

## CCH Tax Notes – October 2011

### Partnership Anti-Deferral Rules — The Clock is Ticking

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On August 16, the Department of Finance released detailed draft legislation relating to the partnership anti-deferral rules, as originally announced in the 2011 federal Budget. These proposals—which apply to corporate partners with significant interests in downstream partnerships—are designed to eliminate the deferral of corporate tax resultant from partnership fiscal periods that end after the year end of the partner, with transitional relief available for qualifying taxpayers. While the proposals relating to single-tier partnerships are reminiscent of the pre-existing rules for professional partnerships and the like, tiered partnerships are considerably more complicated, and may require both an “alignment” of fiscal periods of the partnerships themselves (i.e., so that all of the partnerships have the same fiscal period), and a stub-period determination of additional income at the partner level.

On June 6, the CRA announced that taxpayers who enter into joint venture arrangements will no longer be eligible to compute income as if the joint venture had a separate year end, and that transitional relief similar to the partnership anti-deferral proposals would be available. As it is our understanding that the joint venture rules would be applicable to joint venturers with year ends after the date of announcement, we are hopeful that further information will be forthcoming shortly.

The clock is ticking on compliance with these proposals. Filing deadlines have already occurred and will continue in coming months. The single-tier partnership rules apply for partners' taxation years ending after March 22, 2011. Year-end alignment elections may be a golden opportunity to simplify financial reporting for partnership structures. But they must be filed by the earliest tax filing deadline for the first tax year ending after March 22, 2011 for any corporation that is a member of a partnership, including partnerships in a multi-tier partnership structure.<sup>1</sup> (In a multi-tier partnership, stub period accruals by partners are required in the first taxation year in which the fiscal period is aligned under a multi-tier alignment agreement.)

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**Notes:**

<sup>1</sup> See proposed subparagraph 249(10)(a)(ii).