliance burden for businesses with joint venture operations in Canada.

TEI, especially its Canadian Commodity Tax Committee, has worked collaboratively with both Finance and CRA over the years on this issue, and this announcement provides evidence of the benefits of those collaborative efforts. TEI acknowledges the significant time that Finance takes to complete its extensive due diligence whenever a legislative change is contemplated, and we were pleased to offer our support and input to Finance throughout its work on this file. Finance's dedication and willingness to engage in substantive tax policy discussions shows that by working together we can achieve a better-aligned tax regime.

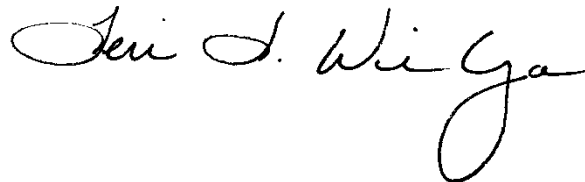
The Federal Budget also announced a new requirement for taxpayers to file section 156 elections with the tax authorities that deem supplies between closely related persons to be for nil consideration. While no such requirement currently exists under section 273, this change in approach for the nil consideration provision raises concerns about the possibility that mandatory joint venture elections in a similar manner could be adopted in the future. TEI is hopeful that the current joint venture election regime as introduced by Minister Otto Jelinek in 1992 will continue to stand the test of time, as it minimizes the administrative burden for taxpayers and CRA.

The determination of eligibility of the joint venture activity can only be discovered during the course of a CRA GST/HST audit or review, in which a registrant must produce evidence to substantiate its eligibility for relief. In an economic environment of increasing costs and decreasing resources, both governments and business are striving for greater productivity and efficiency. Requiring taxpayers to file a prescribed form to elect application of the section 273 joint venture provisions would not benefit the Government or taxpayers, and may run contrary to the Government's commitments under the *Red Tape Reduction Policy of Economic Action Plan 2014*.

TEI would like to express its thanks again to Finance and CRA for their dedication to an ongoing and productive dialogue with business stakeholders and looks forward to working together in the near future to provide assistance with transition rules and other issues that may arise as the changes to the joint venture election rules are implemented.

This letter was prepared under the aegis of the Institute's Canadian Commodity Tax Committee, whose chair is Robert Smith. The incoming chair of the Committee is Richard Taylor. Should you have any questions, please do not hesitate to call Mr. Smith at 514.832.8198 (or Robert.Smith@mckesson.ca) or Mr. Taylor at 416.935.2568 (Richard.Taylor@rci.rogers.com) or Shiraz Nazerali, TEI's Vice President for Canadian Affairs, at 403.213.8125 (or shiraz.nazerali@dvn.com).

Respectfully submitted,
Tax Executives Institute, Inc.



Terilea J. Wielenga
International President

cc: Shiraz Nazerali, TEI Vice President for Canadian Affairs
Paul Magrath, incoming TEI Vice President for Canadian Affairs
Robert Smith, Chair of TEI's Canadian Commodity Tax Committee
Richard Taylor, incoming Chair of TEI's Canadian Commodity Tax Committee