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CANADA REVENUE AGENCY / FINANCE / IRS PANEL DISCUSSION

Moderator: **Steven Hannes**, McDermott Will & Emery

Panelists: **Fred O'Riordan**, Canada Revenue Agency
Brian Ernewein, Finance Canada
Frank Y. Ng, Deputy Commissioner (International), IRS
John Harrington, Acting International Tax Counsel, U.S. Department of the Treasury

The panel will address various issues, including matters relevant to competent authority proceedings. In connection with the latter, please see the enclosed statistics from the Canada Revenue Agency (CRA) and the Internal Revenue Service (IRS).

**CANADA REVENUE AGENCY
INTERNATIONAL AND LARGE BUSINESS DIRECTORATE
COMPETENT AUTHORITY SERVICES DIVISION**

**Section 1
ACCEPTED AND COMPLETED MAP CASES**

<i>Fiscal Year</i>	<i>Negotiable*</i>		<i>Non-negotiable**</i>		<i>Total</i>	
	<i>Accepted</i>	<i>Completed</i>	<i>Accepted</i>	<i>Completed</i>	<i>Accepted</i>	<i>Completed</i>
2001-2002	94	58	68	65	162	123
2002-2003	91	77	103	116	194	193
2003-2004	97	105	142	128	239	233
2004-2005	78	107	176	193	254	300
2005-2006	76	77	212	216	288	293
2006-2007	69	65	204	201	273	266

*Negotiable cases involve a request requiring discussions with another tax administration in order to resolve a treaty issue.

**Non-negotiable cases involve agreements and issues between Canada's Competent Authority and a taxpayer, and do not involve another tax administration.

**Section 2
AVERAGE # OF DAYS TO COMPLETE MAP NEGOTIABLE CASES**

<u>FISCAL YEAR</u>	<u>CANADIAN INITIATED</u>	<u>FOREIGN INITIATED</u>
2003-2004	709	653
2004-2005	676	532
2005-2006	663	931
2006-2007	775	722

**Section 3
COMPETENT AUTHORITY RELIEF
PERCENTAGE OF COMPLETED MAP NEGOTIABLE CASES**

	<u>2003-04</u> (105 cases)	<u>2004-05</u> (107 cases)	<u>2005-06</u> (77 cases)	<u>2006-07</u> (65 cases)
Full relief	92%	80%	91%	92%
Partial relief	5%	6%	5%	2%
No relief	3%	14%	4%	6%
Total	100%	100%	100%	100%

(OVER)

**CANADA REVENUE AGENCY
INTERNATIONAL AND LARGE BUSINESS DIRECTORATE
COMPETENT AUTHORITY SERVICES DIVISION**

**Section 4
INVENTORY – ADVANCE PRICING AGREEMENTS**

FISCAL YEAR	CASES RECEIVED***	CASES DISPOSED	YEAR END INVENTORY***
2001-02	13	5	37
2002-03	15	15	37
2003-04	17	17	37
2004-05	14	18	33
2005-06	16	10	39
2006-07	15	9	45

***The numbers in columns of "Cases received" and "Year-end Inventory" are restated to take into account cases withdrawn in 2006-2007 year.

**Section 5
AVERAGE # OF DAYS TO PROCESS ADVANCE PRICING AGREEMENTS
(BASED ON CASES CLOSED IN THE FISCAL YEAR)**

FISCAL YEAR	TO DEVELOP POSITION	IN NEGOTIATION	TO CLOSE
2003 - 2004	404	165	466
2004 - 2005	272	210	244
2005- 2006	623	374	217
2006- 2007	393	249	302

(OVER)

**INTERNAL REVENUE SERVICE
DEPUTY COMMISSIONER (INTERNATIONAL)
LARGE and MID-SIZE BUSINESS DIVISION
COMPETENT AUTHORITY STATISTICS**

Section 1

SUMMARY OF YEAR END INVENTORY

Includes Allocation (A), Non Allocation (N), Limitation on Benefits (L) and Advance Pricing Agreement (P) Cases.

FISCAL YEAR	CASES RECEIVED	CASES DISPOSED	YEAR END INVENTORY
2002	212	228	483
2003	208	227	464
2004	204	201	467
2005	208	251	424
2006	240	234	430

Section 2

PROCESSING TIME ON CLOSED CASES (AVERAGE DAYS)

Includes case types A, N & L only. Refer to Section 9 for Advance Pricing Agreement cases.

FISCAL YEAR	US INITIATED	FOREIGN INITIATED	COMBINED
2002	864	750	804
2003	805	784	790
2004	994	852	905
2005	770	851	817
2006	646	756	722

Section 3

**COMPETENT AUTHORITY RELIEF
FY 2002 through FY2006**

Includes Allocation and Non-allocation cases only. Figures represent a percentage of the total dollar adjustment. Amounts do not include taxpayer withdrawals.

RELIEF	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>5-Year Average FY 2002 - FY 2006</u>
Correlative Adjustment	40.74%	36.55%	28.68%	50.59%	53.80%	42.01%
Adjustment Withdrawn	29.15%	55.32%	64.36%	37.62%	28.60%	43.01%
Partial Relief	29.10%	5.73%	2.30%	9.56%	4.42%	10.22%
No Relief	1.01%	2.40%	4.66%	2.22%	13.18%	4.76%

**INTERNAL REVENUE SERVICE
DEPUTY COMMISSIONER (INTERNATIONAL)
LARGE and MID-SIZE BUSINESS DIVISION
COMPETENT AUTHORITY STATISTICS**

Section 4

INVENTORY – ALLOCATION CASES ONLY

FISCAL YEAR	US INITIATED		FOREIGN INITIATED		YEAR END INVENTORY
	RECEIVED	DISPOSED	RECEIVED	DISPOSED	
2002	31	60	63	44	223
2003	28	29	68	62	228
2004	23	35	63	66	213
2005	34	47	75	76	199
2006	31	38	78	94	176

Section 5

PROCESSING TIME ON CLOSED ALLOCATION CASES (AVERAGE DAYS)

FISCAL YEAR	US INITIATED	FOREIGN INITIATED	COMBINED
2002	949	946	948
2003	986	801	860
2004	1105	855	941
2005	942	784	845
2006	634	797	750

**INTERNAL REVENUE SERVICE
DEPUTY COMMISSIONER (INTERNATIONAL)
LARGE and MID-SIZE BUSINESS DIVISION
COMPETENT AUTHORITY STATISTICS**

Section 6

**INVENTORY – NON ALLOCATION CASES (N)
and LIMITATION ON BENEFITS (L)**

FISCAL YEAR	US INITIATED RECEIVED/DISPOSED		FOREIGN INITIATED RECEIVED/DISPOSED		YEAR END INVENTORY
2002	15	21	42	48	113
2003	24	16	50	50	121
2004	22	27	42	40	118
2005	24	41	33	45	89
2006	19	23	41	42	84

Section 7

**PROCESSING TIME ON CLOSED NON-ALLOCATION CASES (N)
and LIMITATION ON BENEFITS (L) (AVERAGE DAYS)**

FISCAL YEAR	US INITIATED	FOREIGN INITIATED	COMBINED
2002	622	573	587
2003	478	763	694
2004	851	848	849
2005	572	963	777
2006	631	662	651

**INTERNAL REVENUE SERVICE
DEPUTY COMMISSIONER (INTERNATIONAL)
LARGE and MID-SIZE BUSINESS DIVISION
COMPETENT AUTHORITY STATISTICS**

Section 8

INVENTORY – ADVANCE PRICING AGREEMENTS

FISCAL YEAR	CASES RECEIVED	CASES DISPOSED	YEAR END INVENTORY
2002	61	55	147
2003	38	70	115
2004	54	33	136
2005	42	42	136
2006	71	39	168

Section 9

PROCESSING TIME ON ADVANCE PRICING AGREEMENTS

FISCAL YEAR	AVERAGE DAYS IN TAX TREATY OFFICE	TOTAL TIME TO CLOSE AN APA
2002	484	951
2003	510	1001
2004	791	1254
2005	783	1265
2006	599	1103